



Australian Government
Department of Agriculture
and Water Resources

Annual report 2017–18



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Australian Government
Department of Agriculture
and Water Resources

SECRETARY

Ref: EC18-00292

The Hon. David Littleproud MP
Minister for Agriculture and Water Resources
Parliament House
Canberra ACT 2600

Dear Minister

I present the annual report for the Australian Government Department of Agriculture and Water Resources for the year ended 30 June 2018.

Section 46 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) requires that I provide you with an annual report for presentation to the Parliament. This annual report also presents the department's annual performance statements in accordance with section 39(1) (a) of the PGPA Act, and the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule).

In accordance with section 10 of the PGPA Rule, I certify that the department has:

- prepared fraud risk assessments and fraud control plans;
- in place appropriate fraud prevention, detection, investigation, reporting and data collection procedures and processes to meet its needs; and
- taken all reasonable measures to minimise the incidence of fraud in our agency and to investigate and recover the proceeds of fraud.

I am pleased to present our annual report to you and acknowledge the efforts of our staff in delivering the department's strategic objectives in 2017–18.

Yours sincerely

Daryl Quinlivan

12 September 2018

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Part 1

Overview



Secretary's review

Welcome to the *Department of Agriculture and Water Resources annual report 2017–18*. The report highlights our significant achievements this year and looks at our key priorities for 2018–19. The annual performance statements within this report provide an account of our organisation's performance against our key priorities and objectives.

Australia's primary industries had a successful year with total agricultural production for 2017–18 estimated at \$65.7 billion. We support primary industries by delivering policies, regulation, programs and services that enable primary producers to be more productive, compete better in domestic and international markets, and make their businesses more profitable and resilient. We work to sustain the natural resource base that producers rely on and that is such an important part of Australia's identity and amenity.

Building successful primary industries

The Rural Research and Development for Profit program has provided \$114.7 million in grants over the first three rounds, matched by almost \$170 million in cash and in-kind contributions. A mid-term evaluation of the program showed positive impacts in strengthening our research and development adoption and capability. On behalf of Australia's primary industries, we collected and disbursed around \$520 million in levies to fund research and development corporations. The cost recovered administration expenses totalled \$4.6 million which was below the 1.2 per cent target set in our performance measures.

The Regional Investment Corporation opened on 1 July 2018, offering low-interest loans to Australian farmers and co-financing for state and territory water projects. It will replace the state government loans schemes for farmers in need and will administer up to \$4 billion in Commonwealth loans. The new organisation will be based in Orange, New South Wales.

As the reporting period drew to a close, areas of New South Wales and Queensland were experiencing, or entering into, drought conditions. We are committed to fostering success in our agricultural and primary industries with a range of programs to provide assistance. Almost \$78 million was approved under the 2017–18 Farm Business Concessional Loans Scheme to 143 farm businesses. The scheme assists primary producers to improve their business and personal circumstances when experiencing drought and other hardship. The Regional Investment Corporation administered this scheme from 1 July 2018.

We collaborated with other agencies and third parties to improve the delivery of services, including the Farm Household Assistance package. This package has assisted 7,900 recipients since 2014 and in 2017–18 granted more than 500 new Farm Household Allowance claims. There are more than 54,000 farm management deposit accounts used to help farm businesses manage fluctuations in cash flows.

Our Rural Financial Counselling Service Program providers assisted about 4,800 clients nationally. Almost half of these exited the service, most citing achievement of their goals as the reason for leaving. We have allocated \$72 million to this program to June 2020.

Expanding agricultural, fisheries and forestry exports

Australia's total agricultural, fisheries and forestry exports contributed \$54.3 billion to the Australian economy in 2017–18.

This year has been positive for Australian agricultural, fisheries and forestry exports with the signing of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the beginning of formal negotiations on a future free trade agreement with the European Union. We also signed a new free trade agreement with Peru. We increased our overseas counsellor network to 22 positions, demonstrating the network's value in increasing market access.

Our expert advice on generating technical market access opened new markets for 29 commodities, improved access for 18 commodities and maintained 15 existing markets. We negotiated restoration of seven commodities in key export markets, including meat exports to China. Our certification of exports increased markedly. We issued more than 355,500 export certificates and managed the export of more than 2.85 million animals.

Live animal exports was a key focus for us this year following the release of video footage showing unacceptable conditions on some shipments to the Middle East. Following release of the McCarthy Report, we reduced stocking densities and are developing a permanent observer program for all export journeys. We are improving how we conduct our business as the regulator of the live animal trade and remain committed to ensuring appropriate oversight.

Sustaining water and other natural resources

An agreement was reached between the Australian Government and the Murray–Darling Basin states on the Sustainable Diversion Limits adjustment mechanism as part of delivery of the Murray–Darling Basin Plan. We continue to invest in efficient water infrastructure and have recovered, or contracted to recover, more than 2,100 gigalitres of water across the Basin. At least 62 gigalitres of efficiency contributions must be recovered by 30 June 2019 to ensure the full 605-gigalitres supply measure contribution is achieved. The Basin Plan provides for 450 gigalitres in efficiency measures to be recovered by 30 June 2024. This water must be recovered through efficiency measures with neutral or positive socio-economic impacts.

Our work on the Water Efficiency Labelling and Standards Scheme has been broadened to include water efficiency measures in new buildings. We are also increasing our enforcement activities for those not meeting the scheme's requirements. The scheme is expected to save about 150 billion litres of potable water by 2021 and save citizens more than \$1 billion in reduced bills. Our success has been noticed internationally—we are leading the development of an international standard for water efficiency labelling through the International Organization for Standardization.

We work closely with the Department of the Environment and Energy to deliver the National Landcare Program. Phase 2 of the program is being deployed from July 2017 to June 2023. The 2016–17 Mid-Year Economic and Fiscal Outlook committed \$100 million for the program, allowing the department to bring forward the first round of the Smart Farms Program. We announced the first 15 grants in June 2018, providing around \$27 million funding for projects that advance productive and sustainable primary industries.

Managing biosecurity and imported food risk

In 2017–18 no disruptions or loss of export market access stemmed from exotic pest or disease incursions. Australia continues to maintain a resilient biosecurity system that protects human, animal and plant health and the environment while supporting our international reputation as a clean, green exporter of agricultural, fisheries and forestry commodities. The two-year anniversary of the introduction of the *Biosecurity Act 2015* was observed in June 2018 and we continue to update and strengthen our regulatory tools and administration.

The combined Australian agricultural ministers issued a review of the Intergovernmental Agreement on Biosecurity in July 2017. A national response was developed to address the 42 recommendations made by the review, and the Australian Government dedicated \$313 million in funding to deliver on the report recommendations to strengthen the biosecurity system. The revised agreement will be signed in late 2018.

We continued to build biosecurity awareness among travellers. The Biosecurity Matters webpage promotes biosecurity information to a range of travellers and the *Don't be a Jeff* videos educated the public on their responsibilities. We launched an in-flight video for incoming passengers to Australia with the tagline Don't be sorry, just declare it. The Australian Biosecurity Facebook page extended its reach, allowing us to engage with a wider audience.

We responded to the increasing demand for biosecurity services. In 2017–18 this included more than 21 million international travellers. We checked 152 million mail items, dealt with 18,000 vessels, and inspected 35,000 sea containers and 21,000 lines of imported food. We also processed 4,400 dogs, 2,000 cats and 430 horses through our post-entry quarantine facilities.

The detection and rapid response to incursions show that our systems are working, but biosecurity outbreaks inevitably occur. The department detects and rapidly responds to disease incursions. We contributed to 16 national pest and disease eradication programs during the year. We continued to address the outbreak of white spot syndrome virus in prawns, responded to an outbreak of brown marmorated stink bugs in New South Wales and Western Australia, and an outbreak of citrus canker in the Northern Territory and Western Australia.

Building an efficient and capable department

We continue to invest in the capabilities of our department and place great value on the skills and abilities of our staff. Our focus on building a professional and engaged workforce has been reflected in the Australian Public Service Commission's Employee Census showing a steady increase in engagement from our employees over the past six years. Our unscheduled absence rate fell to 14.0 full-time equivalent (FTE) days, a saving of 0.5 FTE days from the previous year.

The *Department of Agriculture and Water Resources enterprise agreement 2017–2020* came into effect in July 2017 with a six per cent pay rise over the life of the agreement. We supported our staff to work flexibly with our FlexABLE strategy, released a new Health and Safety Management Policy, and invested in technology to improve our work.

We continue to build a diverse workforce that reflects the Australian community. We published the first progress report on our Reconciliation Action Plan, highlighting our progress in supporting an inclusive workforce. We added four female substantive senior executives to our senior executive group. This brought the overall percentage of female senior executives in the department to 47 per cent. Our female colleagues make up 51.1 per cent of our non-senior executive workforce.

Reporting our performance

This is the third edition of the annual performance statements prepared under the enhanced Commonwealth Performance Framework. We aim for continued improvement in the accessibility, transparency and readability of the performance statements. We report against the performance targets set out in our *Corporate Plan 2017–18* and ensure alignment between our stated purposes and our performance in delivering on our commitments. I am pleased to note that we have achieved or substantially achieved the majority of our performance targets over the past 12 months. Our financial position at the end of the year was sound, having operated within our approved budget, with a small surplus of \$9.4 million after allowable losses. However, the department is in a phase of significant system investment, and surpluses of this size will not be sufficient to enable the department to invest in new modern technology to support our business operations. This issue will need to be addressed in the coming years through much larger operating surpluses or cash injections. Our Average Staffing Level was also within the cap set by government for our department.

The year ahead

Our *Corporate Plan 2018–19* details our objectives and priorities for the next 12 months. We have adopted a new purpose statement—to work with national and international governments and industry partners to grow the value of agricultural trade and reduce risk to the agricultural sector.

We will continue to build on work achieved through the *Agricultural Competitiveness White Paper* to administer new funding for pest and weed management, improve access to agricultural and veterinary chemicals, and develop a national forestry industry plan.

Beyond our shores, we will seek to build on new trade agreements and opportunities to expand market access in Asia, Europe and Latin America. Our network of overseas counsellors will be enhanced to build and cultivate our international relationships. We will work collaboratively with our trading partners to implement government decisions on live sheep exports, and the health and welfare of exported animals. We will continue to improve in response to the findings of the independent review of our regulatory capability and culture.

Our people are our most important resource in delivering all of this work. Stationed across Australia and around the world, our workforce is accountable, collaborative and future-oriented. Through high levels of engagement and support, we will deliver our objectives over the next reporting period and into the future.



Daryl Quinlivan
Secretary

Our portfolio

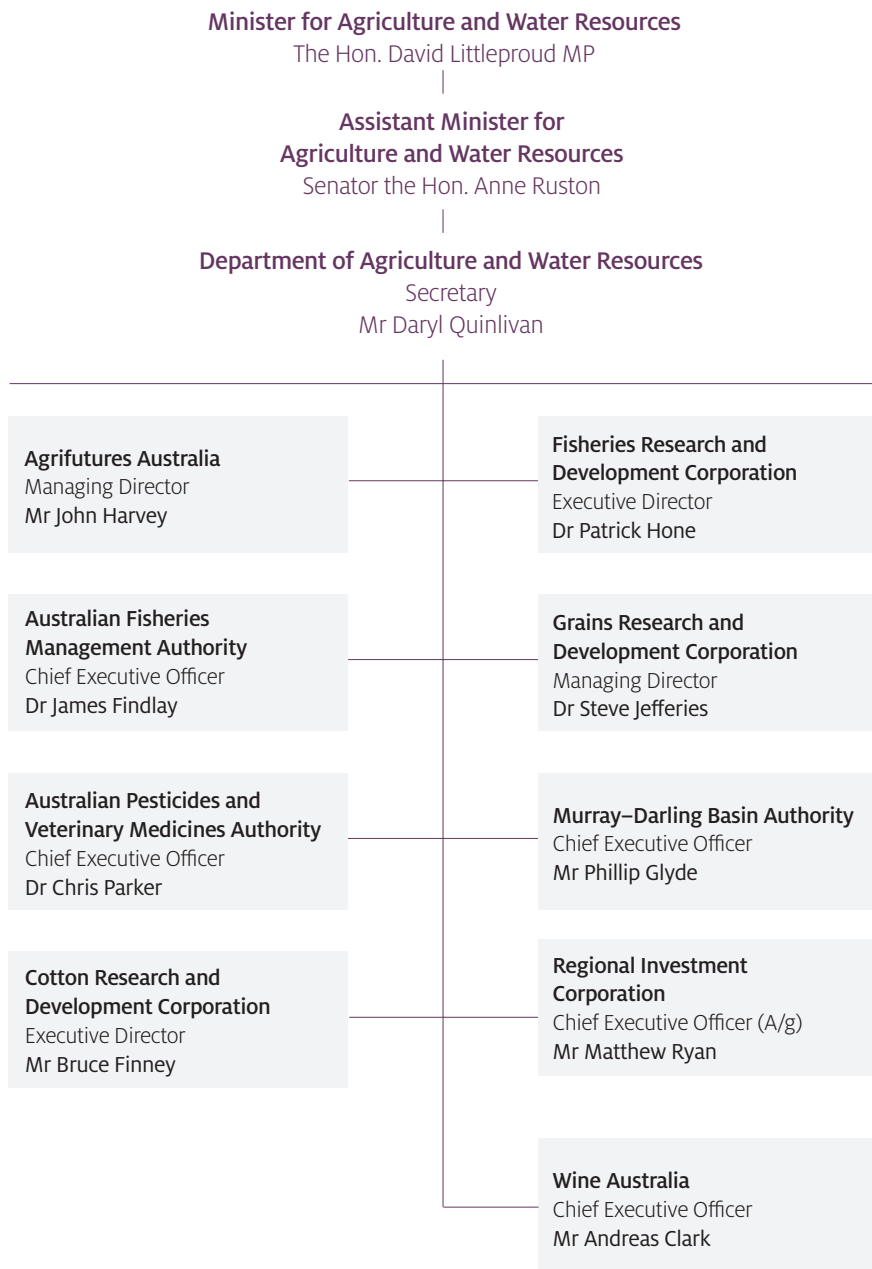
The Agriculture and Water Resources portfolio worked in 2017–18 to support the sustainability, profitability and competitiveness of Australia's agriculture, fisheries and forestry industries.

During 2017–18 the portfolio consisted of these entities:

- Australian Government Department of Agriculture and Water Resources
- AgriFutures Australia (previously Rural Industries Research and Development Corporation)
- Australian Fisheries Management Authority
- Australian Pesticides and Veterinary Medicines Authority
- Cotton Research and Development Corporation
- Fisheries Research and Development Corporation
- Grains Research and Development Corporation
- Murray–Darling Basin Authority
- Regional Investment Corporation
- Wine Australia.

The Hon. David Littleproud MP, Minister for Agriculture and Water Resources, and Senator the Hon. Anne Ruston, Assistant Minister for Agriculture and Water Resources, were responsible for the portfolio as at 30 June 2018.

FIGURE 1 Agriculture and Water Resources portfolio structure, 30 June 2018



Our department

Our purpose

We help drive a stronger Australian economy by building a more profitable, resilient and sustainable agriculture sector, and by supporting the sustainable and productive management and use of rivers and water resources.

Our role

The department has a diverse role as a policy adviser to government, researcher, program administrator, service provider, market access negotiator and regulator.

Our work contributes to strengthening Australia's primary industries, delivering better returns to primary producers at the farm gate, protecting Australia from animal and plant pests and diseases, and improving the health of the country's rivers and freshwater ecosystems.

Australian agriculture, fisheries and forestry are multibillion-dollar industries that benefit from our regulation, research, policies and programs to improve their productivity, competitiveness and sustainability.

Australia's water is critical to the future of agriculture and the wellbeing of the environment and our communities. We work to improve the health of rivers and freshwater systems, to ensure the sustainable, efficient and productive management and use of water resources and to maximise social, economic and environmental benefits to water users and the community.

We manage biosecurity risks to the environment and to human, animal and plant health by ensuring the safe movement of millions of people, goods, vessels and aircraft into and out of Australia.

As a policy adviser to government, we provide rigorous, evidence-based advice, focusing on whole-of-government priorities. Our policy advice is grounded by analysis undertaken by our scientists and economists.

Our outcomes

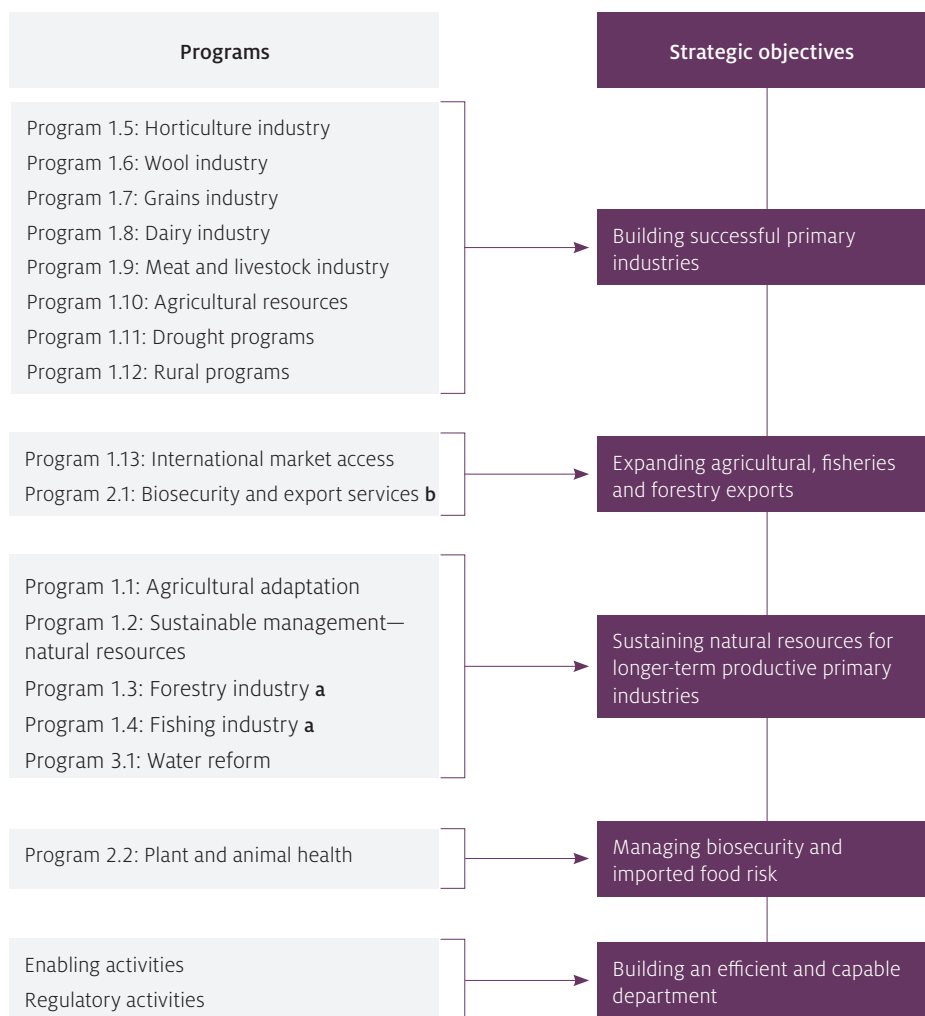
Under the *Portfolio Budget Statements 2017–18* (PBS), we have three outcomes:

1. More sustainable, productive, internationally competitive and profitable Australian agricultural, food and fibre industries through policies and initiatives that promote better resource management practices, innovation, self-reliance and improved access to international markets.
2. Safeguard Australia's animal and plant health status to maintain overseas markets and protect the economy and environment from the impact of exotic pests and diseases, through risk assessment, inspection and certification, and the implementation of emergency response arrangements for Australian agricultural, food and fibre industries.
3. Improve the health of rivers and freshwater ecosystems and water use efficiency through implementing water reforms and ensuring enhanced sustainability, efficiency and productivity in the management and use of water resources.

Our objectives

In 2017–18 we reduced the number of strategic objectives from eight to five. Figure 2 shows how the PBS programs align with our strategic objectives.

FIGURE 2 Department of Agriculture and Water Resources programs and strategic objectives, 2017–18



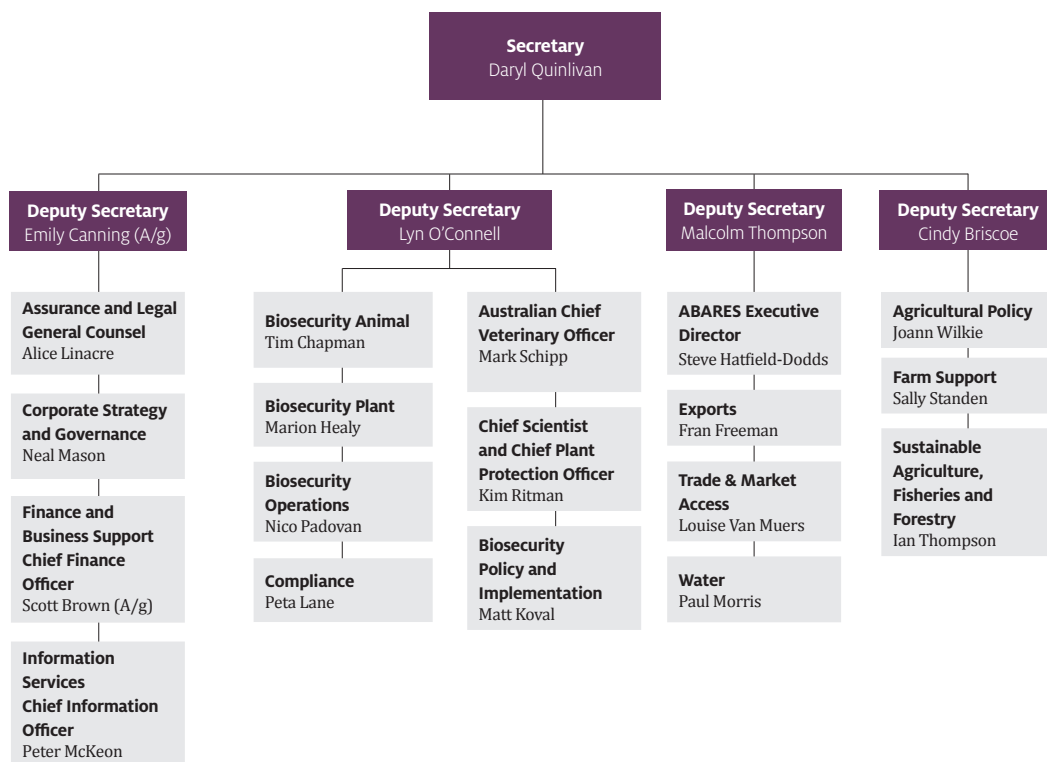
^a Activities under these programs also contribute to the strategic objective *Building successful primary industries*.

^b Activities under this program also contribute to the strategic objective *Managing biosecurity and imported food risk*.

Our structure

Our divisions work individually and together to meet our objectives. Figure 3 shows our organisational structure.

FIGURE 3 Department of Agriculture and Water Resources organisational structure, 30 June 2018



Our executive

Mr Daryl Quinlivan has been the secretary of the department since June 2015. Mr Quinlivan is responsible for the efficient and effective operation of the department. His other roles include:

- Chair of the National Biosecurity Committee
- Chair of national management groups for nationally coordinated emergency responses to pest and disease incursions.

Deputy secretaries assist the secretary across a range of issues and departmental functions and oversee the work of particular divisions.

Ms Cindy Briscoe is responsible for the Agricultural Productivity, Farm Support and Sustainable Agriculture, Fisheries and Forestry divisions.

Ms Emily Canning (acting) is responsible for the Assurance and Legal, Corporate Strategy and Governance, Finance and Business Support, and Information Services divisions.

Ms Lyn O'Connell is responsible for the Biosecurity and Compliance divisions, and oversees the Australian Chief Veterinary and Chief Plant Protection Offices.

Mr Malcolm Thompson joined the department in July 2017. Mr Thompson is responsible for the Exports, Trade and Market Access, and Water divisions, and the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES).

Reporting

This annual report covers reporting requirements for the department under the *Public Governance, Performance and Accountability Act 2013*. It includes the:

- annual report required under subsection 26(1) of the *Natural Resources Management (Financial Assistance) Act 1992* (see Appendix E)
- annual report of the National Residue Survey program, required under section 10 of the *National Residue Survey Administration Act 1992* (see Appendix F)
- annual report of the Water Efficiency Labelling and Standards Scheme (WELS), required under section 75 of the *Water Efficiency Labelling and Standards Act 2005* (WELS Act) (see Appendix G)
- annual report of the Water for the Environment Special Account, required under section 86AI of the *Water Act 2007* (see Appendix H)
- disability reporting requirements (see Appendix I).

Portfolio agencies table their own reports, which are available on their websites.

Part 2

Annual performance statements



Accountable Authority's statement

I, Daryl Quinlivan, as the Accountable Authority for the Department of Agriculture and Water Resources, present the department's annual performance statements for 2017–18, prepared in accordance with sub-section 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013*.

In my opinion, these performance statements accurately present the department's performance in the year ending 30 June 2018, and comply with sub-section 39(2) of the Act.



Daryl Quinlivan
Secretary
10/09/2018

Introduction

The corporate plan sets out our purpose, the activities we will undertake to achieve that purpose and the results we expect to achieve over four years, based on the performance measures and targets in the performance framework.

The annual performance statements report the actual results in a given reporting year and analyse the factors that contributed to the result. Results are reported in the context of the performance measures and targets for the reporting period.

Our performance measures are designed to assess the effectiveness, efficiency and quality of our activities in meeting our strategic objectives.

The framework is published in full as part of the Department of Agriculture and Water Resources *Corporate Plan 2017–18*, available on our website. It includes high-level measures also published in the *Portfolio Budget Statements 2017–18*.

Our purpose for 2017–18

In 2017–18 our purpose was to help drive a stronger Australian economy by building a more profitable, resilient and sustainable agriculture sector, and by supporting the sustainable and productive management and use of rivers and water resources.

Our objectives

In 2017–18 our strategic objectives were:

Building successful primary industries

- Improve the farmgate returns for agriculture, fisheries, food and fibre industries.
- Provide targeted assistance to help primary producers, their families and communities manage adjustment pressures.

Expanding agriculture, fisheries and forestry exports

- Maximise returns to primary producers from selling into export markets.
- Provide certification of exports to meet importing country requirements.

Sustaining water and other natural resources

- Improve the environmental health of the Murray–Darling Basin consistent with national and international obligations by recovering water, including by prioritising water-saving infrastructure projects.
- Help communities, irrigators and businesses to use water resources sustainably and efficiently, consistent with nationally agreed water reforms.
- Support food and fibre production by promoting the sustainable use and management of soils, water and vegetation.

Managing biosecurity and imported food risk

- Use evidence-based risk management to ensure the safe movement into Australia of people, animals, plants, food and cargo.
- Coordinate emergency responses to exotic pest and disease incursions.

Building an efficient and capable department

- Focus on performance, deliver on our objectives, meet our statutory obligations and parliamentary requirements, and continuously build organisational capability.

The following chapters provide a summary of our key achievements against each of these strategic objectives, and the annual performance statement for each objective.

Strategic objective

Building successful primary industries



Performance overview

We are responsible for providing the policy and regulatory environment in which primary producers can become more productive and competitive. This work includes collecting and distributing levies and Commonwealth contributions to fund rural research and development corporations (RDCs) and administering other programs to promote innovation.

We also administer targeted programs such as concessional loans, financial counselling and income support to assist primary producers in times of hardship, and to encourage them to improve their ability to prepare for and manage risks.

The impact of drought conditions has affected producers in many parts of Australia, highlighting the need for measures to support farmers and help them build resilience in their business. As at 30 June 2018 more than 7,900 people had received assistance through the Farm Household Allowance (FHA), and Farm Management Deposits levels had increased. In 2017–18 almost 4,800 people were assisted by the Rural Financial Counselling Service (RFCS). Implementing new and extended drought support measures will continue to be a focus for the department into 2018–19.

Concessional loans are another key instrument used to help farmers manage their businesses, and our work to establish the Regional Investment Corporation (RIC) has positioned the portfolio to improve access to farm business loans from 2018–19.

We are now seeing benefits from the Rural Research and Development for Profit program, which is halfway through its work to promote collaboration in rural research, development and extension. We continue to work closely with RDCs to support good governance for the benefit of producers and the agriculture sector.

Key activities

Helping farmers in hard times

The FHA was established in July 2014 to provide eligible recipients with up to three years' worth of financial assistance, accumulated over time. By the end of 2017–18, more than 2,400 people had claimed the full three-year entitlement. An amendment to the *Farm Household Support Act 2014* was given Royal Assent on 29 June 2018. It extends the time on payment from three years to four years per recipient, taking effect from 1 August 2018. The amendment will give recipients more time to become financially self-sufficient.

More than 80 per cent of recipients surveyed about the FHA say they are satisfied with the structure of the program and the assistance it provides.

Rural Financial Counselling Service

We worked with RFCS providers to focus on helping farmers and owners of related businesses to build their business resilience. The RFCS helps clients understand the financial implications of their business decisions, identify what remedial actions are required and identify appropriate training and support, including helping them to apply for financial assistance and concessional loans.

In 2017–18 the RFCS supported almost 4,800 people around Australia, helping them make early decisions to benefit their businesses over the longer term. In June 2018 the government announced it would extend RFCS funding through to 30 June 2020.

The RFCS has a focus on active management and encouraging people to exit the service, to allow time to put their skills into practice. Of those who used the RFCS in 2017–18, almost half exited the service. Close to 80 per cent of them did so for a positive reason, such as having achieved their goals, diversified their business or no longer being in hardship.

Continuing drought program reform

The FHA and the RFCS are key programs under the Intergovernmental Agreement on National Drought Program Reform. During 2017–18 we conducted the five-year review of the agreement, seeking feedback from key industry stakeholders on its value.

The review found the agreement has delivered a new approach to drought policy, shifting away from emergency response towards measures encouraging and assisting farm businesses to prepare for, adapt to and manage business risks. It also identified several areas for governments to consider in framing the next period of drought program reform.

The Agriculture Ministers' Forum considered the review findings at its meeting in April 2018. The ministers agreed to extend the operation of the current agreement into 2018–19 while a new agreement is finalised.

Establishing the Regional Investment Corporation

A priority for the year was establishing the RIC. In early 2018 Parliament passed legislation to create the RIC. Members of its board were appointed in March and April 2018.

The RIC will administer up to \$4 billion in Commonwealth loan funds—\$2 billion in farm business concessional loans and the \$2 billion National Water Infrastructure Loan Facility (NWILF). The establishment of the RIC provides a single entity to administer the Commonwealth's farm business concessional loans, ensuring they are delivered in a nationally consistent and efficient manner. The RIC's administration of the NWILF will also assist the development of critical water infrastructure in regional economies and communities across Australia.

On 1 July 2018 the RIC commenced its operations, bringing to fruition more than 18 months of work by teams across the department to set up the corporation's legislative, governance, financial and business processes.

Snapshot 1

Rural Financial Counselling Service: adding value when it's needed most

On a vineyard in South Australia's Riverland region, the RFCS gave winemaker David the support he needed to help keep his property, after he experienced severe loss of income spanning several years.

Water restrictions had reduced the number of vines David could plant, and ongoing drought was affecting production. The RFCS helped David apply for financial assistance and develop a business plan to help return his business to profitability.

'The assistance we received from the RFCS was invaluable. We wouldn't have our property today if we had not received their help. The RFCS was there in our time of crisis, gave us the tools to make informed decisions, and assistance to be able to service our loans,' David said.

An initial assessment showed the business was under considerable stress, as loans and property operations were becoming unsustainable.

The RFCS helped David access the Farm Household Allowance, providing much-needed financial support to keep the property running. Through the FHA program, David also undertook several financial training courses, and bought financial software that helped reduce his accounting expenses.



Snapshot 1 (continued)

Rural Financial Counselling Service: adding value when it's needed most

Since seeking the assistance of RFCS, David has changed the production techniques he uses in his vineyard, sold some assets, and sought off-farm employment. These decisions have significantly reduced the debt of the property and increased the income of his farm business.

David is preparing to harvest his current crop, which he has already sold to a number of local wineries.

As the business is now more financially stable, David is better prepared for any shifts in production and more confident he can withstand future drought periods.

'Prior to assistance, we were at a loss as to how to continue. The RFCS gave us the means to carry on and not give up—without them we wouldn't be in such a stable position now.'



Investing in research and development

Supporting rural research and development is one of the important elements of our work to help primary producers increase their productivity and profitability. In 2017–18 the Rural Research and Development for Profit program reached its halfway point. To date, grant funding of almost \$114.7 million has been awarded to primary producers over the first three rounds of the program, matched by almost \$170 million in cash and in-kind contributions from grant recipients and their partners.

An independent evaluation has concluded the program is on track to achieve its longer-term objectives. It found the program has had positive effects on collaboration between RDCs and their partners, generating knowledge, technologies, products or processes that benefit primary producers, promoting better understanding of barriers to adopting innovation, and developing stronger pathways to extension.

The evaluation identified areas for improvement and we have made further refinements ahead of the fourth round of grants, which is expected to open in the second half of 2018.

One of the highlights from the program in 2017–18 was the release of the report '*Accelerating precision agriculture to decision agriculture*'. This was a major collaboration between all of Australia's rural RDCs and the Australian Farm Institute. Its findings have created a platform for the department, RDCs and industry to consider future developments in digital agriculture policy, research and investment.

Snapshot 2

From precision to decision agriculture

Agriculture in the future is expected to be enhanced by digital technology at all stages of production, from primary breeding and production to processing and logistics and finally to the consumer.

In 2016 the Australian Government funded the 'Accelerating precision agriculture to decision agriculture' (P2D) project under the Rural Research and Development for Profit program. The Cotton Research and Development Corporation was awarded a grant of almost \$1.4 million, which was matched by more than \$2.1 million in cash and in-kind contributions from industry and research partners.

The P2D project, a collaboration of all 15 rural RDCs, designed a technological solution to use big data in agriculture, to increase producer profitability and improve farming strategies.

The project found that implementing digital agriculture across all Australian production sectors could raise the gross value of agriculture production (including forestry and fisheries) by \$20.3 billion—a 25 per cent increase on 2014–15 levels.

The project aimed to:

- facilitate the development of digital technology in Australian agriculture
- help producers understand data ownership and access rights, to encourage farmers to adopt new technologies to improve farm profits
- foster the establishment of appropriate legal frameworks, data systems and access to critical datasets
- identify the data communications systems required to deliver the benefits of digital agriculture.

The P2D project held eight regional stakeholder workshops in five states, surveyed producers across the nation and conducted economic modelling to better understand current perceptions, needs and future benefits of digital agriculture. It found that digital agriculture in Australia (including strategy, culture, governance, technology, data, analytics and training) is immature, and made 13 recommendations to improve the adoption of digital agriculture.

The project has developed a pathway to digital agriculture that will require cross-sector and cross-industry collaboration, ongoing commitment from industries, RDCs and governments, and a vibrant commercial sector.

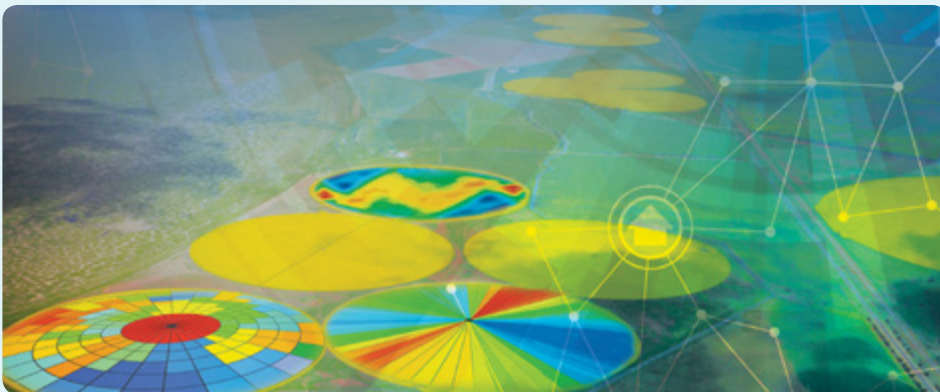


Photo credit: Australian Farm Institute.

Informing farmers

ABARES carries out research across the department's areas of responsibility, focusing on informing farmers' efforts to grow their productivity. In 2017–18 ABARES investigated the benefits to small- and medium-sized farm enterprises of leasing farm machinery and other capital equipment, rather than buying it outright.

Large, consolidated farm businesses are able to realise productivity improvements through investments in expensive capital equipment using new and advanced technology, which smaller enterprises may not be able to afford. ABARES' study suggests that the appropriate leasing arrangements enabled small- and medium-sized farms to improve productivity and reduce the gap with their larger counterparts.

This provides an alternative avenue for smaller farms to unlock access to the latest technology, while reducing their exposure to financial risks associated with the accumulation of debt.

ABARES' research will inform policy discussions on how to address barriers to effective arrangements for leasing capital equipment.

Improving our levies system

In 2017–18 we enhanced our levy collection and management systems to pave the way for the creation of levy payer registers for all RDCs. At the same time, we made regulatory amendments to compel the collection of levy payer data from levy collection agents if a register is in place. From 1 July 2018, RDCs can seek to have a levy payer register established in consultation with their industries.

Registers will improve an RDC's ability to connect and consult its levy payers on research and development, marketing and biosecurity initiatives. Levy payers will have the added benefit of knowing how much they have paid and to whom they have paid it. This will add further transparency and accountability to the already successful rural research and development levies system.

Strengthening wine export programs

In October 2017 the Wine Australia legislative program was completed. This will strengthen its programs to increase the value of Australia's wine exports and to generate wine tourism for regional communities.

The new laws give Wine Australia the authority to manage grants and programs under the \$50 million Export and Regional Wine Support Package. The package supports Wine Australia's work on behalf of the wine industry, including new initiatives to develop cider industry exports.

Australian wine is performing strongly in agriculture exports. The new package includes a three-year plan to boost the value of wine exports to \$2.8 billion. The package also aims to attract more than 40,000 additional international tourists to Australia to visit its wine regions.

Snapshot 3

Agvet chemical reforms supporting Australian pulse farmers

Australian farmers grow pulse crops on more than 1.8 million hectares of land, producing more than 2.5 million tonnes each year. Pulses are worth more than \$1.2 billion per year to Australia's economy. Ensuring pulse farmers have access to safe and effective chemicals to treat pests is an important part of helping this industry to grow.

The Australian Government has committed \$14.3 million from 2014 to 2020 to improve access to agricultural and veterinary chemicals for Australian farmers. The Grains Research and Development Corporation received two grants for research into chemical products that will address grass weeds and botrytis in pulses.

As a result, chemical treatments used to combat annual rye grass, wild oats and brome grass in chickpeas, lupins and peas can now be included on product labels. Maximum residue limits have also been set, allowing trade in treated chickpeas, lupins and peas.

We are working with the Australian Pesticides and Veterinary Medicines Authority (APVMA) and state and territory governments on other ways to improve access to chemicals for Australian farmers. These include investigating the potential to extrapolate evidence on the use of a chemical on one crop to support approving its use on other crops.

In pulses, this could allow the APVMA to extend the uses of a chemical currently approved for two crops, to be used for more than 30 other crops. Manufacturers would be required to provide only limited or no additional information.

Pulse farmers would gain valuable access to safe and effective chemical treatments, regulatory requirements would be streamlined and costs would be reduced for manufacturers, suppliers and the department.



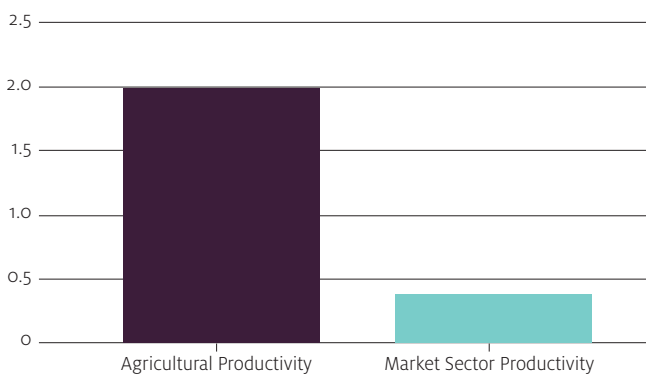
Annual performance statement—Building successful primary industries

Performance measure: Portfolio industries record an increase in productivity

Target	Average annual productivity growth for the past 10 years is equal to or exceeds average annual market sector productivity growth over the same period
Source	Portfolio Budget Statements 2017–18, page 42 Corporate Plan 2017–18, page 16
Result	Achieved

Over the 10 years to 2017–18 the average annual productivity growth for the agriculture, forestry, and fishing sectors was 1.98 per cent. This exceeded average annual market sector productivity growth of 0.38 per cent over the same period.

FIGURE 4 Average annual productivity growth, 2008–09 to 2017–18



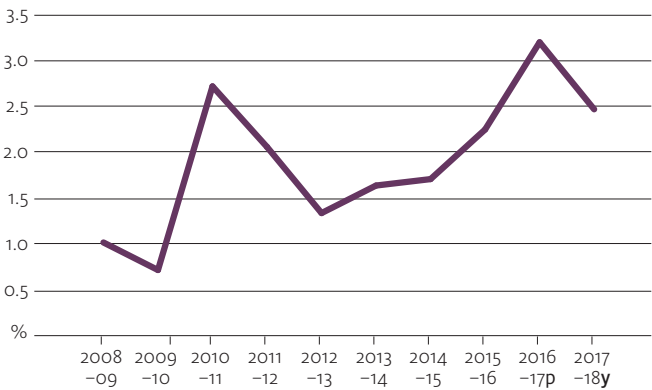
Note: Total Factor Productivity (TFP) has been chosen as the measure of productivity for both agriculture and the market sector, and it is measured on a value-added basis. Average productivity growth is based on Australian Bureau of Statistics data from the years 2008–09 to 2016–17, and a forecast for 2017–18. Estimates of average productivity growth are sensitive to the choice of start year when the data is volatile, which is the case for agriculture. Therefore, the calculation used a moving average across 11 years, rather than the actual productivity estimate for 2008–09 (the start year). Exceptionally favourable seasonal conditions helped lift agricultural output in 2016–17, so average productivity growth over the 10-year period to 2017–18 avoids overstating growth due to these seasonal conditions.

Performance measure: The rate of return on capital invested across portfolio industries is maintained or increased

Target	The trend growth for the past 10 years is positive
Source	Portfolio Budget Statements 2017–18, page 42 Corporate Plan 2017–18, page 16
Result	Achieved

Over the 10 years to 2017–18 average annual growth for the rate of return on capital was 0.16 per cent for broadacre and dairy farms.¹

FIGURE 5 Rate of return in the broadacre and dairy industries, 2013–14 to 2017–18



p Preliminary estimate. **y** Provisional estimate.
Source: ABARES Australian Agricultural Grazing Industries Survey; ABARES Australian Dairy Industry Survey

1 The estimate is derived from ABARES broadacre and dairy farm surveys for the years 2008–09 to 2016–17, and a forecast for 2017–18. Rates of return on capital does not cover forestry and fishing. Estimates of growth of return on capital are sensitive to the choice of start year in the context of significant year to year variability. Therefore, the calculation used an 11-year moving average estimate for rate of return in 2008–09, rather than the actual estimate. Exceptionally favourable seasonal conditions helped lift agricultural output in 2016–17, so assessing rate of return growth over the 10-year period to 2017–18 avoids overstating growth due to these seasonal conditions.

Performance measure: Investment in rural research and development corporation programs demonstrates positive returns

Target	Mid-term evaluation of the Rural Research and Development for Profit program is positive
Source	Corporate Plan 2017–18, page 16
Result	Achieved

The evaluation found that the program is on track to achieve long-term objectives and has already had positive impacts on:

- encouraging new and innovative collaborations
- generating knowledge, technologies, products or processes that benefit primary producers
- understanding the barriers to adoption of research and development
- strengthening of pathways to extension of research and development.

The mid-term evaluation is published on the department website.

Target	100% of allocated funding under the Rural Research and Development for Profit program expended in accordance with the agreed timetable
Source	Corporate Plan 2017–18, page 16
Result	Achieved

The Rural Research and Development for Profit program aims to improve farm gate productivity, profitability and deliver real outcomes for Australian farmers.

Total funding available for the program is \$180.5 million over eight years, ending 30 June 2022.

Grant funding of \$114.7 million has been approved to 36 projects over the first three rounds of the program, matched by almost \$170 million in cash and in-kind contributions from grantees and their partners.

Round 4 of the program is expected to open in the second half of 2018.

Grant agreements for all projects are in place and projects are progressing in accordance with agreed timeframes.

Target	100% of rural research and development corporations are compliant with statutory and contractual requirements
Source	Corporate Plan 2017–18, page 16
Result	Achieved

Under their funding agreements research and development corporations provide annual compliance audit reports and certification reports and periodically commission independent reviews of performance and compliance.

- All research and development corporations advised that they were materially compliant with their obligations for 2016–17.
- Australian Wool Innovation's (AWI) review of performance and compliance (completed 28 June 2018) found that of 70 obligations under its funding agreement with the Commonwealth, AWI is compliant with 61, partially compliant with five and not compliant with three. AWI is not able to assess one obligation. AWI is developing a response to the review, including an implementation plan for actions to address the review findings and recommendations.

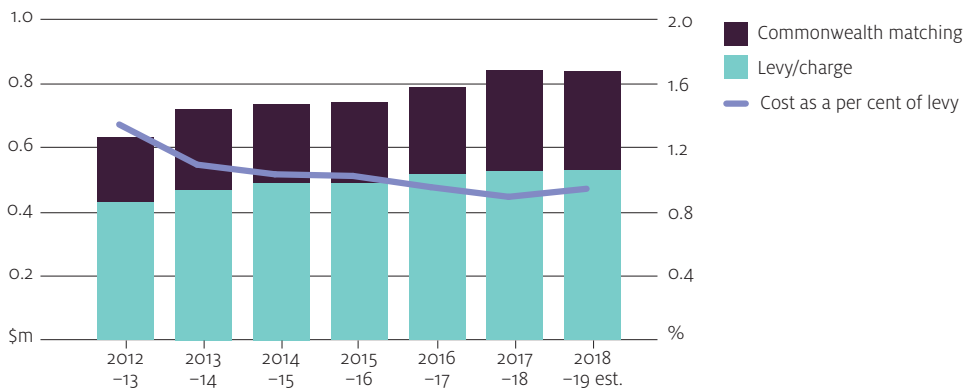
- All RDCs are obliged to notify the department of any significant events that may materially impact their ability to comply with their funding agreements. Pending formal notification for 2017–18 of material compliance, no research and development corporation has advised of any events.

Performance measure: A high level of efficiency is achieved in collecting and distributing levies to fund research and development in RDCs

Target	Levy collection processes cost no more than 1.2% of levies disbursed
Source	Corporate Plan 2017–18, page 16
Result	Achieved

The department disbursed \$523.986 million at a cost of \$4.622 million in 2017–18 which represents 0.88 per cent of levies disbursed. This is a 6.38 per cent decrease from 2016–17, where \$520.324 million was disbursed at a cost of \$4.841 million, or 0.94 per cent of levies disbursed. This decrease is mainly attributed to the capitalisation of staff costs to the development of levy payer registers. While levies administration costs are expected to remain low, the significant reduction of administration costs in 2017–18 is likely to be a once-off occurrence.

FIGURE 6 Levy administration revenue and costs, 2012–13 to 2018–19

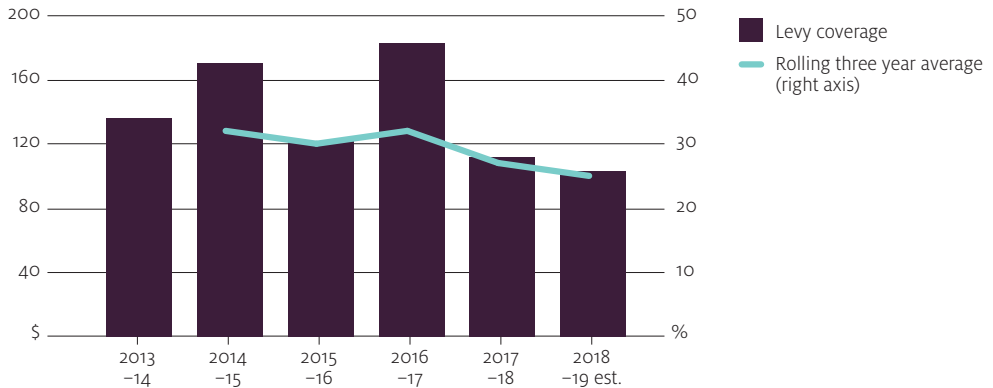


Target	Inspections of levy agent records cover at least 30% of levy revenue over a three-year rolling average
Source	Corporate Plan 2017–18, page 16
Result	Substantially achieved

In 2017–18 the department revised its target from 30 per cent to 20 per cent coverage of the levies and charges collection on a rolling three-year average. This revision recognises the important role that activities, not classified as record inspections, perform in the assurance of levy revenue for the department, such as delivering projects to address specific areas of non-compliance and targeted

compliance assessments. This change in target will prevent a like-for-like comparison to previous years. The department achieved a rolling three-year average of 27 per cent coverage of levies and charges collected in 2017–18.

FIGURE 7 Record inspection coverage 2013–14 to 2017–18



Performance measure: Primary producers improve their business and personal circumstances through access to financial and business assistance

Target	At least \$307 million is made available to primary producers, particularly those experiencing drought or other hardship, to improve their business and personal circumstances
Source	Corporate Plan 2017–18, page 17
Result	Achieved

During 2017–18 the Australian Government made available over \$308 million in financial and business assistance to primary producers.¹

Of this, the Farm Business Concessional Loans Scheme made available up to \$250 million in 2017–18. The 2017–18 scheme was available in all states and territories except Western Australia and the Australian Capital Territory, and opened for applications on 1 July 2017.²

In 2017–18 eligible farm businesses could access three loan types under the scheme—Drought Assistance, Dairy Recovery and Business Improvement Concessional Loans.

¹ Based on funding made available by government for the FHA, Farm Business Concessional Loans Scheme, RFCS and Managing Farm Risk Program.

² Not all jurisdictions opened for applications on 1 July 2017.

In 2017–18 Business Improvement Concessional Loans were introduced for eligible farmers who had exhausted their full 1,095-day entitlement to FHA by 30 June 2018. Business Improvement Concessional Loans were for debt restructuring purposes only.

From 1 July 2018 the RIC will be the national administrator for the Commonwealth's farm business concessional loans.

The longer-term nature of these programs (five-to-10 year loan terms) means their full effect will not be seen for some years.

In 2017–18 around \$34 million in assistance was paid to farmers and their partners through the FHA program. This is an uncapped, demand-driven program, so everyone who applied and was eligible was paid.

In 2017–18 \$5.5 million was made available to the Managing Farm Risk Program. This program was undersubscribed with less than \$30,000 being paid in the financial year.

Unlike the other programs in this target, the RFCS provides grants to non-government organisations to deliver the service. In 2017–18 these providers were funded a total of over \$16 million.

Target	Less than 3% of concessional loans administered by state and territory government delivery agencies on behalf of the Australian Government are in arrears greater than 90 days
Source	Corporate Plan 2017–18, page 17
Result	Achieved

As at 30 June 2018 less than 3 per cent of concessional loans administered by state and territory government delivery agencies on behalf of the Australian Government are in arrears greater than 90 days.

Target	100% of current Farm Household Allowance recipients complete Farm Financial Assessments and Financial Improvement Agreements in the required timeframes
Source	Corporate Plan 2017–18, page 17
Result	Achieved

As at 30 June 2018 more than 7,900 recipients had been granted assistance under the Farm Household Allowance since it commenced on 1 July 2014.

In 2017–18 there were around 500 new FHA claims granted. Except where an appropriate exemption was granted, all existing FHA recipients had a Farm Financial Assessment and a Financial Improvement Agreement. For new claims, there were no overdue Farm Financial Assessments or Financial Improvement Agreements for customers without an appropriate exemption granted.

Performance measure: Primary producers use deposits and withdrawals under the Farm Management Deposits scheme to manage their financial risks and income variations

Target	The number of primary producers using Farm Management Deposits is maintained or increased
Source	Corporate Plan 2017–18, page 18
Result	Achieved

Note: Farm Management Deposits Scheme Database reports, June 2017 and June 2018. The total number of accounts does not represent the number of primary producers participating in the Farm Management Deposits Scheme, as they may hold multiple accounts, but gives a sound representation of participation rates.

The total number of primary producers that used Farm Management Deposits during 2017–18 has been maintained, as shown by the number of active Farm Management Deposits accounts, which rose from 54,383 in June 2017 to 54,569 in June 2018.

Performance measure: Recipients of business and financial assistance report improved business management skills and increased confidence to make informed business decisions

Target	The number of farm businesses encouraged to consider risk management in future planning increases
Source	Corporate Plan 2017–18, page 18
Result	Partially Achieved

During the year, fewer than 20 farm businesses applied to the Managing Farm Risk Program. This may be due to a range of factors, including that farmers are able to seek insurance and claim a rebate at any point within the four-year program, and that the rebate is only available once – it is not an ongoing entitlement. Over the life of the program, 69 claims have been granted. The program will close to applications on 30 May 2019 and will cease on 30 June 2019.

Target	80% of clients who used the Rural Financial Counselling Service are more confident in making informed business decisions
Source	Corporate Plan 2017–18, page 18
Result	Achieved

In 2017–18, 87 per cent of clients of the RFCS reported that they had acquired new skills. Of those, almost 88 per cent reported they were more confident in making informed business decisions.

Performance measure: Funding and grants programs are delivered according to requirements and have a positive end-of-program evaluation

Target	100% of Rural Financial Counselling Service providers meet requirements
Source	Corporate Plan 2017–18, page 18
Result	Achieved

All providers met the requirements of their Deeds of Grant and have received their milestone payments in full.

In 2017–18 the 12 providers assisted almost 4,800 clients nationally. Of these, around 48 per cent exited the service—the vast majority reporting that they had achieved their goals and made adjustments to remain within agriculture. Responses indicate the most common reasons for a client ceasing engagement with the program were because they improved the financial management of their business, increased their cash-flow or improved their farming or business practices. Only 6 per cent sold their property and left farming, a decline of a percentage point since last year.

The Australian Government has allocated \$72.03 million to the program over four years to June 2020. Providers are contracted from 1 April 2016 until 30 June 2020.

Target	100% of Leadership in Agricultural Industries Fund program grantees meet requirements set out in grant agreements
Source	Corporate Plan 2017–18, page 18
Result	Achieved

All providers met the requirements of their Deed of Grant and have received their milestone payments in full.

In 2017–18, 26 funding agreements were executed for the Leadership in Agricultural Industries Fund program. All grant recipients provided updated budgets and work plans, thus meeting requirements.

Most grant activities are providing leadership skill training for industry leaders. Some are providing restructured and/or amalgamated industry representative structures.

Of the \$4 million allocated to the program in 2017–18, \$3.8 million was expended.

Strategic objective

Expanding agricultural, fisheries and forestry exports



Performance overview

We aim to ensure Australia's interests are represented and that international markets are open to Australia's agricultural industries. Our work includes negotiating technical market access protocols and working with the Department of Foreign Affairs and Trade (DFAT) in trade negotiations. We provide export certification services to ensure Australian commodities meet the requirements of importing countries, and we manage a number of export quotas.

In 2017–18 the estimated value of Australian agriculture exports increased slightly to \$54.3 billion. The export values continued to be well above the 10-year average, supported by the opportunities available through the free trade agreements with China, Japan and the Republic of Korea.

Trade opportunities will continue to broaden with the signing of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP-11) and a new free trade agreement with Peru. The year ended with Australia beginning formal negotiations on framing a free trade agreement with the European Union.

Our work to negotiate technical market access protocols makes it possible for primary producers to export their commodities, and take advantage of preferential treatment under trade agreements. The increasing volume of market opportunities makes it a challenge to meet the demand for new access arrangements within the department's resources, and we are working with industry to prioritise this work.

New information provided late in the year about some live animal shipments has raised important issues about the regulation of live animal exports. The government initiated several reviews into these issues, and in 2018–19 we will continue work to improve our regulatory policy approach in response.

Key activities and achievements

Negotiating free trade agreements

In March 2018 Australia signed the TPP-11. The TPP-11 will enable Australia to build on existing market access with Brunei, Chile, Japan, Malaysia, New Zealand, Peru, Singapore, and Vietnam. It also creates valuable new opportunities in two markets where Australia does not currently have free trade agreements, namely Canada and Mexico.

We are working to help Australian producers benefit from the Peru–Australia Free Trade Agreement, which was signed in February 2018. This agreement will significantly improve outcomes for agricultural exports by speeding up the phasing out of tariffs on commodities such as beef cuts, pork, horticulture products and wine. The removal of tariffs will give Australian producers the same access to the Peruvian market as their competitors from Canada, the European Union and the United States.

We continued work to implement the Pacific Agreement on Closer Economic Relations (PACER) Plus. PACER Plus provides for special and differential treatment of Pacific Island countries. A key objective is to support these countries to become more active partners in regional and global trade, creating opportunities for economic growth, employment and increased living standards.

PACER Plus supports Australia's national interest by promoting economic growth and the development of the Pacific Islands, leading to long-term benefits for Australian exporters.

We continued supporting DFAT in the negotiation of the Regional Comprehensive Economic Partnership, Indonesia–Australia Comprehensive Economic Partnership, Pacific Alliance and Hong Kong–Australia free trade agreements.

Building, maintaining and restoring market access

We play a key role in technical market access, negotiating with trading partners on arrangements to open, maintain and improve access for commodities. In 2017–18 we successfully gained new market access for 29 commodities, improved access for 18 commodities, and maintained 15 existing markets.

We also provide expert advice in negotiations to restore markets when trade is disrupted. In 2017–18 we negotiated to restore seven commodities in key export markets.¹ This included the restoration of market access for Australian cherries to Vietnam, announced during Assistant Minister Ruston's visit to Vietnam in August 2017. Vietnam ceased issuing import permits for Australian fruit from 1 January 2015, and announced a full risk analysis for each suspended commodity, including cherries, was required. Technical experts and the Agricultural Counsellor based in Vietnam worked closely with their Vietnamese counterparts to ensure that market access was reinstated. Fresh cherries were exported from key growing regions including in Victoria and Tasmania during the 2017–18 growing season, with a value of \$6.7 million and a volume of 392 tonnes.²

Building international trade relationships

The department's overseas agricultural network makes a significant contribution to achieving the portfolio's trade and market access objectives. The agricultural counsellors undertake regular advocacy activities, and support market access agendas by advocating the science for each commodity and providing assurances around the safety and quality of Australian product, resolving trade issues as they arise. In May 2018 the Australian Government announced the expansion of the department's overseas network by six counsellors and the continuation of the five counsellors funded through the *Agricultural Competitiveness White Paper* (in Vietnam, Malaysia, the Middle East, China and Thailand). This takes the total agricultural diplomatic network from 16 to 22 counsellors, complementing the department's existing overseas network and enhancing its capacity to advance agricultural trade and market access priorities. For example, in 2017–18 the department's minister-counsellor (Brussels) played a critical on the ground role in maintaining Australia's canola exports to the European Union (valued at \$1.8 billion in 2016–17). This included working closely with the

¹ Data available from 1 July 2017 to 1 May 2018, for this reporting period.

² Source: Based on Australian Bureau of Statistics (ABS) Catalogue 9920.0 with partial adjustments made by the Department of Agriculture and Water Resources Trade and Market Access Division.

Australian industry and the CSIRO to engage with counterparts in the European Commission to demonstrate that the greenhouse gas emission levels of Australian canola production met the new EU Renewable Energy Directive requirements for biofuels.

Snapshot 4

Market access negotiation sets a record in China

Negotiating market access protocols is a vital part of our trade work, and each new agreement is a step forward in supporting our exporters. In November 2017 we had cause for celebration after signing a record 11 protocols with China.

The protocols, signed at a meeting of the China–Australia Sanitary and Phytosanitary High Level Dialogue in Sydney, allow access for Australian peaches, plums and apricots to China for the first time and improve existing conditions for exports of table grapes, citrus and cherries. The horticulture industry estimates these protocols will deliver a \$200 million boost annually for Australian horticulture producers and exporters.

The livestock and livestock genetics industries gained new and improved market access for exports of live feeder and slaughter sheep and goats, and bovine, ovine and goat semen. Australia is one of the few countries to have negotiated access for live feeder and slaughter cattle to China, and these outcomes build on that success.

Australia and China agreed to a new protocol to support exports of plant-based compound horse feed to China. In the lead-up to the meeting, China also approved a number of additional dairy infant formula establishments for exports, and lifted suspensions on meat and barley exporters. These outcomes will provide significant opportunities for Australian industry in the future.

We also consolidated closer relations with Chinese authorities, signing a revised memorandum of understanding on food safety.

Gaining and improving market access outcomes takes years of work behind the scenes. Without the efforts of our agriculture counsellors in China, and staff across our trade, exports and biosecurity business areas, these significant results could not have been achieved for Australia's agriculture industries.



Certifying exports

We certify the compliance of exported goods and livestock with importing country food safety and animal and plant health requirements. As market opportunities increase, our workload continues to change. In 2017–18 we issued more than 355,587 export certificates, an increase of 8 per cent over the past four years (Table 1). We managed the export of more than 2,852,759 animals, down by 21 per cent since 2014–15 (Table 2).

TABLE 1 Compliance certification of export commodities by number processed, 2014–15 to 2017–18

Commodity	2014–15	2015–16	2016–17	2017–18
Dairy	31,744	36,507	35,993	30,292
Eggs	408	453	431	384
Fish	22,738	24,604	25,049	31,189
Grains and horticulture produce	68,325	81,675	99,351	110,080
Meat by-products	9,164	7,256	7,795	8,067
Meat for human consumption	174,706	225,669	158,368	154,771
Skins and hides	9,760	8,414	8,095	8,506
Wool	12,044	10,809	12,125	12,298

TABLE 2 Number of animals exported, 2014–15 to 2017–18

Commodity	2014–15	2015–16	2016–17	2017–18
Cats	3,726	3,400	3,658	3,664
Dogs	8,299	8,658	8,470	8,315
Live cattle	1,356,162	1,244,396	909,065	958,562
Live goats	88,897	80,144	29,208	16,578
Live sheep	2,135,550	1,944,802	1,826,240	1,865,640

Managing an increasing workload is a persistent challenge and we are investigating the use of technology to help meet exporters' needs, while ensuring that Australia continues to meet importing countries' biosecurity and food safety standards. We continue to work with trading partners towards greater use of electronic export certificates that will help streamline administrative processes for exporters and the department.

Modernising the export legislation framework

In December 2017 the *Export Control Bill 2017* was introduced into Parliament. The new legislation is an important body of work to better support primary producers and exporters while meeting Australia's commitment to meet the requirements of importing countries.

If enacted, the legislation will streamline regulations under 17 different Acts to provide simpler export rules and to reduce the costs of complying with export controls. Subject to the Bill being passed, we plan to implement the new export control laws by April 2020. We are drafting updated rules and reviewing our export systems to identify improvements to our operational controls in line with the new Act.

Regulating live sheep exports

The department is responsible for regulating the export of live animals from Australia. In April 2018 we received video footage taken in 2017 that exposed unacceptable animal welfare outcomes on some shipments of live sheep to the Middle East. In response to the footage, the Australian Government commissioned two new reviews, and we immediately reduced stocking densities applying to live sheep exports and placed independent observers on live sheep export voyages to the Middle East while a permanent observer program is developed for all livestock export voyages by sea.

We supported all of the recommendations of the Independent Review of Conditions for the Export of Sheep to the Middle East during the northern hemisphere Summer conducted by Dr Michael McCarthy, released in May 2018. We committed to implementing most of the recommendations immediately, and we are making it a priority to respond to, and implement the remaining recommendations. Some recommendations will take time to implement, including a revised heat stress risk assessment model based on animal welfare rather than mortality indicators, which is subject to further testing and consultation.

An independent review was commenced by Mr Philip Moss AM into the department's regulatory capability and culture. We welcomed the review as an opportunity to improve the way we work, and to assure the public that exporters are meeting all regulatory requirements. We cooperated with the review and encouraged staff to make their own submissions to the review. A comprehensive review of the Australian Standards for the export of livestock is underway. This review will ensure animal welfare standards for livestock are contemporary and help manage risks to health and welfare during live export voyages by sea and air. At the time of finalising the annual report, Mr Moss's review report was due to be provided to the government. Information on the department's response will be available on the department's website. We will also report on our response to the review in the 2018–19 annual report.

Assisting small exporters

Over four years, the Package Assisting Small Exporters (PASE) has provided more than \$1.3 million in rebates to eligible registered establishments, funded a fees and charges review, and funded 55 projects to support exporters in the dairy, eggs, fish, grains, horticulture, meat and plant product sectors. Small exporters have used PASE funding to find ways to capitalise on increasing export opportunities.

The mango industry developed an export strategy for a focused approach to market access for Australian mangoes. The strategy will help mango exporters to make more informed decisions about which markets to target, and has identified technology investment opportunities, including fruit treatments that might be used to meet importing country requirements.

The South Australian Research and Development Institute (SARDI) is improving tests for bio-toxins in Australian shellfish. Testing currently can take up to seven days and costs hundreds of dollars per sample. SARDI is working to validate a screening process that, if successful, will enable exporters to test low-risk products in 30 minutes, and for as little as \$30 per sample.

Snapshot 5

Modernising Australia's export quota system

Tariff Rate Quotas are used in international trade agreements and allow market access for a set quantity of a specified product at a reduced or zero tariff. We manage 33 quotas for exports to the European Union, Japan and the United States. Managing the quotas is beneficial to Australia as it allows greater control of their administration and gives exporters more certainty.

In 2017–18 we worked to bring up to date the legal, ICT and administrative systems we use to manage export quotas.

A key component was a regulation impact statement covering the proposal to streamline our quota management. We consulted all of the affected industries and the exporters who use the quotas.

Following this consultation, we developed a new option for streamlined arrangements for the government's consideration. This will deliver benefits including improved access for new exporters, reductions in regulation and minimised industry costs.

The project will also establish a clear approach to implementing new quotas, future-proofing the system to support quotas under new free trade agreements.



Setting international standards

We contribute to improvements in global trade and the long-term interests of Australia's primary producers through our work with standards-setting organisations. In recent years department staff have chaired the International Plant Protection Convention (IPPC). This has allowed us to play a leading role in adopting new phytosanitary (plant health) standards, developing electronic phytosanitary certification, and preparing a new strategic plan to frame the IPPC's work through to 2030.

Australia is also active in the World Organisation for Animal Health (OIE), where we have members on the four committees responsible for reviewing and preparing animal health standards. We negotiate to balance standards that may be too lax and pose a biosecurity risk with others that are too onerous and inhibit free trade.

Good governance is important to deliver effective international standards. In 2017–18 the OIE adopted a new approach to its elections, making a global call for experts to sit on its decision-making bodies. Australian delegates advocated for the change to strengthen partnerships between member countries and increase confidence in decisions on animal health.

In May 2018 our Australian Chief Veterinary Officer, Dr Mark Schipp, took up the presidency of the OIE. This will enable Australia to lead the OIE's agenda for the next three years.

We also coordinate Australia's input to the work of the Codex Alimentarius Commission, which develops global food safety standards. Australia actively influences the work of the Commission and its subsidiary bodies to ensure the standards adopted facilitate trade and maintain public health and safety. We chair the Codex Committee on Food Import and Export Inspection and Certification Systems.

Annual performance statement—Expanding agriculture, fisheries and forestry exports

Performance measure: The trend in value of agricultural exports increases in real terms over time

Target	The value of rural exports exceeds the average of the previous 10 years ^a
Source	Portfolio Budget Statements 2017–18, page 44 Corporate Plan 2017–18, page 20
Result	Achieved

^a 10-year average is based on ABARES and Australian Bureau of Statistics data covers the period from 2007–08 to 2016–17, and is reported in 2017–18 constant dollar terms. Factors outside the control of the department affect production and currency movements, which also influence export volumes and value.

In 2017–18 total agricultural, fisheries and forestry exports are estimated to be valued at \$54.3 billion, a slight increase from 2016–17 when the total value of agricultural, fisheries and forestry exports was \$53.9 billion. This is significantly higher than the 10-year average of \$45.6 billion.

While there will be year-by-year variations in export values, there is a distinct longer-term upward trend. Stronger global demand for Australian products has been driven by a range of factors, including the changing diets of Asia's middle class, the depreciation of the Australian dollar, improved market access to our principal North Asian trading partners following the negotiation of free trade agreements, and the success and drive of Australia's exporters. Export growth also reflects the department's efforts to overcome technical barriers to trade and the delivery of high-quality export certification—initiatives being pursued through bilateral and multilateral processes.

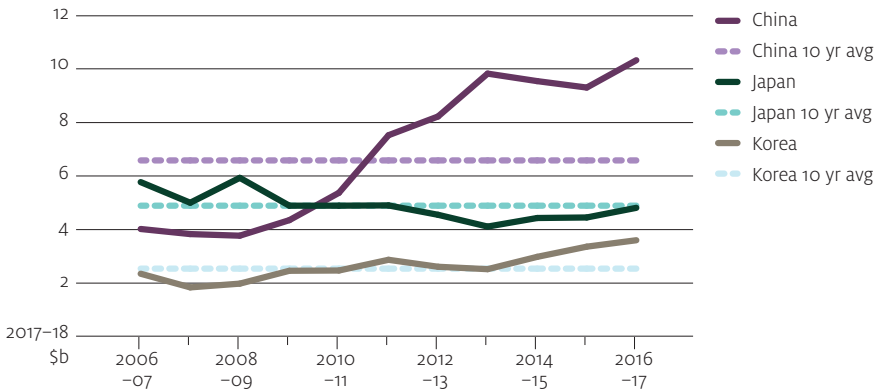
Agricultural exports to countries with which Australia has most recently signed free trade agreements are increasing. In 2016–17 the most recent year of complete export data, total agricultural exports to China, Japan and the Republic of Korea were \$18.4 billion, which far exceeds the 10-year average of \$4.6 billion.

The results by country are as follows:

- China—\$10.1 billion, well above the 10-year average of \$6.6 billion
- Japan—\$4.7 billion, slightly lower than the 10-year average of \$4.9 billion
- Korea—\$3.5 billion, well above the 10-year average of \$2.5 billion.

Overall, there was an increase of \$1.9 billion in agricultural exports to these three countries between 2015–16 and 2016–17, \$1.2 billion of which stemmed from increased trade to China.

FIGURE 8 Agricultural exports to Japan, China and South Korea, 2006–07 to 2016–17



Performance measure: Export certification meets importing country requirements

Target	Less than 1% of consignments are rejected as a result of export certification failure ^a
Source	Portfolio Budget Statements 2017–18, page 52 Corporate Plan 2017–18, page 20
Result	Achieved

^a This indicator has been removed from future annual reporting, as part of our revision of all performance measures to align with our new strategic framework.

Less than 1 per cent of consignments were rejected as a result of export certification failure in 2017–18. The department does not maintain a central register of data on this indicator but has a high level of confidence that fewer than 1 per cent of consignments were rejected as a result of export certification failure. While a small number of consignments are detained from time to time, few if any are technically ‘rejected’. The department would quickly become aware of any significant number of consignments rejected as a result of certification failure and would act quickly to remediate the issue.

Target	No markets are lost as a consequence of failed departmental certification services
Source	Corporate Plan 2017–18, page 20
Result	Achieved

No agricultural export markets were lost as a consequence of departmental certification services. There were a number of consignments detained by importing countries while replacement certificates were provided.

Performance measure: Access to overseas markets accepting Australian agriculture, fisheries and forestry exports is gained, maintained or improved

Target	Export markets are gained, maintained or improved
Source	Corporate Plan 2017–18, page 20
Result	Achieved

There were 69 market access achievements in 2017–18. The department plays a key role in technical market access, negotiating with trading partners on arrangements to open, maintain and improve access for commodities. In 2017–18 we successfully gained new market access for 29 commodities, improved access for 18 commodities, and maintained 15 existing markets. We also provide expert advice in negotiations to restore markets when trade is disrupted. In 2017–18 we negotiated to restore seven commodities in key export markets.

Performance measure: International policy and standards to support Australian agricultural, fisheries and forestry exports are maintained or improved

Target	The department's leadership influences the work and strategic priorities of international standard setting bodies, as outlined in the department's International Strategy
Source	Corporate Plan 2017–18, page 20
Result	Achieved

The department plays a constructive and active role in a host of multilateral forums. During the year the Deputy Prime Minister attended the United Nations Food and Agriculture Organization (FAO) Conference in Rome (July 2017). The Assistant Minister for Agriculture and Water Resources attended the Asia–Pacific Economic Cooperation Food Security Ministerial forum (August 2017). Officials also had extensive participation in G20, OECD, FAO and WTO meetings. Our participation in these bodies involves multiple agencies.

We continue to be a significant financial contributor to the FAO. In 2017–18 we contributed \$14.197 million to the FAO.

As evidenced by the results against other performance targets, the department has played a role in bilateral and multilateral negotiations, including working with the DFAT in the negotiation of free trade agreements. We pursued key issues through our international network of counsellors. We responded to trade issues, and in keeping with our *International Strategy 2016–19*:

- prioritised export and import technical market access requests in collaboration with industries, state and territory governments and trading partners
- negotiated science-based, commercially viable conditions for prioritised Australian exports
- proactively advocated acceptance by trading partners of Australia's export inspection, verification and certification systems

- contributed to the finalisation of the TPP-11 and Peru-Australia Free Trade Agreements and continued negotiations on the Hong-Kong–Australia Free Trade Agreement, Regional Comprehensive Economic Partnership, Indonesia–Australia Comprehensive Economic Partnership Agreement, and the Pacific Alliance Free Trade Agreement. We participated in 20 full negotiation rounds and numerous intersessional meeting across these agreements.

We facilitated several bilateral meetings and workshops to discuss trade-related matters and to strengthen relationships with trading partners and coordinated study tours, visits and audits to progress new market access or maintain existing trade.

During the year, there were eight high-level overseas visits by portfolio ministers. The Deputy Prime Minister participated in the FAO Conference in Rome, the Minister for Agriculture and Water Resources travelled to India, Vietnam and the Middle East. The Assistant Minister for Agriculture and Water Resources visited Vietnam, Germany, Netherlands and the United Kingdom as well as Hong Kong. The Assistant Minister to the Deputy Prime Minister also travelled to India.

Performance measure: Positive industry feedback is received on agreed market access priorities and resolution of market access problems

Target	Positive market research results
Source	Corporate Plan 2017–18, page 20
Result	Achieved

The department’s engagement with key exporting industry representatives and peak bodies is fundamental to providing informed advice to government, developing meaningful, evidence-based policies and meeting the government’s trade and market access objectives. We achieve this in a number of ways, including through commodity-based industry consultative committees (ICCs), ensuring efficient and effective service delivery. ICCs are instrumental in developing effective operational responses to government policy for the department’s import and export programs.

The department has regularly engaged with ICCs (for example, Export Meat Industry Advisory Committee), industry representative bodies and forums (for example, Horticulture Innovation Australia, Grains Industry Market Access Forum, LiveCorp) and trade advisory groups (for example, the Livestock Export Industry Protocol Committee) to determine the government’s agricultural trade and market access priorities. For sectors without a peak industry body, the department has when required, worked directly with exporters or with other governments. Most stakeholders have indicated throughout this process that market access activities open up new opportunities and increase export volumes.

Strategic objective

Sustaining water and other natural resources



Performance overview

We advise government and administer a range of programs to ensure the sustainable use of Australia's natural resource base, including water, soil, vegetation and biodiversity. This resource base underpins the agriculture sector and regional communities.

In 2017–18 we continued to make progress on the delivery of the Murray–Darling Basin Plan, including agreement between the Australian Government and Basin states on the Sustainable Diversion Limits (SDL) adjustment mechanism. Compliance issues were a challenge during the year and we will continue to focus on them in 2018–19. We have continued to reach milestones in managing other significant water resources and are seeing good results from the Water Efficiency and Labelling Standards (WELS) Scheme.

The year saw a significant next step in forestry policy, with the first agreement towards extending Australia's regional forest agreements, as well as moving towards stronger compliance on timber import requirements to combat illegal international logging. Australia's rigorous approach to fisheries management was highlighted in the release of the Commonwealth Fisheries Policy Statement in September 2017. The year ended with the announcement of funding under the National Landcare Program.

Performance measures for 2017–18 relating to the National Water Infrastructure Development Fund and the National Water Infrastructure Loan Facility are now reported by the Department of Infrastructure, Regional Development and Cities.

Key activities

Implementing the Murray–Darling Basin Plan

The Murray–Darling Basin Plan determines the long-term average amount of water that can be extracted each year from the Basin for urban, industrial and agricultural use—known as SDLs. We are responsible for the recovery of water to meet the SDLs by 2019, in accordance with the Australian Government's *Water Recovery Strategy 2014*. In line with this strategy, the government has prioritised investment in more efficient water infrastructure rather than the purchase of water entitlements. This aims to minimise any adverse impact of water recovery and increase the sustainability of irrigated agriculture across the basin.

The government has recovered, or is contracted to recover, more than 2,100 gigalitres of water across the Basin. This indicates efforts are on track to deliver the Basin Plan.

The Basin Plan also made provision for an SDL adjustment mechanism, which provides flexibility to adjust the SDLs, and a review of SDLs in the northern Basin (the Northern Basin Review).

In January 2018 the SDL adjustment mechanism became law, meaning that up to 605 gigalitres less water needs to be recovered from irrigators and communities without compromising the Basin Plan environmental outcomes. The amendment also provides for the recovery of an additional 450 gigalitres to achieve enhanced environmental outcomes with neutral or improved socio-economic outcomes.

In June 2018 the Murray–Darling Basin Ministerial Council agreed that Basin governments' first priority for efficiency measures under the SDL adjustment mechanism was to recover the 62 gigalitres required by 30 June 2019 to ensure that the full 605-gigalitre supply adjustment comes into effect.

At the beginning of July 2018 the Australian Government also amended the Northern Basin Review, to allow for a 70-gigalitre reduction (from 390 gigalitres to 320 gigalitres) in the water recovery target for the northern Basin.

Work will continue through 2018–19 to implement these decisions. This will include a new Basin-wide infrastructure program to progress the recovery of water through water efficiency projects with neutral or positive social economic impacts, and the development of an efficiency measures work plan through to 2024.

Murray–Darling Basin Plan compliance

In July 2017 the ABC *Four Corners* program broadcast allegations about water theft and the diversion of environmental water in the Barwon–Darling, as well as maladministration by New South Wales authorities. This triggered several reviews, including:

- an independent investigation ordered by the NSW Government into water management and compliance
- a NSW Independent Commission Against Corruption investigation
- a Senate inquiry into the integrity of the water market in the Murray–Darling Basin
- a Queensland Government review of Rural Water Metering
- an Australian National Audit Office (ANAO) assurance review of the department's assessment of the NSW government performance under the National Partnership Agreement on Implementing Water Reform in the Murray–Darling Basin.

The Prime Minister and the then Minister for Agriculture and Water Resources asked the Murray–Darling Basin Authority (MDBA) to undertake the Murray–Darling Basin Water Compliance Review. This assessed the compliance and enforcement frameworks and practices of the Basin states and the authority, and the appropriateness of water management rules for protecting environmental water. The report was published in November 2017. The Australian Government committed to act on the review findings, and provided \$9.1 million of additional funding to strengthen the MDBA's compliance function.

The review's recommendations included developing a Basin Compliance Compact to provide a consistent and transparent approach to ensuring compliance with water use laws. The Australian Government worked with Basin jurisdictions to develop the compact. The government also appointed an independent person, Dr Wendy Craik, to bring together the findings of the various compliance reviews and provide advice on the compact. In June 2018 the compact was released publicly, and the Murray–Darling Basin Ministerial Council agreed to provide it to the Council of Australian Governments for endorsement.

Sustainably managing water resources

In 2017–18 we saw good outcomes for the management of the Lake Eyre Basin and continued to work on sustainability in the Great Artesian Basin.

In April 2018 the Lake Eyre Basin Ministerial Forum released the State of the Basin condition assessment for 2016. It found the Basin's rivers have been maintained in a relatively good condition compared with the previous assessment in 2008, taking account of water quality, fish and water bird populations and the Basin's hydrology.

The Lake Eyre Basin Intergovernmental Agreement was reviewed, and public consultation was undertaken in early 2018 on behalf of the Basin's jurisdictions. The review has been provided to the Lake Eyre Basin Ministerial Forum, which is expected to respond during 2018–19.

We continued work on a new plan to guide the sustainable management of the Great Artesian Basin through to 2033. The 2018 strategic management plan will build on the outcomes of the first plan, agreed by governments in 2000. The draft was released for public consultation in early 2018 and is expected to be finalised later in the year.

Snapshot 6

New ABARES model finds Murray–Darling water market in good shape

Water trading is vital to reallocating scarce water resources between users in the southern Murray–Darling Basin. Over the past decade, the southern Basin water market has had multiple structural changes, to environmental water recovery, irrigated land use, and water trading and carryover rules.

Stakeholders and policymakers want to better understand the effect of changes on water prices, but measuring this is challenging, given the variation in seasonal conditions each year.

ABARES has developed the Water Trade Model (WTM), which uses detailed historical data on irrigation activity, water availability and water market prices in the southern Basin. It can be used to assess the effects of historical changes to water supply, demand and trade rules, and to simulate the effects of potential future changes.

As a case study, ABARES used the WTM to simulate the effects on the southern Basin if the Millennium Drought conditions were repeated. The results suggest that water prices would be no higher than those observed in that drought.

Water supply has reduced since the Millennium Drought, because of water recovery and increases in demand, such as for new almond tree plantings. However, this has been offset by factors including reduced demand in other sectors, such as grazing, dairy and rice. Changes in carryover rules have also resulted in larger volumes of water being stored between years.

The modelling indicates that water trading and changes in demand have left southern Basin industries and communities better placed to withstand future droughts. The preliminary WTM findings were presented in March 2018 at the ABARES Outlook Conference.



Snapshot 7

Lake Eyre Basin Aboriginal Way map

A special project completed during 2017–18 has brought a unique perspective to the work of sustainably managing the Lake Eyre Basin. The Aboriginal Way map provides a pictorial overview of the presence and significance of Aboriginal people in the Basin, in an image designed to inspire people to recognise and learn about Aboriginal culture and history in the Basin.

The project was initiated by the Aboriginal people of the Basin, who were in attendance at the Lake Eyre Basin Aboriginal Forum at Mount Serle, South Australia, in 2006. The map was developed with the help of a steering committee that provided cultural advice and consulted the Aboriginal communities.

The map provides information on Aboriginal trade routes, language groups, stories and songlines.

The trade routes are represented as footprints to identify the main trade highways for commodities. The map depicts 71 Aboriginal languages, highlighting the diversity of Aboriginal people within the Basin. The stories and songlines represent an enduring oral literature, reflecting just a few of the connecting stories spanning hundreds of kilometres and creating strong ritual links between the groups in the Basin.

Surrounding the map are portraits of Aboriginal people who live, work and raise families in the Basin, and images capturing the history, cultures, places, experiences and 'caring for country' practices of Aboriginal people during pre- and post-settlement, and in contemporary times.

The Lake Eyre Basin Ministerial Forum agreed to publicly release the map on 1 August 2018. The Australian Institute of Aboriginal and Torres Strait Islander Studies will manage and distribute the map.

Further information on the Lake Eyre Basin and its activities can be found at lakeeyrebasin.gov.au.



Supporting efficiency

Our work on the WELS scheme continues to deliver benefits to consumers and Australian water resources. By 2021, WELS is expected to have saved an estimated 150 billion litres of potable water—enough to fill 60,000 olympic swimming pools. In the same year, Australians will save more than \$1 billion through reduced water and energy bills.

We are now broadening the scope of the scheme, working with the building and construction industry on water efficiency in new buildings. We have also increased our use of enforcement actions in response to suppliers who do not meet the scheme's requirements and who do not respond to educational approaches and warnings.

Australia is also leading the development of an international standard for water efficiency labelling through the International Organization for Standardization (ISO). Australia committed to developing this new global standard as part of its membership of the United Nations and the World Bank High Level Panel on Water.

An ISO standard based on the WELS standard is expected to reduce costs for Australian businesses, improve access to overseas markets for Australian manufacturers and increase compliance with the WELS scheme in Australia. It will also provide a tool that can be used by other countries to save water through similar consumer labelling schemes.

Renewing regional forest agreements

Regional forest agreements (RFA) are key to a consistent approach to the sustainable management and conservation of Australia's native forests. The 20-year agreements between the Australian and state governments make commitments and set requirements for forest management to balance economic, environmental and social demands.

In August 2017 we achieved the first agreement in our work to renew and extend RFAs for another 20 years. The extension to the Tasmanian RFA provides certainty to the timber industry and will maintain protections for non-production forests and endangered species, while supporting regional forest communities.

We have made progress in the renewal and extension process for the New South Wales, Victorian and Western Australian RFAs, and this work will continue into 2018–19.

Supporting legal logging

Our work to combat international illegal logging aims to reduce logging practices that contribute to environmental degradation and undermine the competitiveness of Australian industry. In 2018 we ended a three-year 'soft start' compliance period under the Illegal Logging Prohibition Regulation 2012. During that period, we assessed how a selection of importing businesses and domestic timber processors are complying with the regulations for importing timber and wood-based products into Australia.

Around 60 per cent of importers assessed were not compliant with some or all of their due diligence obligations. However, this was largely inadvertent non-compliance and importers have taken steps to improve their practices. During the soft start period, the department took the opportunity to educate and raise awareness of the laws and what was required in order to be compliant.

We are now focusing on higher-risk pathways and products. Our assessments are based on profiles of exporting countries, timber species of concern, previous cases of non-compliance, and advice from environmental non-government organisations. We also act on allegations of non-compliance and encourage the public to report information to the department.

Delivering the National Landcare Program

We are collaborating with the Department of the Environment and Energy to deliver phase 2 of the National Landcare Program from July 2017 to June 2023. We are responsible for sustainable agriculture initiatives under the program to protect and improve the condition of soils, vegetation and biodiversity on farms.

In 2017–18 we brought forward the first round of the Smart Farms Program under phase 2 of the National Landcare Program, which was made possible by a \$100 million increase to the National Landcare Program announced in the 2016–17 Mid-Year Economic and Fiscal Outlook. Smart Farms offers larger grants for partnerships between organisations to work on new tools to build productive and sustainable primary industries, and small grants to help raise awareness of sustainable management tools and practices. In June 2018 the Minister for Agriculture and Water Resources announced approximately \$27 million of funding for the first round of Smart Farming Partnerships, supporting 15 projects.

In conjunction with the Department of the Environment and Energy we implemented the Regional Land Partnerships program, selecting service provider organisations to deliver national land care priorities at the regional and local level.

Snapshot 8

Advocate for Soil Health

In December 2012 Major-General the Hon. Michael Jeffery was appointed as the Advocate for Soil Health, to raise awareness of the critical role soil plays in underpinning sustainable agriculture. In March 2018 Major-General Jeffery formally ended five years of work consulting farmers and stakeholders across Australia by delivering his third report to the Prime Minister.

The report builds on Major-General Jeffery's input to the Australian Government's *Agricultural Competitiveness White Paper*, and the development of the first national soil research, development and extension strategy.

In his report, Major-General Jeffery concluded that soil, water and vegetation should be treated as critical national assets, and made recommendations to protect and improve the health of these resources for the benefit of all Australians.

In April 2018 the Agriculture Ministers' Forum considered the report and the ministers thanked Major-General Jeffery for his contribution to developments in soil science policy.

We provided administrative support to the advocate, including for an expert panel to provide technical advice and a consultative forum. His findings will inform continued policy development on soil health, including our work through initiatives such as the National Landcare Program.



We are also working directly with land care groups and farmer organisations to identify suitable activities for funding through the Building Landcare Community and Capacity program.

Ensuring sustainable and profitable fisheries and aquaculture

Australia continues to act on new developments in fisheries management and science to ensure the sustainability and productivity of its fish stocks.

In 2017–18 we developed the Commonwealth Fisheries Policy Statement, setting out the Australian Government’s objectives for the fisheries and aquaculture sectors and promoting the value of Australia’s seafood industry. The statement highlighted the shared nature of Australia’s marine resources, the government’s efforts to maximise the benefits for all Australians and the importance of the continued sustainability of the marine environment.

We also finalised the National Aquaculture Strategy—a collaboration between the Australian, state and Northern Territory governments and industry that identifies actions to double the value of aquaculture to \$2 billion by 2027.

The Assistant Minister for Agriculture and Water Resources released the fisheries policy statement and the aquaculture strategy in September 2017.

We established the National Recreational Fishing Council, an advisory body to improve dialogue and communication between recreational fishers and the Australian Government. The council held its inaugural meeting in November 2017.

In November 2017 Commonwealth fisheries legislation was amended to ensure the Australian Fisheries Management Authority takes into account the interests of all fisheries users—commercial, recreational and Indigenous fishers—in exercising its fisheries management responsibilities.

International fisheries engagement

Several of Australia’s most valuable fisheries are managed at an international level because the stocks are either migratory or straddle Australia’s Exclusive Economic Zone and the high seas. We lead Australia’s engagement with other countries on fisheries issues through regional fisheries management organisations such as the Pacific Islands Forum Fisheries Agency (FFA). Our participation in these organisations ensures we can defend and maintain Australia’s claims to fishery resources and ensure sustainable fisheries management is applied.

In 2017–18 we chaired the FFA’s governing body, the Pacific Islands Forum Fisheries Committee. As chair, we supported regional solidarity, particularly within the Western and Central Pacific Fisheries Commission, and hosted the annual FFA fisheries ministers meeting, held in July 2017.

In March 2018 we hosted a meeting of the Strategy and Fisheries Management Working Group of the Commission for the Conservation of Southern Bluefin Tuna. The working group discussed updating the technical process used to manage the fishery to ensure continued rebuilding of the stock.

Annual performance statement

Performance measure: Continued water recovery in the Murray–Darling Basin, consistent with the Water Recovery Strategy

Target	Gap bridging water registered to the Commonwealth Environmental Water Holder (CEWH) to be at least 1,790 GL by 30 June 2018 ^a
Source	Portfolio Budget Statements 2017–18, page 59 Corporate Plan 2017–18, page 22
Results	Achieved

^a Based on progress to national water recovery targets. All water recovery figures are expressed in long-term average annual yield (LTAAY) terms.

As at 30 June 2018 water entitlements with a long-term average annual yield (LTAAY) of 1,833.2 gigalitres LTAAY were registered and held by the CEWH.

As at 30 June 2018, 2.7 gigalitres LTAAY had been recovered towards ‘bridging the gap’ to the groundwater SDLs and was registered with the CEWH.

In 2017–18 the overall surface water recovery task was influenced by a number of factors including legislative changes that are now settled. The SDL adjustment mechanism amendment instrument will allow changes to the Sustainable Diversion Limits under the Basin Plan to reduce the amount of water recovery needed to achieve environmental benefits through a package of supply measures nominated by state governments.

The Basin Plan limits the amount that SDLs can be adjusted by a net 5 per cent—that is, up or down by a net maximum of 543-gigalitres per year. At least 62 gigalitres of efficiency contribution must be recovered to ensure the full 605-gigalitre supply measure contribution can be achieved by 30 June 2019 and is not constrained by the 5 per cent limit. The Basin Plan provides for 450 gigalitres LTAAY to be recovered from across the Basin by 30 June 2024 through efficiency measures with neutral or positive socio-economic impacts.

Further amendments to the SDLs under the Basin Plan as a result of the Northern Basin Review have reduced the water recovery target in the Northern Basin from 390 gigalitres to 320 gigalitres LTAAY. In May 2018 the Government and Federal opposition agreed to a package of measures to enhance the outcomes of the Basin Plan and to provide bipartisan support for the amendments.

In addition to legislative changes, the Murray–Darling Basin Authority advised that 40.4 gigalitres LTAAY of recoveries under the Nimmie–Caira agreement, which were previously considered non-gap bridging, should contribute to water recovery targets. This resulted in an increase on water recovery against the 2017–18 target.

The volume of surface water now registered to the CEWH is 1,833.2 GL LTAAY, with the Basin states holding an additional 162.6 gigalitres that can be used for environmental purposes. As at 30 June 2018 the Australian Government had existing contracts with delivery partners, including state governments, for the delivery of a further 157.2 gigalitres LTAAY of water.

Efficiency measures of 1.3 gigalitres LTAAY have been secured or agreed in funding contracts, of which 0.46 gigalitres LTAAY are registered with the CEWH and contribute to the required 62 gigalitres LTAAY efficiency contribution.

The Australian Government will continue to work together with Basin governments to deliver all water recoveries that are required to meet water recovery targets by 30 June 2019.

All factors affecting the achievement of water recovery targets are being monitored. Basin states are working with the Murray–Darling Basin Authority to update planning assumptions, which includes the possible impact of any changes to cap factors. The final outcome will not be known until we are closer to the deadline of 30 June 2019 and state Water Resource Plans are finalised.

Performance measure: Basin governments settle an agreed approach to implement the Sustainable Diversion Limit (SDL) adjustment mechanism

Target	Agreement on funding and other matters is in place to support both an SDL adjustment determination and implementation of supply, constraints and other agreed projects
Source	Corporate Plan 2017–18, page 23
Results	Achieved

Consistent with the Basin Plan, in December 2017, the Murray–Darling Basin Authority determined an increase to the SDLs of 605 gigalitres by modelling the package of 36 notified supply measures. Amendments to the Basin Plan that increase the SDLs by up to this amount became law on 13 January 2018.

The department is proceeding to finalise arrangements with relevant Basin states on accessing Commonwealth funding for pre-construction activities for their supply measures. On completion of the pre-construction activities, funding arrangements for project implementation will be agreed at that time.

On 8 June 2018 the Murray–Darling Basin Ministerial Council agreed that an immediate priority for efficiency measures under the SDL adjustment mechanism is to recover water towards remaining gap-bridging and the 62 gigalitres required by 30 June 2019 to ensure that the full 605-gigalitres supply adjustment comes into effect.

The Murray–Darling Basin Water Infrastructure Program was launched on 13 July 2018. The program will contribute to recovering remaining gap-bridging water and progress the recovery of the 450 gigalitres of efficiency measures required under the Basin Plan with neutral or positive social and economic outcomes.

Target	Identified pilot efficiency measure projects are delivered
Source	Corporate Plan 2017–18, page 23
Results	Achieved

The South Australian pilot of the Commonwealth On-farm Further Irrigation Efficiency (COFFIE) program funded 31 on-farm projects for the 2017–18 period, which is a 72 per cent increase from 2016–17 (18 Projects). The COFFIE pilot has led to the recovery of 1,327.3 megalitres long-term average annual yield (LTAAY). Within that, 461.7 megalitres LTAAY of South Australia 3a High Reliability irrigation entitlement has been returned to the Commonwealth. To date, 16 on-farm water efficiency upgrade projects have been completed in South Australia to date.

FIGURE 9 Number of approved and completed Commonwealth On-farm Further irrigation Efficiency (COFFIE) projects, 2016–17 and 2017–18

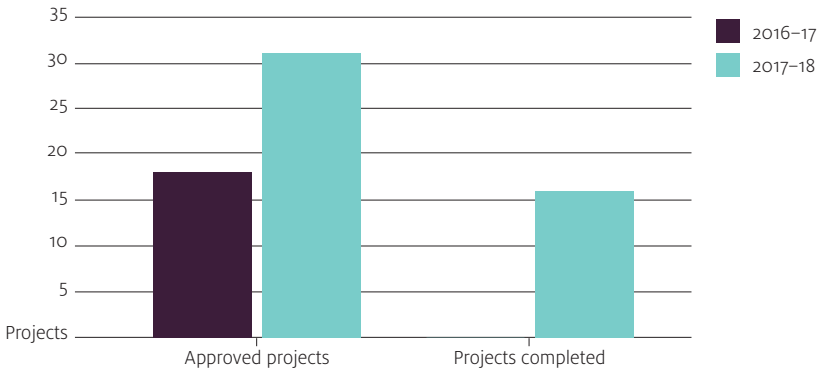
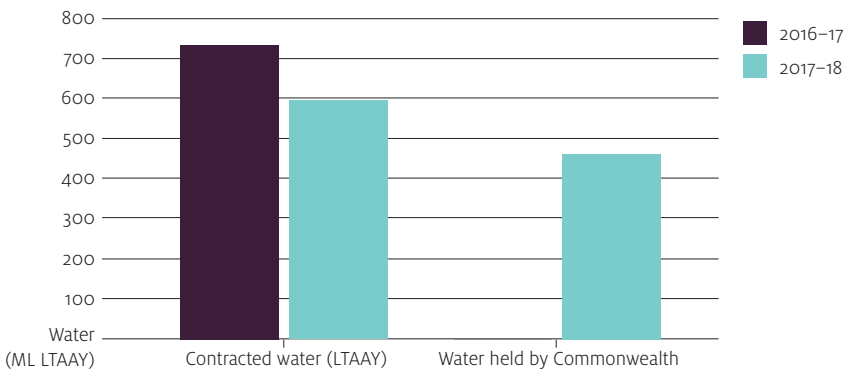


FIGURE 10 Commonwealth On-farm Further irrigation Efficiency (COFFIE) Contracted water (LTAAY) and Water held by Commonwealth, 2016–17 and 2017–18



Target	Completion of independent study into efficiency measures informs agreement by Basin jurisdictions on basis for efficiency measures roll-out
Source	Corporate Plan 2017–18, page 23
Results	Achieved

The Murray–Darling Ministerial Council decided on 17 March 2017 to undertake an independent review of water efficiency measures programs in the Murray–Darling Basin. Ernst and Young undertook the review by engaging with Basin communities, industry and governments. An expert panel assisted the review.

On 22 December 2017 the final independent report from Ernst and Young was presented to the ministerial council and was subsequently publicly released on 19 January 2018. The report concludes that a pathway to recovering 450 gigalitres in efficiency measures is possible in a way that is socio-economically neutral or positive.

Performance measure: Jurisdictions contribute to a report on their urban water reform priorities, including implementation timelines

Target	Final report produced by December 2017
Source	Corporate Plan 2017–18, page 23
Results	Substantially achieved

A draft report was completed by December 2017. The report could not be finalised until after the Productivity Commission's final report into national water reform was released. This occurred on 31 May 2018 and jurisdictional consultation was subsequently undertaken. The final report will be produced in early 2018–19.

Performance measure: Finalisation of Lake Eyre Basin Intergovernmental Agreement Review

Target	Report finalised before 30 June 2018 and provided to ministers
Source	Corporate Plan 2017–18, page 23
Results	Achieved

The second review of the Lake Eyre Basin Intergovernmental Agreement was completed by an independent consultant (Noetic Group) on 8 June 2018 and provided to the Lake Eyre Basin ministers.

As of 30 June 2018 Lake Eyre Basin ministers are considering if the review satisfies clause 10.1 of the *Lake Eyre Basin Intergovernmental Agreement Act 2001* and subsequently whether to release the report. A ministerial decision on the release of the report and the next steps is anticipated in early 2018–19.

It is required under section 10.2 of the *Lake Eyre Basin Intergovernmental Agreement Act 2001* that a report of the review be tabled in the Parliament of each state and the Northern Territory within 12 months of its completion.

Performance measure: Finalisation of Great Artesian Basin Strategic Management Plan

Target	Management plan finalised before 30 December 2017 and provided to ministers
Source	Corporate Plan 2017–18, page 23
Results	Substantially achieved

As at 30 June 2018 Great Artesian Basin water ministers agreed to release the Draft Great Artesian Basin Strategic Management Plan for public consultation which, is expected to occur during 2018–19.

Performance measure: Delivery of the updated National Water Quality Management Strategy via the new Water Quality website

Target	The updated strategy is published on the website in the first quarter of 2017–18
Source	Corporate Plan 2017–18, page 23
Results	Substantially achieved

Performance measure: Delivery of the major revision of the Australian and New Zealand Guidelines for Fresh and Marine Water Quality

Target	The major revision of the Australian and New Zealand Guidelines for Fresh and Marine Water Quality is published in the first quarter of 2017–18
Source	Corporate Plan 2017–18, page 23
Results	Substantially achieved

In January 2018 the Minister for Agriculture and Water Resources approved the publication of the updated National Water Quality Management Strategy and the revised Australian and New Zealand Guidelines for Fresh and Marine Water Quality on the new Water Quality Australia website. The minister wrote to relevant Australian state and territory counterparts and the New Zealand Minister for Environment seeking agreement to publish the website and its guidelines. The guidelines were subsequently released on 15 August 2018.

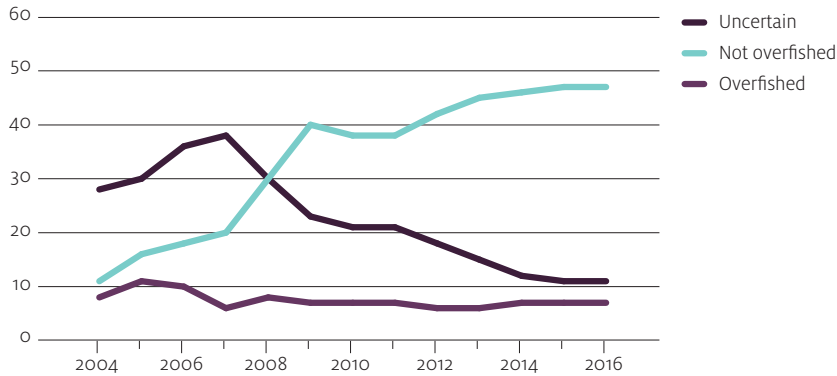
By April 2018 all Australian ministers had approved the release of the website. However, a response from the New Zealand minister was delayed until 17 July 2018.

Performance measure: The status of the resource base is maintained or improved

Target	The percentage of fish stocks solely managed by the Commonwealth that are not overfished is maintained or increased
Source	Portfolio Budget Statements 2017–18, page 40 Corporate Plan 2017–18, page 24
Results	Achieved

In 2016, 72 per cent of fish stocks solely managed by the Commonwealth were classified as not overfished. In 2015, 72 per cent were classified as not overfished. There are policies in place to improve sustainability of fishing and to improve the information supporting assessment of fisheries impacts.

FIGURE 11 Australian managed fish stocks, 2004–2016



Note: Statistics for 2017 will become available in October 2018 and statistics for 2018 in October 2019. The delay in reporting statistics is a result of the time it takes for data to be received from fishers, entered into databases, analysed in assessments, then reported in the annual Fishery Status Report.

Target	100% of Commonwealth fisheries maintain approval under Part 13A of the <i>Environment Protection and Biodiversity Conservation Act 1999</i>
Source	Corporate Plan 2017–18, page 24
Results	Achieved

In 2017–18 all active fisheries managed solely by the Commonwealth continued to maintain approval under Part 13A of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act).

Although management of Australian fisheries is the responsibility of the relevant state, territory or Commonwealth fisheries management agency, the EPBC Act plays an important role in ensuring the ecological sustainability of Australia’s Commonwealth and export fisheries.

The approvals are informed by independent assessments undertaken by the Department of the Environment and Energy against the *Guidelines for the ecologically sustainable management of fisheries*.²

Target	The groundcover on agricultural land is maintained or increased when compared to the average for the past 10 years (relative to rainfall) a
Source	Portfolio Budget Statements 2017–18, page 40 Corporate Plan 2017–18, page 23
Results	Data not available

a The 2018–19 annual report will outline the methods and results for annual national reporting of groundcover on land used for grazing, as well as provide information on the targets and baselines established for regional reporting in areas completing NLP2 projects for which groundcover is a performance indicator.

² *Guidelines for the ecologically sustainable management of fisheries* (2007), Department of the Environment and Water Resources, 2nd edition.

Groundcover monitoring will commence with the delivery of the second phase of the National Landcare Program (NLP2), which begins 1 July 2018. Accordingly, at this stage, comparisons cannot be made.

Performance measure: Funding and grants programs are delivered according to requirements and have positive program evaluations

Target	The National Landcare Program is delivered in accordance with grant guidelines and financial reporting arrangements
Source	Corporate Plan 2017–18, page 24
Results	Achieved

Agriculture-related sub programs of the National Landcare Program were delivered in accordance with grant guidelines and financial reporting requirements.

The National Landcare Program is a key part of the Australian Government’s commitment to natural resource management. The government invested \$1 billion through the National Landcare Program from July 2014 to June 2018. A further \$1.08 billion has been committed to continue the program to June 2023.

The first phase of the National Landcare Program, which formally ceased as scheduled on 30 June 2018, supported rural communities to protect and improve the condition of soil, water, vegetation and biodiversity. Data and trends currently are being accumulated and developed respectively, and will be available from late September 2018.

Positive outcomes from the five-year program include:

- 89 projects supporting sustainable agriculture
- improved management practices implemented for over 76,000 hectares of WA Rangelands NRM.

In 2017–18 we collaborated with the Department of Social Services to transition the management of the Sustainable Agriculture Small Grants Round 2015–16, the 25th Anniversary Landcare Grants and a number of small ad-hoc grants to the Community Grants Hub.

Strategic objective

Managing biosecurity and imported food risk



Performance overview

We are responsible for biosecurity controls at the border, offshore and domestically to manage risks that could impact the economy, Australia's access to overseas markets, the environment and human health.

Key components of this work are the *Biosecurity Act 2015* and the Intergovernmental Agreement on Biosecurity (IGAB).

The Biosecurity Act has been in force for two years, and in that time we have updated and strengthened our regulatory tools and administration. The implementation phase has now ended, but we continue to explore how powers under the Act can be used to the best effect to help industries comply while providing benefits through improved processes.

An independent review of the IGAB has found the agreement between Australian governments is building a more effective system, and provided the basis for further improvements.

The increasing demand on resources to manage biosecurity is an ongoing challenge. During 2017–18 we addressed major border incidents and pest and disease incursions and strengthened our surveillance and biosecurity preparedness to prevent and respond to incursions. At the same time we continued to manage the increasing workload of import permits, biosecurity screening and post-entry quarantine.

We continue to build capabilities to support our risk-based approach and to ensure we are able to anticipate and respond to the challenges of managing biosecurity and imported food risk into the future.

Key activities and achievements

Delivering a national biosecurity system

In July 2017 the final report of an independent review of the capacity of the national biosecurity system and its underpinning intergovernmental agreement was released. The report found the agreement had provided a national framework to build a more effective national system, and made 42 recommendations to strengthen biosecurity over the next five to 10 years.

The review has provided a strong base to further improve the biosecurity system, and all governments agreed in principle to all of the 42 recommendations. While the review recognised the first agreement as building a spirit of collaboration between governments, our work to deliver a revised IGAB is focused on shared responsibility for the system, increasing efforts to manage environmental biosecurity risks and embedding more consultative arrangements with industries, environmental groups and the community.

In the first half of 2018 the Australian Government reaffirmed its commitment to the IGAB, announcing \$313 million over five years for the national biosecurity system, to be funded by the establishment of a biosecurity imports levy.

Funding will go towards a range of activities including a robust assurance and verification program, improving the efficiency and effectiveness of biosecurity operations, extending the Indigenous Biosecurity Rangers program, a Biosecurity Innovation Program and appointing an Environmental Biosecurity Protection Officer.

Snapshot 9

Partnership delivering cost-effective surveillance in northern Australia

Biosecurity surveillance is essential to preventing pest and disease outbreaks. In 2017–18 our Northern Australia Quarantine Strategy (NAQS) staff collaborated with the Australian Mango Industry Association on a new pilot surveillance program.

Mangoes are big business in Queensland and the Northern Territory, but carrying out surveillance across hundreds of mango farms is time-consuming and expensive for farmers and the department. After extensive consultation, we trialled moving surveillance efforts from the farms to mango packing sheds. The industry association received a \$130,000 grant under the *White Paper on Developing Northern Australia* to implement the pilot.

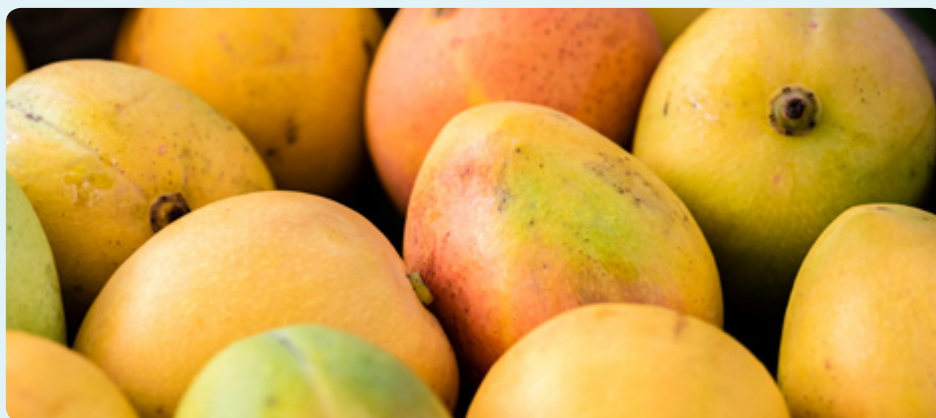
The pilot brought the focus of surveillance down to just six sites. This delivered a lower-cost solution while maintaining quality data and causing minimal disruption to operations.

Acting Director of the NAQS Surveillance team Darren Peck said working in partnership with industry, producers and the community was the key to sustainable biosecurity strategies.

“This is a great example of government and industry working together to find innovative solutions to biosecurity problems,” said Darren.

“We have seen the huge impact biosecurity threats can have, with a fruit fly outbreak in the Cairns region in 1995 costing more than \$100 million to eradicate. This kind of surveillance program will help us identify any issues well in advance.”

We are now working on options to turn the pilot into a permanent industry investment. Data collected through the pilot will also help us develop other eradication campaigns to protect farms and the Australian economy.



Building biosecurity for the future

We are putting tools in place to support our biosecurity work into the future, supported by resources made available through the *Agricultural Competitiveness White Paper* and the *White Paper on Developing Northern Australia*.

In 2017–18 we continued to strengthen Australia's surveillance systems to achieve early warning and early detection of high-risk pathways and pests, to delimit pest incursions and to support Australia's pest-freedom claims to its trading partners. These activities are part of a new surveillance framework for plant pests, to provide a coordinated and consistent approach to data collection, analysis and decision-making.

One example is our work with the forest and citrus industries to develop new national surveillance strategies. Industry-owned surveillance plans to build biosecurity capability are key to this approach. The forest and citrus industries plans were launched in March 2018. We have begun the next phase of work, holding discussions with the grains industry and the temperate fruits industry.

Our information and communication technology systems are important to ensuring we are managing biosecurity effectively. Our work to build the Biosecurity Integrated Information System and Analytics initiative is establishing an integrated, forward-looking system to help us identify and plan for risks and respond more quickly to incursions.

We are also building the Enterprise Surveillance System (ESS) to improve our surveillance to biosecurity data. The ESS will provide a centralised repository that will capture data as it becomes available. Users will only have to enter data once and it will be readily accessible to support decision making.

Improving biosecurity and imported food controls

In 2017–18 we improved controls to manage biosecurity and human health risks before goods reach the border.

We developed a new approach to handling imports of cut flowers, building on a previous review of the import conditions for cut flowers and fresh foliage and the use of advanced analytical tools.

The number of countries exporting flowers and the variety of flowers being exported to Australia has grown significantly over time. We analysed the trading environment, levels of non-compliance and incidence of quarantine pests and then worked with exporting countries and the importing industry sector on a system to manage insect contamination before flowers are shipped to Australia.

Since March 2018 these new arrangements have resulted in improvements in compliance rates. We will use these changes as a model for the way we handle other imported plant products.

In August 2017 we released the final report from our import conditions review for beef and beef products from Japan, the Netherlands, New Zealand, the United States and Vanuatu. Enabling trade is an important part of Australia's international obligations. At the same time, managing beef import risks is critical to ensuring Australia remains free of diseases such as foot-and-mouth and bovine spongiform encephalopathy (BSE).

The report found Australia could import beef from these countries, subject to strict biosecurity and food safety conditions. In June 2018 the department approved the recommencement of chilled and frozen beef imports from Japan.

We are evaluating the other countries' animal health and process controls to ensure they can meet our import conditions. We are also consulting the Australian beef industry to ensure producers are kept informed about the conditions and controls being implemented.

In 2017–18 we also changed regulations to give us better control over and visibility of food importer supply chains. These will be important tools to manage risks presented by ingredients for imported food products that are increasingly sourced from multiple countries.

Managing biosecurity at the border

We screen passengers, mail, cargo and vessels at entry points around the country, and manage quarantine for animals and plants through our post-entry quarantine facility in Victoria.

Table 3 shows the scale of our work to detect biosecurity risks.

TABLE 3 Size of the import task, 2015–16 to 2017–18

Item	Unit	2015–16	2016–17	2017–18
Passengers				
International clearances	'000	19,000	20,500	21,700
Seizures of items from air passengers	'000	270	290	292
Compliance rate air passengers	%	97.4	96.9	97.1
Sea passengers and crew clearances	'000	800	840	719
Seizures of items from sea passengers	'000	3.9	3.5	2.8
International mail articles				
Non-letters	'000	57,000	82,000	84,000
Letters	'000	81,000	76,000	68,000
Total	'000	138,000	158,000	152,000
Seizures of mail articles	'000	23	30	51
Compliance rate mail	%	99.9	99.9	99.9
Cargo				
Wharf gate sea container inspections	'000	250	130	68
Country Action List sea container inspections (first port)	'000	46	45	35
Commercial consignments referred to the department	'000	450	450	490
Air freight consignments referred to the department	'000	640	520	490

Item	Unit	2015–16	2016–17	2017–18
Import permits				
Permit applications received	'000	19	20	19
Permits issued	'000	17	19	18
Post-entry quarantine – Live animal imports processed				
Cats	no.	1,500	1,800	2,000
Dogs	no.	3,700	4,200	4,400
Horses	no.	340	460	430
Avians	no.	160	110	310
Ruminants	no.	0	7	0
Hatching eggs processed	no.	6,600	11,000	19,000
Imported Food				
Food inspections				21,971
Food document assessments				35,066
Holding Orders issued				529

We are continuing to develop a firmer response to non-compliance and better intelligence, profiling, targeting and enforcement capabilities in order to identify biosecurity risks and industry non-compliance. In 2017–18 using powers under the Biosecurity Act, the department suspended and revoked a number of regulated entities due to non-compliant activity.

We also made some significant detections through our border biosecurity interventions and targeted operational activities. Our risk assessment identified an increased risk for brown marmorated stink bug coming to Australia from Italy and the United States. We then detected increasing numbers of the bug from these countries. The bug is a significant agricultural pest and known to 'hitchhike' on all forms of cargo.

We increased inspections and treatment and are working with other countries to ensure cargo shipped during high-risk seasons is treated before shipment.

In July 2017 we collaborated with Husqvarna Australia and its transportation companies after ants, beetles, exotic moulds and nematodes were identified on timber crates used to package lawn mowers. A quick response prevented the entry of sawyer beetle—a significant pest—and new incursions of red imported fire ant. Husqvarna Australia, Cahill Transport Australia and Panalpina World Transport were recognised in the industry category of the Australian Biosecurity Awards 2018 for their part in responding to this incident.

Border detections are important to prevent pests and diseases entering the country and provide valuable intelligence for biosecurity preparedness. The states and territories have key responsibilities to eradicate and manage pest and disease incursions through the IGAB. We are now ensuring that border detection information is being provided systematically to state and territory jurisdictions, to inform their surveillance work.

Responding to pest and disease incursions

In 2017–18 we continued to address the outbreak of white spot syndrome virus (WSSV) in prawns. The importation of uncooked prawns resumed in July 2017, after we introduced enhanced import conditions. These include offshore testing and certification that the prawns are free of WSSV and yellow head virus, inspections to ensure shipments are sealed and testing on arrival in Australia for all consignments of uncooked prawns.

We are also undertaking a review of import conditions for prawns and prawn products for human consumption. During the review, if the biosecurity risk for these products changes, we can amend the enhanced import conditions to ensure they meet Australia's Appropriate Level of Protection.

We worked with the Queensland Government and prawn farmers to help them recover from the impact of the outbreak. We are also implementing recommendations from the Inspector-General of Biosecurity's review of the department's response to the outbreak (see External scrutiny, page 108).

Responding to the virus outbreak was a significant piece of work for the department. We have strengthened our working relationships with stakeholders by focusing on communicating and working with them throughout the response.

We have been working with our state counterparts, particularly in Tasmania, South Australia and Western Australia, on containing and eradicating outbreaks of Queensland fruit fly. Fruit fly is a significant plant pest, and Australia's trading partners have strict import conditions to prevent its spread.

We provided technical advice, assisted with interstate assurance certification for treatments and informed importing countries about the control measures in place to ensure that exported products meet their requirements. The Australian Government allocated \$20 million to the Tasmanian Government in the 2018 Budget to help manage the outbreak.

In late 2017–18 a national response was implemented after the detection of citrus canker in the Northern Territory. The detections were restricted to potted retail plants intended for the home and garden sector. Further detections were made in Western Australia as a result of tracing infected pot plants from the Northern Territory.

All infected plants were destroyed and control zones and the states and territories have implemented movement restrictions in line with the nationally agreed response plan. No detections have been made in other areas.

Investing in plant health

Biosecurity preparedness is critical to ensuring governments, industries and the community can respond quickly and effectively to pest and disease threats. We are investing in the Plant Biosecurity Research Initiative, a new partnership between Australia's plant research and development corporations.

The initiative includes support from Plant Health Australia and involves collaboration with research institutions in Australia and New Zealand, and the state and territory governments. The partners will invest in new research across industries to strengthen plant biosecurity and minimise the risk of future threats to the sector. The initiative is a long-term approach to biosecurity research, and its initial term will run to July 2020.

Snapshot 10

Safeguarding human and animal health

Antimicrobial resistance (AMR) and the risk of superbugs are no longer considered emerging issues, but a genuine threat to human and animal health around the world. We are actively involved in work to address these threats to human health, animal health and welfare, agricultural productivity and trade.

Australia's Chief Veterinary Officer, Dr Mark Schipp, says Australia is well-placed to tackle these threats. The 2015 international Review on Antimicrobial Resistance ranked Australia as the fifth-lowest user of antibiotics in agriculture.

However, AMR remains a significant threat to Australian animal industries. Antimicrobials are used to treat or prevent infection in animals, and maintaining their effectiveness is essential. It is also essential that veterinarians retain access to antimicrobials to treat, prevent and control diseases.

Dr Schipp is working with stakeholders to develop a national AMR plan for the Australian animal sector. The plan will build on more than 30 years of work by all animal sector stakeholders, including animal industries, to actively manage the way they use antimicrobials.

"We've already seen the development of codes of practice around the use of antibiotics in the intensive animal industry sectors. This has largely been done without a heavy regulatory burden—so we've done it differently to Europe, where they're taking a very regulatory approach," said Dr Schipp.

"The rates of antibiotics we're using in Australia are a fraction of the rates being proposed by Europe as a global goal, so industries here are very well placed."

The animal sector plan will address the issue of data on antimicrobial usage and AMR to help establish a national surveillance program. Work is also under way on funding models for a national surveillance system framework. This will inform further work with stakeholders in 2018–19.



Building biosecurity awareness

We work to raise biosecurity awareness among people travelling to or bringing goods into Australia. In 2017–18 we undertook a range of activities to continue to increase awareness across international and domestic travellers.

The Biosecurity Matters webpage is a new platform for people from all walks of life—from farmers, gardeners and recreational visitors through to pet owners, travellers and online shoppers—to access biosecurity information. We also launched *Don't be a Jeff*, a series of animated videos to show different scenarios that can compromise biosecurity. In the first three months after the launch of the Biosecurity Matters site these videos were viewed more than 300,000 times.

Snapshot 11

Our message to passengers: Don't be sorry, just declare it

We screen more than 21 million international passengers arriving at Australian airports each year. We expect this number to grow significantly in the years ahead, with international travel projected to increase by 5 per cent a year.

We are looking at new ways to engage passengers and influence their knowledge and behaviour, to promote compliance with Australia's biosecurity laws.

One way we're doing this is through a new in-flight video—*Don't be sorry, just declare it*—which took to the skies in May 2018.

The video, with versions in English, Mandarin and Hindi, has been designed to help international passengers understand and meet their biosecurity obligations.

Each video features commodities and scenarios that are frequently encountered by our officers at airports and shipping terminals.

Eight of our biosecurity officers have starring roles in the first three versions of the video. We will produce more versions in other key languages used by airlines, as well as a version for cruise lines.

We are also exploring opportunities to use the video in our broader education activities to influence traveller behaviour. These activities will target key groups, commodities and seasonal events using tailored messages to raise awareness of the importance of Australia's biosecurity requirements.

不用说
“对不起”
请申报



We have also increased our education focus on a number of passenger cohorts. One group we are actively trying to inform is international students. We are working with universities and education providers to get the biosecurity message to students before they travel to Australia. These initiatives are helping to promote the shared responsibility of protecting Australia's biosecurity.

Annual performance statement—Managing biosecurity and imported food risk

Performance measure: Australia maintains a favourable pest and disease status

Target	Department assessment that a favourable pest and disease status is maintained
Source	Portfolio Budget Statements 2017–18, page 50 Corporate Plan 2017–18, page 26
Results	Achieved

Australia's biosecurity system is essential to protect human health and the environment from exotic pests and diseases. Maintaining a favourable pest and disease status supports Australia's international reputation as an exporter of safe to consume, pest and disease free, agricultural, fisheries and forestry commodities.

In early 2018 the NSW Government reported an outbreak of listeriosis associated with consumption of rockmelons. The department traced implicated rockmelons from the producer that had been exported to nine countries. These countries were contacted and the rockmelons recalled from the supply chain and sale. While the outbreak was linked to rockmelons from only one producer, there was a significant loss of export volumes affecting producers and exporters of Australian rockmelons. The response by the department minimised the reputational impact to Australia.

Australia maintained its recognition by the World Organisation for Animal Health (OIE) of having a negligible risk of bovine spongiform encephalopathy and freedom from six other animal diseases.

While there is no equivalent standard for plant pests, the Plant Health Committee has identified 40 national priority plant pests that are exotic to Australia, under eradication or limited distribution. These are not the only risks to plant health, but provide a focus for government investment and biosecurity action, including the development of import requirements and contingency plans for incursions.

Target	Pest and disease eradication is funded throughout the year based on national priorities
Source	Corporate Plan 2017–18, page 26
Results	Achieved

Pest and disease eradication was funded throughout the year based on national priorities agreed under formal national response arrangements for pest and disease incursions.

Funding was based on multi-year programs involving state and territory governments. The level of funding was commensurate with funding provided in previous years.

In 2017–18 there was an outbreak of brown marmorated stink bug in New South Wales and Western Australia and citrus canker in the Northern Territory and Western Australia. Responses to these diseases are being pursued.

TABLE 4 Responses underway for plant pests and environmental pests, nationally cost-shared, 2017–18

No.	Response	Response arrangement	Cost-shared budget for 2017–18 (\$m)
1	Citrus canker (<i>Xanthomonas Citri</i>) Northern Territory and Western Australia	Emergency Plant Pest Response Deed	N/A – response initiated in 2017–18. However, budget allocated to 2018–19
2	Brown marmorated stink bug (<i>Halyomorpha Halys</i>) Glendenning, NSW	Emergency Plant Pest Response Deed	\$0.250
3	Brown marmorated stink bug (<i>Halyomorpha Halys</i>) Jandakot, WA	Emergency Plant Pest Response Deed	\$0.207
4	Tomato potato psyllid (<i>Bactericera cockerelli</i>) in WA	Emergency Plant Pest Response Deed	\$2.000
5	Varroa mite (<i>Varroa jacobsoni</i>) in Qld	Emergency Plant Pest Response Deed	\$0.579
6	Khapra beetle (<i>Trogoderma granarium</i>) in SA	Emergency Plant Pest Response Deed	\$0.404
7	Banana freckle (<i>Phyllosticta cavendishii</i>) in NT	Emergency Plant Pest Response Deed	\$0.188
8	Chestnut blight (<i>Cryphonectria parasitica</i>) in Vic	Emergency Plant Pest Response Deed	\$0.151
9	Exotic fruit fly (<i>Zeugodacus cucurbitae</i> , <i>Bactrocera dorsalis</i> and <i>B. trivialis</i>) in Torres Strait and Qld	Emergency Plant Pest Response Deed	\$0.410
10	Giant pine scale (<i>Marchalina hellenica</i>) in SA and Vic	Emergency Plant Pest Response Deed	\$0.509
11	Red witchweed (<i>Striga asiatica</i>) in Qld	Off-deed	\$1.228

No.	Response	Response arrangement	Cost-shared budget for 2017–18 (\$m)
12	National tropical weeds (<i>Limnocharis flava</i> , <i>Miconia calvescens</i> , <i>Mikania micrantha</i> , <i>Miconia nervosa</i> and <i>Miconia racemosa</i>) in Qld	Off-deed	\$2.590
13	Red imported fire ants (<i>Solenopsis invicta</i>) at South East Qld	Off-deed	\$37.970
14	Browsing ant (<i>Lepisiota frauenfeldi</i>) at Darwin Port, NT	National Environmental Biosecurity Response Agreement	\$0.983

TABLE 5 Responses underway for plant pests and environmental pests—not nationally cost-shared, 2017–18

No.	Response	Response arrangement	Cost-shared budget for 2017–18 (\$m)
15	Macao paper wasp (<i>Polistes olivaceus</i>) in the Cocos (Keeling) Island	National Environmental Biosecurity Response Agreement	N/A. Commonwealth funded, in-kind assistance from WA
16	Red imported fire ant (<i>Solenopsis invicta</i>) in Brisbane Airport, Qld	NEBRA	\$0.150
Target	The Intergovernmental Agreement on Biosecurity is found to be effective in managing the national biosecurity system		
Source	Corporate Plan 2017–18, page 26		
Results	Achieved		

An independent review of the agreement was released by all Australian agriculture ministers in July 2017. The review reported that the agreement has created a framework for governments to coordinate and identify priority areas of reform and action to build a stronger and more effective national biosecurity system.

It noted that this was an important step for governments, recognising the value of strengthening and institutionalising intergovernmental relationships and building on the previous memorandums of understanding between Australian governments.

The panel made 42 recommendations aimed at strengthening the IGAB and the national biosecurity system. All governments have developed a national response to the 42 recommendations arising from the review, which will be finalised in late 2018. As part of its response to the review recommendations, the Australian Government has announced \$313 million in funding to strengthen the national biosecurity system and deliver on its responsibilities set out under a revised IGAB.

The revised IGAB, which takes into account the review recommendations and governments response to them, will be signed by First Ministers in late 2018.

Performance measure: The effectiveness and efficiency of biosecurity and food interventions on import pathways improves

Target	The post-intervention compliance rate for passengers and mail is maintained or improved
Source	Corporate Plan 2017–18, page 26
Results	Achieved

TABLE 6 Percentage of international mail articles and air passengers, 2013–14 to 2017–18

Financial year	Mail	Air passengers
2013–14	99.9%	97.8%
2014–15	99.9%	97.3%
2015–16	100.0%	97.4%
2016–17	99.9%	96.9%
2017–18	99.9%	97.1%

The post-intervention compliance rate is the percentage of international mail articles/ air passengers that were compliant after intervention. The rates displayed here show the department is highly effective at promoting and enforcing compliance in these pathways. Post-intervention compliance is driven in-part by the before-intervention compliance rate of arriving passengers or mail (the inherent risk of the pathway) along with the department’s ability to intervene with non-compliant passengers or mail on arrival in Australia.

The department has a range of strategies in place to maintain and improve the compliance rate in the passengers and mail pathways, including:

- ‘Don’t be sorry – just declare it’ communication and education activities
- air traveller and mail profiling for higher risk biosecurity goods.

Target	Interventions on low-risk pathways are reduced
Source	Corporate Plan 2017–18, page 26
Results	Achieved

The department has continued to strengthen its risk-based management of biosecurity with the addition of new commodities onto the Compliance Based Inspection Scheme (CBIS), which was introduced to enable the department to re-allocate its resources on plant import pathways of high biosecurity risk. The scheme also acts as an incentive for importers to consistently comply with Australia's biosecurity requirements.

The department has identified a number of suitable plant commodities for the CBIS, through extensive data analysis based on historical import data, and failure and leakage rates. This information is used to select plant commodities that pose a low residual risk to Australia's biosecurity and would therefore be suitable for the scheme.

Previously, the majority of commodities on the scheme were processed plant products for human consumption, including several spices and nuts. In 2017–18 the department included a number of horticultural fresh produce products onto the scheme

There are now 26 eligible plant products on the CBIS, with the addition of fresh avocados from New Zealand in 2017–18. A number of additional commodities have been scoped for their potential to be added onto the scheme in 2018–19, with the delivery of IT system enhancements.

A table and graph have been provided to highlight the compliance rates of several commodities, comparing data over two financial years. The data does not take into account the increases in volume over time.

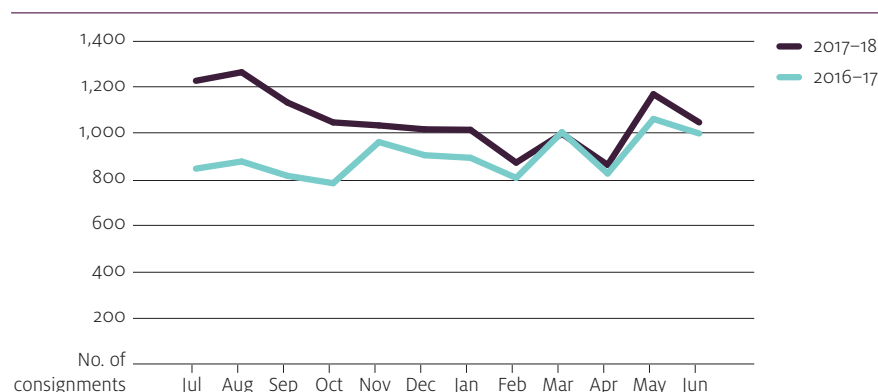
TABLE 7 Compliance Based Inspection Scheme commodity, 2016–17 and 2017–18

Commodity	2016–17 IF%	2017–18 IF% a	Difference
Apples (dried)	0.00	0.00	–
Durians (chilled and segmented)	0.00	0.00	–
Dates (fresh)	0.00	21.43	21.43
Brazil nuts	0.00	6.45	6.45
Sesame seeds	1.89	4.00	2.11
Malted grains	0.00	1.57	1.57
Chilli of the genus capsicum and allspice of the genus pimenta	0.26	1.17	0.91
Dates (dried)	1.99	2.75	0.76
Saffron	0.00	0.75	0.75
Grapes (dried)	0.86	1.56	0.70
Cashews	5.81	6.41	0.60

Commodity	2016–17 IF% ^a	2017–18 IF% ^a	Difference
Prunes	0.99	1.52	0.53
Macadamia nuts	1.23	1.69	0.46
Pepper of the genus piper	1.34	1.62	0.28
Apricots (dried)	2.05	1.90	–0.16
Walnuts	0.44	0.00	–0.44
Green coffee beans	6.16	5.69	–0.47
Hazelnuts	0.69	0.00	–0.69
Desiccated coconut	2.03	0.99	–1.04
Pistachios	1.47	0.00	–1.47
Almonds	6.96	0.00	–6.96

^a IF is Inspection failure percentage. Total number of lines that failed inspection divided by the number of lines that were inspected.

FIGURE 12 Compliance rate comparison, 2016–17 and 2017–18



Target	The compliance rate for all food inspected is maintained or improved ^a
Source	Corporate Plan 2017–18, page 26
Results	Substantially achieved

^a Inspection data reports are published by the department and available here – agriculture.gov.au/import/goods/food/inspection-compliance/inspection-data.

Between 1 January and 31 December 2017 the compliance rate for all food inspected was 98.6 per cent, compared with 99 per cent in 2016. The slight decrease in compliance was due to increased non-compliance for microbiological analysis conducted on seafood and a slight increase in non-compliance for agricultural residues in horticulture.

Performance measure: Responses to biosecurity and imported food incidents improve

Target	The department assesses that responses to biosecurity and imported food incidents have improved
Source	Corporate Plan 2017–18, page 26
Results	Achieved

The department was involved in the National Food Incident Response for a foodborne outbreak of hepatitis A virus infection linked to imported ready-to-eat berries. Lessons learnt from the 2015 incident were used to ensure a quick response to the incident once the source of infection link was made to a food.

The department also monitored and responded, where appropriate, to five post-border and international food incidents during 2017. These were the presence of residues in eggs in Europe and several other countries, undeclared peanuts in imported bean paste incident in Brazil with meat and meat products, allegations of choking hazard associated with an imported baby biscuit and residues linked to imported rice from a specific country.

Performance measure: Risk assessments for imported goods use science-based risk analysis, drawing on the best available scientific information and advice

Target	100% of import risk assessments are conducted in accordance with regulations and the best available science and advice
Source	Corporate Plan 2017–18, page 26
Results	Achieved

In 2017–18, 100 per cent of biosecurity import risk assessments and reviews were conducted in accordance with the relevant international standards (such as OIE, IPPC, Codex and WTO), the regulations of the Biosecurity Act and/or relevant departmental policies and procedures.

The target requirement for best available science was addressed through the involvement of the Australian Chief Veterinary Officer, expert departmental staff, internal reviewers and external peer review where appropriate.

Risk assessment procedures are subject to continuous improvement to make them more efficient and consistent.

Performance measure: The ability of governments, industry and the community to quickly and effectively respond to exotic pest and disease incursions improves

Target	Responses to pest and disease incursions and outbreaks are managed according to relevant frameworks
Source	Corporate Plan 2017–18, page 26
Results	Achieved

In 2017–18 all responses to pest and disease incursions and outbreaks were managed according to the following national frameworks:

- Emergency Plant Pest Response Deed
- National Environmental Biosecurity Response Agreement
- Emergency Animal Disease Response Agreement.

Where a national framework is still under development, responses were managed according to existing nationally agreed procedures (for example, responses to aquatic animal diseases).

Work has significantly progressed on an Aquatic Emergency Animal Disease Response Deed. A complete draft has been developed, led by the department in consultation with aquatic animal industries and state and territory governments.

TABLE 8 Eradication responses under the Emergency Plant Pest Response Deed (EPPRD), the National Environmental Biosecurity Response Agreement (NEBRA) and Off-Deed arrangements in 2017–18 ^a

No.	Response	Response arrangement
Nationally cost-shared responses		
1	Banana freckle (<i>Phyllosticta cavendishii</i>), Northern Territory	EPPRD
2	Brown marmorated stink bug (<i>Halyomorpha halys</i>), New South Wales	EPPRD
3	Brown marmorated stink bug (<i>Halyomorpha halys</i>), Western Australia	EPPRD
4	Browsing ant (<i>Lepisiota frauenfeldi</i>), Northern Territory	NEBRA
5	' <i>Candidatus Liberibacter solanacearum</i> ' in parsley seed, New South Wales	EPPRD
6	Chestnut blight (<i>Cryphonectria parasitica</i>), Victoria	EPPRD
7	Citrus canker (<i>Xanthamonas citri</i> subsp. <i>citri</i>), Northern Territory and Western Australia	EPPRD
8	Electric ant (<i>Wasmannia auropunctata</i>), Queensland ^b	Off-Deed

No.	Response	Response arrangement
9	Exotic fruit fly (<i>Zeugodacus cucurbitae</i> , <i>Bactrocera dorsalis</i> and <i>B. trivialis</i>), Torres Strait, Queensland	EPPRD
10	Giant pine scale (<i>Marchalina hellenica</i>), South Australia and Victoria	EPPRD
11	Khapra beetle (<i>Trogoderma granarium</i>), South Australia	EPPRD
12	National tropical weeds (<i>Limnocharis flava</i> , <i>Miconia calvescens</i> , <i>Mikania micrantha</i> , <i>Miconia nervosa</i> and <i>Miconia racemosa</i>), Queensland and northern New South Wales	Off-Deed
13	Red imported fire ant (<i>Solenopsis invicta</i>), south-east Queensland	Off-Deed
14	Red imported fire ant (<i>Solenopsis invicta</i>), Brisbane Airport, Queensland b	NEBRA
15	Red witchweed (<i>Striga asiatica</i>), Queensland	Off-Deed
16	Tomato-potato psyllid (<i>Bactericera cockerelli</i>), Western Australia	EPPRD
17	Varroa mite (<i>Varroa jacobsoni</i>), Queensland	EPPRD
Other responses (not nationally cost-shared)		
18	Browsing ant (<i>Lepisiota frauenfeldi</i>), Belmont, Western Australia c	Off-Deed
19	Macao paper wasp (<i>Polistes olivaceus</i>), Cocos (Keeling) Island	NEBRA
20	Red imported fire ant (<i>Solenopsis invicta</i>) in Port of Brisbane, Queensland d	Off-Deed

a This table includes minor differences to the response table for the performance target Pest and disease eradication is funded throughout the year based on national priorities, under the measure Australia maintains a favourable pest and disease status, due to differences in scope. **b** Under nationally cost-shared eradication until June 2016, with the new nationally cost-shared response plan endorsed by the National Management Group (NMG) in June 2018, for final approval by the Agriculture Ministers Forum (AGMIN). **c** Eradication undertaken by the Western Australian Government, with Western Australian Government funding and Australian Government contribution of the use of detector dogs. **d** Eradication undertaken by the Australian Government as a border incident, with Australian Government funding only.

Target	Requests for rapid response in the event of a significant exotic pest or disease outbreak are responded to immediately
Source	Corporate Plan 2017–18, page 26
Results	Achieved

Responses are initiated through relevant consultative committees and the department applies appropriate resources to manage its responsibilities and support affected jurisdictions.

In 2017–18 the department contributed to 16 national pest and disease eradication programs.

The department also provided staff to assist with the response to brown marmorated stink bug in Western Australia and citrus canker in the Northern Territory.

Target	100% of priority emergency plans (AUSVETPLAN, AQUAVETPLAN, EMPPLAN and PLANTPLAN) reflect contemporary science of emergency responses to plant and animal pests and diseases
Source	Corporate Plan 2017–18, page 26
Results	Achieved

In 2017–18 the department contributed to the annual review and update of the Australian Emergency Plant Pest Response Plan (PLANTPLAN) to ensure it continues to reflect contemporary science of emergency responses to plant pests and diseases. PLANTPLAN¹ is a schedule to the Emergency Plant Pest Response Deed (EPPRD) and provides nationally consistent guidelines for response procedures as well as the key roles and responsibilities of industry and government during emergency responses to plant pest incidents.

Performance measure: Public awareness of biosecurity risks improves

Target	The number of followers on and the total reach of the Australian Biosecurity Facebook page is maintained or increased
Source	Corporate Plan 2017–18, page 26
Results	Achieved

As at 30 June 2018 the Australian Biosecurity Facebook page had 6,604 followers, an increase of 54 percent compared with 2017.

From 1 July 2017 to 30 June 2018, 135 posts reached a cumulative audience of 2.7 million people, with almost 329,000 engagements.

In May 2018 a post about the new in-flight biosecurity video—Don't be sorry, just declare it—was extremely well received on Facebook. It was the most successful post during the reporting period—reaching around 106,000 users and receiving more than 520 comments, close to 700 shares and more than 2,500 likes.

¹ Plant Health Australia is the custodian of PLANTPLAN and the EPPRD.

Strategic objective

Building an efficient and capable department



Performance overview

Having an effective and efficient department is key to achieving our objectives and delivering the department's purpose. We manage our business and mitigate risks through good governance, building the capability of our people to provide high-quality services, and investing in technology to support our business.

In 2017–18 we continued to deliver on our people, information and communication technology (ICT) and finance strategies. These outcomes included a decrease in unplanned absence rates and a notable reduction in our workers' compensation premium, which highlighted the success of our focus on good rehabilitation management.

We completed important work that will help position the department to meet its future challenges. From 2018–19 our new strategic framework will form the basis for ongoing work to build our capabilities to meet increasing demands. The new enterprise capability function that we identified ensures we are looking strategically across the department at our future ICT requirements and system development needs. The new financial management system we have implemented will make us more efficient and capable in our financial controls.

We have also been looking at how our staff work, the way they use technology and the way we design our workspaces to give us options for a more flexible workforce. This work will help identify initiatives that we can build on to improve our efficiency, productivity and capability in coming years.

Key activities

Strategic planning

During 2017–18 we reviewed our strategic planning and developed a new framework to articulate the functions we undertake to deliver our objectives, and the capabilities we will need to best meet the challenges across our business. As a result, we have refined our purpose and strategic objectives and developed a new performance framework as part of the *Corporate Plan 2018–19*. We will report against those measures in the next annual report.

Developing our people's capabilities

Our Learnhub system supports a range of online and face-to-face training courses to build our people's capability. This includes a set of mandatory eLearning courses that staff are required to take every one to two years, to ensure their knowledge of core information and behaviour requirements remains current. In 2017–18 we conducted a review of our learning and development model to ensure it continues to support our capability needs now and into the future. We will implement recommendations from the review in 2018–19.

We are using a competency and verification framework to further develop a well-trained and flexible biosecurity workforce. The framework ensures our people have and maintain all the skills they need to fulfil their role—for example, to conduct the range of inspection services we undertake. This approach is supporting an integrated workforce model that provides a surge capacity and allows us to move staff to meet increased demand when required.

We have strengthened our agricultural policy capability, using short-term task forces and virtual project teams to bring together people from different business areas to better use the expertise held across the department. This is helping to build policy experience among our staff and is giving us a broader view of issues affecting our industries and rural communities.

Scientific expertise is a critical part of our capability. More than 900 of our staff have tertiary science qualifications. We are developing our science capability through our Science Strategy and Action Plan 2017–2020, bringing together scientists from across our divisions to share ideas and raise awareness of the importance of science to our work. We are working on strategies to build technical skills knowledge and to attract and retain science capability to prepare our workforce into the future.

Supporting an inclusive and diverse workplace

In February 2018 we marked the 10th anniversary of the National Apology to Australia's Indigenous Peoples, and released the first progress report on our Reconciliation Action Plan 2017–20 (RAP).

We have undertaken a number of actions in the RAP, including organising welcome to country ceremonies for significant events. We continue to give staff opportunities to work with Indigenous communities through the Jawun program and have implemented a department-specific Indigenous procurement policy. We also promote online training designed by the Australian Institute of Aboriginal and Torres Strait Islander Studies, in cooperation with the Australian Government and the University of Sydney, to strengthen cultural competency.

We have established an Indigenous Liaison Officer (ILO) position to drive the implementation of the RAP and to achieve improvements across priority areas. The ILO will support actions to develop the capability of our Aboriginal and Torres Strait Islander employees. They will also use broader Australian Public Service networks to share best-practice approaches.

We have developed an Aboriginal and Torres Strait Island Employment Strategy to commence in 2018–19. The strategy aims to increase recruitment of Aboriginal and Torres Strait Islander employees across all levels and to ensure career progression for employees, with a focus on middle and senior management. We will also work to provide a culturally safe work environment that acknowledges and celebrates Aboriginal and Torres Strait Islander cultures. We aim to increase Aboriginal and Torres Strait Islander staff representation to 2.5 per cent by the end of 2018, with a stretch target of 4 per cent by the end of 2020.

The department is a member of Pride in Diversity, a national not-for-profit employee support program for LGBTI work inclusion. Pride in Diversity coordinates the annual Australian Workplace Equality Index, which is a national benchmark to gauge the overall impact of inclusion initiatives on organisational culture. The department participated in the index in 2017 and the overall score increased by 20 points from the previous year, indicating there has been improvement in LGBTI inclusion outcomes for the department. One initiative was the celebration of Wear it Purple Day, organised by our LGBTI Diversity Network. The department will continue to implement a range of actions to increase LGBTI inclusion in the workplace.

We use eLearning and other training to underpin our diversity initiatives. In 2016–17 we launched unconscious bias training. As at 30 June 2018 more than 320 staff had attended the face-to-face workshop. In 2018 we provided two unconscious bias workshops to staff at the Murray–Darling Basin Authority. We have also launched a factsheet on promoting diversity, with ideas for all staff on how they can make our department more inclusive.

Delivering a new enterprise agreement

In July 2017 the department's 2017–2020 Enterprise Agreement took effect. The agreement is consistent with the Australian Government Workplace Bargaining Policy and provides for a 6 per cent pay rise over the life of the agreement. It contains changes to conditions to support the needs of the department and will deliver productivity gains through continued improvements to service delivery using technology.

Key changes to the agreement include:

- introducing a medical certificate framework for personal leave
- changes to performance management processes
- moving from a composite shift penalty payment to traditional shift loadings at international airports
- introducing an airport shift allowance
- a new EL1 classification in the veterinarian classifications
- a new APS3–4 broadband in our biosecurity staff classifications.

Promoting work health and safety

We are committed, and have a legal responsibility, to safeguard the health, safety and wellbeing of our people, our business associates and our visitors. In October 2017 we released an updated Health and Safety Management Policy as part of National Safe Work Month. Other events promoted safe work practices, encouraged an active lifestyle and focused on mental health.

Our health and safety responsibilities extend to children who come into our workplace. Following the Royal Commission into Institutional Responses to Child Sexual Abuse, and in line with the Commonwealth Child Safe Framework, we completed a risk assessment to identify the department's level of responsibility for children.

We determined the risk level to be low and reviewed our mitigation strategies to ensure they are appropriate. We are now developing a Child Protection and Safety Policy to ensure we continue to meet the framework's requirements.

TABLE 9 Reported serious personal injuries, prescribed incapacities and dangerous occurrences to employees, 2016–17 and 2017–18

Category	2016–17	2017–18
Deaths	0	0
Serious personal injuries or illness a	6	10
Dangerous occurrences b	14	11

a Serious personal injury or illness means that a person needs emergency treatment by a doctor; treatment in a hospital as a casualty, with or without being admitted to the hospital; or admission to hospital. **b** Dangerous occurrences are ‘near misses’ that could have, but did not, result in death, serious personal injury or incapacity.

Snapshot 12

Driving best-practice rehabilitation management

Rehabilitation is about supporting our people to return to work as soon as possible after an injury or illness. It is also an important part of our commitment to maintaining safe and healthy workplaces.

Rehabilitation management has been a department priority since 2012–13, when a Comcare audit identified several improvements to be made to our approach to work health and safety. In our annual report that year, we reported we had implemented a Rehabilitation Management System to promote a nationally consistent approach to early intervention, rehabilitation and return-to-work programs.

Since then, we have continued to invest in additional rehabilitation resources. We have implemented training for managers and staff and we promote the use of early intervention strategies to help people return to work after illness and injury.

In June 2018 Comcare conducted its annual audit of how we manage rehabilitation to assess our level of compliance and to identify areas for improvement. The audit gave the department its highest ever compliance rating of 96.1 per cent, up from our previous best result 88.5 per cent in 2016–17.

This improvement over time has also contributed significantly to our efficiency, delivering substantial reductions in our workers’ compensation premium rates.

Our National Rehabilitation Team has been instrumental in upgrading our rehabilitation management to best practice, and they continue to make improvements to how we look after our people.



TABLE 10 Investigations, directions and notices under work health and safety legislation, 2016–17 and 2017–18

Category	2016–17	2017–18
Investigations	3	3
Provisional improvement notices	0	0
Directions or notices	0	0

Snapshot 13

FlexiSPACE trials innovation in the office environment

All workplaces face the challenge of using space efficiently while providing a productive work environment. The FlexiSPACE pilot brought together several teams in the department to trial a new flexible workplace approach.

In 2017 we opened the pilot environment on one floor in our Canberra offices. The new space, supported by mobile technology, allows staff to move between sit-stand desks, breakout spaces and collaborative areas, depending on their task.

The project involved teams from the department's property, ICT, people services and communications areas, and included consultation with, and training for, pilot participants.

We delivered a major flexibility initiative for several hundred staff in a short time frame, and stakeholder feedback was increasingly positive at each checkpoint. Regular opportunities to provide feedback have encouraged staff to express concerns. Suggested ideas for improvements have helped the project team develop timely solutions.

FlexiSPACE is allowing us to trial a different approach to simply increasing the number of desks to reduce our office footprint. The pilot is yet to be completed, but its performance so far has shown how an innovative approach to people policy, office design and technology can improve flexibility, collaboration and operational and financial efficiency, potentially increasing our effectiveness in delivery.



Working flexibly

In May 2017 we released the FlexABLE strategy, formally committing the department to supporting flexible working conditions for our employees. FlexABLE is based on the principle of implementing working arrangements that best meet the needs of staff and the department, rather than focusing on limitations to flexible work.

Since the launch of the strategy, we have recorded 1,088 applications for flexible working arrangements. Of these, only seven have not been supported because of operational requirements.

Using technology to build our business

Information and communication technology underpins all of our work. In 2017–18 we implemented new and upgraded systems to improve the way we do business and began building a new strategic ICT approach.

Our enterprise capability function moves away from developing custom ICT solutions to meet the needs of different business areas and towards developing department-wide solutions that can be scaled and re-used for different purposes.

The enterprise approach will help us identify ICT opportunities to support our business, including making better use of the sets of data generated by operational areas. We are investigating systems that could provide a single view of our clients across their interactions with different areas of the department. This would increase our efficiency and help provide better services to clients.

At the start of 2017–18 we launched *Have Your Say*, an online platform to support engagement with external stakeholders and with our staff. We used the platform to consult stakeholders about changes to policies, programs and regulations, and to seek their feedback on our services. Used internally, it has enabled staff to contribute to the development of guidelines under our new enterprise agreement and to comment on work health and safety, red tape reduction and workplace policies.

We made a significant improvement to our financial ICT capability, implementing TechnologyOne to replace our existing financial management information system. We began the rollout in the first half of 2018, launching a budget module for all business areas and implemented the full system ready for the start of 2018–19. TechnologyOne will streamline manual processes including procurement, invoice payments and contracts, and will give finance managers access to real-time reporting. The new system is expected to enhance our financial management capability and improve productivity.

We also upgraded our human resources management information system. It is designed to be more user-friendly and can now be accessed across the range of devices our staff use.

Snapshot 14

Ranger App—high-tech support for northern Australian biosecurity

Aboriginal and Torres Strait Islander rangers are vital to our Northern Australia Quarantine Strategy. They work across the country's north to provide important biosecurity surveillance data. Getting timely data from remote areas to the department is a big technological challenge.

In 2017–18 we launched the biosecurity Ranger App, developed with funding from the Agricultural Competitiveness and Developing Northern Australia white papers. Rangers can use the app to submit data—including photos, videos and GPS coordinates—directly into our biosecurity surveillance system. We can then analyse the data to help identify and respond to emerging plant, animal and aquatic pests and diseases.

We worked with a third party company to develop the app using crowdsourcing of data. We used the whole-of-government Digital Service Standard to guide the project, ensuring the app was delivered quickly and that our rangers and community liaison officers were actively engaged in the design, development and testing process.

The app has been designed to address various challenges, including making sure it works in remote areas with limited or no connectivity, and catering for the diverse Indigenous cultures and languages of its users.

Since its launch, the Ranger App has effectively replaced paper reporting and has become a favourite with ranger groups because of its simplicity and ease of use.

Data is being collected more consistently across a range of locations and activities, leading to more accurate analysis. The GPS feature has helped determine risk areas and reduce duplication of surveillance effort across northern Australia. The solution is also re-usable, meaning it can be adapted to similar data collection needs.

In May 2018 our work on the Ranger App and other biosecurity ICT initiatives was recognised with a merit certificate in the Public Sector and Government category of the Australian Information Industry Association iAwards.



Annual performance statement—Building an efficient and capable department

Performance measure: A positive, professional and engaged workforce is maintained or improved

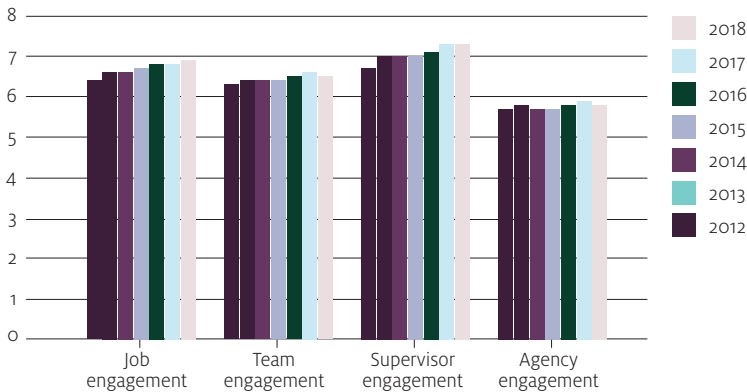
Target	The employee engagement score in the APS Employee Census is maintained or improved a
Source	Corporate Plan 2017–18, page 28
Results	Partially achieved

a Employee Engagement data is sourced from the 2018 APS Employee Census. These results are held on the ORC International portal. ORC International are the external service provider employed to assist with conducting the Employee Census and developing census reports.

In 2018 the department’s engagement scores were 6.9 (Job), 6.5 (Team), 7.3 (Supervisor) and 5.8 (Agency).

There has been a steady improvement in our results over the past six years.

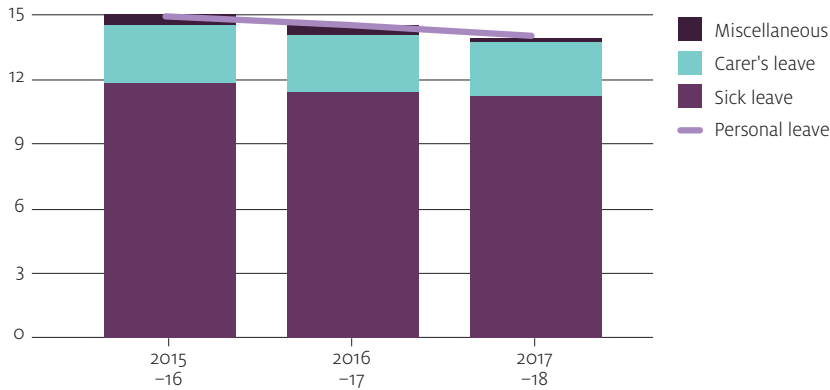
FIGURE 13 Employee engagement, 2012 to 2018



Target	The unscheduled absence rate is reduced
Source	Corporate Plan 2017–18, page 28
Results	Achieved

The unscheduled absence rate decreased to 14.0 FTE days for 2017–18 from 14.5 FTE days for 2016–17. This is another improvement for the department following a reduction from 14.9 days per FTE in 2015–16.

FIGURE 14 Personal leave rates over time, 2015–16 to 2017–18



Target The gender balance in the Senior Executive Service is maintained or increased ^a

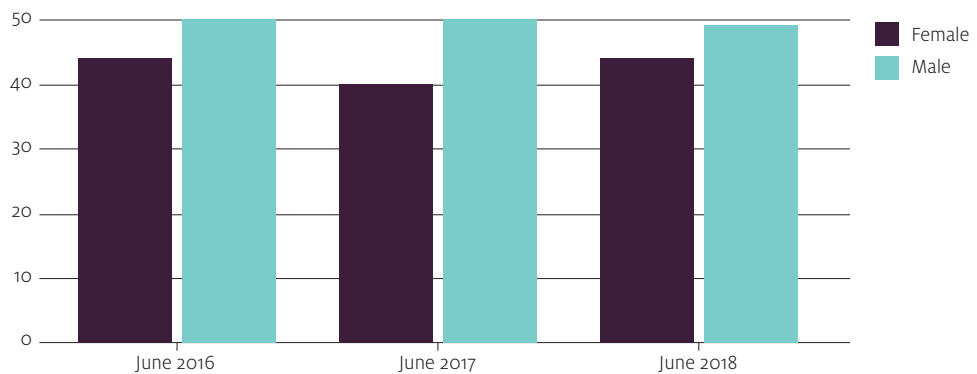
Source Corporate Plan 2017–18, page 28

Results **Achieved**

^a The data is based on substantive SES arrangements as at 30 June 2018.

At 30 June 2018, 47 per cent of substantive Senior Executive Service (SES) in the department were female. This is up from 44 per cent at 30 June 2017.

FIGURE 15 Overall gender balance at SES level, 2016 to 2018



Target The gender balance of staff in each division is maintained or increased ^a

Source Corporate Plan 2017–18, page 28

Results **Partially achieved**

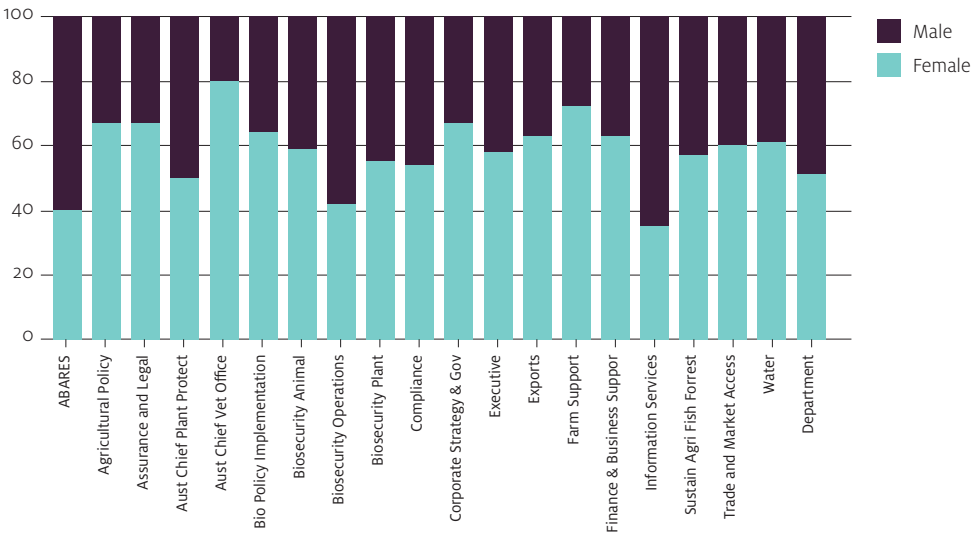
^a The data is based on substantive SES arrangements as at 30 June 2018.

Females represent more than 50 per cent of employees in 15 out of the 18 divisions across the department. The percentage of females in two of the three divisions that have an over-representation of males increased slightly between 30 June 2017 and 30 June 2018.

In seven of the 15 divisions that had a higher proportion of females in the division, the representation of males increased between 30 June 2017 and 30 June 2018.

Across the department, female representation increased to 51.1 per cent of the workforce at 30 June 2018 from 50.9 per cent at 30 June 2017.

FIGURE 16 Gender representation by division, 2017–18



Performance measure: The department maintains safe and healthy workplaces

Target	The notifiable incident rate is maintained or reduced ^a
Source	Corporate Plan 2017–18, page 28
Results	Achieved

^a The number of notifiable incidents include incidents relating to ‘workers’ under the *Work Health and Safety Act 2011* (WHS Act) who are not counted in the average employee headcount—this could result in a higher notifiable incident rate (per 1000). Data accurate at 19 July 2018. Incidents reported to Comcare as required under the *Work Health Safety Act 2011*. A notifiable incident is defined in the Act and includes: death of a worker; or serious injury or illness requiring immediate treatment as an inpatient at a hospital or treatment within 48 hours of exposure to a substance or dangerous incident prescribed by the Work Health and Safety Regulations.

The 2017–18 notifiable incident rate decreased when compared to 2016–17. This is primarily due to an increase in notifiable serious injury/illness incidents that appear to be non-work related.

TABLE 11 Notifiable incident rate, 2015–16 to 2017–18

Financial Year	Notifiable incident rate
2015–16	2.48
2016–17	3.89
2017–18	2.53
Target	The lost time injury frequency rate is maintained or reduced
Source	Corporate Plan 2017–18, page 28
Results	Not available

The department is unable to report on lost time injury as per the standard definition by Safe Work Australia due to unavailability of usable data. There was however a substantial reduction in the total days lost due to compensation leave in 2017–18 in comparison to 2016–17, down from 5,441 days to 3,634 days.

Target	The department's Comcare premium is maintained or reduced
Source	Corporate Plan 2017–18, page 28
Results	Achieved

Our Comcare premium for 2018–19 was set at \$5.5 million, a reduction of \$5.9 million from 2017–18 (\$11.4 million).

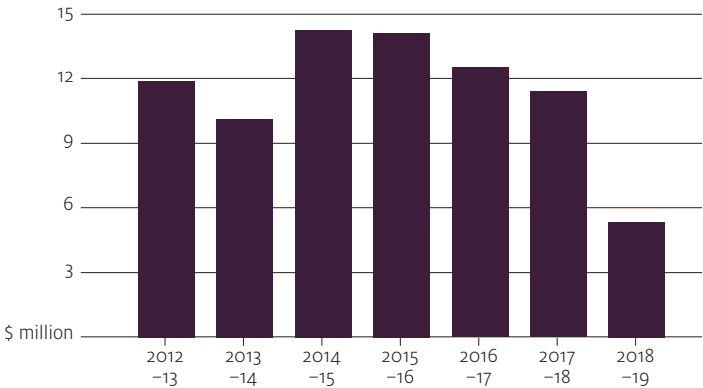
In 2017–18 the department continued to focus on the application of early intervention strategies in order to address minor workplace injuries internally and the provision of high-quality employer statements in response to new claims. We continued with the trend from the previous year, and recorded our lowest number of accepted claims (29 accepted claims in 2017–18 down from 38 in 2016–17).

A premium reduction strategy was introduced in 2017–18 which focused on reviewing all of the department's open and accepted claims that would impact on the 2018–19 premium. This strategy led to improvements in rehabilitation outcomes for our people and a significant reduction in the case estimate value of these claims.

As a result of our efforts, our workers' compensation premium for 2018–19 was reduced by \$5.9 million on the previous year. This figure included a bonus (further reduction) amount of \$1.9 million, which is directly related to the improved value of the claims that impacted on the premium.

The 2017–18 internal audit of our Rehabilitation Management System was conducted in May 2018. Our compliance rate increased to 96.1 per cent, compared with 88.5 per cent in 2016–17.

FIGURE 17 Comcare premium history, 2012–13 to 2018–19



Source: Comcare

Performance measure: The department delivers a balanced and financially sustainable budget

Target	A balanced budget is set at the beginning of the financial year
Source	Corporate Plan 2017–18, page 28
Results	Achieved

We operated within our approved balanced budget (consistent with allowable losses) for 2017–18. The department ended the year with a surplus of \$9.5 million after allowable losses. However, the department is in a phase of significant system investment, and surpluses of this size will not be sufficient to enable the department to invest in new modern technology to support our business operations. This issue will need to be addressed in the coming years through much larger operating surpluses or cash injections. Our ASL was also within the cap set by government for our department.

Target	The department manages its cash in accordance with its capital management plan and with regard to its forward year commitments
Source	Corporate Plan 2017–18, page 28
Results	Achieved

We have a healthy balance sheet and cash-reserves which place the department in a good position to meet its short-term obligations.

Target	The end-of-year financial position is consistent with forecasts from the start of the year
Source	Corporate Plan 2017–18, page 28
Results	Achieved

Our performance is largely consistent with the forecast from the start of the year. The end-of-year surplus primarily reflects better than expected cost-recovery revenue.

Performance measure: Information and communication technology meets the department's business needs

Target	Average availability across all systems of 99.5% ^a
Source	Corporate Plan 2017–18, page 28
Results	Achieved

^a The availability metrics are indicative for infrastructure and internal network only and do not incorporate business service availability or external events such as outages to public networks.

In 2017–18 the department and its ICT provider introduced monthly availability metrics for server infrastructure. The production and core network components of the server metrics were used as an indicator of average availability across all systems as composite business service availability metrics were not available. Data showing internal core network availability during business hours (BH) have been provided as an indicator of availability together with the production server availability data from December 2017 onwards. This data is represented in the Table 12 below. In 2017–2018 there were 24 high-severity computer infrastructure incidents with potential to impact multiple business services, and another 92 high-severity incidents where unplanned outages had more localised impacts including events that were outside the department's control such as power outages. The effect of these incidents ranged from reduced performance through to full system outages.

TABLE 12 Production infrastructure availability data, July 2017 to June 2018

Indicator	Jul 2017	Aug 2017	Sep 2017	Oct 2017	Nov 2017	Dec 2017	Jan 2018	Feb 2018	Mar 2018	Apr 2018	May 2018	Jun 2018
Production infrastructure availability %						99.92	99.99	99.99	99.98	100	100	100
Core network availability (BH) %	100	100	100	100	100	100	100	100	100	100	100	100

Target	All information and communication technology projects scheduled for delivery in 2017–18 are delivered on time and within budget, following the department’s project management governance framework
Source	Corporate Plan 2017–18, page 28
Results	Substantially achieved

In 2017–18, 53 information and technology-enabled initiatives scheduled for delivery were delivered on time and within budget, following the department’s project management governance framework. These included:

- 12 capital funded projects (1 single year and 11 multi-year)
- 9 major work packages with a value of greater than \$50,000
- 32 minor work packages with a value of less than \$50,000.

Two capital funded projects scheduled for delivery 2017–18 were not delivered on time and within budget. A project change request was submitted for one project but as at 30 June 2018 it had not been approved and the project had not been re-baselined. The other project was cancelled earlier in the year following submission of a project change request for additional funding.

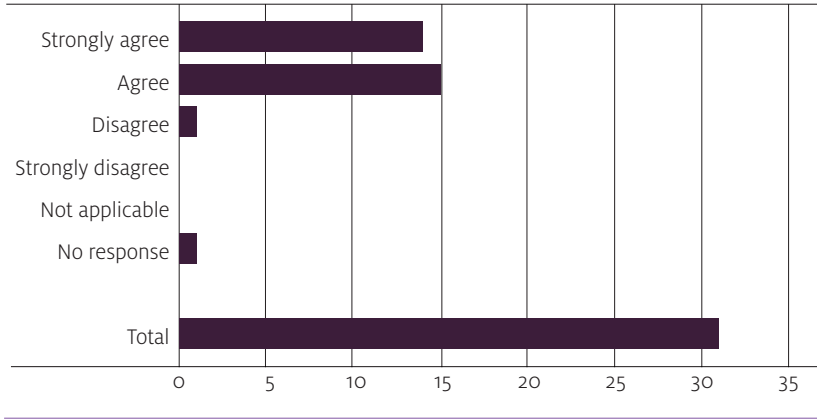
In comparison 51 projects were completed in 2016–17.

Performance measure: Stakeholders and clients assess ABARES research and analysis as high-quality, evidence-based, accurate and meeting their needs

Target	Our research products meet stakeholder expectations
Source	Corporate Plan 2017–18, page 28
Results	Achieved

ABARES research and analysis has met stakeholder expectations. Client feedback data indicates a high satisfaction rating (above 90 per cent). This result is consistent with the last time client feedback was sought in 2015–16.

FIGURE 18 ABARES performance satisfaction rating, 2017–18



Target	Respondents are satisfied that the ABARES Outlook Conference met or exceeded expectations
Source	Corporate Plan 2017–18, page 28
Results	Achieved

In 2018, 80.2 per cent of respondents reported that, overall, Outlook 2018 met or exceeded their expectations. While this is a slight decline on the 80.5 per cent satisfaction rate reported in 2017, it remains a highly regarded conference for the rural sector and attracts a significant number of delegates. Feedback on program design, speaker recommendations and content will be used to improve the quality of future conferences.

Performance measure: Business processes and client services are improved through the better use of modern technology and improved work practices, and agreed service standards are met

Target	Service delivery modernisation deliverables aligned to the following capability streams: client management, service optimisation and workload management
Source	Corporate Plan 2017–18, page 29
Results	Substantially achieved

In 2017–18 the department used modern technology to improve business processes and client services as part of its modernisation program of work. Work included upgrading the Cargo Online Lodgement System (COLS). The upgrade, which was completed on 25 March 2018, enabled COLS to retrieve consignment and broker data from the Australian Import Management System (AIMS). This significantly reduced the effort required by clients to lodge and pay for their documentation assessment. Enhancements to the new allocation process also enabled the system to use tariff data to automatically determine the assessment priority and commodities in a consignment together. This ensured consignments could be assessed in a timely, fair and efficient manner by being allocated to staff with the right competencies. Better reporting and allocation tools also improved visibility and flexibility over workload and staff management. The business case for the Client and Workload management projects was also approved on 28 June 2018. This capability is expected to be delivered from 2019 onwards. The Service Optimisation Project was not progressed, in the Service Delivery Modernisation (SDM) Program, as the initiative was not funded in 2017–18.

Target	Agreed service standards are met
Source	Corporate Plan 2017–18, page 29
Results	Partially achieved

We are largely delivering our services within agreed timeframes and have demonstrated our strong commitment to improving our service delivery by meeting or exceeding our client service standard performance targets:

- Client contact services—three of three met
- Import services—four of seven met
- Export services—eight of eight met
- Live Animal Export Services—eight of 14 met (data is not available for three of these standards)

The inspection of goods at an approved premise treatments and inspection of non-commercial vessels standards were not met in two locations because of periods of significant short-term increases in unplanned inspection activity driven by external factors.

We are progressing a range of initiatives to create additional capacity to meet the forecast increase in demand for biosecurity and export regulatory services, including an integrated inspector model and trialling innovative technologies such as the real-time high-throughput CT scanning of passenger baggage.

Agreed service standards for the department's Live Animal Export Services commenced in April 2017 and the department is still refining appropriate data capture for these standards.

TABLE 13 Performance against service standards, 2017–18 ^a

Category	Service standard	Achieved/ Not achieved
Client contact services	Correspondence by phone	Achieved
	Correspondence by on-line forms	Achieved
	Bookings by phone/email	Achieved
Import services	Inspection of goods at an approved premises	Not achieved
	Treatments	Not achieved
	Inspection of non-commercial vessels	Not achieved
	Assess/issue documentation lodged via COLS	Achieved
	Assess/issue documentation lodged via email	Achieved
	Attend in-office for clearing of import and export of goods	Achieved
	Import applications – using BICON	Achieved
Export services	Inspection of goods at an export registered establishment	Achieved
	Inspection of export goods for air freight	Achieved
	Inspection of export goods for sea freight	Achieved
	Inspection of bulk vessels for export	Achieved
	Assess/issue export documentation	Achieved
	Plant export authorised officer application - application assessment	Achieved
	Plant export authorised officer application - deed of obligations	Achieved
	Plant export authorised officer application - instrument of appointment	Achieved

Category	Service standard	Achieved/ Not achieved
Live Animal Export Services	Inspection of livestock at an export registered premise's, approved premise's, airside vessel	Achieved
	Assess/issue export documentation	Achieved
	Application for (or renewal of) an export licence or variation of an export licence	Achieved
	Registration or renewal of registered premises	Achieved
	Registration of an Australian Government Accredited Veterinarian (AAVs) for livestock export	Achieved
	Application for an approved arrangement (AA)	Achieved
	Application for a variation to an AA	Achieved
	Submission of a notice of intention (NOI) (without an approved arrangement)	Not available b
	Submission of a NOI (with an approved arrangement)	Not available d
	Audits	Not available d
	Exporter Supply Chain Assurance System (ESCAS) applications and variations	Achieved
	Fees b, c	Achieved
	Assessment of third-party reported non-conformances	Not achieved
	Assessment of self-reported non-conformances - assess and make a decision on a reported non-compliance within three months d	Not achieved

a The client service standards are published in our website. This is the first time data on Live Animal Export Services have been included. **b** Data is being captured on departmental systems but yet to be collated in a dataset for easily accessible results. **c** This only reflects the billing for the live animal export service standards. Invoicing is sent on the day applications are received as per the applicable work instruction. Monitoring of the relevant inboxes ensures this is achieved but appropriate data capture is yet to be established. **d** Non-conformance assessment does not capture time taken by reporters to provide any additional requested information.

Performance measure: Regulatory practices seek to minimise the impact of regulation on clients and stakeholders

Target	New and amended regulations consider impacts on regulated entities
Source	Corporate Plan 2017–18, page 29
Results	Achieved

We consider the regulatory burden for individuals, businesses and community organisations when we review regulations or make new regulations. This work is conducted through the whole-of-government Regulation Impact Statement (RIS) process, overseen by the Office of Best Practice Regulation (OBPR).

The agriculture portfolio has reduced net regulatory burden on regulated entities by \$124.6 million.¹ We continue to seek additional savings measures that minimise the impact of regulation on regulated entities.

In 2017–18 we prepared 39 preliminary assessments and completed five RISs.

- Reforming Australia’s Illegal Logging Regulations
- Improvements to Agricultural Export Legislation
- Thoroughbred Horse Breeding Levy
- Regulation to Establish Levy and Charges on Melons
- Remaking of Sunsetting Instruments (the new Wine Australia Regulations 2018).

The RISs were assessed as compliant and consistent with best practice by OBPR.²

We also seek feedback from regulated entities, stakeholders and the community on our policies and regulations. This informs the design and refinement of the delivery of our services and our interactions with regulated entities. During 2017–18 we consulted on:³

- review of import conditions for apiaceous crop seeds for sowing into Australia
- public consultation on the draft report for the extension of nectarine import risk analysis to peaches, plums and apricots from China
- public consultation on levy process reform
- public consultation on proposed changes to the inspection and analysis of imported foods
- Agricultural and Veterinary Chemicals Legislation Amendment (Operational Efficiency) Bill 2017.

Target	We assess and report our performance as a regulator
Source	Corporate Plan 2017–18, page 29
Results	Achieved

Our 2016–17 regulator performance self-assessment report⁴ was published on our website.

We assessed our performance as a regulator, based on six key performance indicators.⁵

1 Annual Regulatory Reform Report; 1 January 2016 – 30 June 2017.
2 RISs are published on the Department of the Prime Minister and Cabinet website.
3 Closed public consultations are available on the department’s website and open consultations are available on the department’s Have Your Say page
4 Regulator Performance Framework – Self Assessment Report 2016–17.
5 The six key performance indicators are specified in the Australian Government’s Regulator Performance Framework.

Financial performance

Our 2014–2019 five-year finance strategy has the long-term objective of ensuring the department remains a financially sustainable department of state and service delivery organisation. In particular, the strategy aims to ensure our cost-recovered services, which represent more than half of departmental expenditure, are efficient, transparent and sustainably funded.

In 2017–18 we implemented a number of other initiatives to improve financial management. The largest single initiative was the replacement of our financial management information system, which went live on 1 July 2018.

Other initiatives include the establishment of a project funding framework, the delivery of comprehensive finance training to staff across all offices, the streamlining of procure-to-pay functions, the establishment of a finance service centre and helpdesk; as well as a number of targeted red tape reduction strategies.

All of the initiatives have supported improved financial capability and strategic decision-making on the allocation of resources to meet changing business needs, ensuring the department is financially sustainable.

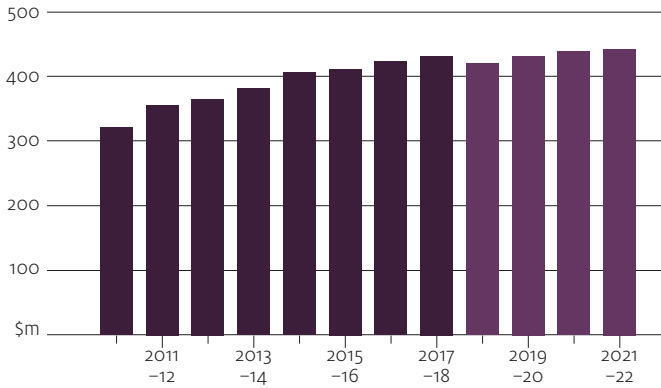
Another improvement initiative was the rollout of the department's staff effort recording tool to approximately 2,500 departmental employees in biosecurity and export certification cost-recovery funded programs. A substantive volume of information has now been collected on where staff have allocated their time across regulatory activities. The data collected will inform the department's future cost-recovery models as the department reviews its fees and charges. Our 2017–18 internal budget aligned to the Portfolio Budget Statements with an expected balanced budget (consistent with allowable losses). The 2017–18 full-year result is in surplus of \$9.4 million after allowable losses.

Revenue

In 2017–18 our revenue increased by \$12.4 million from 2016–17 to \$810.7 million. The increase was primarily because of higher sales of goods and services revenue of \$10.8 million and increased appropriation revenue of \$5.0 million.

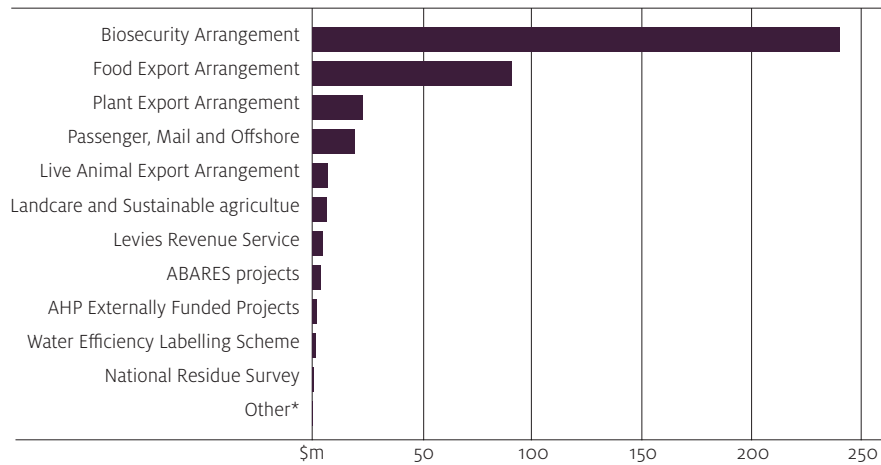
Figure 19 shows the own source revenue received by the department over the past seven years and estimated own source revenue from 2018–19 as per the *Portfolio Budget Statements 2018–19*.

FIGURE 19 Own source revenue, 2011–12 to 2021–22



Total sales of goods and rendering of services revenue (including cost recovery) collected in 2017–18 was \$400.0 million, with the breakdown by cost-recovery arrangement shown in Figure 20.

FIGURE 20 Sale of goods and rendering of services revenue by cost-recovery activity, 2017–18



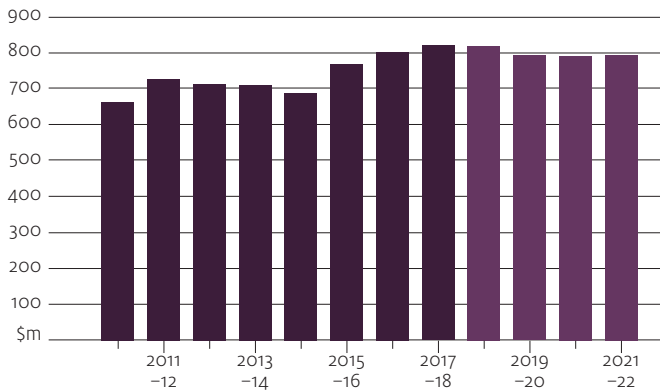
Note: 'Other' includes PGPA s. 74 receipts for biosecurity plant and animal health programs.

Departmental expenses

Our expenses totalled \$818.8 million in 2017–18 against an original budget of \$813.8 million (*Portfolio Budget Statements 2017–18*).

Figure 21 shows the trend of departmental operating expenses over the past seven years, and budgeted expenditure figures from 2018–19 as per the *Portfolio Budget Statements 2018–19*.

FIGURE 21 Departmental expenses, 2011–12 to 2021–22



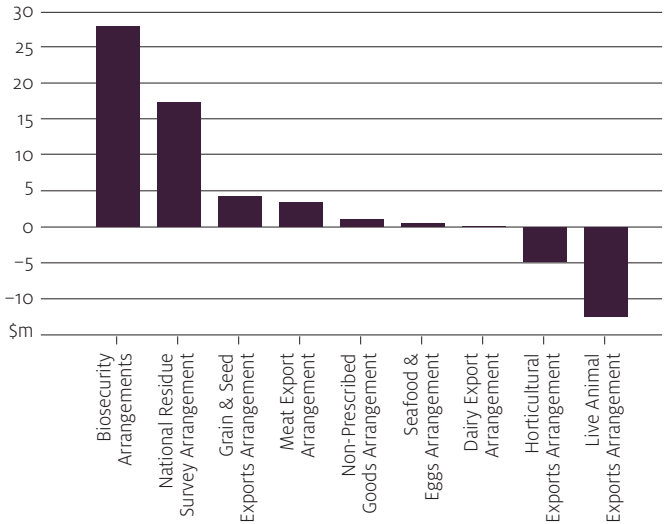
Note: Budget influx in 2015 is mainly due to Water Resources machinery of government changes and *Agricultural Competitiveness White Paper* measures.

Cost-recovery reserves

We manage four Cost-Recovery Implementation Statements, comprising eight cost-recovery arrangements and the National Residue Survey arrangement. These are supported by cost-recovery reserves.

Figure 22 outlines the cost-recovery reserve balances at the end of the year.

FIGURE 22 Cost-recovery reserve balances, 30 June 2018



Note: Only surplus reserves are recorded in the department’s financial statements.

Administered program performance

We have a range of administered programs. The material programs are:

- A Competitive Agriculture Sector—boosting farm profits through rural research and development
- A Competitive Agriculture Sector – stronger biosecurity and quarantine
- Stronger Farmers, Stronger Economy – improvements to access premium markets – improve biosecurity
- Pest Animal and Weed Management
- Farm Business Concessional Loans Scheme
- Rural Financial Counselling Service
- Farm Household Allowance
- Sustainable Rural Water Use and Infrastructure Program (SRWUIP).

We managed administered assets of \$2,582.4 million on behalf of the government. This largely comprised \$804.9 million in loans and investments in seven portfolio entities of \$400.2 million.

Administered revenue received for 2017–18 was \$612.3 million, an increase of \$21.2 million on the 2016–17 revenue figure of \$591.1 million. This result is due to increased levy revenue of \$10.5 million and interest revenue of \$8.2 million. Additionally, other gains of \$96.38 million are recognised in 2017–18, primarily relating to the recognition of water entitlement assets received free-of-charge under the SRWUIP grants program.

Administered Expenditure for 2017–18 was \$1,561.5 million, an increase of \$55.9 million on the 2016–17 expenditure figure of \$1,505.6 million.

Managing our assets

As at 30 June 2018 our asset base was valued at \$177.7 million. Our major investments are in land, buildings and ICT hardware and software.

We make strategic investments to maintain and improve services to the government and to clients consistent with government priorities and ongoing business needs. We manage capital investment through an annual capital plan and use key principles of the balanced scorecard framework to evaluate capital proposals and ensure investments are made effectively.

In 2017–18 we established an Enterprise ICT Capability Program that is responsible for planning and assuring the delivery of a series of enterprise ICT capabilities and delivery of enterprise solutions.

A significant portion of our expenditure is related to property leases and property maintenance costs. We maintain around 110 sites across Australia ranging from office accommodation to post-entry quarantine facilities, laboratories, data facilities and residences in remote locations.

Part 3

Management and accountability



Management and accountability

Our governance

The Executive Management Committee (EMC) oversees the implementation and improvement of our governance structures and business operations, shares responsibility for building capability and promotes collaboration between business areas, other agencies and our stakeholders.

Following a review in 2017, the EMC changed its governance structure to enable support through four sub-committees:

- Business Transformation Committee (BTC)
- Information and Data Management Committee (IDMC)
- People, Safety and Culture Committee (PSCC)
- Security and Business Continuity Committee (SBCC).

TABLE 14 Executive committees—roles and membership, 30 June 2018

Committee	Roles	Membership
Executive Management Committee	<p>The EMC is the primary governance body to the Secretary. The committee:</p> <ul style="list-style-type: none">• guides the department’s purpose and objectives• builds and maintains organisational capability• monitors performance against objectives and priorities• monitors and responds to strategic, business and operational risks• endorses funding allocation decisions and ensures financial sustainability• recognises external factors and likely impacts for the department’s business• sets the cultural and ethical tone for the department• communicates with stakeholders, including staff, to ensure there is sufficient information available to make informed decisions. <p>Met 23 times in 2017–18.</p>	<p>Secretary (chair)</p> <p>Deputy secretaries</p> <p>Chief Finance Officer</p> <p>Chief Information Officer</p> <p>First Assistant Secretary, Assurance and Legal</p> <p>First Assistant Secretary, Biosecurity Operations</p> <p>First Assistant Secretary, Corporate Strategy and Governance (secretariat)</p> <p>The chair of the Audit Committee attends meetings each quarter as an observer</p>

Committee	Roles	Membership
Business Transformation Committee	<p>The BTC oversees business improvements that have significant impact, including ICT projects. It is responsible for:</p> <ul style="list-style-type: none"> driving the strategic direction for business transformation identifying linkages between projects and programs, and advising EMC about projects prior to funding prioritising substantial and significant change issues ensuring the impacts of change activities across the portfolio are manageable for staff and clients promoting the sharing of business experience and best practice for change initiatives. <p>Met seven times in 2017–18</p>	<p>Deputy Secretary (chair)</p> <p>Deputy Secretary (deputy chair)</p> <p>Chief Finance Officer</p> <p>Chief Information Officer</p> <p>Assistant Secretary, Assurance, Chief Risk Officer (CRO)</p> <p>First Assistant Secretary, Corporate Strategy and Governance</p> <p>First Assistant Secretary, Compliance</p> <p>First Assistant Secretary, Biosecurity Operations</p> <p>First Assistant Secretary, Biosecurity Policy and Implementation</p> <p>Executive Director, ABARES</p> <p>Assistant Secretary, Projects and Innovation</p>
Information and Data Management Committee	<p>The IDMC provides strategic guidance and oversight of the department's Information and Data Management, including:</p> <ul style="list-style-type: none"> activities under the <i>Digital Continuity 2020 Policy</i> changes to enterprise information architecture compliance with information and data standards approving high-value or sensitive data sets for publication approving and promoting information and data management policies, processing and training addressing information and data management requirements relating to protected information under the <i>Biosecurity Act 2015</i>. <p>Established in October 2017.</p> <p>Met five times in 2017–18.</p>	<p>Chief Information Officer (chair)</p> <p>Executive Director ABARES (deputy chair)</p> <p>First Assistant Secretary, Assurance and Legal</p> <p>First Assistant Secretary, Biosecurity Policy and Implementation</p> <p>First Assistant Secretary, Compliance</p> <p>Assistant Secretary, Market Access Strategy and Bilateral</p> <p>Assistant Secretary, Live Animal Exports</p> <p>Assistant Secretary, Strategy Architecture and Strategic Policy</p> <p>Assistant Secretary, Agvet Chemical Regulation Reform</p> <p>Assistant Secretary, Farm Business Policy Reform</p> <p>Director, Farm Household Allowance Policy and Legislation</p>

Committee	Roles	Membership
People, Safety and Culture Committee	<p>The PSCC addresses issues affecting the department's people (including its external workforce), their safety and the organisation's culture. It is responsible for:</p> <ul style="list-style-type: none"> making recommendations to the EMC on people strategies monitoring workforce impacts and associated risks and overseeing the effective implementation of appropriate management actions monitoring performance on work health and safety, rehabilitation, performance management, culture and unscheduled absence overseeing the management of the department's people systems responding to strategic issues including work health and safety incidents, hazards and risks. <p>Met seven times in 2017–18.</p>	<p>First Assistant Secretary, Corporate Strategy and Governance (chair)</p> <p>First Assistant Secretary, Exports (deputy chair)</p> <p>Assistant Secretary, Assurance, Chief Risk Officer (CRO)</p> <p>Assistant Secretary, Compliance Policy</p> <p>Assistant Secretary, Workforce and HR Strategy management</p> <p>Assistant Secretary, Veterinary and Export Meat Services</p> <p>Assistant Secretary, Water Recovery</p> <p>Assistant Secretary, Commercial Business</p> <p>Assistant Secretary, Human Resources People</p> <p>Assistant Secretary, Farmer Assistance</p>
Security and Business Continuity Committee	<p>The SBCC is the key advisory body to the Secretary on security and business continuity management policies and solutions. It is responsible for:</p> <ul style="list-style-type: none"> specifying policies and standards with reference to government security policies oversight of the adequacy of existing and proposed department security solutions and policies monitoring the implementation of solutions to ensure these are best designed to support the government's digital strategy, and that privacy and security issues are adequately addressed providing primary point of governance for communication and coordination of security and business continuity activities considering policy overlaps and service delivery interdependencies ensuring consistency by facilitating a uniform approach and discouraging duplication monitoring mitigation strategies for identified risks being the champion for security awareness across the department. <p>Met eight times in 2017–18.</p>	<p>Deputy Secretary (executive sponsor)</p> <p>Deputy Secretary (security executive)</p> <p>First Assistant Secretary, Assurance and Legal (chair)</p> <p>Chief Finance Officer (deputy chair)</p> <p>Chief Information Officer</p> <p>First Assistant Secretary, Corporate Strategy and Governance</p> <p>First Assistant Secretary, Biosecurity Operations</p> <p>Assistant Secretary, Assurance Branch</p> <p>Assistant Secretary, Commercial Business Branch</p>

Managing our risk

Our Enterprise Risk Management Policy and Framework is administered in line with the requirements of Section 16 of the PGPA Act and the Commonwealth Risk Management Policy. We take a risk-based approach to policy and program development, integrating risk management with governance, planning, projects and performance management processes.

In the annual Comcover Risk Management Benchmarking Survey, the department achieved an overall risk maturity level of 'Optimal', which is the highest of the six-level maturity model. This was higher than the average maturity level of 'Integrated' (the third-highest of the risk maturity model) obtained by all survey participants.

The Comcover Risk Management Benchmarking Survey aligns with the nine elements of the Commonwealth Risk Management Policy and reflects contemporary risk management practice.

In 2017–18 the department had four areas of strategic risk:

- pest and disease incursions—maintaining capacity to prevent and respond to incursions
- maintaining and improving market access—enabling the expansion of agricultural, fisheries and forestry exports, as well as preparing for and quickly responding to any loss of market access
- productive primary industries and sustainable natural resources—developing and implementing policies and programs that support profitable primary industries and sustainable natural resources
- an efficient and effective department—ensuring the financial, workforce and systems capability of the department is sufficient to meet our legal obligations and achieve our strategic objectives.

Of our four strategic risks, three have an external focus and are concerned with the department achieving its objectives. The other focuses internally on the department's capacity and capability.

Each division develops a risk management plan in the department's online planning, project and risk tool, as part of its annual business plan. Risk management procedures are also integrated into project management processes, and the Enterprise Risk Team assists business areas by facilitating risk workshops.

The Chief Risk Officer (CRO) provides a quarterly enterprise risk report to the EMC, as well as reporting to the Audit Committee. We have a Risk Champions Network, chaired by the CRO, to promote risk management and increase risk maturity in the department. We also provide secretariat support to the Commonwealth Government Risk Management Forum, which provides an opportunity for entities to share better practice information on managing risk.

Strengthening integrity

Maintaining a strong integrity culture is essential to meeting our legislative and parliamentary requirements and to maintain the trust of the Australian Government, the public and our business partners. Integrity traverses several areas including employee conduct, fraud and corruption, and security.

We commenced implementation of our integrity strategy that was informed by vulnerability risk assessments. We have undertaken a considerable program of work under the strategy to build our prevention, detection and response capability and support a strong integrity culture including:

- introducing governance arrangements to oversee integrity matters
- delivering training in recognising and reporting integrity concerns
- reviewing and strengthening integrity-based employment policies
- establishing an integrity unit and an integrity hotline to support reporting and responding to incidents.

The approach will ensure the department is well-positioned to respond to integrity risks, and that we build capability and retain the confidence of our partners and markets.

Our introduction of new governance arrangements through the Security and Business Continuity Committee has contributed to our strengthening of enterprise integrity risk identification and detection.

Our fraud control

Our Fraud and Corruption Control Plan is informed by independent fraud and corruption risk assessments. These assessments evaluate existing and emerging fraud and corruption risk, and detail controls and treatment strategies to address these risks.

Allegations of fraudulent, corrupt and criminal behaviour involving the department, organisations or individuals who receive funding and services through our programs are investigated in accordance with the Attorney-General's Department's Australian Government Investigations Standards.

In accordance with the *Law Enforcement Integrity Commissioner Act 2006*, prescribed members of the department come within the jurisdiction of the Australian Commission for Law Enforcement Integrity (ACLEI).

Prevention, detection and disruption

The department has invested in greater resourcing and capability in developing our ability to prevent and detect fraudulent behaviour. This includes increasing resourcing across our fraud and corruption and integrity functions, which enables us to prioritise and direct resources to areas of highest impact. These functions work in conjunction with our Enterprise Risk and Internal Audit teams on the prevention and detection fronts through strengthening our controls.

We work closely with partner agencies, including ACLEI and the Australian Federal Police (AFP), to detect and disrupt criminal offending as and when it occurs. In April 2018 the department commenced its participation in the AFP's Fraud and Anti-Corruption Centre, a multi-agency taskforce to strengthen the Australian Government's capability to respond to fraud and corruption through the reduction, disruption or cessation of activities.

Our security

The department security manual and supporting procedures provide the protective security framework for mitigating against security risks to our people, information and assets in accordance with the Australian Government Protective Security Policy Framework.

Staff who require access to classified information are required to obtain and maintain an appropriate security clearance. We undertake physical security and risk assessments to protect our assets. We undertook a management initiated review to ensure the security of classified and sensitive hardcopy information across the department, and an enterprise security risk assessment to ensure continued maturation of our security culture. We maintain a security program of works to identify, prioritise and mitigate security risks.

Our Security Executive, Agency Security Adviser and Information Technology Security Adviser provide protective security advice.

We report annually on our Protective Security Policy Framework compliance to the Attorney-General’s Department and other key stakeholders.

Audit Committee

The Audit Committee provides independent advice to the Secretary (the accountable authority) on the department’s risk, control and compliance framework and its external accountability responsibilities.

The Audit Committee consists of:

- at least three persons who have appropriate qualifications, knowledge, skills or experience to assist the committee to perform its functions
- a majority of members who are not officials of the department.

The Audit Committee oversees an annual internal audit work program, undertaken by an independent internal audit team and contracted external service providers. The work program is developed in consultation with senior management and is reviewed regularly to ensure it is relevant and responsive to changes and business risks. The work program is approved by the secretary.

TABLE 15 Audit Committee—role and membership, 30 June 2018

Committee	Role	Membership
Audit Committee	The Audit Committee provides independent assurance and advice to the secretary on the department’s risk, control and compliance framework. Met five times in 2017–18	Geoff Knuckey (Chair, independent member) Anthea Tinney (independent member) David Bryant (independent member) Malcolm Thompson (Deputy Chair, department member)

Compliance

In 2017–18 we did not report to the minister any significant issue that has affected the department under paragraph 19(1) (e) of the *Public Governance, Performance and Accountability Act 2013*.

Disclosure of information under the Biosecurity Act

Section 590 of the *Biosecurity Act 2015* requires the Director of Biosecurity to prepare a report on the use of protected information for the period 1 July 2017 to 30 June 2018.

During 2017–18 there were no reports of potential breaches of the *Biosecurity Act 2015* in relation to the use of protected information.

There have been 54 written authorisations to disclose protected information under section 580(3) of the *Biosecurity Act 2015*.

Remuneration

Senior executive remuneration policy

The Remuneration Tribunal determines a classification structure for offices of secretary, specifies total remuneration pay points for each level and determines the level that applies to the department's secretary. The secretary of the Department of the Prime Minister and Cabinet assigns which total remuneration pay point within the level applies to the secretary.

Our secretary determines the remuneration for the department's SES officers under section 24 (1) of the *Public Service Act 1999*, with regard to the Workplace Bargaining Policy 2015 and the Workplace Bargaining Policy 2018, which came into effect on 6 February 2018.

Our remuneration policy allows variations in remuneration between individual jobs, based on market and work-value considerations. This is vital to our ability to compete effectively for the best people in the employment market.

Non-salary benefits

Non-salary benefits provided to SES Band 3 employees as part of their remuneration package include superannuation and car parking. SES Band 1 and 2 employees receive superannuation as the only non-salary benefit and pay for car parking.

Non-salary benefits provided to non-SES officers as part of their remuneration package are generally limited to superannuation. In exceptional cases, employees may have private use of a Commonwealth vehicle where it is deemed necessary for the performance of their duties.

External service providers

The department is a non-corporate Commonwealth entity, and its procurement policies and practices are consistent with:

- all relevant Commonwealth legislation
- the Australian Government Financial Framework, which includes the Commonwealth Procurement Rules and Guidelines, and the *Public Governance, Performance and Accountability Act 2013*
- Our Accountable Authority Instructions and its internal policies and procedures.

Our procurement practices reflect the Commonwealths Procurement Framework with the focus on:

- value for money
- encouraging competition
- efficient, effective, economical and ethical procurement
- accountability and transparency in procurement.

Departmental guides, specialist advice and assistance are provided to all our divisions by the corporate procurement team.

Procurement initiatives to support small and medium enterprises

We support small business participation in the Commonwealth procurement market. Small-and medium-sized enterprise participation statistics are available on the Department of Finance website.

We recognise the importance of ensuring small businesses are paid on time. The department's payment practice complies with the Commonwealth's supplier pay-on-time or pay interest policy. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury website.

Our procurement practices support small and medium enterprises by using:

- the Commonwealth Contracting Suite (CCS) for low-risk procurements valued at under \$1 million
- small business engagement principles, as outlined in the government's industry innovation and competitiveness agenda, such as communicating in clear, simple language and presenting information in an accessible format
- credit cards where possible for purchases under \$10,000.

Indigenous procurement

The government's Indigenous Procurement Policy was launched on 1 July 2015 and aims to leverage the Commonwealth's annual multi-billion dollar procurement spend to:

- drive demand for Indigenous goods and services
- stimulate Indigenous economic development
- grow the Indigenous business sector.

We support and implemented the government's policy, which includes considering Indigenous suppliers for all remote contracts and for all contracts valued between \$80,000 and \$200,000.

In 2017–18 the portfolio was set a target of 3 per cent or 31 contracts. It is anticipated that the number of contracts entered into with Indigenous suppliers will be in excess of 100, including multi-year contracts. Goods and services provided included Indigenous ranger services, demolition, building fit out and temporary personnel.

Information on the Indigenous Procurement Policy, targets and results is available on the Department of the Prime Minister and Cabinet website.

Other contract information

The secretary did not exempt any contracts or standing orders entered into by the department during the period with a value of \$10,000 or more (GST inclusive) from being published on AusTender on the basis that publication would disclose exempt matters under the *Freedom of Information Act 1982*.

All contracts entered during the period by the department valued at \$100,000 or more (GST inclusive) and let during the year provided for the Auditor-General to have access to the contractor's premises.

The department's annual report contains information about actual expenditure on contracts for consultancies. Further information on the value of contracts and consultancies is available on the AusTender website.

Consultancies

In 2017–18 the department entered into 84 new consultancy contracts with actual expenditure of \$2,542,962. The expenditure total includes 46 contracts under \$10,000.

In addition, 71 ongoing consultancy contracts were active during the period, involving total actual expenditure of \$4,071,275.

Table 16 shows the number and total expenditure of new and ongoing consultancies in 2017–18. The comparative data for 2016–17 have been revised.

TABLE 16 Consultancies—number and total expenditure, 2016–17 and 2017–18

Category—New consultancies	2017–18	2016–17
Number of new consultancy contracts let during the year reported on AusTender	84	82
Number of new consultancy contracts under \$10,000	46	55
Actual expenditure on new consultancy contracts during the year (exclusive gst)	\$2,542,962	\$1,579,490
Category—On-going consultancies	2017–18	2016–17
Number of ongoing consultancies let during the year includes under \$10,000	71	93
Actual expenditure on ongoing consultancies during the year (exclusive gst)	\$4,071,275	\$12,269,251
Total consultancy expenditure (exclusive gst)	\$6,614,237	\$13,848,741 ^a

^a A review of last year's published figure resulted in an increase of \$1.295 million. The above figure includes expenditure of less than \$10,000.

We engage consultants where specialist expertise or independent assessment, research or review is required. Consultants are typically engaged to investigate or diagnose a defined issue or problem; carry out defined reviews or evaluations; or provide independent advice, information or creative solutions to assist in the department's decision-making. Before engaging consultants, we take into account the skills and resources required for the task, the skills available internally and the cost-effectiveness of engaging external expertise.

Consultants are sourced as per the department's Procurement Policy and Guidelines. The selection process may involve open tender, selective tender, direct sourcing or a panel consisting of recognised experts or consultant known to have the requisite skills where the value of the project did not justify the expense or delay associated with seeking tenders.

We also enter into purchaser–provider arrangements with a range of government, industry and private sector agencies for services to improve the productivity, competitiveness and sustainability of Australia's agriculture, fisheries and forestry industries.

Advertising and market research

Payments to advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising organisations are set out in Table 17.

The department's advertising expenditure during 2017–18 included expenditure on an advertising campaign that ran in 2016–17 relating to biosecurity restrictions on importation of red dates into Australia. The campaign titled 'Red Dates' was advertised in a number of Chinese publications. Further information on red date import conditions is available on the department's website and in the reports on Australian Government advertising prepared by the Department of Finance.

TABLE 17 Advertising and market research, 2017–18

Organisation	Description	Expenditure
Advertising agencies		
N/A	–	–
Market research organisations		
Futureye Pty Ltd	Social research, specifically into the changing attitudes on animal welfare	\$240,498.30
Essence Communications Australia	Exploratory research and strategic communication advice on water market literacy	\$14,080.00
Instinct and Reason Pty Ltd	Qualitative research to inform development of a digitized traveler declaration	\$19,360.00
DBM Consultants Pty Ltd	Developing an approach to collect stakeholder feedback	\$38,363.88
Loneragan Research Pty Ltd	Engagement of a consultant to research and develop knowledge of the marine pest website users and their context for using the service	\$38,489.00
Polling organisations		
N/A	–	–
Direct mail organisations		
N/A	–	–
Media advertising organisations—including recruitment and tender notices		
Dentsu X	Advertising	\$180,424.79
	Recruitment	\$36,070.41
Total		\$567,286.38

External scrutiny

Parliamentary committees

Inquiry reports

Parliamentary committees tabled six reports relevant to the department's operations (Table 18).

TABLE 18 Parliamentary committee reports tabled in 2017–18

Committee	Inquiry	Tabling date
House Standing Committee on Agriculture and Water Resources	Making every drop count: inquiry into water use efficiency programs in agriculture	20 December 2017
	Australian Pesticides and Veterinary Medicines Authority regulatory reforms	21 May 2018
Senate Economics References Committee	Australia's dairy industry: rebuilding trust and a fair market for farmers	17 August 2017
Senate Environment and Communications References Committee	Current and future impacts of climate change on marine fisheries and biodiversity	6 December 2017
Senate Rural and Regional Affairs and Transport References Committee	Effect of market consolidation on the red meat processing sector	12 September 2017
	Biosecurity risks associated with the importation of seafood and seafood products (including uncooked prawns and uncooked prawn meat) into Australia	31 October 2017

Government responses to inquiry reports

The Australian Government responded to seven parliamentary committee reports relevant to the department (Table 19).

TABLE 19 Government responses tabled in 2017–18

Committee	Inquiry	Response date
House Standing Committee on Agriculture and Water Resources	Safe Keeping: inquiry into the biosecurity of Australian honey bees	15 August 2017
Senate Environment and Communications References Committee	Factory freezer trawlers in the Commonwealth Small Pelagic Fishery	5 December 2017
Senate Finance and Public Administration References Committee	The operation, effectiveness, and consequences of the Public Governance, Performance and Accountability (Location of Corporate Commonwealth Entities) Order 2016	5 December 2017
Senate Rural and Regional Affairs and Transport References Committee	Inquiry into Australian Grape and Wine Industry	13 July 2017
	Current and future arrangements for the marketing of Australian sugar	15 September 2017
	The management of the Murray–Darling Basin	4 April 2018
Senate Standing Committees on Economics	Third-party certification of food	2 August 2017

Auditor-General

In 2017–18 the Auditor-General tabled one Australian National Audit Office (ANAO) report on the department's activities.

ANAO Audit Report No. 30 2017–18: Design and governance of the National Water Infrastructure Development Fund

The audit examined whether an appropriate design process was established to support the achievement of the government's objectives for the National Water Infrastructure Development Fund, and if a sound governance framework was established for the fund.

The ANAO found the design of the fund was effective and that there was scope to improve governance arrangements to better support the implementation of the fund.

In the course of the audit, responsibility for implementing the fund was transferred to the Department of Infrastructure, Regional Development and Cities. The ANAO made one recommendation to our department: that we ensure the basis on which key program design elements and features are determined is appropriately documented and retained. We agreed with the recommendation.

Commonwealth Ombudsman

In May 2018 the Commonwealth Ombudsman released the report 'Investigation into delays in processing inbound containerised sea cargo: the Department of Home Affairs, the Department of Agriculture and Water Resources'. The report made 10 recommendations in relation to the processing of inbound containerised sea cargo.

For the most part, these recommendations relate to the Australian Border Force. There were two recommendations relevant to the department:

- **Recommendation 9**—Home Affairs and the department increase collaboration for container inspections and, where possible, conduct inspections in the same location and at the same time. We supported this recommendation.
- **Recommendation 10**—The department revise its cost-recovery model to ensure importers are charged the same for the assessment of identical import declarations based on the real cost of proficient operational activity. We agreed to consider the model in our next cost-recovery review.

Inspector-General of Biosecurity

Our operations are subject to further scrutiny by the Inspector-General of Biosecurity, a statutory officer who reviews and reports on the way the department exercises its biosecurity powers, and the process for conducting import risk analyses. We provide administrative support to the Inspector-General.

The Inspector-General of Biosecurity's reports are available on their website.

During 2017–18 the Inspector-General completed a review of the effectiveness of biosecurity controls for uncooked prawn imports into Australia. The Inspector-General made 22 recommendations to review risk mitigation measures, improve the department's import processes and strengthen a national approach to managing exotic diseases and pests. We agreed to 21 recommendations and noted the other recommendation relating to government funding.

Freedom of information

We make documents available to the public under the *Freedom of Information Act 1982* (FOI Act), either in response to requests for access to information or through our website, in accordance with the Information Publication Scheme (IPS).

Agencies subject to the FOI Act are required to publish information to the public as part of the IPS, in accordance with Part II of the FOI Act. Each agency must display on its website a plan showing what information it publishes in accordance with the IPS requirements. Our IPS plan is available on our website under 'reporting'.

We also publish corporate and operational information on our website and reports on information accessed through FOI applications in a disclosure log.

In 2017–18 we received 103 requests for access under the FOI Act, three requests for internal review and two requests for external review. We finalised 92 requests and three internal reviews. Further statistical data on FOI requests received and processed by the department and all Commonwealth agencies each financial year are published by the Office of the Australian Information Commissioner.

Part 4

Appendices



Appendix A

Entity resource and outcome statements

TABLE 20 Entity resource statement, 2017–18

	Actual available appropriation for 2017–18 \$'000	Payments made 2017–18 \$'000	Balance remaining 2017–18 \$'000
	(a)	(b)	(a)–(b)
Departmental appropriation			
Ordinary annual services a			
Prior year departmental appropriation	55,214	55,214	–
Departmental appropriation b	392,959	341,014	51,094
Section 74 retained revenue receipts	24,383	24,383	–
Section 75 transfers	(546)		
Prior year section 75 transfers	(305)		
Total	471,705	420,611	51,094
Annual appropriations—other services—non-operating			
Prior year available	11,244	6,574	4,670
Equity injections	17,017	5,057	11,720
Prior year appropriation acts repealed	(240)		
Total	28,021	11,631	16,390
Total departmental annual appropriations	499,726	432,242	67,484
Administered expenses			
Ordinary annual services a			
Outcome 1	122,917	108,746	

		Actual available appropriation for 2017–18 \$'000	Payments made 2017–18 \$'000	Balance remaining 2017–18 \$'000
Section 74 retained revenue receipts		93	93	
Prior year available		20,359	7,800	
Section 51 determinations		(9,753)		
Prior year appropriation acts repealed		(5,736)		
Outcome 2		52,270	50,206	
Section 74 retained revenue receipts		501	501	
Prior year available		1,627	618	
Section 51 determinations		(989)		
Prior year Appropriation Acts repealed		(19)		
Outcome 3		373,680	250,598	
Section 74 retained revenue receipts		587	587	
Prior year available		49,268	53	
Section 51 determinations		(45,652)		
Section 75 transfers		(3,000)		
Total		556,153	419,202	
Total ordinary annual services	A	1,027,858	839,813	
Administered non-operating				
Prior year available		504,968	232,910	272,058
Administered assets and liabilities		671,000	74,112	173,981
Section 51 determinations		(140,127)		
Section 75 transfers		(50,000)		
Prior year section 75 transfers		(50,000)		
Prior year Appropriation Acts repealed		(182,780)		
Total		753,061	307,022	446,039
Total other services c	B	781,082	318,653	

		Actual available appropriation for 2017–18 \$'000	Payments made 2017–18 \$'000	Balance remaining 2017–18 \$'000
Total available annual appropriations	(A+B)	1,808,940	1,158,466	
Special appropriations				
Special appropriations limited by criteria/entitlement				
<i>Agricultural and Veterinary Chemicals (Administration) Act 1992—s. 58 (6) amount payable to the APVMA</i>			32,400	
<i>Australian Animal Health Council (Live-stock Industries) Funding Act 1996, s. 5—appropriation</i>			7,568	
<i>Australian Meat and Live-stock Industry Act 1997, s. 63(2)—payments to marketing body</i>			78,359	
<i>Australian Meat and Live-stock Industry Act 1997, s. 64(2)—payments to research body</i>			26,738	
<i>Australian Meat and Live-stock Industry Act 1997, s. 64A(2)—payments to marketing body</i>			3,530	
<i>Australian Meat and Live-stock Industry Act 1997, s. 64B(2)—payments to research body</i>			706	
<i>Australian Meat and Live-stock Industry Act 1997, s. 64C(2)—payments to marketing body</i>			18,573	
<i>Australian Meat and Live-stock Industry Act 1997, s. 64D(2) – payments to research body</i>			32	
<i>Australian Meat and Live-stock Industry Act 1997, s. 66(1)—Commonwealth contribution to research body</i>			70,973	
<i>Dairy Produce Act 1986, s. 6(1)—payments under funding contract</i>			49,149	
<i>Egg Industry Service Provision Act 2002, s. 8(1)—payments under funding contract</i>			10,357	
<i>Farm Household Support Act 2014, s. 105—Payments for Farm Household Allowance</i>			34,752	

	Actual available appropriation for 2017–18 \$'000	Payments made 2017–18 \$'000	Balance remaining 2017–18 \$'000
<i>Forestry Marketing and Research and Development Services Act 2007, s. 9(1)</i> payments and matching payments to an industry services body and Commonwealth administration expenses		12,456	
<i>Horticulture Marketing and Research and Development Services Act 2000, s. 16(9)</i> — payments to industry services body		107,675	
<i>Pig Industry Act 2001, s. 10(1)</i> —payments under funding contract		22,906	
<i>Plant Health Australia (Plant Industries) Funding Act 2002, s. 6</i> —appropriation		4,443	
<i>Plant Health Australia (Plant Industries) Funding Act 2002, s. 10B</i> —payments to Plant Health Australia from Emergency Plant Pest Response levies and charges		4,692	
<i>Primary Industries Research and Development Act 1989, s. 30(3)</i> —Cotton R&D Corporation		17,593	
<i>Primary Industries Research and Development Act 1989, s. 30(3)</i> —Grains R&D Corporation— other grains		98,151	
<i>Primary Industries Research and Development Act 1989, s. 30(3)</i> —Grains R&D Corporation— wheat		104,226	
<i>Primary Industries Research and Development Act 1989, s. 30(3)</i> —Rural Industries R&D Corporation		9,714	
<i>Primary Industries Research and Development Act 1989, s. 30A(3) and s. 30B(9)</i> —Fisheries R&D Corporation		28,094	
<i>Public Governance, Performance and Accountability Act 2013—s. 58, National Residue Survey departmental</i>		16,500	
<i>Public Governance, Performance and Accountability Act 2013, s. 77</i> —Repayments		1,899	
<i>Sugar Research and Development Services Act 2013, s. 7</i> —payment to the sugar industry services body		31,709	
<i>Water Act 2007, s. 86AG</i>		430,000	

		Actual available appropriation for 2017–18 \$'000	Payments made 2017–18 \$'000	Balance remaining 2017–18 \$'000
<i>Wine Australia Authority Act 2013, s. 32— payments to the authority</i>			35,802	
<i>Wool Services Privatisation Act 2000, s. 31(4)— funding contract with research body</i>			85,977	
Total special appropriations	C	1,344,974	1,344,974	

Special Accounts d

Opening balance		192,073		
Appropriation receipts e		569,097		
Non-appropriation receipts to Special Accounts		411,902		
Payments made			553,287	
Total Special Accounts	D	1,173,072	553,287	619,785

Total resourcing (A+B+C+D)		4,326,986	3,056,727	
Less appropriations drawn from annual or special appropriations above and credited to Special Accounts and/or payments to corporate entities through annual and special appropriations e		(1,022,139)	(1,022,139)	
Total net resourcing for Agriculture		3,304,847	2,034,588	

a Appropriation Acts (Nos.1 and 3) 2017–18. This also includes prior year departmental appropriation, s. 74 retained revenue receipts and s. 51 determinations. **b** Includes an amount of \$17.02 million in 2017–18 for the departmental capital budget. For accounting purposes this amount has been designated as 'contributions by owners'.

c Appropriation Acts (Nos.2 and 4) 2017–18. This also includes prior year administered appropriation and s. 51 determinations. **d** Does not include 'special public money' held in Services for other entities and trust moneys Special Accounts (SOETM). **e** Appropriation receipts from the department's annual appropriations for 2017–18 are included above.

TABLE 21 Expenses for Outcome 1, 2017–18

Outcome 1: More sustainable, productive, internationally competitive and profitable Australian agricultural, food and fibre industries through policies and initiatives that promote better resource management practices, innovation, self-reliance and improved access to international markets.	Budget* 2017–18 \$'000 (a)	Actual Expenses 2017–18 \$'000 (b)	Variation 2017–18 \$'000 (a) – (b)
Program 1.2: Sustainable Management – Natural Resources			
Administered expenses			
Ordinary annual services (Appropriation Act No. 1)			
A More Competitive and Sustainable Fisheries Sector—recognise OceanWatch as a natural resource management group	600	600	–
National Carp Control Plan	3,905	3,905	–
Stronger Farmers, Stronger Economy—strengthening research, skills and management of natural resources—pest animal and weed management	9,350	8,294	1,056
Special Accounts			
Natural Resources Management Account—s. 80, <i>PGPA Act</i> [s. 11, <i>Natural Resources Management (Financial Assistance) Act 1992</i>]	–	1,076	(1,076)
Departmental expenses			
Departmental appropriation	11,449	11,514	(65)
Expenses not requiring appropriation in the Budget year	170	292	(122)
Total for Program 1.2	25,474	25,681	(207)
Program 1.3: Forestry Industry			
Administered expenses			
Ordinary annual services (Appropriation Act No. 1)			
National Institute for Forest Products Innovation	1,000	1,000	–
Special appropriations			
<i>Forestry Marketing and Research and Development Services Act 2007</i> , s. 9(1) payments and matching payments to an industry services body and Commonwealth administration expenses	11,882	12,162	(280)
Departmental expenses			
Departmental appropriation	6,032	6,565	(533)
Expenses not requiring appropriation in the Budget year	144	197	(53)

Outcome 1: More sustainable, productive, internationally competitive and profitable Australian agricultural, food and fibre industries through policies and initiatives that promote better resource management practices, innovation, self-reliance and improved access to international markets.	Budget* 2017–18 \$'000 (a)	Actual Expenses 2017–18 \$'000 (b)	Variation 2017–18 \$'000 (a) – (b)
Total for Program 1.3	19,058	19,924	(866)
Program 1.4: Fishing Industry			
Administered expenses			
Ordinary annual services (Appropriation Act No. 1)			
A More Competitive and Sustainable Fisheries Sector—support for recreational and commercial fishing peak bodies	100	100	–
Fisheries Resources Research Fund	496	487	9
Special appropriations			
<i>Primary Industries Research and Development Act 1989, s. 30A(3) and s. 30B(9)—Fisheries R&D Corporation</i>	23,501	23,816	(315)
Departmental expenses			
Departmental appropriation	8,943	7,730	1,213
Expenses not requiring appropriation in the Budget year	231	247	(16)
Total for Program 1.4	33,271	32,380	891
Program 1.5: Horticulture Industry			
Administered expenses			
Special appropriations			
<i>Horticulture Marketing and Research and Development Services Act 2000, s. 16(9)—payments to industry services body</i>	99,405	107,987	(8,582)
Departmental expenses			
Departmental appropriation	1,564	1,647	(83)
Expenses not requiring appropriation in the Budget year	80	68	12
Total for Program 1.5	101,049	109,702	(8,653)
Program 1.6: Wool Industry			
Administered expenses			
Special appropriations			
<i>Wool Services Privatisation Act 2000, s. 31(4)—funding contract with research body</i>	69,600	90,349	(20,749)

Outcome 1: More sustainable, productive, internationally competitive and profitable Australian agricultural, food and fibre industries through policies and initiatives that promote better resource management practices, innovation, self-reliance and improved access to international markets.	Budget* 2017–18 \$'000 (a)	Actual Expenses 2017–18 \$'000 (b)	Variation 2017–18 \$'000 (a) – (b)
Departmental expenses			
Departmental appropriation	74	41	33
Expenses not requiring appropriation in the Budget year	22	7	15
Total for Program 1.6	69,696	90,397	(20,701)
Program 1.7: Grains Industry			
Administered expenses			
Special appropriations			
<i>Primary Industries Research and Development Act 1989, s. 30(3)—Grains R&D Corporation—Other Grains</i>	80,511	89,595	(9,084)
<i>Primary Industries Research and Development Act 1989, s. 30(3)—Grains R&D Corporation—Wheat</i>	102,724	99,084	3,640
Departmental expenses			
Departmental appropriation	331	246	85
Expenses not requiring appropriation in the Budget year	46	15	31
Total for Program 1.7	183,612	188,940	(5,328)
Program 1.8: Dairy Industry			
Administered expenses			
Special appropriations			
<i>Dairy Produce Act 1986, s. 6(1)—payments under funding contract</i>	50,978	52,862	(1,884)
Departmental expenses			
Departmental appropriation	1,383	1,426	(43)
Expenses not requiring appropriation in the Budget year	21	35	(14)
Total for Program 1.8	52,382	54,323	(1,941)
Program 1.9: Meat and Livestock Industry			
Administered expenses			
Special appropriations			
<i>Australian Meat and Live-stock Industry Act 1997, s. 63(2)—payments to marketing body</i>	82,357	79,347	3,010

Outcome 1: More sustainable, productive, internationally competitive and profitable Australian agricultural, food and fibre industries through policies and initiatives that promote better resource management practices, innovation, self-reliance and improved access to international markets.	Budget* 2017–18 \$'000 (a)	Actual Expenses 2017–18 \$'000 (b)	Variation 2017–18 \$'000 (a) – (b)
<i>Australian Meat and Live-stock Industry Act 1997, s. 64(2)—payments to research body</i>	27,938	27,065	873
<i>Australian Meat and Live-stock Industry Act 1997, s. 64A(2)—payments to marketing body</i>	3,794	3,580	214
<i>Australian Meat and Live-stock Industry Act 1997, s. 64B(2)—payments to research body</i>	761	716	45
<i>Australian Meat and Live-stock Industry Act 1997, s. 64C(2)—payments to marketing body</i>	16,763	18,886	(2,123)
<i>Australian Meat and Live-stock Industry Act 1997, s. 64D(2)—payments to research body</i>	–	33	(33)
<i>Australian Meat and Live-stock Industry Act 1997, s. 66(1)—Commonwealth contribution to research body</i>	84,657	81,415	3,242
<i>Pig Industry Act 2001, s. 10(1)—payments under funding contract</i>	22,211	22,863	(652)
Departmental expenses			
Departmental appropriation	2,185	2,108	77
Expenses not requiring appropriation in the Budget year	40	30	10
Total for Program 1.9	240,706	236,043	4,663
Program 1.10: Agricultural Resources			
Administered expenses			
Ordinary annual services (Appropriation Act No. 1)			
A Competitive Agriculture Sector—boosting farm profits through rural research and development	13,591	13,591	–
A Competitive Agriculture Sector—improved access to agricultural and veterinary chemicals	1,930	1,930	–
Agricultural and Veterinary Chemicals Minor Use Program	134	134	–
AgriFutures Australia	9,342	9,342	–
Beef Week and the Beef Australia Expo	2,350	2,350	–
Leadership in Agriculture Industries Fund	3,780	3,794	(14)
Northern Australia Rice industry	1,000	1,000	–

Outcome 1: More sustainable, productive, internationally competitive and profitable Australian agricultural, food and fibre industries through policies and initiatives that promote better resource management practices, innovation, self-reliance and improved access to international markets.	Budget* 2017–18 \$'000 (a)	Actual Expenses 2017–18 \$'000 (b)	Variation 2017–18 \$'000 (a) – (b)
Stronger Farmers, Stronger Economy—a fairer go for farm businesses—farm co-operatives and collaboration pilot	6,188	6,438	(250)
Wine Australia	16,014	16,014	–
Payments to corporate entities (Draw-Down)			
Australian Pesticides and Veterinary Medicines Authority	2,634	2,634	–
Relocation of the Australian Pesticides and Veterinary Medicines Authority	2,861	3,422	(561)
Special appropriations			
<i>Agricultural and Veterinary Chemicals (Administration) Act 1992—s. 58 (6) amount payable to the APVMA</i>	33,366	33,402	(36)
<i>Egg Industry Service Provision Act 2002, s. 8(1)—payments under funding contract</i>	10,020	10,698	(678)
<i>Primary Industries Research and Development Act 1989, s. 30(3)—Cotton R&D Corporation</i>	21,033	18,182	2,851
<i>Primary Industries Research and Development Act 1989, s. 30(3)—Rural Industries R&D Corporation</i>	11,433	10,596	837
<i>Sugar Research and Development Services Act 2013, s. 7—payment to industry services body</i>	31,194	30,412	782
<i>Wine Australia Authority Act 2013, s. 32—payments to the Authority</i>	30,825	35,287	(4,462)
Expenses not requiring appropriation in the Budget year			
Write-down and impairment of assets	–	918	(918)
Departmental expenses			
Departmental appropriation	45,529	47,172	(1,643)
Expenses not requiring appropriation in the Budget year	1,749	1,212	537
Total for Program 1.10	244,973	248,528	(3,555)
Program 1.11: Drought Programs			
Administered expenses			
Ordinary annual services (Appropriation Act No. 1)			
Farm Business Concessional Loans Scheme	6,250	4,250	2,000

Outcome 1: More sustainable, productive, internationally competitive and profitable Australian agricultural, food and fibre industries through policies and initiatives that promote better resource management practices, innovation, self-reliance and improved access to international markets.	Budget* 2017–18 \$'000 (a)	Actual Expenses 2017–18 \$'000 (b)	Variation 2017–18 \$'000 (a) – (b)
Expenses not requiring appropriation in the Budget year			
Drought Concessional Loans Scheme—administration	2,106	2,106	–
Drought Recovery—concessional loans—discount expense	–	1	(1)
Drought Recovery Concessional Loans Scheme—state administration	234	234	–
Farm Business Concessional Loans Scheme—discount expenses	387	1,006	(619)
Farm Business Concessional Loans Scheme—state administration	(5,000)	(3,287)	(1,713)
Write-down and impairment of assets	–	134	(134)
Departmental expenses			
Departmental appropriation	11,124	14,296	(3,172)
Expenses not requiring appropriation in the Budget year	222	201	21
Total for Program 1.11	15,323	18,941	(3,618)
Program 1.12: Rural Programs			
Administered expenses			
Ordinary annual services (Appropriation Act No. 1)			
Rural Financial Counselling Service	16,442	16,442	–
Stronger Farmers, Stronger Economy—new drought management framework—managing farm risk program	5,550	29	5,521
Special appropriations			
<i>Farm Household Support Act 2014, s. 105—payments for Farm Household Allowance</i>	36,607	33,735	2,872
Expenses not requiring appropriation in the Budget year			
Write-down and impairment of assets	–	6,086	(6,086)
Farm Finance Concessional Loans Scheme—administration	1,550	1,550	–
Departmental expenses			
Departmental appropriation	4,364	4,231	133
Expenses not requiring appropriation in the Budget year	317	231	86
Total for Program 1.12	64,830	62,304	2,526

Outcome 1: More sustainable, productive, internationally competitive and profitable Australian agricultural, food and fibre industries through policies and initiatives that promote better resource management practices, innovation, self-reliance and improved access to international markets.	Budget* 2017–18 \$'000 (a)	Actual Expenses 2017–18 \$'000 (b)	Variation 2017–18 \$'000 (a) – (b)
Program 1.13: International Market Access			
Administered expenses			
Ordinary annual services (Appropriation Act No. 1)			
Agriculture Advancing Australia—International Agricultural Cooperation	211	100	111
Food and Agriculture Organization of the United Nations	12,550	14,197	(1,647)
Indonesia–Australia Red Meat and Cattle Partnership	699	344	355
International organisations contributions	1,879	2,068	(189)
Stronger Farmers, Stronger Economy—improvements to access premium markets—cooperation activities	1,500	1,109	391
Departmental expenses			
Departmental appropriation	35,590	33,746	1,844
Expenses not requiring appropriation in the Budget year	635	857	(222)
Total for Program 1.13	53,064	52,421	643
Outcome 1: Totals by appropriation type			
Administered expenses			
Ordinary annual services (Appropriation Act No. 1)	114,861	107,518	7,343
Special appropriations	851,560	882,072	(30,512)
Special Accounts	–	1,076	(1,076)
Payments to corporate entities (Draw-downs)	5,495	6,056	(561)
Expenses not requiring appropriation in the Budget year	(723)	8,748	(9,471)
Departmental expenses			
Departmental appropriation a,b	128,568	130,722	(2,154)
Expenses not requiring appropriation in the Budget year c	3,677	3,392	285
Total expenses for Outcome 1	1,103,438	1,139,584	(36,146)

Outcome 1: More sustainable, productive, internationally competitive and profitable Australian agricultural, food and fibre industries through policies and initiatives that promote better resource management practices, innovation, self-reliance and improved access to international markets.	Budget*	Actual	Variation
	2017–18	Expenses	2017–18
		2017–18	
	\$'000	\$'000	\$'000
	(a)	(b)	(a) – (b)
	2016–17	2017–18	
Average staffing level (number)	581	592	

* Original budget as presented in the 2017–18 Portfolio Budget Statements (PBS).

a Departmental appropriation combines ordinary annual services (Appropriation Acts No. 1) and retained revenue receipts under section 74 of the PGPA Act 2013. **b** Departmental appropriation allocations are notional and reflect the current structure of the department. **c** Departmental 'Expenses not requiring appropriation in the Budget year' is made up of depreciation expenses, amortisation expense, write down and impairment of assets and resources received free of charge.

TABLE 22 Expenses for Outcome 2, 2017–18

Outcome 2: Safeguard Australia's animal and plant health status to maintain overseas markets and protect the economy and environment from the impact of exotic pests and diseases, through risk assessment, inspection and certification, and the implementation of emergency response arrangements for Australian agricultural, food and fibre industries.	Budget* 2017–18 \$'000 (a)	Actual Expenses 2017–18 \$'000 (b)	Variation 2017–18 \$'000 (a) – (b)
Program 2.1: Biosecurity and Export Services			
Administered expenses			
Ordinary annual services (Appropriation Act No. 1)			
A Competitive Agriculture Sector—support for small exporters	706	1,331	(625)
Centre of Excellence for Biosecurity Risk Analysis and Research	1,781	1,781	–
Livestock Exports Global Assurance Program	2,900	1,400	1,500
Stronger Farmers, Stronger Economy—improvements to access premium markets—improve biosecurity	10,591	10,276	315
Special appropriations			
<i>Public Governance, Performance and Accountability Act 2013</i> - s77 Repayments AGRI	–	235	(235)
Expenses not requiring appropriation in the Budget year			
National Residue Survey Account—s. 80, <i>PGPA Act 2013</i> , [s. 6, <i>National Residue Survey Administration Act 1992</i>]	10,577	10,427	150
Write-down and impairment of assets	–	228	(228)
Departmental expenses			
Departmental appropriation	195,159	198,284	(3,125)
Special Accounts			
Australian Quarantine and Inspection Service Special Account— s. 78, <i>PGPA Act 2013</i>	395,043	384,269	10,774
National Residue Survey Account—s. 80, <i>PGPA Act 2013</i> [s. 6, <i>National Residue Survey Administration Act 1992</i>]	10,214	11,603	(1,389)
Expenses not requiring appropriation in the Budget year	23,444	32,904	(9,460)
Total for Program 2.1	650,415	652,738	(2,323)

Outcome 2: Safeguard Australia's animal and plant health status to maintain overseas markets and protect the economy and environment from the impact of exotic pests and diseases, through risk assessment, inspection and certification, and the implementation of emergency response arrangements for Australian agricultural, food and fibre industries.	Budget* 2017–18 \$'000 (a)	Actual Expenses 2017–18 \$'000 (b)	Variation 2017–18 \$'000 (a) – (b)
Program 2.2: Plant and Animal Health			
Administered expenses			
Ordinary annual services (Appropriation Act No. 1)			
A Competitive Agriculture Sector—stronger biosecurity and quarantine	1,926	20,891	(18,965)
A Competitive and Sustainable Fisheries Sector—review of invasive marine pests	1,339	1,006	333
Animal Biosecurity and Response Reform	983	919	64
Commonwealth Membership of Animal Health Australia and Plant Health Australia	2,051	2,265	(214)
International organisations contribution—World Organisation for Animal Health	242	283	(41)
Other Exotic Disease Preparedness Program	641	640	1
Payment to CSIRO—contribution to the operating costs of the Australian Animal Health Laboratory	8,152	8,152	–
Plant Biosecurity and Response Reform	1,385	1,385	–
Stronger Farmers, Stronger Economy—strengthening research, skills and management of natural resources—immediate assistance fund	1,540	–	1,540
Special appropriations			
<i>Australian Animal Health Council (Live-stock Industries) Funding Act 1996, s. 5—appropriation</i>	7,694	7,645	49
<i>Plant Health Australia (Plant Industries) Funding Act 2002, s. 6—appropriation</i>	4,031	4,510	(479)
<i>Plant Health Australia (Plant Industries) Funding Act 2002, s. 10B—payments to PHA from EPPR levies and charges</i>	5,929	4,798	1,131
Departmental expenses			
Departmental appropriation	25,841	27,219	(1,378)
Expenses not requiring appropriation in the Budget year	788	863	(75)
Total for Program 2.2	62,542	80,576	(18,034)

Outcome 2: Safeguard Australia's animal and plant health status to maintain overseas markets and protect the economy and environment from the impact of exotic pests and diseases, through risk assessment, inspection and certification, and the implementation of emergency response arrangements for Australian agricultural, food and fibre industries.	Budget* 2017–18 \$'000 (a)	Actual Expenses 2017–18 \$'000 (b)	Variation 2017–18 \$'000 (a) – (b)
Outcome 2: Totals by appropriation type			
Administered expenses			
Ordinary annual services (Appropriation Act No. 1)	34 237	50 329	(16 092)
Special appropriations	17 654	17 188	466
Expenses not requiring appropriation in the Budget year	10 577	10 655	(78)
Departmental expenses			
Departmental appropriation a,b	221 000	225 503	(4 503)
Special Accounts	405 257	395 872	9 385
Expenses not requiring appropriation in the Budget year c	24 232	33 767	(9 535)
Total expenses for Outcome 2	712 957	733 314	(20 357)
	2016–17	2017–18	
Average Staffing Level (number)	3 759	3 794	

* Original budget as presented in the 2017–18 Portfolio Budget Statements (PBS).

a Departmental Appropriation combines Ordinary annual services (Appropriation Act No. 1) and Retained Revenue Receipts under section 74 of the PGPA Act 2013. **b** Departmental appropriation allocations are notional and reflect the current structure of the department. **c** Departmental 'Expenses not requiring appropriation in the Budget year' is made up of depreciation expenses, amortisation expense, write down and impairment of assets and resources received free of charge.

TABLE 23 Expenses for Outcome 3, 2017–18

Outcome 3: Improve the health of rivers and freshwater ecosystems and water use efficiency through implementing water reforms, and ensuring enhanced sustainability, efficiency and productivity in the management and use of water resources.	Budget* 2017–18 \$'000 (a)	Actual Expenses 2017–18 \$'000 (b)	Variation 2017–18 \$'000 (a) – (b)
Program 3.1: Water Reform			
Administered expenses			
Ordinary annual services (Appropriation Act No. 1)			
Commonwealth Contribution under the Murray–Darling Basin Agreement	13,186	11,701	1,485
Stronger Farmers, Stronger Economy—National Water Infrastructure Development Fund	4,000	1,000	3,000
Sustainable Rural Water Use and Infrastructure Program	239,025	159,063	79,962
Payments to corporate entities (Draw-down)			
Murray–Darling Basin Authority	77,470	78,910	(1,440)
Special appropriation			
Water Act 2007	430,000	430,000	–
Transfer to special account	(430,000)	(430,000)	–
Special Accounts			
Water Efficiency Labelling Scheme Account—s.80 PGPA Act 2013 [s.64(1) <i>Water Efficiency Labelling and Standards Act</i>]	1,810	1,550	260
Water for the Environment Special Account—s.80 PGPA Act 2013 [s.86AB <i>Water Act 2007</i>]	80,000	6,959	73,041
Water Resources Special Account 2016	740	391	349
Expenses not requiring appropriation in the Budget year	506,327	218,090	288,237
Write-down and impairment of assets	–	214	(214)
Departmental expenses			
Departmental appropriation	30,127	28,541	1,586
Expenses not requiring appropriation in the Budget year	916	980	(64)
Total for Program 3.1	953,601	507,399	446,202

Outcome 3: Improve the health of rivers and freshwater ecosystems and water use efficiency through implementing water reforms, and ensuring enhanced sustainability, efficiency and productivity in the management and use of water resources.	Budget* 2017–18 \$'000 (a)	Actual Expenses 2017–18 \$'000 (b)	Variation 2017–18 \$'000 (a) – (b)
Outcome 3: Totals by appropriation type			
Administered expenses			
Ordinary annual services (Appropriation Act No. 1)	256,211	171,764	84,447
Special accounts	82,550	8,900	73,650
Payments to corporate entities (Draw-downs)	77,470	78,910	(1,440)
Special appropriations	430,000	430,000	–
Less amounts transferred within the department	(430,000)	(430,000)	–
Expenses not requiring appropriation in the Budget year	506,327	218,304	288,023
Departmental expenses			
Departmental appropriation a,b	30,127	28,541	1,586
Expenses not requiring appropriation in the Budget year c	916	980	(64)
Total expenses for Outcome 3	953,601	507,399	446,202
	2016–17	2017–18	
Average Staffing Level (number)	173	163	

* Original budget as presented in the 2017–18 Portfolio Budget Statements (PBS).

a Departmental Appropriation combines Ordinary annual services (Appropriation Acts No. 1) and Retained Revenue Receipts under section 74 of the PGPA Act 2013. **b** Departmental appropriation allocations are notional and reflect the current structure of the department. **c** Departmental 'Expenses not requiring appropriation in the Budget year' is made up of depreciation expenses, amortisation expense, write-down and impairment of assets and resources received free of charge.

Appendix B

Ecologically sustainable development and environmental performance

The Department of Agriculture and Water Resources has a statutory requirement under section 516A of the *Environment Protection and Biodiversity Conservation Act 1999* (the EPBC Act) to report on:

- our contribution to ecologically sustainable development (ESD) through our outcomes and activities
- the environmental performance of our internal operations.

Ecologically sustainable development principles

The principles of ESD outlined in section 3A of the EPBC Act are that:

- decision-making processes should effectively integrate both long-term and short-term economic, environmental, social and equity considerations
- if there are threats of serious or irreversible environmental damage, lack of full scientific certainty should not be used as a reason for postponing measures to prevent environmental degradation
- the present generation should ensure that the health, diversity and productivity of the environment is maintained or enhanced for the benefit of future generations
- the conservation of biological diversity and ecological integrity should be a fundamental consideration in decision-making
- improved valuation, pricing and incentive mechanisms should be promoted.

Our contribution to ecologically sustainable development

Our outcomes embody the ESD principles:

Outcome 1: More sustainable, productive, internationally competitive and profitable Australian agricultural, food and fibre industries through policies and initiatives that promote better resource management practices, innovation, self-reliance and improved access to international markets.

Outcome 2: Safeguard Australia's animal and plant health status to maintain overseas markets and protect the economy and environment from the impact of exotic pests and diseases, through risk assessment, inspection and certification, and the implementation of emergency response arrangements for Australian agricultural, food and fibre industries.

Outcome 3: Improve the health of rivers and freshwater ecosystems and water-use efficiency through implementing water reforms, and ensuring enhanced sustainability, efficiency and productivity in the management and use of water resources.

We play a leading role or contribute to national and international policies with significant ESD objectives. We deliver programs to fund research, training and projects aimed at mitigating climate change and improving sustainable resource management. Our role in biosecurity is critical to maintaining biodiversity in Australia and overseas. We also deliver funding to community organisations and to the portfolio research and development corporations whose work includes activities supporting ESD.

Our work supports the goal of development that meets Australia's current needs while conserving our ecosystems for the benefit of future generations.

Our key activities in 2017–18 are outlined in Part 2: Annual performance statements.

Legislative responsibilities

The following legislation, administered by the department under the current Administrative Arrangements Order, contributes directly to ESD:

- *Agricultural and Veterinary Chemicals Act 1994*
- *Agricultural and Veterinary Chemicals (Administration) Act 1992*
- *Agricultural and Veterinary Chemicals Code Act 1994*
- *Biosecurity Act 2015*
- *Export Control Act 1982*
- *Fisheries Administration Act 1991*
- *Fisheries Management Act 1991*
- *Illegal Logging Prohibition Act 2012*
- *Natural Resources Management (Financial Assistance) Act 1992*
- *Primary Industries and Energy Research and Development Act 1989*
- *Regional Forest Agreements Act 2002*
- *Torres Strait Fisheries Act 1984*
- *Water Act 2007*
- *Water Efficiency Labelling and Standards Act 2005.*

2030 Agenda and Sustainable Development Goals

The *2030 Agenda*, including the 17 Sustainable Development Goals (SDGs), is a non-binding, universal roadmap for sustainable development, applying to developed and developing countries. The SDGs address a diverse range of social, economic and environmental subject matters, underpinned by a broad suite of targets and indicators.

We are engaged in the Australian Government's response to the *2030 Agenda* and SDGs, including contributing to Australia's first Voluntary National Review (VNR). The department is designated as the lead Commonwealth agency for two goals:

- SDG2—zero hunger
- SDG6—clean water and sanitation.

We also have an interest in other SDGs, including:

- SDG12—responsible consumption and production
- SDG13—climate action
- SDG14—life below water
- SDG15—life on land
- SDG17—partnerships for the goals.

Many of the portfolio's domestic and international activities already give effect to aspects of the SDGs.

Australia's current water policy and practices are well in line with the SDGs. Australia has made significant efforts, investments and progress on provision of safe drinking water and sanitation, wastewater treatment and reuse, efficiency use of water in both rural and urban sectors, groundwater management, improving water quality and sustainable environmental protection.

Internationally, Australia has taken a leadership role in implementing water-related SDGs, including the Prime Minister's participation on the UN High Level Panel on Water, which aims to mobilise effective action to accelerate the implementation of the water-related aspects of SDG6.

Australia is also well-positioned in its efforts to deliver on the forest-related aspects of SDG15 domestically and internationally. Sustainable forest management in Australia is achieved through our implementation of policy and legislation including the National Forest Policy Statement and the Regional Forest Agreements, which provide effective governance of Australia's forests.

The *Illegal Logging Prohibition Act 2012* supports sustainable forest management and legal timber trade by prohibiting both the importation of timber and the processing of domestically grown raw logs that have come from illegally harvested sources.

Internationally, particularly within the Asia-Pacific region, we have focused on bilateral engagement with key trading partners to promote the trade in sustainable and legal timber products. The department has also historically used international aid programs for capacity-building in forest governance and managing timber supply chains; these relate to the objectives of SDG15 and SDG12.

We are active participants in the 2030 Agenda Inter-Departmental Committee and the associated working group, led by the Department of the Prime Minister and Cabinet and the Department of Foreign Affairs and Trade.

Environmental impact of our operations

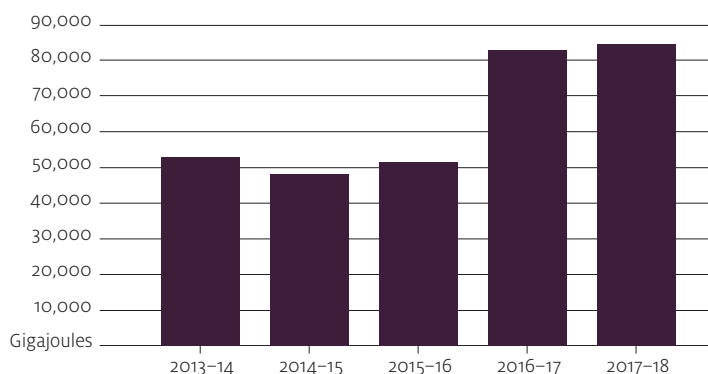
Energy efficiency

Our central office buildings in the Canberra central business district maintain a base building rating of 4.5 stars under the National Australian Built Environment Rating System. Both buildings contain T5 energy-efficient lighting and movement sensors, which turn off lighting in office areas after hours. The buildings also contain energy efficient window blinds, which reduce the energy required to heat and cool the buildings during the day. We acknowledge the importance of green energy in the electricity contracts for our Canberra buildings. These contracts include a 10 per cent allocation of green power through the whole-of-government electricity contract.

In 2017–18, our energy consumption has increased primarily due to the increased usage of gas through commissioning of the plant and avian compounds at the post-entry quarantine facility at Mickleham in Victoria. In 2017–18, our energy consumption (excluding diesel and petroleum products) increased by 15 per cent to 84,590 gigajoules. It is important to note that the energy consumption at the majority of our buildings decreased during the year. Electricity consumption fell by 3.01 per cent through 2017–18 to 46,713 gigajoules. During the year, we joined the effort by government agencies to reduce energy consumption through the APS Demand Reduction Initiative. The initiative calls for APS agencies to lead by example and reduce their electricity demand during an energy emergency such as a supply shortfall during a heatwave. We have developed an action plan outlining actions we will take to reduce our energy consumption when needed.

The demand response action plan complements efforts to reduce our day-to-day energy consumption. In 2018 most of the air conditioning in our Marcus Clarke building in Canberra was converted to solar power. Taps for boiled drinking water have been adjusted to switch off after two hours without usage. In our new Sydney office we are trialing sensor-activated devices to replace supplementary air conditioning, installed block-out blinds and films on windows to reduce heat and installed motion sensors for lighting.

FIGURE 17 Energy consumption, 2013–14 to 2017–18

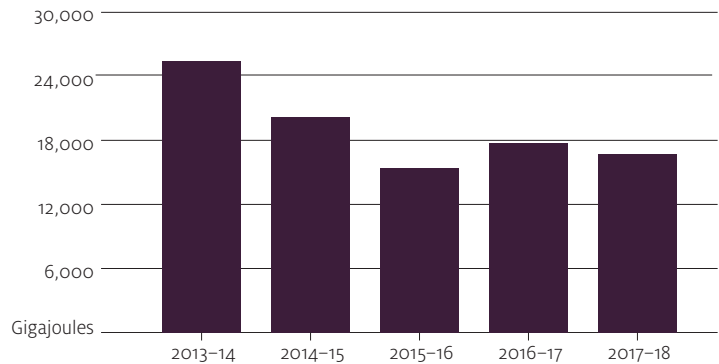


Transport

We monitor the fuel consumption and kilometres travelled for all fleet vehicles and encourage drivers to purchase ethanol blended fuel (E10). Although our overall fleet numbers have decreased, we are increasingly replacing our vehicles with efficient hybrid or diesel vehicles where practical. In 2017–18 the proportion of hybrid vehicles increased to 45 per cent and diesel vehicles to 18 per cent of our total fleet. As at 30 June 2018 we had 374 fleet vehicles, which included 168 hybrid vehicles and 67 diesel vehicles.

In 2017–18 we consumed 16,649.95 gigajoules in transport fuels for passenger vehicles. There was a fall in consumption due to reduction in fleet vehicles and less kilometres travelled.

FIGURE 18 Transport energy consumption, 2013–14 to 2017–18



Older vehicles in the department’s current fleet exceed the target set under the Commonwealth Green Vehicle Guide (GVG), largely obtaining five star ratings under that system. Newer vehicles in our fleet are now ranked based on CO² tailpipe emissions and indicators are that fuel consumption has dropped. Our fleet now consists of more hybrids, which also contributes to lower emissions and more environmentally friendly vehicles.

Water conservation

Our central office buildings recycle and capture stormwater to flush all toilets. In bathrooms and change rooms, we have waterless urinals, water-saving shower heads, infrared motion-active hand basins and 4A-rated dual flush toilets. These initiatives contribute to reducing our reliance on the local water supply.

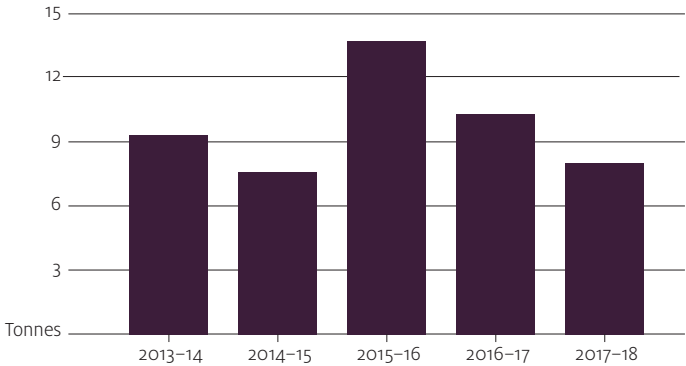
Waste management

We continue to encourage good recycling practices, providing ready access to segregated waste streams in the office environment. Recycling bins are located throughout central office buildings in kitchens and common areas and include general waste, organic recycling and co-mingled recycling.

The organic waste stream is a unique feature of our central office buildings and can be used to dispose of compostable materials and foodstuffs. Through this process, all organic waste from all levels of the participating buildings is collected and relocated off-site and then processed into mulch for further use. This reclaims usable materials and reduces the quantity of general waste from these sites.

The organic waste stream captured 7.96 tonnes of organic waste in 2017–18.

FIGURE 19 Organic waste collected, 2013–14 to 2017–18

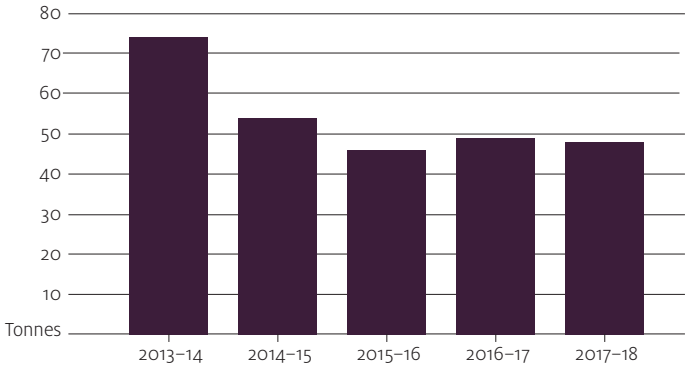


The co-mingled recycling program continues to be supported in the Canberra offices. We collected and processed 47.52 tonnes of co-mingled recycling in 2017–18.

In addition, the office paper recycling program collected and processed 1.15 tonnes of paper waste in 2017–18 and the combined paper and cardboard recycling program collected and recycled 17.75 tonnes of paper and cardboard in 2017–18.

The battery waste removal program produced 0.25 tonnes during 2017–18, preventing these contaminants from entering landfill.

FIGURE 20 Co-mingled recycling collected, 2013–14 to 2017–18



Appendix C

Human resource statistics

TABLE 24 Employees (headcount) by classification and employment type, 2017 and 2018

Classification	30 June 2017		30 June 2018	
	Ongoing	Non-ongoing	Ongoing	Non-ongoing
APS 1	3	5	2	2
APS 2	15	28	8	13
APS 3	481	176	376	151
APS 4	1,211	72	1,211	49
APS 5	652	57	681	32
APS 6	920	110	923	82
Meat Inspectors 1–4	143	128	154	105
EL 1	712	30	702	24
EL 2	406	10	381	7
SES 1	67	–	69	–
SES 2	17	1	18	1
SES 3	5	–	5	–
Total	4,632	617	4,530	466

Note: Includes staff on leave without pay and excludes the secretary. EL2 classification includes veterinary officers (VO3T)

TABLE 25 Employees (headcount) by attendance and employment type, 2017 and 2018

Classification	30 June 2017	30 June 2018
Ongoing employee full time	3,832	3,698
Ongoing employee part time	800	832
Non-ongoing employee full time	200	110
Non-ongoing employee part time	66	47
Non-ongoing employee casual	351	309
Total	5,249	4,996

Note: Includes staff on leave without pay and excludes the secretary.

TABLE 26 Employees (headcount) by physical location and employment type, 2017 and 2018

Physical location	30 June 2017		30 June 2018	
	Ongoing	Non-ongoing	Ongoing	Non-ongoing
ACT	2,294	199	2,230	125
NSW	698	61	667	60
NT	53	14	53	7
QLD	602	127	598	92
SA	177	30	174	25
TAS	9	4	8	5
VIC	519	111	515	102
WA	261	71	266	50
Overseas	19	–	19	–
Total	4,632	617	4,530	466

Note: Includes staff on leave without pay and excludes the secretary.

TABLE 27 Representation of diversity groups, 2017 and 2018

Employment type	Female		Aboriginal and Torres Strait Islander		People with a disability		Non-English speaking background ^a	
	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018
Ongoing	2,357	2,316	84	79	88	83	292	293
Non-ongoing	290	212	18	14	10	11	40	23
Total	2,647	2,528	102	93	98	94	332	316
Percentage	50.4	50.6	1.9	1.9	1.9	1.9	6.3	6.3

^a An employee has a Non-English speaking background (NESB¹) if they arrived in Australia after the age of five and their first language is a language other than English.

Note: Includes staff on leave without pay and excludes the secretary. These figures are based on all female employees and employees who identify themselves as a member of one or more diversity groups.

TABLE 28 Ongoing separations, 2016–17 and 2017–18

Category	2016–17	2017–18
Number of ongoing employees	4,633	4,530
Total ongoing separations	338	395
Natural attrition (including transfers)	243	331
Redundancies, invalidities and terminations	95	64
% separating (the department)	7.5	8.5

TABLE 29 Department salary structure, June 2018

Classification	Salary range
APS 1	\$44,915 – \$50,313
APS 2	\$52,837 – \$54,931
APS 3	\$57,716 – \$62,698
APS Meat Inspector 1	\$60,977 – \$74,232
APS 4	\$64,703 – \$70,229
APS Meat Inspector 2	\$79–538
APS 5	\$71,316 – \$76,883
APS Meat Inspector 3	\$85,189
APS 6 a	\$79,931 – \$112,872
APS Meat Inspector 4	\$90,227
EL 1 b	\$97,035 – \$125,322
EL 2 c	\$117,082 – \$151,381
SES d	\$214,575 – \$371,475

a Only positions requiring mandatory veterinary qualifications can access paypoints between \$95,177 and \$112,872.

b Only positions requiring mandatory veterinary qualifications can access paypoints between \$117,082 and \$125,322.

c Only positions requiring mandatory veterinary or scientific qualifications can access paypoints between \$138,532 and \$140,195. Only positions requiring mandatory scientific qualifications can access paypoints between \$145,271 and \$151,381. **d** SES salaries are determined on a case-by-case basis.

Note: Remuneration negotiated through Australian Workplace Agreements or Individual Flexibility Arrangements can exceed the salary ranges for non-SES classifications.

Appendix D

Grants programs

Information on grants awarded by the department in 2017–18 is available on agriculture.gov.au (for grants entered between 1 July 2017 and 31 December 2017) and Grant Connect (for grants entered between 1 January 2018 and 30 June 2018).

TABLE 30 Grants programs, 2017–18

Program 1.2 Sustainable management—natural resources
Control Tools and Technologies for Established Pest Animals and Weeds Program a National Landcare Program (including Sustainable Agriculture Small Grants Round 2015–16) b Smart Farms Small Grants Smart Farming Partnerships
Program 1.10 Agricultural Resources
Assistance Grants—Access to Industry Priority Uses of Agvet Chemicals Leadership in Agricultural Industries Fund Rural Research and Development for Profit a Science and Innovation Awards for Young People in Agriculture, Fisheries and Forestry
Program 1.12 Rural programs
Managing Farm Risk Program Rural Financial Counselling Service 2016–2019 (RFCS) a
Program 1.13 International market access
Australia–China Agricultural Cooperation Agreement (ACACA) Program Agricultural Trade and Market Access Cooperation Program (ATMAC)
Program 2.1 Quarantine and export services
Centre of Excellence for Biosecurity Risk Analysis (CEBRA) a Package Assisting Small Exporters (PASE) a
Program 3.1 Water reform
Sustainable Rural Water Use and Infrastructure Program—New South Wales Private Irrigation Infrastructure Operators Program a Sustainable Rural Water Use and Infrastructure Program—On-Farm Irrigation Efficiency Program a Sustainable Rural Water Use and Infrastructure Program—Private Irrigation Infrastructure Program in South Australia a

a No new opportunities called management of existing grants only. **b** Joint program with Department of the Environment and Energy.

Appendix E

Report on the operation of the *Natural Resources Management (Financial Assistance) Act 1992*

The *Natural Resources Management (Financial Assistance) Act 1992* assists the development and implementation of an integrated approach to natural resource management. In particular, this approach supported the Sustainable Agriculture component of the National Landcare Program. Under subsection 26(1) of the Act, a report must be prepared each year on the operation of the Act and agreements made under it. This is that report.

Funding available in the account in 2017–18 totalled \$3.66 million, all of which was administered funds from the Landcare appropriation.

Payments were made from the account in 2017-18 as follows:

- \$0.773 million to Landcare Australia Limited to extend the funding agreement until 30 June 2018.
- \$0.187 million to the CSIRO to finalise the Soil Sensing – new technology for tracking soil water availability, managing risk and improving farm management decisions ('Reducing input cost of grazing') project.
- \$0.150 million to the National Landcare Network to assist the Network on the merger with Landcare Australia Limited.

Appendix F

National Residue Survey annual report 2017–18

The National Residue Survey (NRS) monitors residues of pesticides and veterinary medicines and environmental contaminants in Australian food commodities. This monitoring is fully industry funded, principally through levies on the commodities that are tested.

The NRS tests animal commodities including cattle, sheep and pigs, camels, deer, goats, horses, kangaroos, poultry (chicken, duck turkey etc.) ratites (emus and ostriches) wild boars, honey, eggs and aquatic species (both aquaculture and wild-caught seafood).

In horticulture, the almond, apple, citrus, macadamia and pear industries all participate in NRS testing.

The NRS grains program covers:

- cereals (wheat, barley, oat, maize, sorghum and triticale)
- pulses (chickpea, cow pea, pigeon pea, field pea, faba bean, lentil, vetch, navy bean, mung bean and lupin)
- oilseeds (canola, sunflower, soybean, safflower and linseed).

Under section 10 of the *National Residue Survey Administration Act 1992* (the NRS Act), the Minister for Agriculture and Water Resources is required to provide an annual report to Parliament, setting out details of the operation of the NRS Special Account. In accordance with the NRS Act we provide the annual report for the NRS, including key financial information.

TABLE 31 National Residue Survey—summary of results for all random monitoring programs, 2017–18

Commodity	Total number of samples	Compliance with relevant Australian standards (%) ^a
Animal products (42 different products sampled)		
Meat, eggs, honey and aquatic species	9,705	99.70
Plant products (35 different products sampled)		
Grains and horticulture	6,891	97.03

^a Compliance rate based on numbers of samples in compliance. In a very small number of samples, one sample may contain more than one violative residue.

TABLE 32 National Residue Survey—revenue and expenses, 2016–17 and 2017–18

Item	2017–18 \$'000	2016–17 \$'000
Revenue		
Sale of goods and rendering of services	827	655
Interest on investments	422	426
Levies	10,431	10,342
Revenue from government	0	1
Total revenue	11,680	11,424
Expenses		
Employee benefits	1,926	1,825
Analytical testing	6,758	5,883
Other	2,484	3,165
Total expenses	11,168	10,873
Surplus/(deficit)	512	551

TABLE 33 National Residue Survey—assets, liabilities and equity, 2016–17 and 2017–18

Item	2017–18 \$'000	2016–17 \$'000
Assets		
Trade and other receivables	1,160	1,354
Investments	16,500	16,000
Intangibles and other assets	1,667	1,795
Total assets	19,328	19,149
Liabilities		
Suppliers and other payables	531	910

Item	2017–18 \$'000	2016–17 \$'000
Employee provisions and other liabilities	961	916
Total liabilities	1,492	1,826
Equity		
Reserves	17,322	16,829
Other	514	494
Total equity	17,836	17,323

TABLE 34 Transactions in and out of the National Residue Survey Account, 2016–17 and 2017–18

Item	2017–18 \$'000	2016–17 ^a \$'000
Balance brought forward from previous period	1,237	1,524
Receipts		
Appropriation for reporting period	3	9
Other receipts	27,570	26,205
Total receipts	27,573	26,214
Payments		
Payments made to employees	(1,862)	(1,880)
Payments made to other	(25,835)	(24,621)
Total payments	(27,697)	(26,501)
Total balance carried to the next period	1,113	1,237

^a Corrected figures from Table 66 in the 2016–17 annual report. The financial year headings in that table were transposed.

Appendix G

Water Efficiency Labelling and Standards Scheme annual report 2017–18

Section 75 of the *Water Efficiency Labelling and Standards Act 2005* (WELS Act) requires the WELS Regulator to, as soon as practicable after the end of each financial year, prepare a report on the operation of the WELS scheme during the year.

The *Water Efficiency Labelling and Standards Scheme annual report 2017–18* covers the operation of the WELS scheme from 1 July 2017 to 30 June 2018.

Background

The objectives of the WELS Act are to:

- conserve water supplies by reducing water consumption
- provide information for purchasers of water-use and water-saving products
- promote the adoption of efficient and effective water-use and water-saving technologies.

The WELS Act and corresponding state and territory legislation provide for the operation of the WELS scheme. The scheme is administered by the Australian Government on behalf of the other governments.

Through the scheme, information is provided to consumers on the water efficiency and general performance of water-using and water-saving products, allowing informed choice to be made regarding water use. As a result, domestic water savings in the order of 100 gigalitres per annum are now being realised nationally. These savings are projected to increase to 204 gigalitres per annum by 2030 as products are replaced with more efficient models.

It is estimated that water efficiency improvements have resulted in consumer savings of \$520 million per annum in household utility bills (water, electricity and gas). These savings are projected to increase to \$2 billion per annum by 2030.

Dishwashers, washing machines, taps, showers, lavatories, urinals and flow controllers are all covered by the WELS scheme. To be legally supplied, these products must meet the performance and testing requirements of the WELS standard, and must be registered and labelled correctly.

Operation of the WELS scheme

General

Australia secured international support for the establishment of a new International Organization for Standardization (ISO) project committee on water efficiency. In February 2018 the ISO Technical Management Board Secretariat voted in favour of Australia's proposal. Standards Australia will provide the secretariat for the new project committee, PC-316 Water efficient products—Banding. The project committee will facilitate the development of a new international standard on water efficiency labelling.

An internationally consistent standard is expected to decrease costs for Australian businesses, improve access to overseas markets for Australian manufacturers, increase compliance with the WELS scheme in Australia, and provide a tool that can be used by other countries to reduce water use by implementing similar consumer-labelling schemes.

In 2017–18 the WELS website was updated in November 2017. The redeveloped website is based on user feedback and testing to better assist supply chain participants in meeting registration and labelling requirements. The upgraded website is also mobile and tablet compatible.

The WELS scheme newsletter (InkWELS) was published quarterly, with information about the latest developments with WELS and highlights of our achievements.

WELS held workshops with the WaterMark Conformity Assessment Bodies (WMCABs) on streamlined application processes for WELS registration and WaterMark certification. The WMCABs undertake WaterMark certification for plumbing products and can also submit applications for WELS registration on behalf of their clients. By doing so, the WMCABs can provide a 'one-stop-shop' application process for WELS and WaterMark.

The Institute for Sustainable Futures at the University of Technology Sydney was engaged to conduct an evaluation of the environmental and economic impacts of the WELS scheme. The evaluation is due for completion in late 2018.

Assistance was directly provided to product manufacturers and suppliers, particularly giving guidance on product registrations through telephone and online enquiries.

As of 30 June 2018 there were 28,815 products registered. This consisted of 24,981 registrations (21,152 products and 3,829 variants) and 3,834 ceasing registrations (3,250 products and 584 variants) under the WELS scheme.

This compares to a 30 June 2017 total of 28,206 products registered, consisting of 24,468 registrations and 3,738 ceasing registrations.

Compliance and enforcement

The WELS Act requires that all products be registered and labelled at all points in the supply chain. The approach to compliance with the WELS legislation is outlined in the WELS Compliance and Enforcement Policy.

Consultation with industry was undertaken in May to July 2017 to identify industry views on risks to the WELS scheme and where compliance and enforcement efforts should be applied to address those risks. Thirteen organisations provided submissions, and their input was used to shape the Compliance and Enforcement Strategy 2018–2020, which sets out areas of focus for WELS compliance and enforcement activities.

In 2017–18 compliance activities focused on internet-based sales and on the building and property development industry. Decision processes and escalation pathways were formally documented internally, and used in addressing non-compliance identified by WELS inspectors.

The joint compliance program with eBay continued to work effectively, with eBay removing more than 3,000 non-compliant listings of WELS products in the second half of 2017. In late 2017 WELS commenced work towards a similar joint program with Amazon.

Over 100 new property display units were inspected and found to have almost no WELS information available for prospective purchasers. Since the inspections 78 of these have since become compliant, with another 19 in progress and working with WELS inspectors. Communication materials were provided to building and property industry groups, and WELS inspectors shared information and discussed linkages with state and territory building and plumbing regulators.

Check-testing through the Equipment Energy Efficiency program in the Department of the Environment and Energy identified several washing machines that used more water than expected when run on a cold water wash cycle. Manufacturers have been working cooperatively to address the issue, with LG contacting affected consumers in order to fix the machines.

All inspections and follow-up enforcement actions were undertaken in accordance with the WELS Compliance and Enforcement Policy.

Financial

The WELS Strategic Plan 2016–19 set out agreed budgets and projected industry fee revenue. Industry fee revenue in 2017–18 was 8 per cent above the projections, as shown in table 35.

TABLE 35 WELS industry fee revenue, 2016–17 and 2017–18

Item	2016–17	2017–18
Industry fee revenue	\$1,526,295	\$1,570,400
Projected fee revenue	\$1,530,000	\$1,450,000

Appendix H

Water for the Environment Special Account annual report 2017–18

Section 86AI of the *Water Act 2007* requires the secretary of the department to, as soon as practicable after 30 June each year, prepare and provide to the minister a report on the operation of the Water for the Environment Special Account (WESA).

Payments totaling \$6.959 million were made from the WESA during 2017–18.

Measures that remove constraints on water movement through the regulated system are a key element of the sustainable diversion limit (SDL) adjustment mechanism set out in the Murray–Darling Basin Plan. During 2017–18, measures to address system constraints in five key reaches of the southern-connected Murray–Darling Basin contributed to the SDL adjustment of 605-gigalitres which came into law in January 2018. A payment of \$100,000 was made to Victoria during 2017–18 for completion of its constraints business cases.

In September 2016 a deed of standing offer was signed with the SA Murray–Darling Basin Natural Resources Management Board (SAMDBNRM Board) as the delivery partner for a pilot of the Commonwealth On-Farm Further Irrigation Efficiency (COFFIE) program. The COFFIE program is the first program developed to implement the efficiency measures component of the SDL adjustment mechanism set out in the Basin Plan. The program assists irrigators to improve the water use efficiency and productivity of their on-farm irrigation activities, with water savings being made available to the environment.

Under the program 49 on-farm projects have been approved for a total value of \$8.117 million and water recovery of 1,327.3 megalitres long-term average annual yield (LTAAY) has been contracted. Payments of \$5.792 million have been made and 461.7 megalitres LTAAY of South Australia 3a High Reliability irrigation entitlement returned to the Commonwealth to date. To date 16 on-farm water-efficiency upgrade projects have been completed to date under the pilot program. All water contracted to date under the SA pilot COFFIE program has involved works within the SA River Murray water resource plan area (SS11).

Following a decision of the Murray–Darling Basin Ministerial Council (Ministerial Council) in March 2017, Ernst & Young was engaged to undertake an independent review of efficiency measures. The final report, publicly released by the ministerial council on 19 January 2018, identified a pathway to recovering 450 gigalitres in efficiency measures in ways that are socio-economically neutral or beneficial. A total of \$956,853 was paid to Ernst & Young to complete the analysis.

Other expenses from the account were \$35,335 on promotional activities for COFFIE, \$70,000 on undertaking an assurance review of the COFFIE pilot process, and \$4,319 on legal advice.

TABLE 36 Water for the Environment Special Account, 2015–16 to 2017–18

Item	2015–16	2016–17	2017–18
Appropriated amount	\$40,000,000	\$110,000,000	\$430,000,000
Movement of funds	Nil	\$64,857,000 ^a	\$43,352,000
Funds expended	\$3,985,145.00	\$1,790,598.34	\$6,958,866

^a The figure for the 2016–17 movement of funds was incorrectly reported as \$70,000,000 in the 2016–17 annual report.

Appendix I

Disability reporting

Since 1994 non-corporate Commonwealth entities have reported on their performance as policy adviser, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy. In 2007–08 reporting on the employer role was transferred to the Australian Public Service Commission's *State of the Service* reports and the *APS Statistical Bulletin*. These reports are available on the Commission's website. Since 2010–11 entities have not been required to report on these functions.

The Commonwealth Disability Strategy has been overtaken by the National Disability Strategy 2010–2020, which sets out a 10-year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. A high-level, two-yearly report will track progress against each of the six outcome areas of the strategy and present a picture of how people with a disability are faring. The first of these progress reports was published in 2014.

Part 5

Financial Statements





INDEPENDENT AUDITOR'S REPORT

To the Minister for Agriculture and Water Resources

Opinion

In my opinion, the financial statements of the Department of Agriculture and Water Resources for the year ended 30 June 2018:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Department of Agriculture and Water Resources as at 30 June 2018 and its financial performance and cash flows for the year then ended.

The financial statements of the Department of Agriculture and Water Resources, which I have audited, comprise the following statements as at 30 June 2018 and for the year then ended:

- Statement by the Secretary and Chief Finance Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement; and
- Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Department of Agriculture and Water Resources in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

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19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

Key audit matter**Accuracy and completeness of Own Source Revenue**

Refer to Note 2A 'Sale of Goods and Rendering of Services'; and Note 14 'Regulatory Charging Summary'

Biosecurity fees are collected across the country for both imports and exports through multiple systems via manual and online applications. In 2017–18, total revenue reported from biosecurity activities was \$400.0 million.

The revenue collected from imports is dependent on information provided by importers via a self-assessment declaration. Agriculture undertake a compliance program to obtain assurance that declarations accurately report the value and nature of goods imported.

I focused on this area due to the value of revenue collected from biosecurity activities, the risk that the self-assessment process results in under-collection of import and export revenue and the complex administrative and IT system arrangements that support the collection of export fees.

How the audit addressed the matter

To audit the accuracy and completeness of own source revenue, I performed the following procedures:

- assessed the governance and reporting arrangements at Agriculture to obtain assurance over the completeness of import revenue;
- tested Agriculture's assurance processes over the interface and transfer of data between revenue subsystems and the finance system, including the IT general and application controls for the system that records receipts;
- assessed the design and effectiveness of compliance programs that provide management with assurance over the completeness and accuracy of self-assessment revenue; and
- tested a sample of revenue transactions and year end accrual calculations, validating them to export and import revenue systems and Australian Bureau of Agricultural and Resource Economics and Sciences estimates.

Key audit matter**Accuracy and completeness of primary industry levies and charges**

Refer to Note 16A 'Levies Fees and Charges'

For the 2017–18 reporting period the total levies reported were \$565.9 million.

Levies are collected from primary industry producers and agents using a self-assessment regime.

I considered this area a key audit matter as there is a risk of under-collection arising from the submission of inaccurate levy returns and declarations, whether accidental or deliberate. The rates charged and collected as levies and charges are derived through a complex estimation of anticipated agricultural production.

How the audit addressed the matter

To audit the accuracy and completeness of the collection of primary industry levies and charges, I performed the following audit procedures:

- assessed the operating effectiveness of the IT general controls and the application controls specific to the levies IT system including an assessment of the completeness and accuracy of data transferred between the levies IT system and the finance system;
- evaluated the design and effectiveness of, and tested on a sample basis, Agriculture's National Compliance Program which applies a risk based approach to assessing the accuracy and completeness of submitted returns and levies collected;
- tested a sample of revenue transactions to supporting documentation and agreed calculations and sighted approvals;
- agreed all changes of levy rates recorded in the levies IT system to approvals signed by the Minister; and
- assessed the methodology and reasonableness of the inputs used for the estimation of the year end accrual; and tested post year end receipts, on a sample basis, to assess if income was recorded in the correct period.

Key audit matter	How the audit addressed the matter
<p>Valuation of Loans to the State and Territory Governments</p> <p><i>Refer to Note 17A 'Trade, Taxation and Other Receivables'</i></p> <p>I focused on this area given the significance of this balance to Agriculture's receivable balances and the significant judgement applied to assessing eligibility criteria, limits, lending terms and the complexity of calculations in determining the valuation and impairment of the loan balances, some of which are categorised as concessional loans.</p> <p>For the year ended 30 June 2018 the receivables balance was \$804.9 million.</p>	<p>To audit the valuation of the loans to State and Territory governments I performed the following audit procedures:</p> <ul style="list-style-type: none"> • evaluated the application of Agriculture's accounting policy for the recognition and measurement of the fair value of new loans, including any concessional component; • assessed the reasonableness of the impairment assessment supporting the valuation of the loans; • assessed Agriculture's monitoring of loans and service payments collected to assess the accuracy and completeness of information provided by the State and Territory governments; and • performed substantive testing, on a sample basis, including recalculation of interest revenue received and agreed approvals of new loans or variations to existing loans to supporting documentation.
Key audit matter	How the audit addressed the matter
<p>Valuation of the Jointly Controlled Arrangements: River Murray Operations (RMO) and Living Murray Initiative (LMI)</p> <p><i>Refer to Note 18: 'Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles'</i></p> <p>I considered this a key audit matter as the balance is significant to Agriculture's asset balances and the Joint Venture arrangements are managed by another entity on behalf of the joint owners.</p> <p>For the year ended 30 June 2018 the balances that relate to these jointly controlled operations are \$528.5 million infrastructure assets and \$126.5 million water entitlements.</p>	<p>I conducted the following procedures:</p> <ul style="list-style-type: none"> • evaluated the governance arrangements supporting management's oversight and information-gathering processes over the balances reported in the joint ventures' financial statements; • obtained the audited joint venture financial statements as at 30 June 2018 and agreed key balances to the associated balances and disclosures in Agriculture's financial statements; and • performed an assessment of the audited financial statements of the joint venture which included considering the regulatory framework under which the financial statements were prepared, the accounting policies adopted and evaluating the competence and objectivity of the audit firm performing the audit and the opinion provided.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Department of Agriculture and Water Resources the Secretary is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under that Act. The Secretary is also responsible for such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing the Department of Agriculture and Water Resources' ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Secretary is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:


- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter

should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Australian National Audit Office

A handwritten signature in dark ink, appearing to read "S. Buchanan", is displayed on a light grey rectangular background.

Serena Buchanan
Senior Executive Director

Delegate of the Auditor-General

Canberra
31 August 2018

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

Financial Statements
for the period ended 30 June 2018

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES STATEMENT BY THE SECRETARY AND CHIEF FINANCE OFFICER

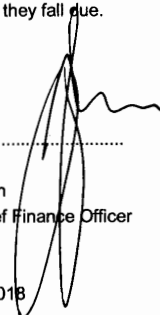
In our opinion, the attached financial statements for the year ended 30 June 2018 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Department of Agriculture and Water Resources will be able to pay its debts as and when they fall due.

Signed.....

Daryl Quinlivan
Secretary

31 August 2018

Signed.....

Scott Brown
Acting Chief Finance Officer

31 August 2018

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

Overview

Basis of Preparation of the Financial Statements

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013* (PGPA).

The financial statements have been prepared in accordance with the:

- PGPA Financial Reporting Rule 2015 (FRR) applicable to reporting periods ending on or after 1 July 2017; and
- Australian Accounting Standards and Interpretations – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

New Australian Accounting Standards

No accounting standard has been adopted in the current reporting period earlier than the application date as required by the standard.

All new, revised or amended standards and interpretations that were issued prior to the sign-off date and are applicable in the current reporting period did not have a material effect, and are not expected to have a future material effect on the department's financial statements.

Comparative Figures

Certain comparative amounts have been reclassified to conform with the current year's reporting presentation.

Taxation

The department is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST). Revenues, expenses, assets and liabilities are recognised net of GST except where the amount of GST incurred is not recoverable from the Australian Taxation Office and for receivables and payables.

Reporting of Administered activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the administered schedules and related notes. Except where otherwise stated, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

Potential Breach of Section 83 of the Constitution

Section 83 (s83) of the Constitution provides that no amount may be paid out of the Consolidated Revenue Fund except under an appropriation made by law. In 2018 the department identified one special appropriation with statutory conditions for payments which could result in potential breaches of s83 of the constitution.

Total expenditure of \$34 752 000 under *the Farm Household Support Act 2014* was made during 2017-18. Of this, overpayments of \$7 394 000 have been recorded as debts as at 30 June 2018 and may be potential breaches. A total of five actual breaches were identified (2017: 11), with a total value of \$2 208 (2017: \$2 052).

It should be noted that it is impossible to completely eliminate the potential for section 83 breaches for payments made by the Department of Human Services on behalf of the department. In the majority of cases, information provided by customers is relied upon to calculate the entitlements paid. This information, provided by customers is not always accurate or is subject to changing circumstances which can result in a breach of s83 of the constitution.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

The department continues to review its processes and controls for all payments to minimise the possibility of future breaches. The department will continue to monitor its level of compliance with s83 of the Constitution across all legislation for which it is administratively responsible. Where possible, amendments to legislation will continue to be progressed.

Events After the Reporting Period

Departmental

There have been no events after the reporting period that had the potential to significantly affect the ongoing structure and financial activities of the department.

Administered

There have been no events after the reporting period that had the potential to significantly affect the ongoing structure and financial activities of the department.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

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DEPARTMENT OF AGRICULTURE AND WATER RESOURCES STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2018

		2018	2017	Original Budget 2018	Variance 2018
	Notes	\$'000	\$'000	\$'000	\$'000
NET COST OF SERVICES					
Expenses					
Employee benefits	1A	527 498	507 626	501 686	25 812
Suppliers	1B	238 157	242 385	275 250	(37 093)
Grants	1C	12 654	9 283	4 060	8 594
Depreciation and amortisation	4	31 485	29 634	27 220	4 265
Finance costs	6B	34	120	250	(216)
Write-down and impairment of assets	1D	5 380	3 700	5 311	69
Other expenses	1E	3 569	9 573	-	3 569
Total expenses		818 777	802 321	813 777	5 000
Own-source income					
Own-source revenue					
Sale of goods and rendering of services	2A	400 004	389 251	389 917	10 087
Interest	2B	767	761	474	293
Other revenue	2C	28 278	30 275	16 182	12 096
Total own-source revenue		429 049	420 287	406 573	22 476
Gains					
Other gains	2D	945	2 290	13 049	(12 104)
Total gains		945	2 290	13 049	(12 104)
Total own-source income		429 994	422 577	419 622	10 372
Net cost of services		388 783	379 744	394 155	(5 372)
Revenue from Government		380 677	375 687	378 380	2 297
Deficit		(8 106)	(4 057)	(15 775)	7 669
OTHER COMPREHENSIVE INCOME					
Items not subject to subsequent reclassification to net cost of services					
Changes in asset revaluation reserves		-	1 631	-	-
Total other comprehensive income		-	1 631	-	-
Total comprehensive loss		(8 106)	(2 426)	(15 775)	7 669

The above statement should be read in conjunction with the accompanying notes.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES
STATEMENT OF FINANCIAL POSITION
as at 30 June 2018

		2018	2017	Original Budget 2018	Variance 2018
	Notes	\$'000	\$'000	\$'000	\$'000
ASSETS					
Financial assets					
Cash and cash equivalents	3A	32 069	27 652	3 150	28 919
Trade and other receivables	3B	90 966	95 711	97 695	(6 729)
Other investments		16 500	16 000	16 000	500
Accrued interest		194	200	203	(9)
Accrued revenue		6 935	4 693	3 862	3 073
Total financial assets		146 664	144 256	120 910	25 754
Non-financial assets					
Land, buildings and leasehold improvements	4	46 174	39 763	44 373	1 801
Property, plant and equipment	4	32 744	36 672	32 528	216
Intangibles	4	98 764	85 423	126 726	(27 962)
Inventories		2 275	2 297	2 292	(17)
Prepayments		8 822	8 086	6 122	2 700
Total non-financial assets		188 779	172 241	212 041	(23 262)
Total assets		335 443	316 497	332 951	2 492
LIABILITIES					
Payables					
Suppliers	5A	17 800	21 507	24 802	(7 002)
Other payables	5B	34 977	42 234	52 489	(17 512)
Total payables		52 777	63 741	77 291	(24 514)
Provisions					
Employee provisions	6A	150 962	143 459	155 587	(4 625)
Other provisions	6B	13 459	11 459	6 623	6 836
Total provisions		164 421	154 918	162 210	2 211
Total liabilities		217 198	218 659	239 501	(22 303)
Net assets		118 245	97 838	93 450	24 795
EQUITY					
Contributed equity		149 357	120 844	145 580	3 777
Asset revaluation reserves		25 665	25 665	24 034	1 631
Industry reserves		54 322	43 931	38 481	15 841
Accumulated deficit		(111 099)	(92 602)	(114 645)	3 546
Total equity		118 245	97 838	93 450	24 795

The above statement should be read in conjunction with the accompanying notes.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES
STATEMENT OF CHANGES IN EQUITY
for the period ended 30 June 2018

	Accumulated deficit				Asset revaluation reserves				Industry reserves				Contributed equity				Total equity			
	2018	2017			2018	2017			2018	2017			2018	2017			2018	2017		
	\$'000	\$'000			\$'000	\$'000			\$'000	\$'000			\$'000	\$'000			\$'000	\$'000		
Opening balance																				
Balance carried forward from previous period	(92 602)	(83 095)			25 665	24 034			43 931	38 481			120 844	96 384			97 838	75 804		
Adjusted opening balance	(92 602)	(83 095)			25 665	24 034			43 931	38 481			120 844	96 384			97 838	75 804		
Comprehensive income																				
Surplus / (deficit) for the period	(8 106)	(4 057)			-	-			-	-			-	-			(8 106)	(4 057)		
Other comprehensive income	-	-			-	1 631			-	-			-	-			-	1 631		
Total comprehensive income	(8 106)	(4 057)			-	1 631			-	-			-	-			(8 106)	(2 426)		
Transactions with owners																				
Contributions by owners																				
Equity injection - Appropriations	-	-			-	-			-	-			16 777	12 703			16 777	12 703		
Departmental capital budget	-	-			-	-			-	-			11 736	9 940			11 736	9 940		
Assets transferred from Department of Finance	-	-			-	-			-	-			-	1 817			-	1 817		
Total transactions with owners	-	-			-	-			-	-			28 513	24 460			28 513	24 460		
Transfers between equity components	(10 391)	(5 450)			-	-			10 391	5 450			-	-			-	-		
Closing balance as at 30 June	(111 099)	(92 602)			25 665	25 665			54 322	43 931			149 357	120 844			118 245	97 838		

Accounting policy

Equity injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets (DCBs) are recognised directly in contributed equity in that year.

Industry Reserves

Each cost recovered program holds a separate industry reserve. In years where the costs from these programs exceed revenue, the shortfall is first met from the individual industry reserve balance and then from other retained earnings.

Restructuring of Administrative Arrangements

Net assets/ liabilities received from or relinquished to another Government entity under a restructuring of administrative arrangements are recognised at their net book value directly against contributed equity.

The above statement should be read in conjunction with the accompanying notes.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES
CASH FLOW STATEMENT
for the period ended 30 June 2018

			Original Budget 2017 \$'000	Variance 2018 \$'000
	Notes	2018 \$'000	2017 \$'000	
OPERATING ACTIVITIES				
Cash received				
Appropriations		384 001	366 609	4 337
Sale of goods and rendering of services		395 182	378 120	10 910
Interest		351	331	(123)
GST received		22 477	23 258	(7 533)
Other		24 506	24 225	8 747
Total cash received		826 517	792 543	16 338
Cash used				
Employees		520 507	510 417	20 220
Suppliers		265 729	269 230	(16 240)
Grants		13 822	9 364	9 762
Other		1 161	1 091	1 161
Total cash used		801 219	790 102	14 903
Net cash from operating activities		25 298	2 441	1 435
INVESTING ACTIVITIES				
Cash received				
Proceeds from sales of property, plant and equipment		37	40	37
Proceeds from sales of investments		16 000	14 500	-
Interest		422	426	422
Total cash received		16 459	14 966	459
Cash used				
Purchase of land and buildings		11 517	3 246	(283)
Purchase of property, plant and equipment		6 287	9 073	(2 200)
Purchase of intangibles		26 862	19 870	(3 738)
Purchase of investments		16 500	16 000	500
Total cash used		61 166	48 189	(5 721)
Net cash used by investing activities		(44 707)	(33 223)	6 180
FINANCING ACTIVITIES				
Cash received				
Contributed equity		11 631	6 062	(3 657)
Departmental capital budget		12 195	9 481	459
Total cash received		23 826	15 543	(3 198)
Net cash from financing activities		23 826	15 543	(3 198)
Net increase / (decrease) in cash held		4 417	(15 239)	4 417
Cash and cash equivalents at the beginning of the reporting period		27 652	42 891	24 502
Cash and cash equivalents at the end of the reporting period	3A	32 069	27 652	28 919

The above statement should be read in conjunction with the accompanying notes.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Budget Variance Commentary

The following tables provide a comparison of the original budget as presented in the 2017-18 Portfolio Budget Statements (PBS) to the 2017-18 final outcome as presented in accordance with Australian Accounting Standards for the department. The Budget is not audited. Explanations of major variances are provided below.

Variances are considered to be 'major' based on the following criteria:

- the variance between budget and actual is greater than +/- 10% of the original budget and \$10 million for a line item; or
- the variance between budget and actual is greater than 2% of the relevant sub-total (i.e. total expenses, total income, total assets or total liabilities) and \$10 million; or
- an item below this threshold but is considered important for the reader's understanding or is relevant to an assessment of the discharge of accountability and to an analysis of performance of the department.

Major variances and explanations

Affected line items

Statement of Comprehensive Income

Total expenses were \$5.0 million higher than the original budget estimate as a result of:

- | | |
|---|---|
| <ul style="list-style-type: none"> • Higher than budgeted employee benefits expenses of \$25.8 million due to the misallocation of \$26.1 million to the original budget for suppliers. | <ul style="list-style-type: none"> • Total expenses • Employee benefits expense |
| <ul style="list-style-type: none"> • After adjusting for the misallocation above, supplier expenses was underspent by \$11.0 million primarily due to reduced contractor and consultant expenditure as well as delays to expenditure for the establishment of the Regional Investment Corporation. | <ul style="list-style-type: none"> • Suppliers expense |
| <ul style="list-style-type: none"> • Higher than budgeted grant expenses of \$8.6 million were primarily due to delays in establishing the Regional Investment Corporation (RIC) which resulted in the departmental transfer of establishment funding as grants. | <ul style="list-style-type: none"> • Grants expense |

Total own-source income was \$10.4 million higher than the original budget as a result of higher than budgeted sale of goods and rendering of services of \$10.1 million primarily due to increased collections from Cost Recovery Arrangements.

- Total own-source income
- Sale of goods and rendering of services

The variance for other gains and other revenue was largely attributable to the recognition of resources received free of charge of \$11.5 million as other gains in the budget and as other revenue for actuals.

- Other gains
- Other revenue

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Statement of Financial Position

Cash and cash equivalents balance was \$28.9 million higher compared with the original budget. The variance predominantly relates to the change in reporting requirements to reclassify special account balances from Trade and other receivables to Cash and cash equivalents, which occurred after the preparation of the budget.

- Cash and cash equivalents
- Trade and other receivables

The greater than budgeted revenue for cost recovery arrangements also contributed to the higher than budgeted cash balance and industry reserve equity balance.

- Industry reserves

Intangibles balance was \$28.0 million lower than the original budget due predominantly to a lower opening balance based on information available at the time of the budget preparation.

- Intangibles

Total payables balance was \$24.5 million lower than the original budget due to the timing of employee and supplier payments.

- Total payables
- Supplier payables
- Other payables

Cash Flow Statement

The net change in cash held during 2017-18 was \$4.4 million higher than the balanced position in the original budget. The change was driven by delays in expenditure on capital items.

- Net increase/(decrease) in cash held

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1: Expenses

	2018	2017
	\$'000	\$'000
Note 1A: Employee Benefits		
Wages and salaries	387 716	373 117
Superannuation		
Defined contribution plans	39 587	37 304
Defined benefit plans	35 693	38 656
Leave and other entitlements	48 348	37 254
Separation and redundancies	4 070	3 632
Other employee expenses	12 084	17 663
Total employee benefits	527 498	507 626

Accounting policy

Accounting policies for employee related expenses are contained in Note 6A.

Note 1B: Suppliers

Goods and services supplied or rendered

Analytical testing	11 337	9 552
Contractors and consultants	36 297	43 715
IT services	47 191	46 562
Legal expenditure	4 087	2 399
Office equipment, stores and consumables	6 107	5 521
Travel	24 478	23 955
Property operating expense	18 623	18 222
Quarantine services	3 359	1 833
Staff development and recruitment	8 215	10 108
Other	13 085	13 606
Total goods and services supplied or rendered	172 779	175 473

Goods supplied	15 360	13 802
Services rendered	157 419	161 671
Total goods and services supplied or rendered	172 779	175 473

Other suppliers

Operating lease rentals	53 740	54 158
Workers compensation expenses	11 638	12 754
Total other suppliers	65 378	66 912
Total suppliers	238 157	242 385

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Leasing commitments

The department in its capacity as lessee holds the following significant leasing arrangements:

- Leases of motor vehicles for operations - from 1 February 2013, the department is a party to the Fleet Services Contract with SG Fleet Pty Ltd. An individual fixed rate is defined for each sub-agreement (vehicle). Retention of the vehicle past expiry date may result in a new lease sub-agreement; and
- Leases for office, laboratory or other accommodation – lease contracts for accommodation are subject to adjustment on an annual fixed basis, to market values and to consumer price index (CPI) increases. Renewal options vary from 1 to 5 years.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2018 \$'000	2017 \$'000
Within 1 year	38 308	40 114
Between 1 to 5 years	95 035	118 513
More than 5 years	10 739	9 341
Total operating leasing commitments	144 082	167 968

Accounting policy

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

Note 1C: Grants

Public sector:

Australian Government entities (related parties)	7 900	1 099
State and Territory Governments	1 419	1 726

Private sector:

Non-profit organisations	2 733	4 533
For profit organisations	99	1 026
Overseas	503	899

Total grants	12 654	9 283
---------------------	---------------	--------------

Note 1D: Write-Down and Impairment of Assets

Impairment on financial instruments	4 320	1 117
Impairment of intangibles and leasehold improvements	654	1 639
Write-off of property, plant and equipment	406	944
Total write-down and impairment of assets	5 380	3 700

Note 1E: Other Expenses

Official Development Assistance	212	1 084
Remission of fees	3 297	8 482
Other	60	7
Total other expenses	3 569	9 573

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 2: Income

	2018 \$'000	2017 \$'000
Own-Source Revenue		
<u>Note 2A: Sale of Goods and Rendering of Services</u>		
Sale of goods	9	16
Rendering of services	<u>399 995</u>	<u>389 235</u>
Total sale of goods and rendering of services	<u>400 004</u>	<u>389 251</u>

Accounting policy

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer; and
- the department retains no managerial involvement or effective control over the goods.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred as at 30 June bear to the estimated total costs of the transaction.

The department is responsible for the collection of fees for regulatory charging under the *Export Control Act 1982* and the *Biosecurity Act 2015*. Regulatory charging disclosure is included at Note 14.

Note 2B: Interest

Deposits	422	426
Penalties	<u>345</u>	<u>335</u>
Total interest	<u>767</u>	<u>761</u>

Accounting policy

Interest revenue is recognised using the effective interest method.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 2C: Other Revenue

Levies	10 427	10 341
State contributions	1 765	1 764
Sub-lease rental	1 041	921
Resources received free of charge - Mickleham Post Entry Quarantine Facility	9 691	9 360
Resources received free of charge - airport accommodation	1 155	2 977
Resources received free of charge - ANAO fees	570	565
Other	3 629	4 347
Total other revenue	28 278	30 275

Accounting policy

Resources Received Free of Charge

Resources received free of charge are recognised as revenue when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government entity as a consequence of a restructuring of administrative arrangements or as a contribution by owners in accordance with Resource Management Guide (RMG) 123.

Gains

Note 2D: Other Gains

Gain from asset sales:		
Proceeds from sale	37	40
Carrying value of assets sold	(23)	(6)
Gain on derecognition of makegood:		
Carrying value of liability derecognised	274	482
Carrying value of asset derecognised	(15)	(219)
Workers compensation refund	-	1 523
Other	672	470
Total other gains	945	2 290

Accounting policy

Sale of Assets

Gains from the disposal of assets are recognised when control of the asset has passed to the buyer.

Other Gains

Gains may be realised or unrealised and are recognised on a net basis.

Revenue from Government

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the department gains control of the appropriation. Appropriations receivable are recognised at their nominal amounts.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 3: Financial Assets

	2018 \$'000	2017 \$'000
Note 3A: Cash and Cash Equivalents		
Cash in special accounts	30 087	25 638
Cash on hand or on deposit	<u>1 982</u>	<u>2 014</u>
Total cash and cash equivalents	<u>32 069</u>	<u>27 652</u>
Note 3B: Trade and Other Receivables		
Goods and services receivables in connection with		
Goods and services	<u>20 222</u>	<u>21 949</u>
Total goods and services receivables	<u>20 222</u>	<u>21 949</u>
Appropriations receivables		
Existing programs	49 112	52 741
Departmental capital budget	-	459
Equity injection	<u>16 390</u>	<u>11 244</u>
Total appropriations receivable	<u>65 502</u>	<u>64 444</u>
Other receivables		
Statutory receivables	4 607	4 283
Departmental supplementations	-	3 458
Other	<u>1 753</u>	<u>2 785</u>
Total other receivables	<u>6 360</u>	<u>10 526</u>
Total trade and other receivables (gross)	<u>92 084</u>	<u>96 919</u>
Less impairment allowance		
Goods and services	<u>(1 118)</u>	<u>(1 208)</u>
Total impairment allowance	<u>(1 118)</u>	<u>(1 208)</u>
Total trade and other receivables (net)	<u>90 966</u>	<u>95 711</u>

Reconciliation of the Impairment Allowance Account:

Movements in relation to goods and services impairment		
Opening balance	(1 208)	(942)
Amounts written off	-	144
Amounts recovered and reversed	680	474
Decrease recognised in net cost of services	<u>(590)</u>	<u>(884)</u>
Closing balance	<u>(1 118)</u>	<u>(1 208)</u>

**DEPARTMENT OF AGRICULTURE AND WATER RESOURCES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****Accounting policy****Loans and Receivables**

Trade receivables have fixed or determinable payments that are not quoted in an active market and are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account.

Accounting Judgements and Estimates

Collectability of debts is reviewed at end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 4: Non-Financial Assets

Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles

	Land ¹ \$'000	Buildings ¹ \$'000	Leasehold Improvements ¹ \$'000	Other property, plant & equipment ¹ \$'000	Computer Software ² \$'000	Total \$'000
As at 1 July 2017	2 205	1 629	34 373	33 590	121 029	192 826
Gross book value	-	-	3 699	3 826	24 495	32 020
Work in progress	-	-	(2 143)	(744)	(60 101)	(62 988)
Accumulated depreciation and impairment	-	-	-	-	-	-
Total as at 1 July 2017	2 205	1 629	35 929	36 672	85 423	161 858
Additions						
By purchase or internally developed	-	-	15 258	6 287	26 862	48 407
Impairments recognised in the operating result	-	-	(219)	-	(435)	(654)
Reclassification	-	-	837	(704)	(136)	-
Depreciation expense	-	(69)	(9 227)	(9 239)	(12 950)	(31 485)
Other movements ³	-	-	(15)	-	-	(15)
Disposals						
By write-off	-	-	(154)	(252)	-	(406)
By sale	-	-	-	(23)	-	(23)
Total as at 30 June 2018	2 205	1 560	42 409	32 744	98 764	177 682
Total as at 30 June 2018 represented by:						
Gross book value	2 205	1 629	50 008	38 814	124 070	216 726
Work in progress	-	-	3 353	3 854	44 428	51 635
Accumulated depreciation and impairment	-	(69)	(10 952)	(9 924)	(69 734)	(90 679)
Total as at 30 June 2018	2 205	1 560	42 409	32 744	98 764	177 682

¹ These classes of assets are all held at fair value.

² The carrying amount of computer software included \$20 012 314 purchased software and \$78 751 804 internally generated software.

³ Other movements of \$15 025 relates to de-recognition of a make-good asset at Roseberry Regional Office.

No significant items of property, plant and equipment are expected to be sold or disposed of within the next 12 months.

Contractual commitments for the acquisition of property, plant, equipment and intangible assets

There were no contractual commitments for the acquisition of property, plant and equipment as at 30 June 2018.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Accounting policy

Assets are recorded at cost on acquisition except as stated. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Non-financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position. The department applied the following asset recognition thresholds:

	2018	2017
Land and buildings	\$0	\$0
Leasehold improvements	\$150 000	\$150 000
Property, plant and equipment	\$5 000 individual purchases/ \$50 000 group purchases	\$5 000 individual purchases/ \$50 000 group purchases
Internally developed software	\$200 000	\$200 000
Purchased software	\$150 000	\$150 000

Purchases under the applied thresholds are expensed in the year of acquisition.

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'make good' provisions in property leases taken up by the department where an obligation exists to restore the property to its original condition. These costs are included in the value of the department's leasehold improvements with a corresponding provision for the 'make good' recognised.

The department's intangible assets comprise internally developed software and purchased software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Revaluations and fair value measurement

All property, plant and equipment assets are measured at fair value.

Following initial recognition at cost, property, plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values at the reporting date. Independent revaluations for property, plant and equipment are conducted every three years, however further valuations are undertaken dependent upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in the surplus or deficit. Revaluation decrements for a class of assets are recognised in the surplus or deficit except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Recurring and non-recurring fair value measurements – valuation processes

The department engaged the service of Australian Valuation Solutions (AVS) to conduct a detailed external valuation of non-financial assets (excluding intangibles) at 30 June 2017 and has relied upon those outcomes to establish carrying amounts. The revaluation decrement recorded for land in 2017 was \$80 000, decrement for buildings was \$462 000, revaluation increment for leasehold improvements was \$2 742 000 and decrement for other property, plant and equipment was \$1 294 000.

No valuation has been conducted for financial year 2017-18.

Depreciation and amortisation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the department using, in all cases, the straight-line method of depreciation.

Intangible assets are amortised on a straight-line basis over their anticipated useful life.

Depreciation rates (useful lives) and residual values are reviewed at each reporting date and necessary adjustments are recognised as appropriate. Depreciation rates applying to each class of depreciable asset are based on the following useful lives.

	2018	2017
Buildings	40-50 years	40-50 years
Leasehold improvements	Lesser of useful life or lease term	Lesser of useful life or lease term
Property, plant and equipment	3 to 15 years	3 to 15 years
Internally developed software	5 to 10 years	5 to 10 years
Purchased software	3 years	3 years

Depreciation charges for 2018 of \$31 485 063 were:

- funded by cost recovery arrangements of \$13 916 730 (2017: \$12 835 830); and
- unfunded of \$17 568 333 (2017: \$16 798 304).

Impairment

All non-financial assets were assessed for impairment at 30 June 2018. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the entity were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

An impairment loss of \$654 375 (2017: \$2 376 000) was recognised in the operating result.

Inventories

Inventories held for distribution are valued at cost, adjusted for any loss of service potential.

Costs incurred in bringing each item of stores inventory to its present location and condition are recorded at purchase cost and managed on a first-in-first-out basis.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 5: Payables

	2018	2017
	\$'000	\$'000
Note 5A: Suppliers		
Trade creditors and accruals	1 315	3 508
Operating lease payable	16 485	17 999
Total suppliers	17 800	21 507

Settlement is usually made within 30 days.

Note 5B: Other Payables

Salaries and wages	3 042	3 324
Superannuation	569	572
Separations and redundancies	1 227	895
Accrued expenses	24 662	29 984
Unearned income	1 248	5 156
Statutory payables associated with employees	1 844	480
Other	2 385	1 823
Total other payables	34 977	42 234

Accounting policy

Separation and Redundancy

Provision is made for separation and redundancy benefit payments. The department recognises a provision for termination when it has developed a detailed formal plan for the terminations, identified the positions affected, assessed expressions of interest from employees and made formal offers. Separation and redundancy is reported as a payable when an agreement has been reached with the relevant employee.

Superannuation

The majority of the department's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap). However, some staff have elected to be members of other private superannuation funds.

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

The department makes employer contributions to the defined benefits superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The department accounts for the contributions as if they were contributions to defined contribution schemes.

The liability for superannuation recognised at 30 June 2018 represents outstanding contributions.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 6: Provisions

	2018 \$'000	2017 \$'000
Note 6A: Employee Provisions		
Leave	150 962	143 459
Total employee provisions	150 962	143 459

Accounting policy

Liabilities for 'short-term employee benefits' and termination benefits due within twelve months of the end of the reporting period are measured at their nominal amounts.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will apply at the time the leave is taken, including the department's employer superannuation contribution rates to the extent that leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to the work of an actuary as at 30 June 2018. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Note 6B: Reconciliation Other Provisions

	Provision for lease incentives \$'000	Provision for restoration \$'000	Total \$'000
As at 1 July 2017	5 791	5 668	11 459
Additional provisions made	5 277	-	5 277
Amounts used	(1 501)	(1 810)	(3 311)
Unwinding of discount or change in discount rate	-	34	34
Total as at 30 June 2018	9 567	3 892	13 459

Accounting policy

Provision for Restoration

The department currently recognises 46 (2017: 46) provisions for premises requiring restoration to their original condition at the conclusion of the lease. The provisions reflect the present value of this obligation.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 7: Restructuring

	2018	2017
National Water Infrastructure Development Fund The Department of Infrastructure, Regional Development and Cities ¹		
	\$'000	\$'000
FUNCTIONS RELINQUISHED		
Assets relinquished		
Trade and other receivables	305	-
Total assets relinquished	305	-
Liabilities relinquished		
Employee provisions	305	-
Total liabilities relinquished	305	-
Net liabilities relinquished	-	-

1. The National Water Infrastructure Development Fund function was relinquished to the Department of Infrastructure, Regional Development and Cities during 2017-18 as a result of the Prime Minister's announcement on 19 December 2017.

2. No administered assets and liabilities were transferred.

3. There were no Administrative Arrangement Order changes related to the department during 2016-17.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 8: Contingent Assets and Liabilities

Quantifiable Contingencies

There were no quantifiable contingent assets or contingent liabilities at 30 June 2018 (2017: Nil).

Unquantifiable Contingencies

As at 30 June 2018, the department had a number of legal claims lodged against it for damages and costs. The department is responding to these claims in accordance with its obligations under the Legal Services Directions 2017. It is not possible to estimate the amount of any eventual payments in relation to these matters.

As at 30 June 2018, the department was investigating issues with billing of certain cost recovery charges. The department is in the process of assessing any potential liability, and determining what, if any, additional action may be required.

Proceedings have commenced in the Federal Court of Australia seeking compensation for alleged losses due to the temporary suspension of exports of live animals to Indonesia that was put in place on 7 June 2011. The quantum of any damages sought has not been quantified. The Department of Finance, which has responsibility for Comcover (the Australian Government's general insurance fund), has assumed insurance responsibility for the potential claims under its insurance arrangements with the department.

Accounting policy

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the relevant notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 9: Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. This includes those personnel who have temporarily performed the relevant roles for a period of eight weeks or more. The department has determined the key management personnel to be all portfolio Ministers, the Secretary, members of the Executive Management Committee and, their close family members and organisations they control. Key management personnel remuneration is reported in the table below:

	2018	2017
	\$'000	\$'000
Total short-term employee benefits	3 186	2 802
Post-employment benefits	583	522
Other long-term benefits	360	314
Total key management personnel remuneration expenses¹	4 129	3 638

The total number of key management personnel that are included in the above table is 11, being eight substantive officers for the full year, one substantive officer for part of the year and two acting officers for part of the year (2017: 13, being nine substantive officers for the full year, two substantive officers for part of the year and two acting officers for part of the year).

1. The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the entity.

Note 10: Related Party Disclosures

Related party relationships

The department is an Australian Government controlled entity. Related parties to this entity are Key Management Personnel, including the Portfolio Minister and Assistant Ministers, the River Murray Operation (RMO) and Living Murray Initiative (LMO) joint operations as well as other Australian Government entities.

Transactions with related parties

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. These transactions have not been separately disclosed in this note.

Giving consideration to relationships with related entities, and transactions entered into during the reporting period, the department has determined there are no related party transactions that require separate disclosure (2017: Nil).

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 11: Financial Instruments

	2018 \$'000	2017 \$'000
Note 11A: Categories of Financial Instruments		
Financial Assets		
Held-to-maturity investments		
Negotiable securities - certificates of deposit	16 500	16 000
Total held-to-maturity investments	16 500	16 000
Loans and Receivables		
Cash and cash equivalents	32 069	27 652
Trade receivables	19 104	20 741
Other financial assets	7 129	4 893
Total loans and receivables	58 302	53 286
Total financial assets	74 802	69 286
Financial Liabilities		
Financial liabilities measured at amortised cost		
Trade creditors	1 315	3 508
Total financial liabilities measured at amortised cost	1 315	3 508
Total financial liabilities	1 315	3 508

At 30 June 2018, there are 11 (2017: 11) certificates of deposit maturing at different dates within the next 12 months. Interest rates range from 2.51% to 2.72% (2017: 2.62% to 2.87%), payable upon maturity.

1. The net income from interest revenue for held-to-maturity investments in 2018 is \$422 000 (2017: \$426 000).
2. The net income from interest revenue for loans and receivables in 2018 is \$345 000 (2017: \$335 000).

Accounting policy

Financial assets

The department classifies its financial assets in the following categories:

- held-to-maturity investments;
- available-for-sale financial assets; and
- loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis except when financial assets are recognised at fair value through profit or loss. The department has no financial assets that are recognised at fair value through profit or loss.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the department has the positive intent and ability to hold to maturity are classified as 'held-to-maturity investments'. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

The departmental held-to-maturity investments are recognised in the Statement of Financial Position as other investments and are made up of negotiable certificates of deposit.

Available-For-Sale Financial Assets

'Available-for-sale financial assets' are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale financial assets are recorded at fair value. Gains and losses arising from changes in fair value are recognised directly in reserves (equity) with the exception of impairment losses. Interest is calculated using the effective interest method and foreign exchange gains and losses on monetary assets are recognised directly in profit or loss. Where the asset is disposed of or is determined to be impaired, part (or all) of the cumulative gain or loss previously recognised in the reserve is included in the surplus or deficit for the period.

The department recognises administered other investments as available-for-sale.

Loans and Receivables

Trade receivables and cash and cash equivalents have fixed or determinable payments that are not quoted in an active market and are classified as 'Loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period.

Financial assets held at amortised cost - If there is objective evidence that an impairment loss has been incurred for receivables or held to maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

Available-for-sale financial assets - If there is objective evidence that an impairment loss on an available-for-sale financial asset has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in expenses, is transferred from equity to the Statement of Comprehensive Income.

Financial assets held at cost - If there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or 'other financial liabilities'. Financial liabilities are recognised and derecognised upon 'trade date'. All of the department's financial liabilities are categorised as other financial liabilities.

Other Financial Liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The department recognises all financial liabilities at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 12: Appropriations

Note 12A: Annual and Unspent Appropriations ('Recoverable GST exclusive')

	2018 \$'000	2017 \$'000
Ordinary annual services		
Opening unspent appropriation balance	55 214	48 805
Annual Appropriation - Operating	381 223	375 687
Annual Appropriation - Capital budget ¹	11 736	9 940
PGPA Act Section 74 receipts	24 383	28 646
PGPA Act Section 75 transfers ²	(546)	-
Prior year PGPA Act section 75 transfers ²	(305)	-
Total appropriation available	471 705	463 078
Appropriation applied (current and prior years)	(420 611)	(407 864)
Closing unspent appropriation balance	51 094	55 214
Balance comprises appropriations as follows:		
<i>Appropriation Act (No. 1) 2016-17</i>	-	48 286
<i>Appropriation Act (No. 3) 2016-17</i>	-	4 104
<i>Supply Act (No. 1) 2016-17</i>	-	810
<i>Appropriation Act (No. 1) 2017-18</i>	39 684	-
<i>Appropriation Act (No. 3) 2017-18</i>	5 126	-
<i>Appropriation Act (No. 5) 2017-18</i>	4 302	-
Cash on hand	1 982	2 014
Total unspent appropriation - ordinary annual services	51 094	55 214

¹ Departmental Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

² Appropriations reduced under Section 75 of the PGPA Act include: \$546 000 relating to the current year and \$305 000 from prior year Departmental items.

The variance between amounts appropriated in 2018 and appropriation applied is \$(4 120 000).

Other Services

Opening unspent appropriation balance	11 244	4 603
Annual Appropriation - Equity injection	17 017	12 703
Prior years Appropriation Acts repealed ¹	(240)	-
Total appropriation available	28 021	17 306
Appropriation applied (current and prior years)	(11 631)	(6 062)
Closing unspent appropriation balance	16 390	11 244
Balance comprises appropriations as follows:		
<i>Appropriation Act (No. 4) 2013-14¹</i>	-	240
<i>Appropriation Act (No. 2) 2015-16</i>	203	203
<i>Appropriation Act (No. 4) 2015-16</i>	2 756	2 756
<i>Appropriation Act (No. 2) 2016-17</i>	-	2 595
<i>Appropriation Act (No. 4) 2016-17</i>	1 711	5 319
<i>Supply Act (No. 2) 2016-17</i>	-	131
<i>Appropriation Act (No. 2) 2017-18</i>	9 637	-
<i>Appropriation Act (No. 4) 2017-18</i>	2 083	-
Total unspent appropriation - other services	16 390	11 244

¹ Appropriation Act (No.4) 2013-14 was repealed by Appropriation Act (No.4) 2017-18 effective 28 March 2018.

The variance between amounts appropriated in 2018 and appropriation applied is \$5 146 000.

Total unspent appropriation	67 484	66 458
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DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 12B: Special Appropriations ('Recoverable GST exclusive')

	Appropriation applied	
	2018	2017
Authority	\$'000	\$'000
<i>Public Governance, Performance and Accountability Act 2013, s. 58 (National Residue Survey)</i>		
Prior year investments redeemed in current year (\$16 000 000), Redemptions of current year investments (gross) (nil).	(16 500)	(16 000)
Total special appropriations applied	(16 500)	(16 000)

Note 13: Special Accounts

	Australian Quarantine and Inspection Service Special Account (AQIS) ¹		National Residue Survey Account (NRS) ²	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Balance brought forward from previous period	24 401	36 225	1 237	1 524
Increases:				
Appropriations credited to special account	139 094	132 483	3	9
Other increases	381 127	361 984	27 570	26 205
Total increases	520 221	494 467	27 573	26 214
Available for payments	544 622	530 692	28 810	27 738
Departmental decreases				
Payments made to employees	(302 921)	(303 194)	(1 862)	(1 880)
Payments made to other	(212 727)	(203 097)	(25 835)	(24 621)
Total departmental decreases	(515 648)	(506 291)	(27 697)	(26 501)
Administered	-	-	-	-
Total administered decreases	-	-	-	-
Total decreases	(515 648)	(506 291)	(27 697)	(26 501)
Total balance carried to the next period	28 974	24 401	1 113	1 237
Balance made up of:				
Cash held in the Official Public Account	26 369	21 548	1 113	1 237
Cash held in entity bank accounts	2 605	2 853	-	-
Total balance carried to the next period	28 974	24 401	1 113	1 237

¹ Appropriation: *Public Governance, Performance and Accountability Act 2013* section 78.

Establishing Instrument: Financial Management and Accountability Determination 2010/11 – Australian Quarantine and Inspection Service Special Account Establishment 2010.

Purpose: For expenditure relating to the provision of quarantine and inspection services and payment of moneys to the Consolidated Revenue Fund as agreed to by the relevant Minister and Minister for Finance.

² Appropriation: *Public Governance, Performance and Accountability Act 2013* section 80.

Establishing Instrument: *National Residue Survey Administration Act 1992* section 6 (1).

Purpose: For the purposes of conducting national residue surveys and to provide for collection of the NRS levy imposed by various acts.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 14: Regulatory Charging Summary

	2018 \$'000	2017 \$'000
Amounts applied		
Departmental		
Annual appropriations	80 284	71 987
Own source revenue	392 027	374 805
Total amounts applied	472 311	446 792
Expenses		
Departmental	470 894	463 097
Total expenses	470 894	463 097
Revenue		
Departmental	392 416	391 981
Total revenue	392 416	391 981
Amounts written off		
Departmental	3 980	9 305
Total amounts written off	3 980	9 305

Competitive Neutrality

The department operates a number of cost recovery arrangements across the Biosecurity, Export Certification and other business services areas in accordance with the Australian Government Charging Framework and are not for profit activities. The department is not subject to competitive neutrality arrangements for this reason.

Regulatory Charging Activities:

Dairy Exports Program Services	Meat Export Program Services
Fish and Egg Export Program Services	National Residue Survey Services
Grain and Seed Export Program Services	Non-Prescribed Goods Export Program Services
Horticulture Exports Program Services	Passenger Program Services
Import Clearance Program Services	Post Entry Plant Quarantine Program Services
Levies Revenue Service	Seaports Program Services
Live Animal Export Program Services	Water Efficiency Labelling and Standards Scheme

Documentation (Cost Recovery Implementation Statements) for the above activities is available at:

- Water Efficiency Labelling and Standards Scheme www.waterrating.gov.au/about/review-evaluation/cost-recovery-impact-statement
- Other regulatory charging activities www.agriculture.gov.au/fees/cost-recovery/

Industry Rebates and Program Results

Biosecurity, export certification and quota management, and National Residue Survey (NRS) cost recovered activities are maintained on a program basis with many of the programs aligning to an industry sector. The management of each program, including the establishment of the level and structure of fees and charges, is conducted in consultation with an Industry Consultative Committee (ICC), as applicable, and the Department of Finance.

Where fees and charges collected for a cost recovered program exceed its costs during a financial year, the excess revenue is reported in the total comprehensive income (loss) for the period. The amount of excess revenue is transferred from retained earnings into an industry reserve.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES
ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME
for the period ended 30 June 2018

		2018	2017	Original Budget 2018	Variance 2018
	Notes	\$'000	\$'000	\$'000	\$'000
NET COST OF SERVICES					
Expenses					
Levy disbursements and Commonwealth contributions	15A	875 716	826 072	843 184	32 532
Grants	15B	267 596	303 999	407 986	(140 390)
Payments to corporate Commonwealth entities	15C	127 062	89 296	125 074	1 988
Suppliers	15D	30 499	42 314	36 654	(6 155)
Direct personal benefits		33 735	60 833	36 607	(2 872)
Assets transferred to related entities	18	210 334	165 581	498 261	(287 927)
Depreciation and amortisation	18	7 753	7 737	7 759	(6)
Concessional loan discount		1 006	3 046	694	312
Write-down and impairment of assets	15E	7 585	6 725	-	7 585
Other expenses		234	-	-	234
Total expenses		1 561 520	1 505 603	1 956 219	(394 699)
Income					
Revenue					
Taxation revenue					
Levies, fees and charges	16A	565 931	555 436	536 868	29 063
Total taxation revenue		565 931	555 436	536 868	29 063
Non-taxation revenue					
Interest	16B	23 919	15 689	23 006	913
Other revenue	16C	22 454	19 948	9 967	12 487
Total non-taxation revenue		46 373	35 637	32 973	13 400
Total revenue		612 304	591 073	569 841	42 463
Gains					
Other Gains	16D	96 386	129 895	127 261	(30 875)
Total gains		96 386	129 895	127 261	(30 875)
Total income		708 690	720 968	697 102	11 588
Net cost of services		852 830	784 635	1 259 117	(406 287)
OTHER COMPREHENSIVE INCOME					
Items not subject to subsequent reclassification to net cost of services					
Administered revaluations taken to reserves					
Non-financial assets		2 448	13 908	-	2 448
Other investments		30 709	21 957	-	30 709
Total other comprehensive income		33 157	35 865	-	33 157
Total comprehensive loss		(819 673)	(748 770)	(1 259 117)	439 444

The above statement should be read in conjunction with the accompanying notes.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES
ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES
as at 30 June 2018

		2018	2017	Original Budget 2018	Variance 2018
	Notes	\$'000	\$'000	\$'000	\$'000
ASSETS					
Financial assets					
Cash and cash equivalents		589 698	166 435	-	589 698
Trade, taxation and other receivables	17A	852 463	733 552	1 114 678	(262 215)
Other investments	17B	400 222	369 513	307 545	92 677
Other financial assets	17C	69 313	67 164	67 188	2 125
Total financial assets		1 911 696	1 336 664	1 489 411	422 285
Non-financial assets					
Land	18	1 467	1 467	1 467	-
Infrastructure	18	524 541	528 639	508 434	16 107
Plant and equipment	18	1 715	1 664	-	1 715
Flooding easements	18	814	814	-	814
Intangibles	18	126 520	125 047	138 145	(11 625)
Prepayments		15 665	16 082	20 535	(4 870)
Total non-financial assets		670 722	673 713	668 581	2 141
Total assets administered on behalf of Government		2 582 418	2 010 377	2 157 992	424 426
LIABILITIES					
Payables					
Levy disbursements and Commonwealth Contributions	19A	101 196	92 380	101 381	(185)
Grants	19B	3 368	7 867	44 495	(41 127)
Suppliers		298	1 504	2 012	(1 714)
Personal benefits		654	1 270	1 015	(361)
Corporate Commonwealth Entities		1 953	-	-	1 953
Other payables		72	808	-	72
Total payables		107 541	103 829	148 903	(41 362)
Total liabilities administered on behalf of Government		107 541	103 829	148 903	(41 362)
Net assets		2 474 877	1 906 548	2 009 089	465 788

The above statement should be read in conjunction with the accompanying notes.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES
BUDGET VARIANCE COMMENTARY – ADMINISTERED
as at 30 June 2018

Budget Variance Commentary

The following tables provide a comparison of the original budget as presented in the 2017-18 Portfolio Budget Statements (PBS) to the 2017-18 final outcome as presented in accordance with Australian Accounting Standards for the department. The Budget is not audited. Explanations of major variances are provided below.

Variances are considered to be 'major' based on the following criteria:

- the variance between budget and actual is greater than +/- 10% of the original budget and \$10 million for a line item; or
- the variance between budget and actual is greater than 2% of the relevant sub-total (i.e. total expenses, total income, total assets or total liabilities) and \$10 million; or
- an item below this threshold but is considered important for the reader's understanding or is relevant to an assessment of the discharge of accountability and to an analysis of performance of the department.

Major variances and explanations

Affected line items

Administered Schedule of Comprehensive Income

Total expenses were \$394.7 million lower than the original budget predominantly as a result of:

- | | |
|--|--|
| <ul style="list-style-type: none"> • Lower than budgeted assets transferred to related entities expenses of \$287.9 million and grant expenses of \$140.4 million, arising from delays to the implementation of the Murray-Darling Basin Plan and the delay to secure support for critical amendments introduced in Parliament. | <ul style="list-style-type: none"> • Total expenses |
| <ul style="list-style-type: none"> • Partially offset by higher than budgeted levy disbursements and Commonwealth contributions expenses of \$32.5 million mainly due to higher than anticipated transactions in the wool and grain commodities. | <ul style="list-style-type: none"> • Levy disbursement and Commonwealth contributions expenses • Grant expenses • Assets transferred to related entities expenses |

Total income was \$11.6 million higher than the original budget predominantly as a result of:

- | | |
|--|---|
| <ul style="list-style-type: none"> • Higher than budgeted levies, fees and charges of \$29.1 million mainly due to higher than anticipated transactions in the wool and grain commodities. | <ul style="list-style-type: none"> • Total income |
| <ul style="list-style-type: none"> • Higher than budgeted other revenue of \$12.5 million mainly due to debts raised against recipients of Farm Household Allowance. | <ul style="list-style-type: none"> • Levies, fees and charges revenue • Other revenue |
| <ul style="list-style-type: none"> • Partially offset by lower than budgeted other gains of \$30.9 million due to reduced water entitlements transferred to the department through water programs, arising from delays to the implementation of the Murray-Darling Basin Plan and the delay to secure support for critical amendments introduced into Parliament. | <ul style="list-style-type: none"> • Other gains |

Total other comprehensive income was \$33.2 million higher than the original budget. This was mainly due to increases to the net assets of portfolio corporate Commonwealth entities.

- Total other comprehensive income

The above statement should be read in conjunction with the accompanying notes.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES BUDGET VARIANCE COMMENTARY – ADMINISTERED as at 30 June 2018

Administered Schedule of Assets and Liabilities

Total financial assets balance was \$422.3 million higher than the original budget. This variance was predominantly due to:

- Higher than budgeted cash and cash equivalents balance by \$589.7 million was mainly due to the reclassification of special account balances as a result of a change in reporting requirements, which occurred after the preparation of the budget.
 - Lower than budgeted other investments balance by \$92.7 million due to increases to portfolio corporate Commonwealth entities' net assets.
 - Lower than budgeted trade, taxation and other receivables balance by \$262.2 million mainly due to:
 - Transfer of \$100 million from the National Water Infrastructure Loan Facility to the Department of Infrastructure, Regional Development and Cities that was not anticipated in the budget.
 - Decreased loans to State and Territory Governments of \$171.2 million which experienced lower take up rates and higher repayments than anticipated.
- Total financial assets
 - Cash and cash equivalents
 - Trade, taxation and other receivables
 - Other investments

Total non-financial assets balance was \$2.1 million higher than the original budget. This variance was predominantly due to unbudgeted changes to the department's share of joint operations' assets which caused a higher than budgeted balance in Infrastructure by \$16.1 million, partially offset by a lower than budgeted balance in Intangibles by \$11.6 million.

- Total non-financial assets
- Infrastructure
- Intangibles

Total payables balance was \$41.4 million lower than the original budget. The variance related mainly to the timing of grant payments which occurred earlier than anticipated.

- Total payables
- Grant payables

The above statement should be read in conjunction with the accompanying notes.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES
ADMINISTERED RECONCILIATION SCHEDULE
for the period ended 30 June 2018

	2018 \$'000	2017 \$'000
Opening assets less liabilities as at 1 July	1 906 548	1 593 836
Net cost of services		
Income	708 690	720 968
Expenses		
Payments to entities other than corporate Commonwealth entities	(1 434 458)	(1 416 307)
Payments to corporate Commonwealth entities	(127 062)	(89 296)
Other comprehensive income		
Revaluations transferred to reserves		
Non-financial assets	2 448	13 908
Other investments	30 709	21 957
Transfers (to)/from the Australian Government		
Appropriation transfers from OPA		
Administered assets and liabilities appropriations	307 022	279 090
Annual appropriations		
Payments to entities other than corporate Commonwealth entities	377 744	459 600
Payments to corporate Commonwealth entities	125 109	89 296
Special appropriations (limited)		
Payments to entities other than corporate Commonwealth entities	430 000	110 000
Special appropriations (unlimited)		
Payments to entities other than corporate Commonwealth entities	572 493	562 744
Payments to corporate Commonwealth entities	325 981	317 212
Special account payments	-	719
Appropriation transfers to OPA		
Transfers to OPA	(749 886)	(757 033)
Personal Benefits - Withholding	(461)	(143)
Other movements	-	(3)
Closing assets less liabilities as at 30 June	2 474 877	1 906 548

Accounting Policy

Administered Cash Transfers to and from the Official Public Account (OPA)

Revenue collected by the department for use by the Government rather than the department is administered revenue. Collections are transferred to the OPA which is maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by the department on behalf of the Government and reported as such in the schedule of administered cash flows and in the administered reconciliation schedule.

The above statement should be read in conjunction with the accompanying notes.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES
ADMINISTERED CASH FLOW STATEMENT
for the period ended 30 June 2018

	2018 \$'000	2017 \$'000
OPERATING ACTIVITIES		
Cash received		
Taxes	560 841	548 991
GST received	85 303	81 656
Other	12 961	19 478
Total cash received	659 105	650 125
Cash used		
Levy disbursements and Commonwealth contributions	870 220	828 087
Grants	358 789	417 176
Suppliers	31 268	46 320
Personal benefits	34 752	65 421
Payments to corporate Commonwealth entities	125 109	89 296
Other	234	-
Total cash used	1 420 372	1 446 300
Net cash used by operating activities	(761 267)	(796 175)
INVESTING ACTIVITIES		
Cash received		
Repayments of loans to States and Territories	82 181	107 734
Interest received from loans to States and Territories	20 908	16 012
Total cash received	103 089	123 746
Cash used		
Loans made to States and Territories	190 000	255 000
Purchase of Intangibles	117 022	24 085
Total cash used	307 022	279 085
Net cash used by investing activities	(203 933)	(155 339)
Net decrease in cash held	(965 200)	(951 514)
Cash and cash equivalents at the beginning of the reporting period	166 435	56 321
Cash from Official Public Account for		
- Appropriations	2 138 349	1 817 942
- Special accounts	-	719
Total cash from Official Public Account	2 138 349	1 818 661
Cash to Official Public Account for:		
- Appropriations	749 886	757 033
Total cash to Official Public Account	749 886	757 033
Cash and cash equivalents at the end of the reporting period	589 698	166 435

The above statement should be read in conjunction with the accompanying notes.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 15: Administered – Expenses		
	2018	2017
	\$'000	\$'000
<u>Note 15A: Levy Disbursements and Commonwealth Contributions</u>		
Levy disbursements		
Corporate Commonwealth entities	188 129	211 922
Other	374 224	338 143
Commonwealth Contributions		
Corporate Commonwealth entities	121 832	117 826
Other	191 531	158 181
Total levy disbursements and Commonwealth contributions	875 716	826 072
<u>Note 15B: Grants</u>		
For profit organisations	163 025	176 933
Non-profit organisations	71 312	102 388
Australian Government entities (related parties)	17 989	16 306
State and Territory Governments	15 032	6 231
Local Governments	90	1 972
Other	148	169
Total grants	267 596	303 999
<u>Accounting policy</u>		
The department administers a number of grant and subsidy schemes on behalf of the Government. Grant and subsidy liabilities are recognised to the extent that (i) the services required to be performed by the grantee have been performed; or (ii) the grant eligibility criteria have been satisfied, but payments due have yet to be made. When the Government enters into an agreement to make these grants and services but services have not been performed or criteria satisfied, this is considered a commitment.		
<u>Note 15C: Payments to Corporate Commonwealth Entities</u>		
Murray-Darling Basin Authority (MDBA)	90 611	72 699
Wine Australia	16 014	2 000
AgriFutures Australia	10 342	10 170
Australian Pesticides and Veterinary Medicines Authority (APVMA)	6 190	136
Fisheries Research and Development Corporation (FRDC)	3 905	4 291
Total payments to corporate Commonwealth entities	127 062	89 296
<u>Accounting policy</u>		
Payments to corporate Commonwealth entities from amounts appropriated for that purpose are classified as administered expenses, equity injections or loans of the relevant portfolio department. The appropriation to the department is included in the amounts in Note 22.		

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2018	2017
	\$'000	\$'000
<u>Note 15D: Suppliers</u>		
Goods and services supplied or rendered		
Membership fees	16 548	15 903
Administration charge - loans	4 853	4 428
Contractors	4 258	5 043
Consultants	2 072	8 276
Purchase of data	13	5 009
Other	2 755	3 655
Total goods and services supplied or rendered	30 499	42 314
Goods supplied	742	5 836
Services rendered	29 757	36 478
Total goods and services supplied or rendered	30 499	42 314
Total supplier expenses	30 499	42 314
<u>Note 15E: Write-Down and Impairment of Assets</u>		
Debt waiver of personal benefits receivable	4 109	4 874
Impairment on financial assets	2 800	752
Debt waiver - under <i>Primary Industries Levies and Charges Collection Act 1991</i>	463	598
Write-off of non-financial assets	213	501
Total write-down and impairment of assets	7 585	6 725

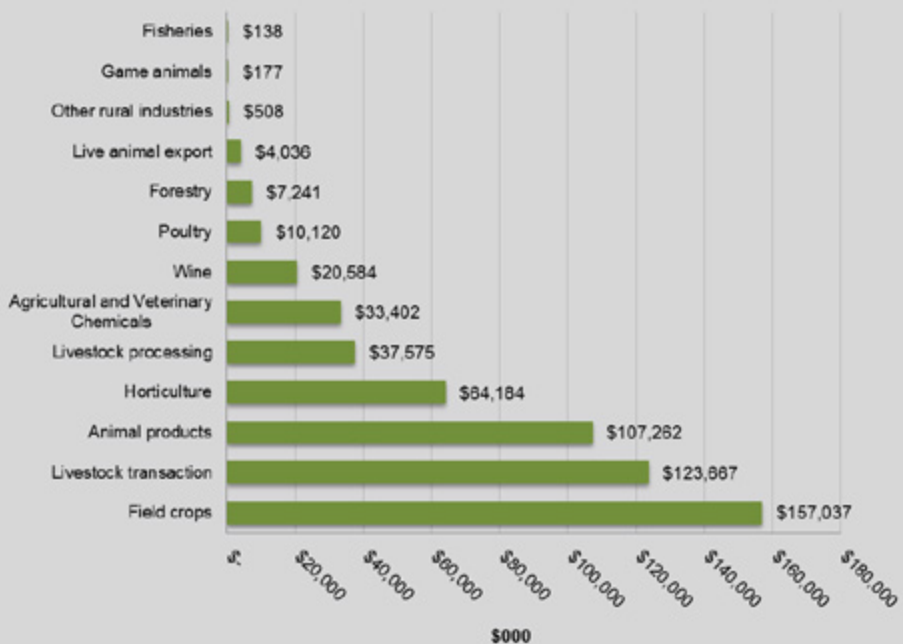
DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 16: Administered – Income

	2018 \$'000	2017 \$'000
Revenue		
Taxation Revenue		
Note 16A: Levies, Fees and Charges		
Primary industry levies	553 062	544 040
Primary industry charges	12 869	11 396
Total levies, fees and charges	565 931	555 436

Figure 1 shows levy revenue by industry in 2017-18



Non-Taxation Revenue

Note 16B: Interest

Loans	21 993	15 570
Unwinding of concessional loan discount	1 632	35
Other	294	84
Total interest	23 919	15 689

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2018 \$'000	2017 \$'000
Note 16C: Other Revenue		
Refunds of prior year payments	17 667	16 168
Registration Fees	1 570	1 526
Funds from the National Heritage Trust	889	-
Other	2 328	2 254
Total other revenue	22 454	19 948
Note 16D: Other Gains		
Resources received free of charge - water entitlements	92 915	125 188
Joint operation gains	3 343	4 707
Other	128	-
Total other gains	96 386	129 895

Accounting policy

All administered revenues are revenues relating to ordinary activities performed by the department on behalf of the Australian Government. As such, administered appropriations are not revenues of the individual entity that oversees distribution or expenditure of the funds as directed.

Revenue also includes contributions from State and Territory governments in connection with the performance of the Water Efficiency Labelling and Standards (WELS) Regulator, Lake Eyre Basin Community Advisory Committee and the Great Artesian Basin Coordinating Committee.

Levies, Fees and Other Charges

Levies are collected by the department on behalf of industry and are disbursed, in conjunction with any relevant Commonwealth contribution, to special accounts, statutory marketing authorities, Commonwealth research and development corporations, and other industry boards and authorities.

The levels of levy revenue and disbursement during the year are monitored by the department with reference to production forecasts prepared by the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), the Australian Bureau of Statistics (ABS) and field based data supplied by the department's regional office compliance officers.

Levies are recognised on an accrual basis when the following conditions apply:

- the levy payer/commodity group can be reliably identified;
- the amount of levy payable can be reliably measured; and
- it is probable that the levy payable will be collected.

The value of the accrual recognised (2018: \$69 313 000, 2017: \$67 164 000) relies on the estimation of the volume and value of probable future levy return lodgements, which relate to leviable commodity transactions that have occurred in the current financial year.

Also forming part of the department's other charges are Biosecurity penalties, fines and forestry import charges collected by the Department of Home Affairs. As reporting is the responsibility of the principal department, these collections are recognised in the department's financial statements as administered items.

Resources Received Free of Charge

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government entity as a consequence of a restructuring of administrative arrangements. Water entitlement assets valued at \$92 915 000 were acquired in 2018 (2017: \$125 188 000) for no cost under the Sustainable Rural Water Use and Infrastructure Program (SRWUIP) grant program and are included in asset additions in Note 18.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 17: Administered – Financial Assets

	2018 \$'000	2017 \$'000
<u>Note 17A: Trade, Taxation and Other receivables</u>		
Goods and services	736	927
Total goods and services receivables	736	927
Taxation receivables		
Levies, fees and charges	12 283	10 958
Total taxation receivables	12 283	10 958
Loans		
State and Territory Governments	804 949	696 504
Total loans	804 949	696 504
Other receivables		
Personal benefits	7 394	2 605
Statutory receivables	16 486	12 565
Interest receivable from loans	3 982	2 603
Other receivables	10 801	10 227
Total other receivables	38 663	28 000
Total trade, taxation and other receivables (gross)	856 631	736 389
Less impairment allowance		
Goods and services	(277)	(124)
Personal benefits	(1 623)	(854)
Levies fees and charges	(1 858)	(1 859)
Loans	(410)	-
Total impairment allowance	(4 168)	(2 837)
Total trade, taxation and other receivables (net)	852 463	733 552

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Reconciliation of the Impairment Allowance

Movements in relation to 2018

	Taxation receivables	Loans	Other receivables	Total
	\$'000	\$'000	\$'000	\$'000
Opening balance	(1 859)	-	(978)	(2 837)
Amounts recovered and reversed	-	-	124	124
(Increase) / decrease recognised in net cost of services	1	(410)	(1,046)	(1 455)
Closing balance	(1 858)	(410)	(1 900)	(4 168)

Movements in relation to 2017

	Taxation receivables	Loans	Other receivables	Total
	\$'000	\$'000	\$'000	\$'000
Opening balance	(1 688)	-	(1 065)	(2 753)
Amounts written off	164	-	-	164
(Increase) / decrease recognised in net cost of services	(335)	-	87	(248)
Closing balance	(1 859)	-	(978)	(2 837)

At 30 June 2018, five loan schemes were in place. Loans to State and Territory Governments were made under the Farm Finance and Drought loan schemes for periods up to 5 years and the Dairy Recovery, Drought Recovery and Farm Business loan schemes for up to 10 years. No security is required on these loans to government agencies, but a charge over assets is held by jurisdictions issuing the loans to farmers.

Loans are subject to biannual impairment assessments. If a State or Territory Government is unable to recover loans provided to program recipients, the State or Territory Government's respective liability to the Commonwealth will be reviewed in accordance with the applicable loan agreements.

Principal is repaid in full at maturity. Interest rates were fixed with a 6 monthly review period. Effective interest rates averaged 3.53% (2017: 3.39%) for Farm Finance loans, 3.01% (2017: 2.88%) for Drought loans, 2.67% (2017: 2.45%) for Dairy Recovery and Drought Recovery loans, and 3.08% (2017: 2.50%) for Farm Business loans. Interest payments are due on the 10th day of the month following collection.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2018	2017
	\$'000	\$'000
<u>Note 17B: Other Investments</u>		
AgriFutures Australia	22 555	22 410
Australian Pesticides and Veterinary Medicines Authority (APVMA)	7 203	7 688
Cotton Research and Development Corporation (CRDC)	37 704	37 536
Fisheries Research and Development Corporation (FRDC)	24 335	19 725
Grains Research and Development Corporation (GRDC)	199 363	205 828
Murray-Darling Basin Authority (MDBA)	79 394	63 215
Regional Investment Corporation	6 793	-
Wine Australia	22 875	13 111
Total other investments	400 222	369 513

Accounting policy

Administered Investments

Administered investments in subsidiaries are not consolidated because their consolidation is relevant only at the Whole of Government level.

Administered investments are measured at fair value as at 30 June 2018. Fair value has been taken to be the Australian Government's proportional interest in the net assets of the entities as at the end of reporting period. All Corporate Commonwealth Entities are fully owned.

The principal activities of each of the department's administered investments in Corporate Commonwealth Entities are as follows:

AgriFutures Australia

Principal Activities: Increased knowledge that fosters sustainable, productive and profitable new and existing rural industries and furthers understanding of national rural issues through research and development in government-industry partnership.

Australian Pesticides and Veterinary Medicines Authority (APVMA)

Principal Activities: Protection of the health and safety of people, animals, the environment, and agricultural and livestock industries through regulation of pesticides and veterinary medicines.

Cotton Research and Development Corporation (CRDC)

Principal Activities: Adoption of innovation that leads to increased productivity, competitiveness and environmental sustainability through investment in research and development that benefits the Australian cotton industry and the wider community.

Fisheries Research and Development Corporation (FRDC)

Principal Activities: Increased economic, social and environmental benefits for Australian fishing and aquaculture, and the wider community, by investing in knowledge, innovation, and marketing.

Grains Research and Development Corporation (GRDC)

Principal Activities: New information and products that enhance the productivity, competitiveness and environmental sustainability of Australian grain growers and benefit the industry and wider community, through planning, managing and implementing investments in grains research and development.

Murray-Darling Basin Authority (MDBA)

Principal Activities: Equitable and sustainable use of the Murray-Darling Basin by governments and the community including the development and implementation of a Basin Plan, operation of the River Murray system, shared natural resource management programs, research, information and advice.

Regional Investment Corporation

Principal Activities: Encourage growth, investment and resilience in Australian farm businesses and rural and regional communities by delivering the Commonwealth's farm business concessional loans and the National Water Infrastructure Loan Facility.

Wine Australia

Principal Activities: Foster and enable a competitive Australian wine industry by investing in research and development, building markets, disseminating knowledge and ensuring compliance.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2018 \$'000	2017 \$'000
<u>Note 17C: Other Financial Assets</u>		
Accrued primary industry levies	67 322	65 225
Accrued primary industry charges	1 991	1 939
Total other financial assets	69 313	67 164

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 18: Administered – Non-Financial Assets

Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles

	Land \$'000	Infrastructure \$'000	Plant & equipment \$'000	Flooding easements \$'000	Water entitlements \$'000	Total \$'000
As at 1 July 2017						
Gross book value	1 467	848 053	4 179	814	139 642	994 155
Accumulated depreciation and impairment	-	(319 414)	(2 515)	-	(14 595)	(336 524)
Total as at 1 July 2017	1 467	528 639	1 664	814	125 047	657 631
Additions	-	931	406	-	209,935	211 272
Revaluations recognised in other comprehensive income	-	2 448	-	-	-	2 448
Reversal of impairments recognised in the operating result	-	-	-	-	1 888	1 888
Depreciation expense	-	(7 426)	(327)	-	-	(7 753)
Other movements	-	(23)	141	-	-	118
Disposals:						
Transferred to related entities	-	-	-	-	(210 334)	(210 334)
Write-off	-	(28)	(169)	-	(16)	(213)
Total as at 30 June 2018	1 467	524 541	1 715	814	126 520	655 057
Total as at 30 June 2018 represented by:						
Gross book value	1 467	860 027	4 345	814	139 227	1 005 880
Accumulated depreciation and impairment	-	(335 486)	(2 630)	-	(12 707)	(350 823)
Total as at 30 June 2018	1 467	524 541	1 715	814	126 520	655 057

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Disposal of non-financial assets

No property, plant and equipment is expected to be sold or disposed of within the next 12 months. Water entitlements acquired as part of the department's responsibility with regard to the *Water Act 2007* will be transferred to the Department of the Environment and Energy upon finalisation.

Revaluations of non-financial assets

Revaluations are conducted in accordance with the revaluation policy.

Infrastructure assets held by the River Murray Operation (RMO) joint operation are revalued by an independent, external valuer on a three year cycle. For the year ended 30 June 2018 an independent valuation was performed by Cardno (Qld) Pty Ltd. Refer to the Joint Operations section below for more information on joint operation arrangements. A revaluation increment of \$2 448 000 was recognised by the department.

All increments and decrements were credited to the asset revaluation surplus by asset class and included in the other comprehensive income section of the Administered Schedule of Comprehensive Income. No decrements were expensed.

Contractual commitments for the acquisition of property, plant, equipment and intangible assets

There were \$90 680 000 of contractual commitments for the acquisition of water entitlements as at 30 June 2018 (2017: \$38 001 116).

There were no contractual commitments for the acquisition of property, plant and equipment as at 30 June 2018.

Joint operations

The Australian Government is a joint operator in the following jointly controlled operations and assets:

	Principal activity	Share of Output 2018 %	2017 %
River Murray Operations joint operation	Asset Management	20	20
Living Murray Initiative joint operation	Asset Management	20	20

The Australian Government's interest, as a joint operator, in assets employed in the above joint operations is detailed below. The amounts are included in the financial statements under their respective asset categories:

	2018 \$'000	2017 \$'000
Joint Operations		
Non-current assets		
Land and buildings		
River Murray Operations	1 467	1 467
Infrastructure		
River Murray Operations	524 541	528 639
Plant & equipment		
River Murray Operations	1 715	1 664
Flooding easements		
River Murray Operations	814	814
Water entitlements		
Living Murray Initiative	126 481	124 593
Total non-current assets	655 018	657 177
Total assets	655 018	657 177

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Accounting policy

Joint Operations

The Australian Government is an operator of jointly controlled assets held in the River Murray Operations (RMO) and Living Murray Initiative (LMI) joint operations. The Australian Government has control over its share of future economic benefits through its 20% share of the jointly controlled assets. The Australian Government recognises its share of the jointly controlled assets in its financial statements, classified according to the nature of the assets, its share of any liabilities incurred in respect of the joint operation and any income from the sale or use of its share of the output of the joint operation, together with its share of any expenses incurred by the joint operation.

Land, plant and equipment and flooding easements

Land, plant and equipment, and flooding easements assets recognised by the department represent the Commonwealth Government's share in the RMO.

RMO land, plant and equipment, and flooding easements are carried at cost, consistent with the FRR.

Infrastructure

Infrastructure assets recognised by the department represent the Commonwealth Government's share in the RMO.

RMO infrastructure assets are recorded at fair value in accordance with AASB116 Property, Plant and Equipment, and AASB13 Fair Value Measurement. Infrastructure assets are valued by an independent external valuer on behalf of the RMO every three years. In the intervening two years of the revaluation cycle, values are assessed by means of an internal management valuation. The latter is an indexation based valuation using the relevant Building Price Index.

Impairment

Administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

Depreciation

Depreciable infrastructure and plant and equipment assets are written-down over their estimated useful lives using the straight-line method of depreciation.

	2018	2017
Infrastructure	7 to 400 years	7 to 400 years
Plant and equipment	3 to 80 years	3 to 80 years

Water Entitlements

The department acquires water entitlements in the Murray Darling Basin to achieve the Government's environmental policy objectives under the *Water Act 2007*.

Commonwealth water entitlements are held for non-commercial, long term environmental purposes, beyond the shorter term weather and accounting cycles, the benefits of which are not being captured for accounting purposes. As the Commonwealth's water entitlement holdings continue to increase, so does the strategic importance of demonstrating a robust valuation assessment.

Under the Federal Financial Relations Framework, National Partnership Payments are processed centrally by the Department of the Treasury and paid directly to each state treasury for delivery of services, including water efficiency projects that generate water savings.

State Treasuries are responsible for distributing the funding within their jurisdiction. In the Commonwealth, the Treasurer is accountable for the appropriations, estimates and payments under the framework. For National Partnership agreements, the primary responsibility for policy is with the relevant portfolio Minister. The department receives water entitlements 'free of charge' in accordance with the terms and conditions of payments made by the Treasury under the National Partnership on Water for the Future (refer to Note 16D).

Under the various water-related programs, there are a number of projects which improve the efficiency of irrigation infrastructure and generate savings in the use of water. As part of these arrangements, the Australian Government will receive a share of that water saving in the form of water entitlements for use in delivering the Government's environmental watering objectives. Water entitlements acquired as a result of water savings arising from projects funded to improve the efficiency of water use are accounted for in accordance with the relevant Australian Accounting Standards.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Once the department has finalised water entitlements as an asset in use, the *Water Act 2007* requires the department to transfer the entitlements to the Commonwealth Environmental Water Holder. The department recognises the transfer of the asset as an expense in accordance with the FRR.

The department's remaining water entitlement holdings are as a result of the Living Murray Initiative (LMI) joint operation and entitlements that are not yet classified as in use.

The department values water entitlements at cost, in the absence of an active market, in accordance with AASB 138 Intangible Assets. Water entitlements are classified as indefinite life intangible assets as there is no foreseeable limit to the period over which the assets are expected to generate future economic benefits. Consistent with AASB 136 Impairment of Assets and the FRR, they are subject to annual impairment testing.

Under AASB 136, the impairment test is carried out by comparing the carrying amount (per the department's asset register) to the recoverable amount of the water entitlements. The recoverable amount of the water entitlements is the higher of fair value less costs to sell and value in use. The recoverable amount calculation is performed at the lowest practical level, taking into account the quality and availability of data.

The department's valuation methodology calculates the recoverable amount of the water entitlements based on the best information available to reflect the amount that an entity could obtain from the disposal of the water entitlements in an arm's length transaction between knowledgeable, willing parties. This approach is consistent with AASB 136.

The determination of impairment and impairment reversals is conducted annually by an independent expert, using the volume-weighted average price on publicly reported market information on State registers reported from 1 July 2017 to 31 May 2018.

An impairment loss recognised in prior periods will be reversed if there is any indication that the impairment may no longer exist or may have decreased. The increased carrying amount attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 19: Administered – Payables

	2018	2017
	\$'000	\$'000
<u>Note 19A: Levy Disbursements and Commonwealth Contributions</u>		
Levy disbursements	34 891	28 419
Commonwealth contributions	66 305	63 961
Total levy disbursements and Commonwealth contributions	101 196	92 380
<u>Note 19B: Grants</u>		
Non-profit organisations	2 385	7 005
State and Territory Governments	754	280
Australian Government entities (related parties)	150	522
Other	79	60
Total grants	3 368	7 867

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 20: Administered – Contingent Assets and Liabilities

Quantifiable Contingencies

There were no quantifiable contingent assets or contingent liabilities as at 30 June 2018 (2017: Nil).

Unquantifiable Contingencies

The Australian Government encourages expenditure on research and development to increase the competitiveness and sustainability of industries within Australia. Under several Acts, the Commonwealth provides contributions to a number of nominated entities responsible for undertaking research and development activities in respect of portfolio industries. These contributions are typically made on a matching basis. Under legislation, entities are eligible for matching contributions which are subject to annual "caps" based on the total cumulative amount of levies collected, amounts spent on qualifying research and development and the annual level of the determined gross value of production. The operation of these annual caps can result in annual entitlements being limited to less than full cumulative levy collections and/or cumulative qualifying research and development expenditure. However, unpaid balances may still be claimable, depending on the level of the caps determined in future years and are therefore carried forward from year to year.

At 30 June 2018, the Commonwealth had a maximum potential liability in respect of matching payments of approximately \$599 million (30 June 2017: \$533 million). The Commonwealth's actual future liability is contingent on a combination of several currently indeterminable independent factors which are beyond the control of both the department and the recipient entities, in particular the future annual levels of levy collections and determined gross values of production. The likelihood of meeting the eligibility requirements and the amount of future payments is uncertain. Hence, the total liability is considered unquantifiable.

Accounting policy

Indemnities

At the time of completion of the financial statements, there was no reason to believe that the indemnities would be called upon, and no liability has been recognised.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 21: Administered – Financial Instruments

	2018 \$'000	2017 \$'000
<u>Note 21A: Categories of Financial Instruments</u>		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	589 698	166 435
Goods and services	459	803
Loans to State and Territory Governments	804 539	696 504
Interest receivable from loans	3 982	2 603
Other receivables	10 801	10 227
Total loans and receivables	1 409 479	876 572
Available-for-sale financial assets		
Other investments	400 222	369 513
Total available-for-sale financial assets	400 222	369 513
Total financial assets	1 809 701	1 246 085
Financial Liabilities		
Financial liabilities measured at amortised cost		
Trade creditors	298	1 504
Grants payable	3 368	7 867
Total financial liabilities at amortised cost	3 666	9 371
Total financial liabilities	3 666	9 371

1. The net income from interest revenue for loans and receivables in 2018 is \$23 919 000 (2017: \$15 689 000).

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 22: Administered – Appropriations

Note 22A: Annual and Unspent Appropriations ('Recoverable GST exclusive')

	2018 \$'000	2017 \$'000
Ordinary annual services		
Opening unspent appropriation balance	71 254	67 247
Annual Appropriation - Operating	548 867	553 555
PGPA Act section 74 receipts	1 181	623
PGPA Act section 75 transfers	(3 000)	-
PGPA Act section 51 determinations ³	(56 394)	(85 601)
Prior years Appropriation Acts repealed	(5 755)	-
Total available appropriation	556 153	535 824
Appropriation applied (current and prior years)	(419 202)	(464 570)
Closing unspent appropriation balance	136 951	71 254
Balance comprises appropriations as follows:		
Appropriation Act (No.1) 2012-13 ¹	-	4 934
Appropriation Act (No.1) 2013-14 ¹	-	821
Appropriation Act (No.1) 2016-17 ²	23 250	41 607
Appropriation Act (No.3) 2016-17	-	3 224
Supply Act (No.1) 2016-17 ²	1 750	20 668
Appropriation Act (No.1) 2017-18 ²	70 257	-
Appropriation Act (No.3) 2017-18	41 644	-
Appropriation Act (No.5) 2017-18	50	-
Total unspent appropriation - ordinary annual services	136 951	71 254

The variance between amounts appropriated in 2018 and appropriation applied is \$127 846 000.

¹ Appropriation Act (No.1) 2012-13 and Appropriation Act (No.1) 2013-14 (total of \$5 755 000) were repealed by Appropriation Act (No.4) 2017-18 effective 28 March 2018.

² A portion of these appropriations amounting to \$25 000 000 has been administratively quarantined.

Other services		
Opening unspent appropriation balance	504 968	296 885
Annual appropriation - States, ACT, NT and Local government	-	2 100
Annual appropriation - Administered assets and liabilities	671 000	487 045
PGPA Act section 75 transfers	(50 000)	-
Prior year PGPA Act section 75 transfers	(50 000)	-
PGPA Act section 51 determinations ³	(140 127)	-
Prior years Appropriation Acts repealed	(182 780)	-
Total available appropriation	753 061	786 030
Appropriation applied (current and prior years)	(307 022)	(281 062)
Closing unspent appropriation balance	446 039	504 968
Balance comprises appropriations as follows:		
Appropriation Act (No.2) 2013-14 ¹	-	35 000
Appropriation Act (No.2) 2014-15 ²	-	137 781
Appropriation Act (No.4) 2014-15 ²	-	10 000
Appropriation Act (No.2) 2015-16	69 103	69 104
Appropriation Act (No.2) 2016-17	134 104	184 232
Supply Act (No.2) 2016-17	68 851	68 851
Appropriation Act (No.2) 2017-18	173 981	-
Total unspent appropriation - other services	446 039	504 968

The variance between amounts appropriated in 2018 and appropriation applied is \$313 978 000.

¹ Appropriation Act (No.2) 2013-14 was repealed by Appropriation Act (No.4) 2017-18 (total \$35 000 000) effective 28 March 2018.

² Appropriation Act (No.2) 2014-15 and Appropriation Act (No.4) 2014-15 (total \$147 780 000) self-repealed effective 1 July 2017.

³ Appropriations reduced under Section 51 of the PGPA Act include \$164 365 000 relating to current year and \$32 156 434 from prior year administered items.

Total unspent appropriation	582 990	576 222
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DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 22B: Special Appropriations ('Recoverable GST exclusive')

Authority	Appropriation applied	
	2018	2017
	\$'000	\$'000
<i>Agricultural and Veterinary Chemicals (Administration) Act 1992</i>	(32 400)	(34 460)
<i>Australian Animal Health Council (Live-stock Industries) Funding Act 1996</i>	(7 568)	(7 519)
<i>Australian Grape and Wine Authority Act 2013³</i>	-	(33 029)
<i>Australian Meat and Live-stock Industry Act 1997</i>	(198 911)	(173 707)
<i>Dairy Produce Act 1986</i>	(49 149)	(57 968)
<i>Egg Industry Service Provision Act 2002</i>	(10 357)	(9 763)
<i>Farm Household Support Act 2014¹</i>	(34 752)	(61 601)
<i>Forestry Marketing and Research and Development Services Act 2007</i>	(12 456)	(11 913)
<i>Horticulture Marketing and Research and Development Services Act 2000</i>	(107 675)	(104 878)
<i>Pig Industry Act 2001</i>	(22 906)	(21 262)
<i>Plant Health Australia (Plant Industries) Funding Act 2002</i>	(9 135)	(7 026)
<i>Primary Industries Research and Development Act 1989</i>	(257 778)	(249 722)
<i>Public Governance, Performance and Accountability Act 2013</i>	(1 899)	(1 445)
<i>Sugar Research and Development Services Act 2013</i>	(31 709)	(32 662)
<i>Water Act 2007²</i>	(430 000)	(110 000)
<i>Wine Australia Act 2013³</i>	(35 802)	-
<i>Wool Services Privatisation Act 2000</i>	(85 977)	(73 001)
Total special appropriations applied	(1 328 474)	(989 956)

¹ The Department of Human Services spends money from the Consolidated Revenue Fund (CRF) on behalf of the department. The amount of \$34 752 000 (2017: \$61 601 000) was spent from the *Farm Household Support Act 2014* under this arrangement.

² The limit for 2018 was \$430 000 000 (2017: \$110 000 000), No appropriation was lapsed (2017: nil).

³ The legislation title for *Australian Grape and Wine Authority Act 2013* was changed to *Wine Australia Act 2013* effective from 7th November 2017.

The following special appropriations had zero transactions and budgets during the reporting and comparative years:

- *Australian Meat and Live-stock Industry (Repeals and Consequential Provisions) Act 1997*
- *Dairy Industry Service Reform Act 2003*
- *Egg Industry Service Provision (Transitional and Consequential Provisions) Act 2002*
- *Public Governance, Performance and Accountability (Consequential and Transitional Provisions) Act 2014*
- *Sewerage Agreements Act 1973*
- *Sewerage Agreements Act 1974*

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 23: Administered – Special accounts				
	Natural Resources Management¹		Water for the Environment Special Account²	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Balance brought forward from previous period	2 777	2 370	158 805	50 595
Increases	889	3 660	430 000	110 000
Total increases	889	3 660	430 000	110 000
Available for payments	3 666	6 030	588 805	160 595
Administered decreases	(1 076)	(3 253)	(6 959)	(1 790)
Total decreases	(1 076)	(3 253)	(6 959)	(1 790)
Total balance carried to the next period	2 590	2 777	581 846	158 805
Balance made up of:				
Cash held in the Official Public Account	2 590	2 777	581 846	158 805
Total balance carried to the next period	2 590	2 777	581 846	158 805

¹ Appropriation: *Public Governance, Performance and Accountability Act 2013* section 80.

Establishing Instrument: *Natural Resources Management (Financial Assistance) Act 1992* section 11.

Purpose: For the purposes of granting financial assistance in connection with projects relating to natural resources management.

² Appropriation: *Public Governance, Performance and Accountability Act 2013* section 80.

Establishing Instrument: *Water Act 2007* section 86AB.

Purpose: For the purpose of improving the water efficiency of irrigation infrastructure and improving delivery and storage of environmental water supply within the Murray Darling Basin.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Water Efficiency Labelling Scheme Account ¹		Water Resources Special Account 2016 ²	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Balance brought forward from previous period	3 844	3 340	994	-
Increases	1 922	1 947	394	1 630
Total increases	1 922	1 947	394	1 630
Available for payments	5 766	5 287	1 388	1 630
Administered decreases	(1 494)	(1 443)	(413)	(636)
Total decreases	(1 494)	(1 443)	(413)	(636)
Total balance carried to the next period	4 272	3 844	975	994
Balance made up of:				
Cash held in the Official Public Account	4 272	3 844	975	994
Total balance carried to the next period	4 272	3 844	975	994

¹Appropriation: *Public Governance, Performance and Accountability Act 2013* section 80.

Establishing Instrument: *Water Efficiency Labelling and Standards Act 2005* section 64.

Purpose: For the purpose of conserving water by reducing demand through the provision of water efficiency information about water-using products and promoting the adoption of efficient water-saving techniques.

²Appropriation: *Public Governance, Performance and Accountability Act 2013* section 78.

Establishing Instrument: PGPA Act (Water Resources Special Account 2016 - Establishment) Determination 2016/01.

Purpose: For the purpose of supporting inter-governmental activities relating to water.

Note: This special account was established on 31 August 2016.

The department has responsibility for the National Cattle Disease Eradication Special Account. For the year ended 30 June 2018, the total balance carried to the next period was \$15 161 (2017: \$15 161). There were no transactions debited or credited to the account during the current or prior reporting period.

Appropriation: *Public Governance, Performance and Accountability Act 2013* section 80.

Establishing Instrument: *National Cattle Disease Eradication Act 1991* section 4.

Purpose: For the purpose of the eradication of any disease of cattle that is endemic in Australia.

The department has responsibility for the Building Australia Fund Water Portfolio Special Account. For the year ended 30 June 2018, the account had a nil balance and there were no transactions debited or credited to it during the current or prior reporting period.

Appropriation: *Public Governance, Performance and Accountability Act 2013* section 80.

Establishing Instrument: *Nation-building Funds Act 2008* section 82.

Purpose: For the purpose of creating and developing water infrastructure.

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 24: Interest in Cooperative Research Centre

The Cooperative Research Centres Program, launched in 1990 by the Commonwealth Government, was established to assist two or more collaborators to carry out research contributing to the development of internationally competitive industry sectors. The program supports long term high quality research, improved links between research and application, and stimulation of education and training. The original agreement, that expired on 1 July 2012, for the Cooperative Research Centre for National Plant Biosecurity was for seven years.

The subsequent five year agreement amended the name to the Plant Biosecurity Cooperative Research Centres (PBCRC) ended on 30 June 2018. The department's interest in the PBCRC for the year ending 30 June 2018 was 1.6 percent (2017: 0.8 percent).

During the financial year the department's total cash and in kind contributions to the PBCRC from its own resources was \$309 425 (2017 actual: \$213 869).

The department's contributions and expenses are included in the Statement of Comprehensive Income. The department's total contribution for the life of the Cooperative Research Centres listed above was \$2 552 621 as at the end of 2018 (2017 actual: \$2 243 196).

The department now facilitates plant biosecurity research, development and extension through the Plant Biosecurity Research Initiative (PBRI).

Part 6

References



Abbreviations and acronyms

Term	Definition
ABARES	Australian Bureau of Agricultural and Resource Economics and Sciences
ACLEI	Australian Commissioner for Law Enforcement Integrity
AFP	Australian Federal Police
AgriFutures Australia	Trading name of the Rural Industries Research and Development Corporation
ANAO	Australian National Audit Office
APS	Australian Public Service
APSC	Australian Public Service Commission
APVMA	Australian Pesticides and Veterinary Medicines Authority
AQUAVETPLAN	Australian Aquatic Veterinary Emergency Plan
AUSVETPLAN	Australian Veterinary Emergency Plan
BSE	bovine spongiform encephalopathy
BTC	Business Transformation Committee
CBIS	Compliance-Based Inspection Scheme
CEWH	Commonwealth Environmental Water Holder
COFFIE	Commonwealth On-Farm Further Irrigation Efficiency program
COLS	Cargo Online Lodgement System
CRO	Chief Risk Officer
DFAT	Department of Foreign Affairs and Trade
EMC	Executive Management Committee
EMPPLAN	Australian Emergency Marine Pest Plan
EPBC Act	<i>Environment Protection and Biodiversity Conservation Act 1999</i>
EPPRD	Emergency Plant Pest Response Deed
ESD	Ecologically sustainable development
ESS	Enterprise Surveillance System
FAO	United Nations Food and Agriculture Organization
FFA	Forum Fisheries Agency
FHA	Farm Household Allowance
FOI	Freedom of information
FTE	Full-time equivalent
GST	Goods and services tax
ICC	industry consultative committee
ICT	Information, communication and technology
IDMC	Information and Data Management Committee

Term	Definition
IGAB	Intergovernmental Agreement on Biosecurity
IPPC	International Plant Protection Convention
IPS	Information Publication Scheme
ISO	International Organisation for Standardization
LTAAY	Long-term average annual yield
MDBA	Murray–Darling Basin Authority
NAQS	Northern Australia Quarantine Strategy
NLP2	National Landcare Program – second phase
NWILF	National Water Infrastructure Loan Facility
OBPR	Office of Best Practice Regulation
OIE	World Organisation for Animal Health
P2D	Accelerating precision agriculture to decision agriculture research program
PACER	Pacific Agreement on Closer Economic Relations
PASE	Package Assisting Small Exporters
PBS	Portfolio Budget Statements
PSCC	People, Safety and Culture Committee
RDC	Research and development corporation
RFA	Regional Forestry Agreement
RFCS	Rural Financial Counselling Service
RIC	Regional Investment Corporation
SARDI	South Australian Research and Development Institute
SBCC	Security and Business Continuity Committee
SES	Senior Executive Service
TPP-11	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
WELS	Water Efficiency Labelling and Standards scheme
WESA	Water for the Environment Special Account
WSSV	white spot syndrome virus

Glossary

AMR: anti-microbial resistance—the emergence of bacteria that are resistant to treatment by antibiotics

APS employee: a person engaged under section 22, or a person who is engaged as an Australian public service employee under section 72 of the *Public Service Act 1999*

biosecurity: managing risks to Australia's economy, environment and community of pests and diseases entering, emerging, establishing or spreading in Australia

certification of exports: the provision of official documentation confirming that goods exported from Australia conform to importing country conditions

Codex: Codex Alimentarius Commission develops international food standards, guidelines and codes of practice for an international food code that contributes to the safety, quality and fairness of food trade

cost–recovery: the charging of fees to cover the costs of provision of government goods and services

drivers: Forces of change, either positive or negative, that affect supply and demand, for example, population growth or limits on natural resources

enterprise agreement: an agreement between an employer and a group of employees, or between an employer and a union or unions representing employees, made under the *Fair Work Act 2009*

G20: the Group of Twenty forum for international economic cooperation, comprising members from 19 countries and the European Union

headcount: the number of actual individuals—including staff on temporary transfer from other agencies and staff on any type of leave—employed at the time the data is collected. The total headcount figure only excludes office holders

levies: money collected and administered by the department on behalf of industry for use in research and development, marketing and promotion, plant and animal health programs and residue testing activities that benefit industry

market access: the openness of a country's trading market to foreign goods and services

outcomes: the government's objectives in each portfolio area. Outcomes are desired results, impacts or consequences for the Australian community, as influenced by the actions of the Australian Government. Actual outcomes are assessments of the end results or impacts achieved

program: the name given to the variety of activities a government agency may undertake to achieve stated outcomes

Portfolio budget statements: statements prepared by portfolios to explain the Budget appropriations in terms of outcomes and outputs (that is, where the appropriated funds are going to be spent)

quota: a limit to the amount of a particular commodity that can be exported or imported

Regulation: A rule or order, as for conduct, prescribed by authority; a governing direction or law

RFA: Regional Forest Agreement—agreement between the Australian and some state governments to set requirements for sustainable forest management

sanitary and phytosanitary: relating to issues of human, animal and plant health, most often in regard to biosecurity measures

SDL: Sustainable Division Limits—mechanism under the Murray–Darling Basin Plan that limits the amount of water that can be taken out of the system for consumptive use

Sustainability: the capacity for development that can be sustained into the future, within the capacity of the natural resource base. This includes encouraging sustainable agricultural and fishing practices which maintain and improve the natural resource base

white paper: A statement of government policy on a particular issue

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