

The Auditor-General
ANAO Report No.32 2017–18
Performance Audit

Funding Models for Threatened Species Management

Department of the Environment and Energy

© Commonwealth of Australia 2018

ISSN 1036–7632 (Print)

ISSN 2203–0352 (Online)

ISBN 978-1-76033-335-5 (Print)

ISBN 978-1-76033-336-2 (Online)

Except for the content in this document supplied by third parties, the Australian National Audit Office logo, the Commonwealth Coat of Arms, and any material protected by a trade mark, this document is licensed by the Australian National Audit Office for use under the terms of a Creative Commons Attribution-NonCommercial-NoDerivatives 3.0 Australia licence. To view a copy of this licence, visit <http://creativecommons.org/licenses/by-nc-nd/3.0/au/>.

You are free to copy and communicate the document in its current form for non-commercial purposes, as long as you attribute the document to the Australian National Audit Office and abide by the other licence terms. You may not alter or adapt the work in any way.

Permission to use material for which the copyright is owned by a third party must be sought from the relevant copyright owner. As far as practicable, such material will be clearly labelled.

For terms of use of the Commonwealth Coat of Arms, visit the *It's an Honour* website at <https://www.pmc.gov.au/government/its-honour>.

Requests and inquiries concerning reproduction and rights should be addressed to:

Senior Executive Director
Corporate Management Branch
Australian National Audit Office
19 National Circuit
BARTON ACT 2600

Or via email:

communication@anao.gov.au.





Canberra ACT
19 March 2018

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Department of the Environment and Energy titled *Funding Models for Threatened Species Management*. The audit was conducted in accordance with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit to the Parliament.

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

Yours sincerely

A handwritten signature in black ink that reads "Grant Hehir".

Grant Hehir
Auditor-General

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

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office (ANAO). The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits, financial statement audits and assurance reviews of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Australian Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

For further information contact:
Australian National Audit Office
GPO Box 707
Canberra ACT 2601

Phone: (02) 6203 7300
Fax: (02) 6203 7777
Email: ag1@anao.gov.au

ANAO reports and information about the ANAO are available on our website:
<http://www.anao.gov.au>

Audit team

Freya Mathie
Dr Shay Simpson
Iain Gately
Mark Rodrigues

Contents

Summary and recommendations	7
Background	7
Conclusion	8
Supporting findings	8
Recommendations	9
Summary of entity responses	9
Key learnings for all Australian Government entities	10
Audit findings	11
1. Background	12
Introduction	12
Threatened species	12
Threatened species management	13
The prospectus approach	14
Audit rationale and approach	18
2. Prospectus design	20
Were a range of design options considered to achieve the Government's objectives?	20
Were sound processes established to select species and projects for inclusion in the Prospectus?	21
Were the views of relevant stakeholders considered?	23
Were appropriate governance arrangements established for the Prospectus?	25
3. Performance Monitoring and Reporting	28
Has a fit-for-purpose performance measurement and reporting framework been established for the Prospectus?	28
Is appropriate data being collected to inform monitoring and reporting?	32
Has an evaluation strategy been developed to inform an assessment of the Prospectus' success?	34
Appendices	37
Appendix 1 Entity response	38

Summary and recommendations

Background

1. Australia has globally distinct ecosystems comprising diverse flora and fauna derived from the continent's isolation and unique environmental conditions. The richness of this biodiversity makes it recognised as one of the world's 'megadiverse' countries. Approximately 85 per cent of its flowering plants, 84 per cent of its mammals, 45 per cent of its birds and 89 per cent of its reptiles occur only in Australia. Since European settlement, however, more than 130 of Australia's known species have become extinct. Three documented cases of extinction have occurred since 2009.

2. The Australian Government gives effect to its responsibilities for threatened species through the *Environment Protection and Biodiversity Conservation Act 1999* (the EPBC Act). The EPBC Act provides for the listing, classification and recovery planning of threatened species. The Government is also responsible for coordinating and prioritising threatened species recovery across states and territories. The Department of the Environment and Energy (the department) is responsible for administration of the EPBC Act and for implementing the Government's approach to threatened species management. At February 2018 there were 1827 threatened species listed under the EPBC Act.

3. In July 2014, the Australian Government initiated a new national focus for threatened species management, with the appointment of a non-statutory Threatened Species Commissioner (the Commissioner). Over the following 12 months the Commissioner led the development of Australia's first national Threatened Species Strategy (the Strategy). The Strategy established the long-term goal to halt the decline of Australia's threatened species and support their recovery through four key action areas:

- tackling feral cats;
- safe havens for species most at risk;
- improving habitat; and
- emergency intervention to avoid extinctions.

4. In February 2017 the Australian Government launched the Threatened Species Prospectus (the Prospectus). The Prospectus is an innovative model for attracting private and philanthropic investment to support the recovery of threatened species in partnership with government, and conservation and community groups.

Audit objective and criteria

5. The objective of the audit was to assess the effectiveness of the Department of the Environment and Energy's design of the Threatened Species Prospectus as an innovative approach to attract investment from private and philanthropic sources. To form a conclusion against the audit objective, the ANAO adopted the following high level audit criteria:

- Was an appropriate design process established to support the achievement of the Government's objectives?
- Was a sound performance and reporting framework established, including fit-for-purpose performance monitoring, reporting and evaluation arrangements?

Conclusion

6. The Department of the Environment and Energy's design of the innovative Threatened Species Prospectus was effective, other than the lack of a fit-for-purpose performance framework.

7. Within the broader framework established by the Threatened Species Strategy, the design of the Prospectus was an innovative approach in supporting the Government's intent of promoting projects likely to be attractive to private and philanthropic investors. A total of 51 projects were selected for inclusion in the Prospectus through a largely informal process following stakeholder engagement.

8. The department is not well placed to monitor and report on the effectiveness of the Prospectus in attracting additional funding for threatened species recovery from private and philanthropic investors. Limited performance data is collected against the targets of the Threatened Species Strategy. The department has commenced an evaluation of the Prospectus as part of a broader evaluation of the Threatened Species Commissioner model.

Supporting findings

9. Consistent with the Australian Government's strategy of pursuing external opportunities for funding threatened species programs, the department developed two designs for the Prospectus through an iterative process. The first iteration promoted a mix of Australian Government projects co-funded with states and territories and unfunded projects for which private and philanthropic investment was sought. The final design solely targeted private and philanthropic sectors with investment opportunities. The department's rationale for the final design was undocumented.

10. The department's selection of species and projects for inclusion in the Prospectus was largely informal. The use of a plan and criteria to guide the selection of projects would assist the department to ensure that the Prospectus contains projects that would be most effective in attracting private and philanthropic investment to contribute to the broader objective to halt the decline and support recovery of threatened species.

11. The department invited relevant stakeholders to contribute to the design of the Strategy and propose projects which were considered in the development of the Prospectus. Stakeholders were engaged through established networks, a Threatened Species Summit and social media. The provision of further information by the department on the rationale for selecting projects and the outcome of stakeholder contributions would assist in maintaining effective external engagement.

12. The governance arrangements for the Prospectus are a sub-set of those established for the Strategy, which includes appropriate oversight by departmental committees. In practice, the Commissioner has not fully engaged with these forums in relation to the Prospectus. There is scope for the department to further develop its management of probity risks with respect to the role of informal advisers and the selection of projects.

13. The department is yet to establish a fit-for-purpose performance measurement framework for the Prospectus and its success in attracting external investment. While performance reporting is undertaken against the objective and targets of the Strategy, it does not

provide a clear line of sight to private and philanthropic investment attracted through the Prospectus.

14. The data collected by the department to inform monitoring and reporting on the Prospectus could be strengthened through the implementation of relevant, reliable and complete performance measures. This would better position the department and stakeholders to assess the effectiveness of the Prospectus as an innovative means to attract external investment and the impact of projects on threatened species.

15. The department has commenced an evaluation that will focus on the initiatives championed by the Commissioner. As part of this evaluation the department has undertaken to assess whether the Prospectus has been a useful mechanism for harnessing and attracting resources and building interest in public-private partnerships.

Recommendations

Recommendation no.1 The Department of the Environment and Energy develop fit-for-purpose performance measures to better inform itself and stakeholders on the extent to which the Prospectus is achieving its objective.

Paragraph 3.31

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

Summary of entity responses

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

The Department agrees with the recommendation in the report.

The Department acknowledges the pragmatic approach of the Australian National Audit Office in recognising the innovative nature of the Threatened Species Prospectus, and appreciates efforts to examine this approach early on in its delivery, in order to help inform future government endeavours to build innovative funding models.

Reporting on project funding is being included in yearly reporting on implementation of the Threatened Species Strategy to the Minister for the Environment and Energy. The Department will continue to work with partners to track government investment in Prospectus projects, through reporting mechanisms such as the Monitoring, Evaluation and Reporting Information Tool.

Where the Department fulfils only a brokering role for Prospectus projects, we will rely on our relationships with Prospectus partners to seek information for tracking outcomes arising from their investment in those projects.

Developing innovative funding and partnership models for a range of environmental outcomes is an area of focus for the Department. The Department has a dedicated team focused on facilitating cross-sector partnerships for environmental outcomes. The findings of this audit will contribute to the development of a whole-of-department approach to innovative financing and partnerships.

The Department has a high level of oversight of the Threatened Species Strategy through a formal board structure, and will ensure that the board continues to monitor Prospectus implementation. The Department is also increasing the use of social media channels, such as the Threatened Species Commissioner's social media accounts, to communicate outcomes delivered through Prospectus projects.

Key learnings for all Australian Government entities

17. Below is a summary of key learnings identified in this audit report that may be considered by other Commonwealth entities.

Program design

- When implementing an innovative approach to achieving outcomes, entities should establish a performance framework to identify early lessons and facilitate ongoing program development.
- A documented plan for implementing an innovative approach will assist in assuring entities that the intended outcome has been achieved.

Audit findings

1. Background

Introduction

1.1 Australia has globally distinct ecosystems comprising diverse flora and fauna derived from the continent's isolation and unique environmental conditions. The richness of this biodiversity makes it recognised as one of the world's 'megadiverse' countries.¹ Approximately 85 per cent of its flowering plants, 84 per cent of its mammals, 45 per cent of its birds and 89 per cent of its reptiles occur only in Australia. Since European settlement, however, more than 130 of Australia's known species have become extinct. Three documented cases of extinction have occurred since 2009.²

1.2 As a party to the International Convention on Biological Diversity (the Convention), Australia has undertaken to implement the Convention's Strategic Plan for Biodiversity 2011–2020 including the 20 Aichi Biodiversity Targets.³ Target 12 establishes the Government's objective to prevent the extinction of known threatened species and to improve their conservation status, in particular those most in decline.

1.3 The Australian Government gives effect to its responsibilities for threatened species through the *Environment Protection and Biodiversity Conservation Act 1999* (the EPBC Act). The EPBC Act provides for the listing, classification and recovery planning of threatened species.⁴ The Government is also responsible for coordinating and prioritising threatened species recovery across states and territories through the development of overarching policy for national frameworks.⁵ The Department of the Environment and Energy (the department) is responsible for administration of the EPBC Act and for implementing the Government's approach to threatened species management.

Threatened species

1.4 Under the EPBC Act threatened species are listed in one of six categories, as outlined in Table 1.1. At February 2018 there were 1827 species listed under the EPBC Act. Listing occurs via an annual assessment cycle. During the assessment cycle the statutory Threatened Species Scientific Committee (the Scientific Committee), with input from the broader community, puts forward a list of nominated species to be assigned a conservation status. The list is then considered and finalised by the Minister for the Environment and Energy (the Minister). This process also includes opportunity to 'delist' or change the conservation status of already listed species.⁶

-
- 1 A megadiverse country has at least 5000 species of endemic plants and must border marine ecosystems.
 - 2 These were the Christmas Island Pipistrelle, the Bramble Cay Melomys and the Christmas Island Forest Skink.
 - 3 The Aichi Biodiversity Targets are a set of 20 targets that recognise the urgent need for action to help reduce and halt the loss of biodiversity at global level.
 - 4 Recovery occurs when the decline is arrested or reversed and threats to survival are reduced or eliminated so that long-term survival of the species in nature can be assured.
 - 5 The coordination and prioritisation of efforts for threatened species recovery, and biodiversity conservation more broadly, occurs through Australia's Biodiversity Conservation Strategy 2010–2030. This Strategy provides an overarching policy for national frameworks that includes: Australia's Native Vegetation Framework 2012; Australia's Strategy for the National Reserve System 2009–2030; The Australian Weeds Strategy; and The Australian Pest Animal Strategy.
 - 6 Assessment methods to determine listings and recognise the conservation status of threatened species vary between Commonwealth and state and territory jurisdictions. Recent agreement on a common assessment method at a national level has initiated progressive alignment in lists of threatened species between jurisdictions.

Table 1.1: Categories of threatened species under the EPBC Act

Category	Example species (year listed)
Extinct	Lord Howe Island Bat (2001), Broad-faced Potoroo (2000), Short-tailed Hopping-mouse (2000)
Extinct in the wild	Pedder Galaxias (2005), Eastern Bettong (2000)
Critically endangered	Eastern Curlew (2015), Little Mountain Palm (2015), Plains Wanderer (2015)
Endangered	Cape York Rock-wallaby (2015), Fitzroy Land Snail (2006), Rufous Scrub-Bird (2014)
Vulnerable	Greater Glider (2016), Ghost Bat (2000), Australian Fairy Tern (2001)
Conservation dependent	Orange Roughy (2006), Southern Bluefin Tuna (2010), Southern Dogfish (2013)

Source: Department of the Environment and Energy.

1.5 For each species listed under the EPBC Act, except those listed as conservation dependent or extinct, a Conservation Advice is issued that sets out recovery and threat abatement guidance.⁷ At the Minister's discretion, a recovery plan may also be developed for listed species. Recovery plans are more detailed than a Conservation Advice and identify research and management priorities necessary to facilitate species recovery and avoid further population declines.

Threatened species management

1.6 Species listed as threatened under the EPBC Act are a priority for Commonwealth funding administered through a range of natural resource management programs, including the National Landcare Program, Green Army and 20 Million Trees. The department states that it has mobilised \$237 million in Australian Government funding from natural resource management programs to projects and programs with outcomes that contribute to threatened species recovery since July 2015.

1.7 In July 2014, the Australian Government initiated a new national focus for threatened species management, with the appointment of a non-statutory Threatened Species Commissioner (the Commissioner).⁸ The key role of the Commissioner is to develop partnerships by working collaboratively with all levels of government, scientists, the non-profit sector, industry and the community to build on new initiatives and strategic approaches to threatened species conservation. The role of the Commissioner also includes championing the development, implementation and reporting of threatened species recovery programs, complementing the responsibilities of the Scientific Committee.

1.8 Over the following 12 months the Commissioner led the development of Australia's first national Threatened Species Strategy (the Strategy). The Strategy established the long-term goal to

⁷ A threat may be listed as a key threatening process under the EPBC Act if it threatens, or may threaten, the survival, abundance or evolutionary development of a native species or ecological community.

⁸ The Threatened Species Commissioner is a Senior Executive Service Band One position within the Department of the Environment and Energy, with a departmental budget of \$1 170 891 supported by eight staff.

halt the decline of Australia’s threatened species and support their recovery through four key action areas:

- tackling feral cats;
- safe havens for species most at risk;
- improving habitat; and
- emergency intervention to avoid extinctions.

1.9 The Strategy aligns to Aichi Target 12 and applies these action areas across five targets:⁹

- Tackling Feral Cats and their Impacts—this includes targets related to: eradication from five islands; 10 feral-free mainland fenced areas; 12 million hectares of feral cat management; and two million cats culled;
- 20 mammals by 2020—improved population trajectory of 20 select mammal species;
- 20 birds by 2020—improved population trajectory of 20 select bird species;
- 30 plants by 2020—improved population trajectory of 30 select plant species; and
- Improved recovery practices.

The prospectus approach

1.10 In February 2017 the Australian Government launched the Threatened Species Prospectus (the Prospectus) following an 18 month development process. The Prospectus was designed to attract private and philanthropic investment in 51 recovery projects to the total value of more than \$50 million (see Figure 1.1). Each project is to be implemented by partner organisations such as state and territory government entities and non-government organisations including Aboriginal and Torres Strait Islander community groups.

1.11 Each project entry provides information on the targeted species, a description of project activities including timeframes, the target level of funding sought and the outcomes the project seeks to achieve.¹⁰ The cost of the production of the Prospectus was \$19 467 (excluding attributable funding of the Office of the Threatened Species Commissioner).

1.12 The department describes its role in implementing the Prospectus as a broker connecting project partners with private and philanthropic investors. Consistent with this, the Prospectus includes a ‘how to partner’ section encouraging investors to make contact with the Commissioner to discuss investment possibilities, and directly negotiate an agreement with the lead project partner, independent of the department. To minimise the impact on partnering entities, the department does not require copies of agreements between investors and lead partners or reporting on the implementation and impacts of privately funded prospectus projects.

9 Australian Government, *Threatened Species Strategy*, July 2015, p. 14.

10 In a business setting, a prospectus is a formal document that is issued by companies to promote securities to potential investors. In Australia, all formal business prospectuses must be lodged with the Australian Securities and Investments Commission. Prospectuses must contain information on the features of the securities being offered, including how many are for sale, how you can apply to buy them, information on the company, its operations, financial position and the risks associated with the offer.

Figure 1.1: Threatened Species Strategy and Prospectus



Source: ANAO image of the Department of the Environment and Energy documents.

1.13 The Threatened Species Prospectus follows earlier prospectuses produced by the department including:

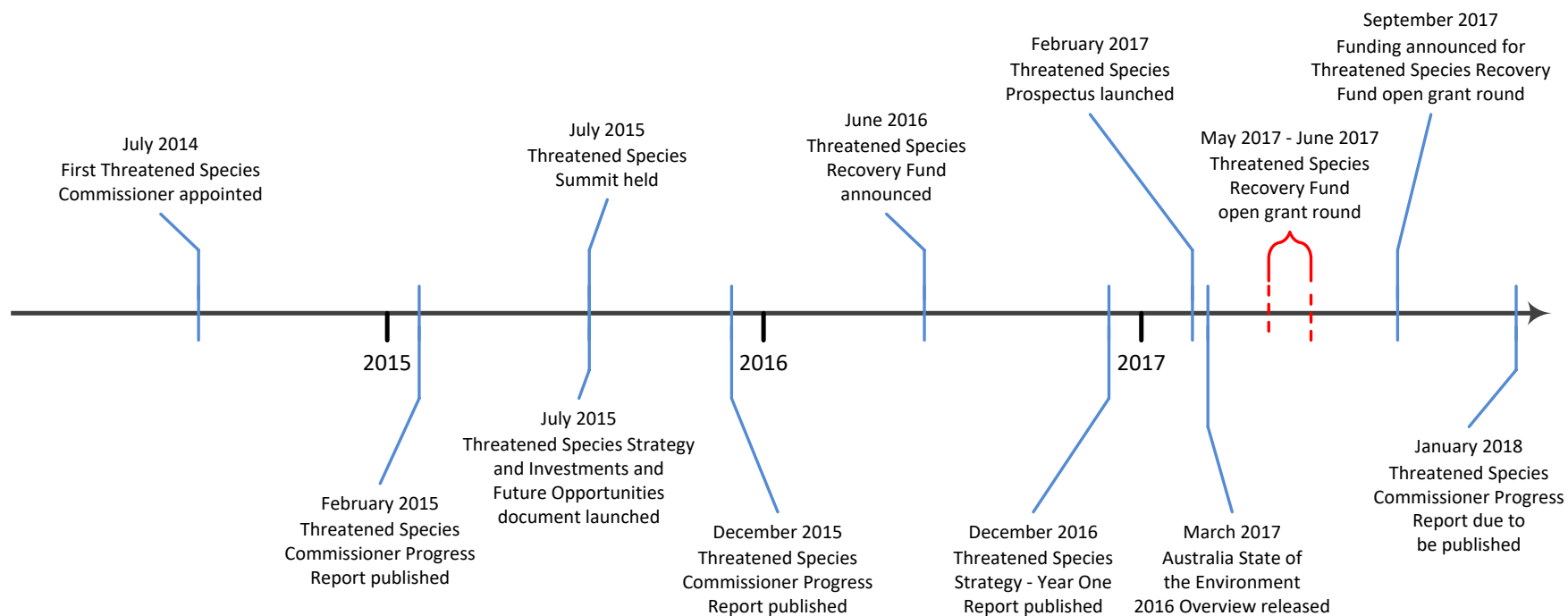
- Strategic Assessment Prospectus—released in 2013 for the purpose of stakeholder consultation in prioritising strategic assessments designated under the EPBC Act; and
- One Land Many Stories: Prospectus of Investment 2013–14—outlined the priorities and available grant funding to guide development of stakeholder project proposals for 2013–14.

Co-investment

1.14 The Prospectus also encourages non-government parties to co-invest with the Australian Government’s natural resource management programs and the department’s Threatened Species Recovery Fund (the Recovery Fund). The Recovery Fund is a \$5 million grants program announced in 2016 designed to protect threatened species, leverage additional investment and assist with delivering on the Strategy’s targets. Following completion of the grant round for the Recovery Fund, approximately \$3 million was approved for 19 projects across Australia, of which five were projects featured in the Prospectus. Funding provided to projects listed in the Prospectus is outlined in Table 1.2.

1.15 The co-investment approach of the Prospectus reflects a broader departmental direction that focuses on partnerships and shared value to achieve environmental outcomes. This follows the release of the *Australia State of the Environment 2016* report, which emphasised the need for strong collaboration and partnerships with business and non-government organisations to protect Australia’s natural capital. A timeline of key events in development of the Prospectus is set out in Figure 1.2.

Figure 1.2: Timeline for development of the Threatened Species Prospectus



Source: ANAO analysis of departmental documentation.

Table 1.2: Funding provided to projects listed in the Prospectus

Project	Non-Australian Government investment	Australian Government funding	Australian Government funding source	Total funding	Funding target
Supporting Two-Way Science: Bilby Protection the Aboriginal Way	\$131 400	\$218 020	National Landcare Program – Threatened Species Recovery Fund Open Round	\$349 420	\$795 000
Cockies Saving Cockys: Saving the South Eastern Red-Tailed Black-Cockatoo	\$35 000	\$75 000	National Landcare Program – Emerging Priorities	\$110 000	\$90 000
Ensuring Western Australian Threatened Plants Have a Future	\$121 500	\$200 000	National Landcare Program – Emerging Priorities	\$321 500	\$750 000
Saving the Platypus and Threatened Australian Freshwater Fish Species	\$500 000	\$0	n/a	\$500 000	\$500 000
Establishing a New Island Safe Haven for the Norfolk Island Green Parrot	\$86 000	\$0	n/a	\$86 000	\$350 000
Saving Australia's only Purple Wattle	\$23 899	\$80 000	National Landcare Program – Emerging Priorities	\$103 899	\$83 000
Bringing Alwal, the Golden-Shouldered Parrot, Home	\$176 000	\$90 000	National Landcare Program – Emerging Priorities	\$266 000	\$77 000
Establishing the Eastern Barred-Bandicoot on Phillip Island	\$10 000	\$0	n/a	\$10 000	\$280 000
Saving One of Australia's Most Threatened Eucalypts	\$287 651	\$82 000	National Landcare Program – Threatened Species Recovery Fund Open Round	\$369 651	\$45 000
Boosting Numbat Populations For the Future	\$160 000	\$150 000	National Landcare Program – Emerging Priorities	\$310 000	\$1 200 000
Returning the Warru (Black-Footed Rock Wallaby) to Country	\$717 290	\$200 000	National Landcare Program – Emerging Priorities	\$917 290	\$1 500 000

Project	Non-Australian Government investment	Australian Government funding	Australian Government funding source	Total funding	Funding target
Building the World's Largest Island Safe Haven	\$475 500	\$236 500	National Landcare Program – Threatened Species Recovery Fund Open Round	\$712 000	\$2 000 000
Returning the Mallee Emu-Wren to South Australia	\$266 264	\$225 322	National Landcare Program – Threatened Species Recovery Fund Open Round	\$491 586	\$2 000 000
Emergency Interventions to Save the Orange-Bellied Parrot	\$273 362	\$250 000	National Landcare Program – Threatened Species Recovery Fund Open Round	\$523 362	\$5 500 000
Saving the Western Ground Parrot from Extinction	\$230 000	\$0	n/a	\$230 000	\$3 000 000
Preventing the Decline of the Shy Albatross	\$164 250	\$100 000	National Landcare Program – Emerging Priorities	\$264 250	\$525 000

Source: ANAO analysis of departmental documentation.

Innovative funding model

1.16 Increasing public expectations on Government programs and demographic, fiscal and environmental policy challenges require innovative thinking, collaborative engagement with strategic partners and the identification and design of new policy solutions. The Prospectus represents an innovative approach to attract investment from the private and philanthropic sectors to supplement public funding for threatened species recovery.

1.17 To maximise the opportunities to learn from trying something different, while managing public risk, it is important that innovation is supported by governance arrangements that are fit-for-purpose and commensurate with the value, complexity and sensitivity associated with the initiative. Appropriately tailored performance measurement will also help identify and share lessons, and position the department to adapt its approach during the course of implementation.

Audit rationale and approach

1.18 The Threatened Species Prospectus was selected for audit to identify lessons that may broadly inform the design of other programs, and provide early feedback on the ability of the established performance monitoring arrangements to measure the impact of the innovative approach in assisting the recovery of threatened species. The novel funding model used to supplement the public resources allocated to threatened species recovery comes with risks associated with the engagement of private sector and philanthropic investors, and the administration and monitoring of projects implemented by third parties. The audit also provides

the opportunity to assess the department's management of those risks. The ANAO has not previously covered such a novel funding model within its audit work program.

Audit objective, criteria and scope

1.19 The objective of the audit was to assess the effectiveness of the Department of the Environment and Energy's design of the Threatened Species Prospectus as an innovative approach to attract investment from private and philanthropic sources. To form a conclusion against the audit objective, the ANAO adopted the following high level audit criteria:

- Was an appropriate design process established to support the achievement of the Government's objectives?
- Was a sound performance and reporting framework established, including fit-for-purpose performance monitoring, reporting and evaluation arrangements?

1.20 The audit examined the department's approach to developing and administering the Prospectus, with a focus on the evidence-base used to inform design, the rationale for seeking external investment and the identification and management of risk. The audit also examined the performance measurement and reporting framework for the Prospectus.

1.21 The audit focused on the design phase of the Threatened Species Prospectus, including processes and indicators established to measure and report outcomes. The audit did not assess the extent to which outcomes have been achieved due to the early stage of the Prospectus' implementation.

Audit methodology

1.22 In conducting the audit, the ANAO:

- examined departmental records, systems and procedures relating to the provision of information and advice, and to the collection of performance information and administration of the Prospectus;
- consulted with a range of key stakeholders, including project partners, relevant state and territory government entities, as well as members of the Threatened Species Scientific Committee and the Commissioner's informal expert advisory group; and
- interviewed departmental staff.

1.23 The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of approximately \$159 000.

1.24 The team members for this audit were Freya Mathie, Dr Shay Simpson, Iain Gately and Mark Rodrigues.

2. Prospectus design

Areas examined

The ANAO examined whether the Department of the Environment and Energy's (the department) design of the Threatened Species Prospectus (the Prospectus) supported the achievement of the government's objectives.

Conclusion

Within the broader framework established by the Threatened Species Strategy, the design of the Prospectus was an innovative approach in supporting the Government's intent of promoting projects likely to be attractive to private and philanthropic investors. A total of 51 projects were selected for inclusion in the Prospectus through a largely informal process following stakeholder engagement.

Area for improvement

The ANAO has suggested the department:

- plan the process for selecting projects and communicating with potential investors;
- provide more information to stakeholders on the outcome of engagement activities; and
- improve its management of probity risks.

Were a range of design options considered to achieve the Government's objectives?

Consistent with the Australian Government's strategy of pursuing external opportunities for funding threatened species programs, the department developed two designs for the Prospectus through an iterative process. The first iteration promoted a mix of Australian Government projects co-funded with states and territories and unfunded projects for which private and philanthropic investment was sought. The final design solely targeted private and philanthropic sectors with investment opportunities. The department's rationale for the final design was undocumented.

2.1 The Australian Government's policy objective for threatened species, as outlined in the Threatened Species Strategy (the Strategy), is to prevent the extinction of those most in decline and improve their conservation status. The Strategy identifies three principles for prioritising recovery activities as science, action and partnership, and 12 criteria to target funding on threatened species initiatives. The Strategy also outlined the Government's intent of attracting external investment to achieve the Strategy's targets to supplement existing public funding.

2.2 In June 2015, the Minister for the Environment and Energy (the Minister) requested that the department 'develop a table of projects in the Strategy where the Australian government is seeking third party investment.' The department then invited project proposals from an existing network of contacts from state and territory governments, natural resource management organisations and non-government organisations. The project proposals received by the department were compiled into a list for inclusion in a document titled *Current Investments and Future Opportunities* which was released with the Strategy in July 2015.

2.3 The *Current Investments and Future Opportunities* document showcased 34 projects, of which 20 had received funding from the Australian Government in partnership with the states and territories. The remaining 14 projects were unfunded and were included in the document to promote investment from private and philanthropic sources.

2.4 Following the launch of the Strategy and *Current Investments and Future Opportunities*, the Minister asked the department to further develop the document into a prospectus focusing only on projects suitable for private and philanthropic investment.¹¹

2.5 The department advised the ANAO that the targeting of private and philanthropic funds through the Prospectus was informed through the Commissioner's exchanges with international counterparts from New Zealand and the United States:

- Discussions between the Commissioner and the New Zealand Threatened Species Ambassador¹² generated interest in applying a private and philanthropic investment model in Australia.
- The Commissioner met with a number of organisations in the United States in September 2016 to discuss private partnerships.

2.6 The department was not able to provide records of these meetings.

2.7 The department informed the ANAO that public funding encourages private and philanthropic involvement by increasing the value proposition for co-investment in conservation. The Government's co-investment was provided through seed funding and program support via the Threatened Species Recovery Fund (the Recovery Fund) and natural resource management programs. At the launch of the Prospectus, the Government had committed funding to two projects.¹³ At January 2018, the Government had committed funding to a further 12 projects within the Prospectus (Table 1.2).¹⁴

Were sound processes established to select species and projects for inclusion in the Prospectus?

The department's selection of species and projects for inclusion in the Prospectus was largely informal. The use of a plan and criteria to guide the selection of projects would assist the department to ensure that the Prospectus contains projects that would be most effective in attracting private and philanthropic investment to contribute to the broader objective to halt the decline and support recovery of threatened species.

11 Seven of the projects from *Current Investments and Future Opportunities* feature in the final Prospectus.

12 Similar to the Commissioner, the New Zealand Threatened Species Ambassador's role is to raise awareness and promote action for threatened plants and animals.

13 These projects were *Protecting Mountain Pygmy-Possums and Konooms through Partnerships* and *Working Together to Save the Norfolk Island Green Parrot*.

14 At January 2018, 16 projects within the Prospectus had received investment from private and philanthropic sources. Of these, four had not received government funding.

2.8 The Prospectus features 51 individual projects and explicitly identifies 100 key species¹⁵ that would benefit from project activities. Of these species, 12 are not listed as threatened species under the *Environment Protection and Biodiversity Conservation Act 1999* (the EPBC Act); 36 are listed as vulnerable; 40 as endangered; 11 as critically endangered and one as extinct in the wild. Of the 100 species identified in the Prospectus, 39 are priority species in the Strategy, representing 56 per cent coverage of the Strategy's target species (20 mammal species, 20 birds and 30 plants).

2.9 The department compiled a list of projects following a request for proposals via a bulk email to an established network of senior officials of state and territory government environment departments. This invitation was sent in December 2014 during development of the Strategy. A further request for proposals was issued in December 2015 as part of development of the second iteration of the Prospectus. Project proponents featured in the *Current Investments and Future Opportunities* document were asked to resubmit their original proposals for inclusion in the Prospectus. The department also received unsolicited project ideas, although it was unable to provide a complete list of all proposals and project ideas that it had received during the development of the Prospectus.

2.10 The department's selection of projects for inclusion in the prospectus followed the Minister's direction that they be suitable for private and philanthropic investment. Beyond this instruction however, the selection process was not guided by a documented implementation plan. The department did not establish a set number of species, projects or funding requirements for inclusion in the Prospectus. The department informed the ANAO that it did however, seek to promote the more charismatic species (plants, mammals and birds) it considered more likely to attract investment. Documentation on the department's review of project proposals for insects and reptiles has not been retained.

2.11 Most projects (41 of the 51) included in the Prospectus were approved by the Minister in October 2016. The briefing to the Minister included inconsistent information on the merits of the projects selected with reference to the principles for prioritisation from the Strategy and additional rationale in relation to:

- Strategy target species;
- jurisdictional support;
- recovery or threat abatement plan alignment¹⁶; and
- relevance to existing approaches.

15 Six projects do not identify the species but refer to whole groups of species. These projects are: 'Ensuring Western Australian Threatened Plants Have a Future' — '26 other listed species'; 'Securing Fairy Bell Flowers for Future Re-wilding' — 'Multiple Homoranthus species'; 'Safeguarding Australia's Threatened Gum Trees' — 'The 75 nationally threatened eucalyptus'; 'Securing Norfolk Island Threatened Plants' — 'Multiple nationally threatened plant species of Norfolk Island'; 'Securing our Threatened Alpine Plants in the Face of Climate Change' — '46 nationally listed plant species and 16 critically endangered species'; and 'Investing in Forensic Science for Wildlife' — 'marine turtles'. Three further projects identify threatened ecological communities in place of or in addition to individual species: 'Saving the Mahogany Glider' — 'Broad leaf tea-tree community, Cardwell lowlands'; 'Securing the Future for Australia's Unique Lumholtz Tree Kangaroo' — 'Mabi Rainforest'; and 'Restoring Woodlands with Alzheimer's Australia' — 'White box yellow box — Blakely's red gum grassy woodlands and derived native grassland'.

16 Threat abatement plans provide for the research, management, and any other actions necessary to reduce the impact of a listed key threatening process on native species and ecological communities.

2.12 The department has not retained documentation to demonstrate that these categories of rationale for the inclusion of projects in the Prospectus were applied to all projects. For example, the department specified that five projects demonstrated alignment with the relevant species recovery plan. It is unclear if the remaining projects had been assessed where the rationale was absent. A further 10 merit related observations were also included in the briefing to the Minister for a number of the projects.

2.13 The initial 41 projects recommended by the department were approved by the Minister in October 2016. An additional 10 projects were included in the Prospectus via an exchange of email between the Commissioner and the Minister's Office.

2.14 The department's approach to compiling projects and documenting the rationale for their inclusion in the Prospectus may have been appropriate for a low cost initiative. However, the use of a plan and clear criteria would help the department to demonstrate that the Prospectus contained projects that would be most effective in attracting private and philanthropic investment in protecting threatened species.

Were the views of relevant stakeholders considered?

The department invited relevant stakeholders to contribute to the design of the Strategy and propose projects which were considered in the development of the Prospectus. Stakeholders were engaged through established networks, a Threatened Species Summit and social media. The provision of further information by the department on the rationale for selecting projects and the outcome of stakeholder contributions would assist in maintaining effective external engagement.

2.15 In developing an innovative funding approach that is dependent on partner support, stakeholder consultation can help to identify the strengths and weaknesses of design options and inform risk management. The Prospectus is premised on a partnerships approach and identifies a range of stakeholders as key partners in the implementation of projects. These stakeholders include: volunteers; community and conservation groups; scientists; farmers; state and territory governments; as well as the business, industry and philanthropic sectors.

2.16 Stakeholder engagement was planned for each of the Strategy targets and the five individual target project plans. Four of the five project plans contain a section on stakeholder communication and management, with the plan for the Recovery Target being the exception. The department did not retain records on the extent to which the plans were implemented. The target project plans expired in October 2016 and did not refer to the Prospectus.

2.17 In July 2015 the Commissioner convened a Threatened Species Summit at the Melbourne Zoo, which brought together 250 state and territory representatives, non-government organisations, business leaders, and conservation management experts to promote work supporting threatened species. The Summit included the launch of the *Strategy and the Current Investments and Future Opportunities* document.

2.18 Stakeholder engagement specific to the design of the Prospectus largely occurred on an informal and undocumented basis, led by the Commissioner. The department informed the ANAO that stakeholder engagement was undertaken to raise awareness of the Prospectus and attract project ideas, although the range of these activities was not fully documented.

2.19 The Commissioner discussed the Prospectus with the Threatened Species Scientific Committee, which in September 2015 noted:

The Threatened Species Strategy Prospectus, which lists projects that were funded or for which funding was being sought, will be pursued further in future, and is being revised with a statement on public-private partnerships. The soon-to-be released revised Prospectus is hoped to expand the funding pool.

2.20 The minutes from the Scientific Committee’s November 2015 meeting noted:

The potential for commercial opportunities and collaborations with business to raise the profile of threatened species in the public eye and generate a positive outcome was also discussed; for example, a line of children’s wear or toys featuring threatened species may bolster public support for the species and any associated conservation efforts. Members noted the Commissioner’s intention to develop a prospectus to share with the philanthropic and corporate sector.

2.21 The department informed the ANAO that the Commissioner engaged informal advisers and other environmental groups but documents retained did not indicate how the final design was adjusted or informed to reflect this feedback. There was no formal process to inform stakeholders of the progress of the development of the Prospectus or to notify partners about their proposal outcome, including those that were successful. Consultation with stakeholders on the Prospectus focused primarily on eliciting and negotiating proposals appropriate for inclusion. This process largely occurred through the use of an existing network base and the Commissioner’s activities.

Social media

2.22 The Commissioner made active use of social media channels to raise awareness of threatened species and related programs including the Prospectus. Over time the Commissioner had accumulated a relatively large online presence with over 33 000 followers across four platforms. Table 2.2 provides an overview of the Commissioner’s online presence.

Table 2.2: Followers of the Commissioner’s social media accounts

Social media platform	Number of followers	Number of posts	Other
Facebook	23 549	1645	Reach 8.81 million people, with post engagement by 839 000 people
Twitter	8651	11 000	3.88 million impressions, and received 17 600 retweets and 37 400 likes
YouTube	90	33	
Instagram	748	284	
Total	33 038	12 962	

Note: As at December 2017. A Facebook page’s reach refers to the number of unique users who see content, while post engagement refers to the number of times a post is liked, shared or commented on. An impression measures the number of times a tweet has been seen by another user. The post engagement metric for Facebook is calculated from any actions taken on a post made by an account. Actions that can be taken include liking a post, commenting on a post, sharing a post, or viewing any photos or videos contained within a post.

Source: ANAO analysis of social media platforms and departmental documentation.

Stakeholder feedback to the ANAO

2.23 Stakeholder comments to the ANAO indicated concerns with:

- the level of transparency in the process for eliciting and selecting project proposals; and
- groups being omitted from the invitation to submit proposals, and not being informed of the launch of the Prospectus.

2.24 Within the framework of the funding model established by the Strategy, the department appropriately consulted stakeholders on projects for inclusion in the Prospectus. There is scope for the department to review its stakeholder contacts and provide further information to stakeholders on the rationale for including projects in the Prospectus to help manage expectations in the process of external engagement.

Promotion of the Prospectus

2.25 Stakeholder engagement and outreach following the launch of the Prospectus was not guided by a plan. At the launch of the Prospectus, further stakeholder engagement was undertaken to raise awareness of the initiative including a Ministerial letter to 50 of Australia's key business leaders informing them of the Prospectus.¹⁷ Of the recipients, one company responded to the department to seek further information on how it could contribute to threaten species recovery, although at January 2018 it is yet to commit funding to a project.

2.26 Departmental staff were instructed to include references and material about the Prospectus in social media and other channels following its launch. The Prospectus was promoted by the department at events including National Threatened Species Day at Parliament House. Investment outcomes from these activities are yet to be realised. The development of a project plan, including the promotion of the Prospectus to potential investors, would better support the goal of obtaining supplementary funding.

Were appropriate governance arrangements established for the Prospectus?

The governance arrangements for the Prospectus are a sub-set of those established for the Strategy, which includes appropriate oversight by departmental committees. In practice, the Commissioner has not fully engaged with these forums in relation to the Prospectus. There is scope for the department to further develop its management of probity risks with respect to the role of informal advisers and the selection of projects.

Oversight arrangements

2.27 Governance and oversight of the development of the Prospectus and implementation of related projects is centred on the Commissioner and their interaction with other forums established to support the implementation of the Strategy. Two internal committees were established by the department to help implement the Strategy and support the Commissioner:

- The Threatened Species Strategy Implementation Group, reporting to the Commissioner, established to implement the Strategy and advise on the development of outputs.

¹⁷ The leaders were chosen as representing Australia's 50 largest listed companies and corporations.

- The Threatened Species Strategy Strategic Oversight Committee, reporting to the First Assistant Secretary for the Biodiversity Conservation Division, established to oversee the Strategy and advise the Executive on related matters including ensuring that measures to address potential risks to the Strategy have been identified and mitigated, and that risks are regularly re-assessed.

2.28 The Prospectus was not discussed formally by these committees, although individual committee members provided out-of-session feedback on the coverage, balance of taxa and species within the prospectus.

2.29 An external informal group of experts was established to provide advice on conservation actions for priority threatened species. The department informed the ANAO that the Commissioner consulted with the advisers on an ad hoc basis in relation to the design of the Prospectus, although this interaction was not documented.

2.30 In February 2017, the department established the Innovative Partnerships Board (the Board). The purpose of the Board is to provide advice and guidance on innovative financing and partnership proposals and related projects across the department, including matters of risk management and strategic alignment of projects and partnerships.

2.31 In its first meeting the Board noted that it would not take an active role in the work being undertaken by the Commissioner. In late 2017 the Board indicated an interest in identifying barriers to external revenue-raising faced by the department and issues associated with the development of partnerships as a future area of work. Given the innovative nature of the Prospectus and its reliance on partnerships, there would be merit in increasing the level of engagement between the Commissioner and oversight committees.

Risk management

2.32 The management of risk associated with the Prospectus was considered by the department as part of the implementation plan for the Strategy, which included an overall risk management plan. The Strategy's implementation plan stated that the risks and benefits to investors would be outlined in the development of a public-private engagement statement, to be completed by the end of 2015. The department informed the ANAO that while the statement was envisaged to provide overarching guidance for all public-private partnership endeavours, it was not developed.

2.33 While the Prospectus is not directly included within the Strategy's risk management plan, the plan notes that sources of risk include a lack of funding and resources available to partner organisations and the department. The department identified 12 risks in the implementation of the Strategy, of which five were rated as 'High', six as 'Medium' and one as 'Low'. The treatments suggested by the department reduced these to one risk rated as 'High', four rated as 'Medium' and seven rated as 'Low'. The risk rated as 'High' was a failure to achieve sub-targets within the Strategy and required six treatments relating to stakeholder engagement activities. The risk related to funding and resources was rated as low and did not require any further treatment. The risks were reiterated in the year one implementation plans for the Strategy's five targets.

2.34 Risk management for threatened species priorities at the program delivery and divisional level is overseen by the Species and Regulatory Board. Any divisional risks identified as 'Severe' or 'High' by the Species and Regulatory Board are to be escalated to the Biodiversity Conservation Division Portfolio Board, which is to review risks and consider any additional treatments or future

action. At January 2018, the Biodiversity and Conservation Division's risk register listed the risk that protection, conservation and/or recovery priorities for threatened species and ecological communities are not met. The failure of the Strategy to meet its targets was identified as a source of this risk. The risk was rated as 'Medium' and treatments were not listed.

Probity management

2.35 The Terms of Reference for the Commissioner's informal expert advisers provide that the members are to draw on their technical expertise and that they do not represent a particular field, constituency or organisation. The terms also state that members will declare any potential or apparent conflict which may arise during the provision of advice to the Commissioner. Should any conflict arise, the adviser is to abstain from providing advice to prevent any suggestion of bias or inappropriate influence.

2.36 All four expert advisers are associated with project partner organisations listed in the Prospectus (lead partner for nine projects and a secondary partner for five projects). In addition, of the 12 projects in the Prospectus that received seed funding from the Australian Government, five were associated with an adviser. The department was unable to provide declarations of independence signed by the expert advisers. Documenting the use of the advisers would assist the department in managing the risk of real or perceived conflict of interest where individuals may gain knowledge or insight into information that could benefit them materially.

3. Performance Monitoring and Reporting

Areas examined

This chapter examines the arrangements established by the Department of the Environment and Energy (the department) to monitor and report on the success of the Threatened Species Prospectus (the Prospectus) and the evaluation planned by the department.

Conclusion

The department is not well placed to monitor and report on the effectiveness of the Prospectus in attracting additional funding for threatened species recovery from private and philanthropic investors. Limited performance data is collected against the targets of the Threatened Species Strategy. The department has commenced an evaluation of the Prospectus as part of a broader evaluation of the Threatened Species Commissioner model.

Area for improvement

The ANAO has made one recommendation aimed at strengthening the department's performance measures to better inform itself and stakeholders on the extent to which the Prospectus is achieving its established objectives. The ANAO also suggested the department use the Commissioner's established social media presence to communicate funding outcomes delivered through the Prospectus.

Has a fit-for-purpose performance measurement and reporting framework been established for the Prospectus?

The department is yet to establish a fit-for-purpose performance measurement framework for the Prospectus and its success in attracting external investment. While performance reporting is undertaken against the objective and targets of the Strategy, it does not provide a clear line of sight to private and philanthropic investment attracted through the Prospectus.

3.1 The department has not established interim targets for it to secure an amount or proportion of external funding through the Prospectus within a defined timeframe. As at January 2018, new external funding that can be attributed to the Prospectus is \$210 000 for two projects.¹⁸

Performance measurement

3.2 The Department of Finance guidance indicates that performance measures and targets should be relevant, reliable and complete and include a mix of qualitative and quantitative data, with efficiency, output and input measures used to complement effectiveness measures. In cases where effectiveness is not measurable, input, activity (process), output and efficiency measures can be used as proxies for effectiveness. In these cases, entities should be clear on why effectiveness cannot be measured and how the proxy measures are suitable.

3.3 The 51 projects within the Prospectus aim to contribute to the objectives of the Strategy. In aggregate, the projects include 204 targets, of which 17 indicate the effectiveness (delivery of

¹⁸ The Association for the Conservation of Threatened Parrots provided \$200 000 to the project *Saving the Western Ground Parrot from Extinction*. The Conservation and Wildlife Research Trust provided \$10 000 to *Establishing the Eastern Barred Bandicoot*.

impact against the purpose) of the project. The remaining measures consider activities. Table 3.1 outlines examples of the types of project targets.

Table 3.1: Examples of project targets included in the Prospectus

Project	Key species	Project target	Target type	Measurable	Time period
Saving the Iconic Malleefowl from Feral Cats	Malleefowl	Control feral cats at 34 sites each year.	Activity	No	10 years
		Monitor Malleefowl at 56 sites each year.	Activity	Yes	
		Record impacts of control using remote cameras.	Activity	Yes	
Securing the Magenta Lilly Pilly Against Extinction	Magenta Lilly Pilly	Collect seed.	Activity	No	3 years
		Conduct surveys to identify additional populations and genetics.	Activity	No	
		Store seeds in state-of-the-art seed banks to insure the species against extinction.	Activity	Yes	
		Reintroduce the species.	Effectiveness	No	
Securing Norfolk Island Threatened Plants	Nationally threatened plant species of Norfolk Island	Collect seeds.	Activity	No	3 years
		Propagate the species.	Effectiveness	No	
		Translocate individual plants.	Activity	No	
		Recovery planting.	Activity	No	
Ensuring Western Australian Threatened Plants Have a Future	Matchstick Banksia	Collect and store the seeds of 17 threatened plant species.	Activity	Yes	3 years
		Propagate new populations of eight threatened plant species and reintroduce them.	Effectiveness	Yes	
		Fire regeneration from soil seed banks of five threatened plant species.	Effectiveness	Yes	
		Restore habitat.	Effectiveness	No	
Aussie Ark—A Refuge for Threatened Australian Animals	Eastern Bettong	8 km of fencing to expand existing predator proof enclosures.	Activity	Yes	1 year
		Removal of feral cats and foxes.	Effectiveness	No	
		Introduction of seven mammal species.	Activity	Yes	
		Ongoing research.	Activity	No	

Project	Key species	Project target	Target type	Measurable	Time period
Establishing a New Island Safe Haven for the Norfolk Island Green Parrot	Norfolk Island Green Parrot	Rewild individuals from the successful Norfolk Island Green Parrot breeding program.	Effectiveness	No	3 years
		Establish an insurance population of the green parrot on nearby Phillip Island.	Effectiveness	Yes	

Source: ANAO analysis of the Department of the Environment and Energy information.

3.4 The department informed the ANAO that while the Prospectus contributes to the Strategy's targets, it has no dedicated or integrated system to collect performance measurement data beyond that which occurs against that Strategy's targets.

3.5 The Strategy's long-term objective is to halt the decline of Australia's threatened species and support their recovery.¹⁹ The implementation plan for the Strategy states that this outcome will be measured through five specific five-year targets. Each target within the implementation plan is associated with a headline outcome (Table 3.2) and the aggregated achievement across these is considered by the department as sufficient to meet the Strategy's broader objective. The Strategy also contains 87 sub-targets.

Table 3.2: Target areas for the Threatened Species Strategy

Target	Headline outcome
Tackling feral cats and their impacts	2 million feral cats culled at the national level
20 mammals by 2020	20 priority mammals have improved trajectories
20 birds by 2020	20 priority birds have improved trajectories
Protecting Australia's plants	At least 30 priority plant species have improved trajectories
Improving recovery practices	Improved recovery practices nationally

Source: ANAO analysis of departmental documentation.

3.6 The department created target plans and work breakdown structures for the five targets within the Strategy. In relation to the Prospectus, the following goals were allocated to each of the work breakdown structures for the 20 Mammals by 2020, 20 Birds by 2020 and Protecting Australia's Plants targets:

- seek investment through the prospectus;
- develop a framework for capturing investment and on-ground recovery actions; and
- plan for future investment and alignment to Australian government priorities.

3.7 The department informed the ANAO that while the target plans remain guiding documents for each target, the associated work breakdown structures have not been updated since their creation. Rather, planning focused on different activities—such as the delivery of the Threatened Species Recovery Fund. While the department may be able to measure and report on the levels of

19 Department of the Environment and Energy, *Threatened Species Strategy*, Canberra, 2015, p. 15.

funding for projects listed in the Prospectus, it is not well placed to do so with regard to the impacts of the funding on outcomes for the species listed within the Prospectus.

Reporting

3.8 The Strategy's implementation plan includes the Prospectus within the scope of the Strategy's reporting framework. External reporting is delivered through the Threatened Species Commissioner Report and the Threatened Species Strategy Report. The Strategy states that the Commissioner will report twice yearly to the Minister for the Environment and Energy. These reports are made publicly available via the department's website. Further reporting occurs via corporate planning and annual reports and through social media.

3.9 The Commissioner's reports aim to provide information on the progress of actions identified in the Strategy and summarise results of associated investments. The Commissioner released two reports — in February 2015 and December 2015. The latter noted that subsequent reports would be restructured to address each of the 87 individual sub-targets contained in the Strategy and replace the twice yearly report with an annual report to better align with reporting cycles from key delivery programmes and organisations.

3.10 The *Threatened Species Strategy – Year One Report* was released in December 2016. The report noted that the Prospectus would contribute to the Strategy's three-year targets by providing an opportunity for the business and philanthropic sectors to partner with governments and conservation and community groups to co-fund critical work. No further information was included on the Prospectus within the Year One Report. The next Threatened Species Strategy Report is scheduled to be published in 2018.

3.11 The Commissioner's draft 2018 Progress Report (scheduled to be published in April 2018) lists 19 projects from the Prospectus that have received funding, and the total amount of funding received, distinguishing between Australian Government funding and any additional contributions.

3.12 ANAO analysis indicates that the Australian Government provided 34 per cent (\$1.9 million) of the total amount of funding listed as provided to Prospectus projects in the draft 2018 Progress Report. The remaining 66 per cent (\$3.7 million) was provided through state and territory governments, as well as private and philanthropic sources. Australian Government funding was primarily provided through the use of unallocated budget from the National Landcare Programme Emerging Priorities measure and the Threatened Species Recovery Fund.

3.13 With the exception of the two projects noted at paragraph 3.1, it is not clear whether the additional non-government funding received by these projects was a direct result of their inclusion in the Prospectus. For example, the department reported that the project *Establishing a New Island Safe Haven for the Norfolk Island Parrot* received \$86 000 as a result of a crowdfunding campaign. It is unclear whether the success of the campaign can be attributed to the project's inclusion in the Prospectus, as the online crowdfunding campaign was established by the project proponent. In addition, projects selected for funding under the Threatened Species Recovery Fund were required to demonstrate that third party cash and in-kind contributions were leveraged by the project. This

suggests that prior arrangements to attract private investment may have already been in place by proponents in some cases.²⁰

3.14 The department's Annual Report for 2016-17 outlined the number of projects that target priority bird and mammal threatened species being delivered by natural resource management organisations. This summary showed a small increase in the number of such projects being delivered from the previous year. The Annual Report did not outline the same information on priority plant species, did not identify individual projects, or indicate the level or source of funding that projects received. Of the 15 species identified in the Annual Report, 13 were species included in the Prospectus.

3.15 The Commissioner's use of social media is an example of using contemporary communication channels to engage with stakeholders, as discussed in Chapter 2. While social media provides an important means to raise awareness for threatened species, these channels were not used to report directly on the progress of the Prospectus. The department does not currently have in place any formal mechanisms to report progress to stakeholders beyond the Threatened Species Commissioner Report and the Threatened Species Strategy Report. As established communication channels, there is an opportunity for the department to use the Commissioner's social media presence to communicate more broadly on funding outcomes delivered through the Prospectus. This would enable stakeholders, potential investors and the public to better understand the extent of funding leveraged through the Prospectus, and the funding need of individual projects.

3.16 Stakeholder comments to the ANAO highlighted their interest in the publication of the amount of private and philanthropic investment in projects, the amount of any additional or new government funding, and the number of projects or actions successfully implemented.

3.17 The collection and monitoring of appropriate performance indicators can assist entities in identifying the strengths and weaknesses of their innovative approaches. In the absence of measuring and reporting this information, the department has limited assurance that the Prospectus is delivering its objective of attracting additional resources to help protect threatened species and support delivery of the Strategy's targets. The lack of a fit-for-purpose performance framework for the Prospectus limits the department's ability to determine the effectiveness of the approach and the extent to which it represents the most appropriate mechanism to achieve the Government's stated objectives and broader policy outcomes.

Is appropriate data being collected to inform monitoring and reporting?

The data collected by the department to inform monitoring and reporting on the Prospectus could be strengthened through the implementation of relevant, reliable and complete performance measures. This would better position the department and stakeholders to assess the effectiveness of the Prospectus as an innovative means to attract external investment and the impact of projects on threatened species.

20 The department informed the ANAO that other projects may have received financial and non-financial support due to their inclusion in the Prospectus, including Indigenous Feral Cat Strike Force, Aussie Ark—A Refuge for Threatened Australian Mammals, and Securing Survival for the Critically Endangered Plains Wanderer.

3.18 The collection and use of data enables entities to assess how effective they are in translating innovative ideas from concepts into practice. Consistent with the guidance provided by the Department of Finance, data collected by entities to inform performance measurement and reporting should be relevant, reliable and complete.

3.19 The Strategy implementation plan notes that robust data collection protocols will be used to record progress against Strategy targets. The implementation plan also notes that detailed data collection strategies are included in the work breakdown structures for individual target plans. However, the department informed the ANAO that the work breakdown structures that were developed for targets have not been updated since their creation.

3.20 The ANAO undertook analysis of the targets contained within the work breakdown structures for the targets related to birds, mammals and plants. Of the 108 targets, only 16 were listed as ongoing and 15 were yet to have a completion date determined. A further 48 targets were due to be completed in 2015 and 29 in 2016. No documentation was available to determine whether the targets with completion dates had been met.

3.21 As part of its monitoring and reporting on progress against the Strategy, the department undertook an internal stocktake of targeted threatened species in 2016. The stocktake process was intended to ensure better prioritisation of efforts and resources. The stocktake focused on the mammal, bird and plant species included in the Strategy's 20 by 2020 targets (Table 3.3). The data collected by the department suggests the species to which funding should be directed to ensure sufficient work is underway to achieve the 20 by 2020 targets.

Table 3.3: Status of taxa as reported in the stocktake of threatened species

Category	Sufficient work is underway to achieve goal	Some work underway, but more is needed to achieve goal	No work underway
Mammals	6	10	4
Birds	5	8	8
Plants	4	11	4

Note: The department's internal stocktake listed 21 species of bird and 11 plant species were not assigned a tracking status in the stocktake.

Source: ANAO analysis of departmental documentation.

3.22 Of the eight bird species with the 'no work underway' status, four were included in the Prospectus. None of the four plant species with no work underway were included in the prospectus. All of the mammal species identified as having no work underway were included. There would have been benefit in the department using this information base as part of its design of the Prospectus, to ensure that alternative investment could be targeted at those projects that relate to species most in need and capable of attracting private and philanthropic investment.

3.23 The stocktake data provides an indication of the species benefitting from work being undertaken. The stocktake does not provide a baseline level of funding or targets for measurement however, which reduces the reliability of the data collected.

3.24 Data on the progress of Strategy actions is to be provided through the department's Monitoring, Evaluation, Reporting and Improvement Tool (MERIT). The MERIT system was designed to provide real-time data capture and reporting for environmental and natural resource management programs funded by the Government. Achievement against the Strategy's

five headline targets is to be measured using data that is submitted directly into MERIT in the case of grant funded projects. The department's implementation plan for the Strategy notes that for projects that are not funded by grants, data may subsequently be placed into MERIT.

3.25 Project partners in receipt of private and philanthropic investment through the Prospectus are under no obligation to report any data back to the department on the implementation of project activities and impact on threatened species. Lead partners will, however, be required to use the MERIT reporting system in relation to any Australian Government funded component. The data that can be collected on the performance of projects towards achievement of the Strategy's target may not be placed into MERIT. This limits the capacity of the department to assess the effectiveness of the Prospectus in fulfilling its intended purpose.

3.26 The ANAO reviewed the MERIT system and located project information relevant to 12 of the projects featured in the Prospectus. All of these projects were recorded as 'active' and one as 'completed'. In each case the source of the funding was from the Government. Although the department advised the ANAO that projects had received funding from the Government and external investment, this information was not recorded in MERIT.

3.27 The collection of a broader range of data should reflect the Department of Finance's guidance for relevant, reliable and complete performance information. This would improve its appropriateness for performance reporting and would enable a more informed assessment of the impact of projects in the Prospectus. The data would then be able to better inform current and potential investors. The data should distinguish funding received from: the Government; state or territory government sources; and investment from private and philanthropic sources. This information could then be cross-referenced against the status and targets of projects in the Prospectus. This would enable the department to more accurately monitor and measure the extent to which the Prospectus is delivering on its objective of attracting additional investment to support delivery of the Strategy's targets.

Has an evaluation strategy been developed to inform an assessment of the Prospectus' success?

The department has commenced an evaluation that will focus on the initiatives championed by the Commissioner. As part of this evaluation the department has undertaken to assess whether the Prospectus has been a useful mechanism for harnessing and attracting resources and building interest in public-private partnerships.

3.28 Evaluation of innovative projects is essential to maximise their value. In the absence of evidence, evaluation and support for sharing the lessons of the innovation, the task of identifying conditions for success can be difficult. The outcomes of evaluation inform future projects and contribute to learning, further innovation and improvement.

3.29 The department developed a plan for evaluating the Threatened Species Commissioner model, which commenced on 25 July 2017 and is due to be completed in early 2018. The evaluation is designed to:

- inform the work of the next Threatened Species Commissioner and potential application of the Commissioner model elsewhere;

- evaluate the effectiveness of the outreach, education and brokering role of the Commissioner (internal and external);
- evaluate the extent to which the Commissioner has mobilised capital, including both government funds and non-government contributions, and generated private sector buy-in to projects; and
- evaluate the benefits of Threatened Species Commissioner policy documents in shaping national approaches to threatened species.

3.30 The evaluation also seeks to determine whether the Prospectus has been a useful mechanism for attracting resources and building interest in public-private partnerships. The data sources identified for the evaluation include engagements with the private and philanthropic sectors, new channels of communication or connection established, and projects funded.

Recommendation no.1

3.31 The Department of the Environment and Energy develop fit-for-purpose performance measures to better inform itself and stakeholders on the extent to which the Prospectus is achieving its objective.



Grant Hehir
Auditor-General

Canberra ACT
19 March 2018

Appendices

Appendix 1 Entity response



Australian Government
Department of the Environment and Energy

Finn Pratt AO PSM
Secretary

Ms Lisa Rauter
Group Executive Director
Australian National Audit Office
GPO Box 707
Canberra ACT 2601

Dear Ms Rauter

Thank you for your email of 24 January 2018 regarding the Australian National Audit Office proposed report '*ANAO Performance Audit: Funding models for threatened species management: design and monitoring*' and for the opportunity to respond. The Department appreciates efforts of the ANAO to examine the Threatened Species Prospectus early in its delivery, in order to help guide the design of innovative funding models in the future, within the Department and more broadly across the Australian Public Service.

Pursuant to Section 19 of the *Auditor-General Act 1997*, the Department of the Environment and Energy has prepared a summary response to the report.

The Department welcomes the report's conclusion that the design of the Threatened Species Prospectus is innovative and largely effective. The Department acknowledges a fit-for-purpose performance framework would better inform stakeholders and the Department on the extent to which the Prospectus is achieving its objectives.

Developing innovative funding and partnership models for a range of environmental outcomes is an area of focus for the Department. We have a dedicated team focused on facilitating cross-sector partnerships for environmental outcomes. The findings of this audit will contribute to the development of a whole-of-department approach to innovative financing and partnerships.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Finn Pratt'.

Finn Pratt

15 February 2018

Summary of Entity's Response

The Department agrees with the recommendation in the report.

The Department acknowledges the pragmatic approach of the Australian National Audit Office in recognising the innovative nature of the Threatened Species Prospectus, and appreciates efforts to examine this approach early on in its delivery, in order to help inform future government endeavours to build innovative funding models.

Reporting on project funding is being included in yearly reporting on implementation of the Threatened Species Strategy to the Minister for the Environment and Energy. The Department will continue to work with partners to track government investment in Prospectus projects, through reporting mechanisms such as the Monitoring, Evaluation and Reporting Information Tool.

Where the Department fulfils only a brokering role for Prospectus projects, we will rely on our relationships with Prospectus partners to seek information for tracking outcomes arising from their investment in those projects.

Developing innovative funding and partnership models for a range of environmental outcomes is an area of focus for the Department. The Department has a dedicated team focused on facilitating cross-sector partnerships for environmental outcomes. The findings of this audit will contribute to the development of a whole-of-department approach to innovative financing and partnerships.

The Department has a high level of oversight of the Threatened Species Strategy through a formal board structure, and will ensure that the board continues to monitor Prospectus implementation. The Department is also increasing the use of social media channels, such as the Threatened Species Commissioner's social media accounts, to communicate outcomes delivered through Prospectus projects.

Response to Recommendation No. 1 – Agree.

