



Tasmanian
Audit Office



**Report of the Auditor-General
No. 9 of 2016-17**

Funding the forest agreements

March 2017

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INTRODUCTION

In 2008, Tasmania's forest industry supported 6963 workers¹. However, a downturn in available markets and the economy saw employment fall by 33 per cent to 4650 people in 2010².

The downturn was compounded by Gunns Limited (Gunns)'s decision to withdraw from native forest harvesting, announced in September 2010. By November 2013, employment in the forestry industry had declined to 2715 people³.

On 7 August 2011, the Tasmanian and Commonwealth governments signed the *Tasmanian Forests Intergovernmental Agreement* (2011 TFIGA), which was renewed in May 2013 (2013 TFIGA). The objective of both TFIGAs was to enable restructuring of the forestry industry, resolve conflict between environmentalists and forest workers, protect additional native forests and develop a sustainable timber industry.

The TFIGAs listed 21 projects to be funded over a number of years. The Commonwealth committed \$338m and the Tasmanian Government \$56.40m, providing a total of \$394.40m to support the agreements⁴.

The *Tasmanian Forests Agreement Act 2013 (TFA Act 2013)* was enacted to give legislative force to the *Tasmanian Forest Agreement (TFA)*, including the transfer of identified land into reserves. Following the State election in March 2014, the newly elected Tasmanian Government repealed the *TFA Act 2013* and introduced the *Forestry (Rebuilding the Forest Industry) Act 2014 (Forestry Act 2014)*. The new legislation reclassified land previously identified as future reserves to future potential production forest.

1 Dr. Jacki Schirmer, *Cooperative Research Centre for Forestry, Tasmania's forest industry, Trends in forest industry employment and turnover 2006 to 2010*, Canberra, (Schirmer 2010).

2 *Ibid*, p.3, the 6963 people equated to 6460 Full-Time Equivalent (FTE), and the 4650 people equated to 4340 FTE.

3 Jacki Schirmer, Caroline Dunn, Edwina Loxton, *University of Canberra, Socio-economic impacts of forest industry change Tasmanian forest industry employment and production, 2012-13*, (Schirmer 2014), p.7.

4 *Council of Australian Governments, Tasmanian Forests Intergovernmental Agreement*, Canberra, July 2013, p.13.

Audit objective

The objective of this audit was to assess the effectiveness of the State's administration of projects listed for implementation by the Tasmanian Government, under the *Tasmanian Forests Intergovernmental Agreement 2011* and *2013*.

Audit scope

The audit examined the administration of a selection of TFIGA projects, listed for implementation by the Tasmanian Government in either version of TFIGA (2011 and 2013), each of which involved at least one of the following:

- Department of State Growth (State Growth or the department) or its predecessor agencies
- Department of Treasury and Finance
- Department of Primary Industries, Parks, Water and Environment
- Forestry Tasmania.

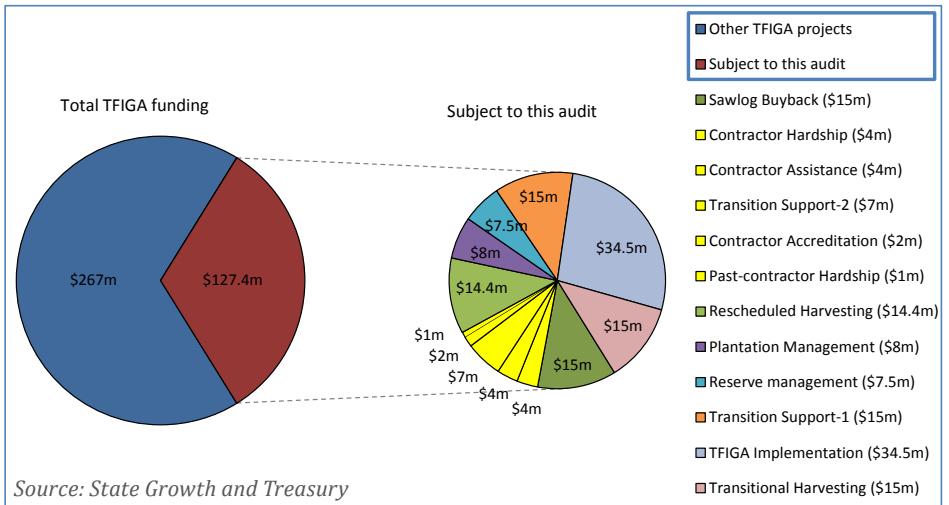
We selected eight of the 21 programs listed in the TFIGAs for the audit on the basis they were funded by the Tasmanian Government or allocated the largest portions of TFIGA funds.

One of the selected programs (\$20m *Support for Affected Workers and Contractors*) was administered as five separate projects. Consequently, the audit included 12 projects rather than eight.

Table 1: The 12 projects selected for this audit

Processes that required applications		No applications, just payments	
1.1	Sawlog Contract Buyback	1.7	Contractor Accreditation
1.2	Contractor Hardship Program	1.8	Rescheduled Harvesting
1.3	Native Forest Harvest Contractor Assistance Program (Contractor Assistance)	1.9	Plantation Management
1.4	Previous Native Forest Contractor Hardship Program (Past-contractor Hardship)	1.10	Transitional Harvesting
1.5	Transition Support Payments (Transition Support-1)	1.11	Implement the 2011 TFIGA (TFIGA Implementation)
1.6	Transitional Support and Training (Transition Support-2)	1.12	Reserve Management

Figure 1: Proportion of funding subject to this audit



AUDIT CONCLUSIONS

Was governance adequately outlined in project guidelines?

Governance processes were adequately outlined in project guidelines, other than the Sawlog Contract Buyback, for which monitoring and reporting requirements were not defined.

Did assessment processes comply with relevant guidelines?

Assessment processes complied with relevant guidelines, except for:

- some Treasurer's Instruction 709 requirements for project management documentation, including risk management plans
- shortfalls documenting conclusions for four programs.

Was performance monitored and reported?

Performance, including both progress and compliance with objectives, was monitored and reported. The only exception was that State Growth had not ensured all recipients of the Contractor Assistance program had confirmed the relevant business debts had been paid within the specified time.

Was funding accounted for?

Funding had been accounted for. Evidence was verified before making payments, which were made on the basis of legally enforceable agreements. Changes to programs were documented.

Overall conclusion

Overall, we were satisfied with the effectiveness of the State's administration of the TFIGA programs. We found no errors in the disbursement of the grants.

We recommend additional project management documentation be prepared to plan, assess, review and record details for all grant programs.

Nevertheless, we were satisfied that the funding had been accounted for and any changes to the programs had been documented.

LIST OF RECOMMENDATIONS

The Report contains the following recommendations:

REC	WE RECOMMEND THAT ...
1	... the guidelines developed to manage grant programs define a process to monitor and report progress toward achievement of the objectives.
2	... regardless of how grant programs are initiated, the requirements of Treasurer's Instruction 709 be followed.
3	... all grant payments should explicitly include a documented assessment of applications and decisions.
4	... processes to monitor compliance with program objectives, commensurate with program risks, should be defined in project management documentation for all grant programs.

Notes:



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