

# Chapter 6

## Committee view and recommendations

6.1 This inquiry considered the \$444 million grant by the Commonwealth to a small, private charity, the Great Barrier Reef Foundation.

6.2 It is clear that the Great Barrier Reef is in grave danger from a number of environmental stressors, and that climate change is the greatest of these stressors. It is also clear that the Commonwealth needs to intensify its efforts and provide greater funding to protect and preserve the Reef for future generations.

6.3 Nevertheless, this inquiry uncovered significant shortcomings with the intent, design and proposed implementation of the Foundation Partnership Agreement.

6.4 The granting of \$444 million to the Foundation was a highly irresponsible decision, hastily concocted by relevant ministers, without proper consideration of risks and potential effectiveness, no consultation with key stakeholders, and without having undertaken due diligence.

6.5 This 'off-the-cuff' decision has caused massive disruption to existing policy and program delivery, including by existing government agencies. It has all the hallmarks of a government that is not properly managing its responsibility as the guardian of the World Heritage listed Great Barrier Reef.

6.6 Some stakeholders spoke positively of the Foundation's track record in building relationships with the corporate sector to fundraise for the Reef, the connections it has built with stakeholders, and its ability to manage small Commonwealth grants and private funds.

6.7 However, many questioned whether the Foundation was the right organisation to manage such a significant investment. Concerns were raised about the Foundation's ability to handle such a rapid increase in size and responsibilities, the high cost of administration, and the duplication and governance complexities the Partnership introduces.

6.8 The committee also heard repeatedly that the \$444 million would have been better allotted to the Commonwealth's established bodies, rather than a new mechanism that filters public funds through an untested private organisation, in some cases back to government bodies.

6.9 Lastly, the committee heard concerns that the focus of the Foundation Partnership would not be on the underlying environmental problems—such as climate change—that are the root cause of the poor health of the Reef.

### ***Termination of the Foundation Partnership***

6.10 In light of the evidence gathered during this inquiry, the committee believes that the most appropriate action for the Commonwealth to take is to terminate the Foundation Partnership. The committee believes this is necessary to help restore trust in the process of Commonwealth funding for the Reef, if not the entire Commonwealth grants process. The committee also considers that this is necessary to ensure that Commonwealth funding is spent in the best possible way to help protect and preserve the world's largest coral reef system.

6.11 The committee understands that the grant can be terminated or reduced in scope, pursuant to clause 25 of the Agreement with the Foundation, which states:

If there is a material change in Australian Government policy that is inconsistent with the continued operation of this Agreement, the Department may by notice terminate this Agreement or reduce the scope of the Agreement immediately.<sup>1</sup>

### **Recommendation 1**

**6.12 The committee recommends that all unspent Foundation Partnership funds be returned to the Commonwealth immediately; and that these funds be earmarked for expenditure on projects to protect and preserve the Reef, to be expended by 30 June 2024.**

### ***Restructuring the Commonwealth grants process***

6.13 The committee also believes that in light of the process uncovered during this inquiry—or lack thereof—there is an urgent need to review Reef-related Commonwealth funding.

6.14 Similarly, this review is needed to help restore public confidence and to ensure that the attribution of public funding for one of the 'seven natural wonders of the world' is transparent and accountable; and is done in a way that promotes collaboration between the Commonwealth and Queensland Governments and agencies, universities and scientists, community groups, and users of the Reef.

6.15 This review should include an examination of the governance, legal and administrative provisions relating of the Reef Trust and GBRMPA, as well as the role of organisations that undertake research and program delivery, such as AIMS and CSIRO.

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1 Grant Agreement between the Reef Trust and the Great Barrier Reef Foundation, p. 43.

## Recommendation 2

**6.16 The committee recommends the Commonwealth Government undertake a review, to be completed by 1 July 2019, of the structure of Commonwealth funding to protect and preserve the Great Barrier Reef. The committee further recommends that the expenditure of unspent Foundation Partnership funds be guided by the outcome of this review.**

### A hastily and poorly designed approach

6.17 This report outlines the timeline by which this measure was developed following the rejection of two new policy proposals on 6 March 2018 by the Expenditure Review Committee (ERC) of the Cabinet in the 2018–19 Budget process. As the former Prime Minister, the Hon Malcolm Turnbull, informed the committee, at this ERC meeting it was decided that:

...an alternative proposal be brought forward to create a tied reef fund, with a partner outside the general government sector, to be funded in 2017/18 for activities to be agreed with the Commonwealth, with appropriate governance arrangements.<sup>2</sup>

6.18 On 9 April 2018, little over a month after the ERC decision to find a partner outside of government, Mr Turnbull and the then Minister for the Environment and Energy, the Hon Josh Frydenberg MP, approached the Foundation at a meeting at which they were not accompanied by departmental representatives.

6.19 At this meeting, Mr Turnbull and Mr Frydenberg put an unprecedented offer of \$444 million on the table, a sum that is almost twice the size of any other Government grant in 2018, to an organisation that did not seek or expect such a massive grant. The Foundation's Managing Director later likened it to 'winning the lottery'.<sup>3</sup>

6.20 Indeed, until that point, the Foundation was only aware it was being considered for a much smaller \$5 million investment under the Phase VI of the Reef Trust Investment Strategy.

6.21 Little more than two weeks following this meeting, the Foundation Partnership was confirmed and announced. This public commitment was made on the basis of development of a brief two-page outline of 'Collaboration Principles' between the Commonwealth and the Foundation.

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2 The Hon Malcolm Turnbull, *Answers to written questions taken on notice* (received 1 October 2018), p. 1.

3 Peter Hannam, 'Like winning lotto': Reef Foundation minnow braces for \$444m windfall', *Sydney Morning Herald*, 13 May 2018, [www.smh.com.au/environment/conservation/like-winning-lotto-reef-foundation-minnow-braces-for-444m-windfall-20180511-p4zeud.html](http://www.smh.com.au/environment/conservation/like-winning-lotto-reef-foundation-minnow-braces-for-444m-windfall-20180511-p4zeud.html) (accessed 13 November 2018).

6.22 Indeed, the committee has been unable to gather conclusive information to determine where the proposal for the measure originated. It is certainly not an idea that originated with the Foundation, which was not aware of it until approached on 9 April 2018. Beyond this, it is not possible to say with any certainty whether the initial impetus came from Minister Frydenberg or Prime Minister Turnbull, both of whom led the approach to the Foundation, from another member of the Cabinet, from advice to Government provided by the Department of the Environment and Energy or, indeed somewhere else.

6.23 The committee considers that this is no way to approach the development of policy, program delivery and funding in a complex sector. It is also no way to approach funding of projects which will have such profound impacts on the Reef, a natural wonder of such importance for Australia's environment, economy, national heritage and international reputation.

### ***Lack of consultation***

6.24 The committee notes the remarkable lack of consultation that characterised the development of the Foundation Partnership proposal.

6.25 Given the Queensland Government's partnership with the Commonwealth in the Reef 2050 Plan, which is central to the management and research into the Reef, it is disappointing and disrespectful that it had no knowledge of this policy until it was announced on 29 April 2018.

6.26 The committee also notes the lack of references to the development of the policy in documents obtained from Commonwealth departments. This, again, confirms the lack of involvement of departments and agencies in developing the proposal, their lack of involvement in the approach made to the Foundation and, in some cases, the lack of knowledge they had of the Foundation Partnership before the measure was announced.

6.27 This is not only disappointing, but also disrespectful, and has created budgetary and workplan uncertainties for those agencies that are yet to be resolved.

6.28 Furthermore, the Foundation has admitted that it had no knowledge of the Partnership before it was offered \$444 million of public funds during the meeting between Mr Turnbull, Mr Frydenberg and Dr John Schubert, the chair of the Foundation.

6.29 This lack of consultation in itself raises serious and concerning questions about the merit of the Foundation Partnership. It also demonstrates a disregard by the Government for its own publicly-funded experts, the Foundation itself as recipients of funding, and a lack of care for the public purse.

### ***Lack of due diligence***

6.30 The available evidence has failed to assure the committee that the Commonwealth undertook appropriate due diligence for the awarding of such a large amount of public funds. The department has told the committee that due diligence had been undertaken on the Foundation before the \$444 million offer was made. This due diligence was undertaken without the knowledge of the Foundation itself.

6.31 It is clear to the committee that due diligence and risk assessment was undertaken by the department on the Foundation regarding the \$5 million grant for the Reef Trust Phase VI Investment, which the minister approved on 6 April 2018.

6.32 However, the committee finds it greatly concerning that, over the course of this inquiry, there has been little evidence provided for more thorough and substantial process of due diligence *before* this extraordinarily large grant was announced, as might have been expected.

6.33 Government departments have all claimed that they are unable to provide more information on the due diligence process that preceded the grant offer, citing the principle of advice provided to Government as part of the Budget process being cabinet-in-confidence. Documents have been provided to the committee that confirm evidence for due diligence processes for the \$444 million Partnership specifically being undertaken *after* the measure was offered, agreed, and announced by the Government. This included outlining the nature of the accounts and financial arrangements of the Foundation, governance arrangements, and potential risks for the Partnership policy, and the transformation of the Foundation that it will necessitate.

6.34 In this regard, the committee notes the lack of formal minutes being taken for the five Interdepartmental Committee (IDC) meetings held between April and July 2018 'to provide advice on the assessment and approval of the grant to the Foundation'.<sup>4</sup> Given the importance of the decision to fund the Foundation Partnership and the funding quantum under discussion, as well as the range of departments present and the number of meetings held, it is most surprising that none of these meetings were formally minuted.

6.35 Given the lack of evidence, the committee can only state that it is not confident that the due diligence process prior to the award of the grant occurred with probity and integrity.

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4 Department of the Environment and Energy, *Submission 7*, Supplementary Submission Attachment B (Information statement regarding the assessment and awarding of the Reef Trust Grant to the Great Barrier Reef Foundation), p. 6.

### ***The use of a grant paid as a single payment in the 2017–18 financial year***

6.36 The committee has been concerned about the decision to pay the Partnership Grant as a single, upfront payment of \$444 million, only a few days before the end of the 2017–18 financial year. The committee's concern is compounded by the apparent scant evidence for consultation within Government and the sector more broadly.

6.37 The delivery of this unprecedented sum to a private organisation ensured that the Foundation Partnership measure would also bypass appropriate scrutiny as part of the 2018–19 Budget process, and that it will not be subject to rigorous Commonwealth and Parliamentary scrutiny over the forward estimates.

6.38 The committee is also aware that paying the full grant sum as a single upfront payment runs the risk that there will be inadequate oversight of the monitoring of key performance indicators of the Agreement, including the capacity of the Foundation to leverage private and philanthropic sources of funding, to supplement the Commonwealth funding it has already received.

6.39 The delivery of funding under this upfront model introduces a number of risks in accountability and transparency in the Foundation's work under the Agreement. The committee considers that it introduces questions of how the Commonwealth can motivate performance for the Partnership and its activities, when the funds have already been delivered. It could also make it more difficult to renegotiate the terms of the Partnership in cases of underperformance or mismanagement. There are also unresolved questions about the Commonwealth's ability to reclaim and reapportion funds to more rigorously designed Reef-related policy options in cases where the Foundation does not satisfy the agreement, or under other conditions outlined in the Agreement itself.

6.40 The information provided by the former Prime Minister, the Hon Mr Malcolm Turnbull, confirms that the Hon Scott Morrison MP, then-Treasurer and now Prime Minister, and Senator the Hon Matthias Cormann, the Minister for Finance, preferred the approach of a single payment as it would improve the capacity of future Commonwealth Budgets, and because the outlook for 2017–18 'looked promisingly strong'.

6.41 In his email to the committee, Mr Turnbull stated that the decision made at the ERC meeting on 6 March 2018 rejected two proposals for Reef funding, one 'partially offset and over 6 years, the other smaller and fully offset over two years'. These were rejected in favour of a 'tied reef fund, with a partner outside the general government sector, to be funded in 2017/18'. On this, Mr Turnbull stated:

The arrangement allowed the Government to book the grant expenditure in one year, 2017/18, notwithstanding that the investment of the funds in the

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various reef projects by the GBRF would take place over a period of six years.<sup>5</sup>

6.42 Although the justification given was that the Foundation Partnership would drive private co-investment, it could equally be argued that the decision was made for more cynical reasons. That is, the Partnership was designed not to meet a genuine and well-founded policy rationale, but to make the 2018–19 Commonwealth Budget look stronger by loading payment into the 2017–18 financial year.

6.43 In doing so, this measure has pumped public money into a private Reef-related organisation as a single payment, where it will not be subject to due oversight by the Commonwealth and the Parliament, including through the Senate Estimates process scrutinising 2018–19 Budget measures.

6.44 The hasty reverse-engineering of this policy to meet short-term Budget optics, required it to be delivered by grant, rather than a lengthier and rigorous open tender process. Many stakeholders provided evidence which indicated a preference for an open tender process. As the Queensland Government submitted to the committee, it is:

...concerned at the unprecedented approach of providing such a level of funding to a single private organisation without going to the open market to ensure a transparent and accountable procurement process.<sup>6</sup>

6.45 The committee also notes the convincing arguments from stakeholders that an open tender process would have been a more appropriate mechanism, given that the Foundation Partnership will be expanding its capacity to deliver and fulfil Government objectives. For example, Environmental Justice Australia stated:

With a grant, the recipient receives financial assistance from the Commonwealth to help achieve its own goals (consistent with Commonwealth goals), whereas in a procurement, the Commonwealth is usually purchasing goods and/or services that assist the Commonwealth in achieving its own goals.<sup>7</sup>

6.46 The committee acknowledges that the department has argued that the Commonwealth took this approach fully meeting the conditions of the Commonwealth Grant Rules and Guidelines and procurement frameworks. However, this committee considers that the evidence for this is less than convincing, and there is the potential for this decision to have been an abrogation of the requirement on the Commonwealth Government that it must ensure that the spending of public money is subject to due diligence, transparency and appropriate scrutiny.

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5 The Hon Malcolm Turnbull, *Answers to written questions taken on notice* (received 1 October 2018), p. 1.

6 Queensland Government, *Submission 9*, p. 1.

7 Environmental Justice Australia, *Submission 11*, p. 2.

## **Capacity of the Foundation and Commonwealth assessment of risk**

6.47 The committee understands the Foundation has a good reputation in the Reef sector as an organisation that has administered small programs of research and delivery to assist the health of the Reef, effectively liaised between the private, public and research sectors, and has a good track record of leveraging and disbursing philanthropic and public funding.

6.48 However, despite its good reputation and track record, it is clear to the committee that its existing capacity and experience in no way merited the unprecedented awarding of a Commonwealth investment of \$444 million.

6.49 The committee considers that it is not the Government's role to turn serious funding matters for crucial policy areas into a lottery system, whereby funds are provided to recipients who are unprepared to receive them.

6.50 This is particularly the case where hasty policy development is accompanied by a lack of due diligence and an appropriate weighing of risk in making funding decisions.

### *Risks of the Foundation Partnership*

6.51 The significant risks of the Foundation Partnership were outlined in the Collaboration Principles developed between the department and Foundation, after the funding had already been decided by Government and offered to the Foundation by Mr Turnbull and Mr Frydenberg, as well as the departmental Proposal Evaluation available to the committee.

6.52 The committee considers that any of these concerns should have been grounds for at least delaying the granting of funding. With a delay, appropriate due diligence and consultation could have been undertaken by the Government.

6.53 In the Collaboration Principles, there was an acknowledgement that the 'rapid increase in operational scale...poses significant capacity, governance and capability challenges'. This could, the Principles note, 'delay delivery of on-ground projects, leading to loss of local capacity and momentum', as well as necessitating the Foundation's development of new skills in overseeing occupational health and safety risks of delivery projects.<sup>8</sup>

6.54 The Proposal Evaluation undertaken by the department noted other concerns, including the Foundation's serious lack of experience and skills 'relevant to four out of the five partnership outcomes' including water quality improvement, crown-of-thorns

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8 Department of the Environment and Energy, FOI 180514, Document 17b, Attachment 1, p. 1.

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starfish control, Indigenous and Community Reef Protection Actions and Integrated Monitoring and Reporting.<sup>9</sup>

6.55 Such serious concerns involving such a significant investment using an uncontested proposal should have given the Commonwealth pause for thought, even if these concerns had only come to light after funding had already been offered to the Foundation.

***Fundraising targets set by the Foundation***

6.56 The committee notes that the Collaborative Investment Strategy released by the Foundation on 24 December 2018 sets targets for the expected level of fundraising over the course of the Partnership.

6.57 The strategy states that the \$444 million of Commonwealth funding will be supplemented by the Foundation attracting \$300 to 400 million of funding from corporate philanthropy and individual giving, as well as through formal agreements with delivery partners.<sup>10</sup>

6.58 The committee considers these targets are very ambitious, and would require the Foundation to significantly lift its previous fundraising levels, which it states have attracted \$90 million over 18 years prior to the commencement of the Partnership.

6.59 The committee also notes that the fundraising quantum set out in the strategy is aspirational, rather than a condition of the Agreement. In this regard, the Commonwealth has few mechanisms that could ensure the Foundation is able to achieve its fundraising targets.

***Governance of the Foundation and additional complexity in the Reef sector***

6.60 The Foundation Partnership also raises a number of governance issues that should have been considered more deeply by the Government before its adoption and announcement.

6.61 The Proposal Evaluation noted only one potential governance issue: Dr Russell Reichelt's role at the Great Barrier Reef Marine Park Authority (GBRMPA) and his directorship of the Foundation, given GBRMPA may be eligible for funding disbursed by the Foundation.

6.62 The committee notes the more complex governance issues that should be resolved regarding members of the Foundation Board, the Chairman's Panel, and the broader Reef sector noted in an earlier chapter of this report.

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9 Documents Produced pursuant to the Senate Order agreed on 21 August 2018 (notice of motion no. 978), Attachment A3 (Proposal Evaluation), pp. 1, 3, 5, 7, 11 and 19–20.

10 Great Barrier Reef Foundation, *Collaborative Investment Strategy*, p. 7.

6.63 The Foundation's Board has clear and publicly acknowledged ties to sectors that profit from fossil fuels and other industries that contribute to Reef damage, both directly and indirectly. Additionally, there are still unresolved questions about the role and influence on the Chairman's Panel on the Foundation, its culture, management and decision making.

6.64 The committee is also concerned that the Foundation Partnership has created uncertainty in the governance in the sector more broadly. It notes particularly that the Foundation has duplicated some functions of other Reef organisations, including GBRMPA as manager of the Reef.

6.65 In considering both the governance of the Foundation and the implications for the sector more broadly, the committee also notes that the processes that the Foundation will adopt to seek, assess and select potential projects have not yet been fully determined and released publicly, including how the Foundation builds relationships with the Reef 2050 Expert Panel and the funding delivered through the Reef Trust.

#### ***Duplication of costs and value for money***

6.66 The committee understands that the Foundation Partnership allows for the expending of up to \$22.5 million of the initial grant payment on administration costs, as well as the use of interest over the six years of the Partnership up to an additional \$22 million.

6.67 The committee has several concerns with this expenditure. First, it shares the concerns of stakeholders that the real costs of administration may be greater, particularly given the clear challenge that the Foundation has in upscaling its workforce, activities and expertise. It notes that it has already, along with drawing on the experience of Commonwealth agencies and departments, moved to engage external consultants to assist it transition to its increased budget and responsibilities.

6.68 Secondly, the committee is aware that the Foundation may deliver substantial funding for research and delivery programs undertaken by public bodies, such as GBRMPA, CSIRO and AIMS. This will add an unnecessary layer of duplication that will increase administrative expenditure of Commonwealth funds without sufficient oversight and accountability. In addition, it will have the effect of introducing some uncertainty to the work program of these agencies, and potentially make them subject to decisions made by a private organisation disbursing public funds.

6.69 The committee considers that the very first project to be funded under the Partnership Agreement justifies concerns that the use of the Foundation will add unnecessary administration and costs to the Reef sector.

6.70 This project will see \$574 000 of Commonwealth Reef Trust funding delivered to AIMS, a Commonwealth agency via the Foundation. This will fund an activity that Dr Paul Hardisty, the CEO of AIMS, has suggested is part of the agency's

ongoing 'commitment to survey the current health of the Great Barrier Reef, as it has done every two years for the past 35 years'.<sup>11</sup>

6.71 This would appear to be Commonwealth funding for core AIMS business, funnelled through the Foundation as a clearinghouse, adding administrative costs, and potentially making governance, oversight and accountability more complex.

## Meeting Australia's World Heritage commitments

6.72 It was asserted by some stakeholders that the Government chose to make such this unprecedented grant to the Foundation as a one-off payment to ensure that Australia's commitments to the World Heritage Committee are met.

6.73 This assertion is supported by the Auditor-General's Performance Audit which, almost in passing, states that in June 2017 the Government was advised by the department of the:

...need to 'escalate the response to the declining health of the reef' to avoid an 'in-danger' listing by the World Heritage.<sup>12</sup>

6.74 The department pushed back on this assertion, stating that funding estimates provided to the committee did not take into account other Commonwealth programs.

6.75 The Government had previously committed to expend \$716 million on Reef-related investment between 2015 and 2020 in the Reef 2050 Investment Framework.

6.76 However, given that the Foundation Partnership measure has introduced great uncertainty in Commonwealth investment in the Reef, the committee recommends that the Government work with the Queensland Government to publish an updated Reef 2050 Plan Investment Framework, to give some clarity on the matter.

## Recommendation 3

**6.77 The committee recommends that the Commonwealth and Queensland Governments publish an updated Reef 2050 Plan Investment Framework that provides current figures on established funding by source and priority area.**

## Investment of Commonwealth funds

6.78 The Grant Agreement sets out the conditions of the Foundation's investment of Commonwealth funds. It includes provision that the Foundation may invest:

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11 Great Barrier Reef Foundation, 'First Reef Trust Partnership funded project underway' *Media Release*, 21 January 2019, [www.barrierreef.org/latest/news/first-reef-trust-partnership-funded-project-underway](http://www.barrierreef.org/latest/news/first-reef-trust-partnership-funded-project-underway) (accessed 23 January 2019).

12 Australian National Audit Office, 'Award of a \$443.3 Million Grant to the Great Barrier Reef Foundation', Auditor-General Report No. 22 2018–19, p. 19.

...as permitted under a written investment policy of the Foundation in relation to the grant, which is consistent with sound commercial practice and in respect of which the Foundation has consulted the Department prior to the finalisation of the policy.<sup>13</sup>

6.79 While the Foundation must consult with the department in relation to the investment policy, there is not stipulation in the Grant Agreement that ensures the Commonwealth's grant is not invested in industries that continue to negatively affect the Reef. In particular, the committee notes the contribution of the use of fossil fuels to climate change, which is a major stressor of the Reef.

6.80 The unprecedented Commonwealth funding awarded to the Foundation has the preservation of the Reef for future generations at its heart. The committee considers that any investment of grant funds in industries that contribute to climate change is contrary to the aims of the grant and therefore should be precluded.

#### **Recommendation 4**

**6.81 Should a Government decide to maintain the Foundation Agreement, the committee recommends that all necessary steps be undertaken to ensure that the Foundation's investment of public funds precludes investment in sectors or funds that directly or indirectly contribute to climate change, particularly companies that generate energy from or undertake mining of fossil fuels.**

#### **Parliamentary oversight of the Agreement**

6.82 The committee understands that to meet its obligations under the Agreement, the Foundation must meet a number of reporting requirements.

6.83 The committee is aware that, had the \$444 million been awarded to a public agency, it would also be able to be appropriately scrutinised by the Parliament, including through the Senate and its estimates process.

6.84 The committee considers that the Parliament should be given the opportunity to maintain oversight of such a significant grant of Commonwealth funds. In order to ensure this occurs, the committee believes that information about the Foundation Partnership should be tabled in the Parliament. This information should be comprehensive and up to date.

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13 Grant Agreement between the Reef Trust and the Great Barrier Reef Foundation, p. 22.

## Recommendation 5

**6.85 Should a Government decide to maintain the Foundation Agreement, the committee recommends that the Senate order:**

**That—**

- (1) **There be laid on the table by the Minister representing the Minister for the Environment and Energy, by no later than 31 October each year:**
  - (a) **an annual performance statement for the previous financial year that provides information about the Great Barrier Reef Foundation's performance in achieving the purposes of the Great Barrier Reef 2050 Partnership Program; and**
  - (b) **independent and audited financial statements for the previous financial year for all receipts and payments relating to the Great Barrier Reef 2050 Partnership Program funds, including any co-financed contributions.**
- (2) **If the Senate is not sitting when a statement is ready for presentation, the statement is to be presented to the President under standing order 166.**
- (3) **This order has effect until the end of the last financial year in which the Agreement is operative, following the cessation of the Partnership.**

### *Auditor-General review of the Foundation Partnership Agreement*

6.86 During the course of this committee inquiry, the Auditor-General has completed a performance audit into the Award of a Grant to the Great Barrier Reef Foundation.<sup>14</sup> As set out in the previous chapter, this audit found serious flaws with departmental advice on the selection of the Foundation, as well as shortcomings with the processes used for the evaluation and award of the grant to the Foundation.

### *Entity response and implications for the department*

6.87 As part of the Auditor-General's inquiry into the awarding of the Partnership Grant to the Foundation, the department was given a chance to respond to the findings of the audit.

6.88 In its response, the department suggested that: 'Given the available timeframes, and consistent with Cabinet's decisions, the approach taken to establish the partnership was sensible and thorough'.<sup>15</sup>

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14 Correspondence from Mr Grant Hehir, Auditor-General, Australian National Audit Office, received 24 August 2018

15 Australian National Audit Office, *Award of a \$443.8 Million Grant to the Great Barrier Reef Foundation*, Report 22 of 2018–19, p. 13.

6.89 Additionally, the department claimed that the Partnership represented value for money for public resources, that the guidelines did include assessment criteria (while conceding these could have been labelled better), and that Program outcomes 'were appropriately specified in the grant guidelines, in line with the outcomes of the Reef 2050 Plan', along with appropriate reporting and evaluation process to ensure performance targets are 'further detailed, refined and reported against' over the Partnership.<sup>16</sup>

6.90 The committee has noted this response, which does not reassure the committee that the department had enough time to develop the Foundation Partnership policy or program effectively and with integrity.

6.91 The committee supports the Auditor-General's findings that there were serious shortcomings in the awarding of funding to the Foundation, which are consistent with the committee's own views, and endorses the recommendations for the department contained in the ANAO report.

6.92 In this regard, the committee notes that the Auditor-General was able to consult the department and the Foundation over the course of its audit, and in doing so obtained evidence to guide its report and recommendations to the Parliament.

6.93 The rigour and transparency of this process suggests that the Auditor-General's findings are supported by reliable and compelling evidence, which should have guided the departmental response to the ANAO's recommendations.

#### *Implications for other Commonwealth agencies*

6.94 Additionally, the committee sees merit in the ANAO setting out the key messages from the audit for all Commonwealth Government entities. These go to the heart of the need to: strengthening governance and risk management in developing funding proposals; more effective design of policy and programs when responding to ministers seeking innovative approaches; administering the Commonwealth's grant process effectively; and keeping good records on decisions when departing from departmental policies and proven practices.

#### *Further ANAO audit of the Foundation Partnership*

6.95 The Auditor-General has informed the committee that the ANAO will consider undertaking a second audit of the Partnership later in 2019–20, once key aspects of the design of the Partnership have been finalised.<sup>17</sup>

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16 Australian National Audit Office, *Award of a \$443.8 Million Grant to the Great Barrier Reef Foundation*, Report 22 of 2018–19, p. 13.

17 Correspondence from Mr Grant Hehir, Auditor-General, Australian National Audit Office, dated 24 August 2018

6.96 The committee considers that it is important for the ANAO to undertake this second audit, to assure the Australian public that public funds are being used with integrity.

6.97 Given the Auditor-General's findings in the report into the award of the Partnership Grant and that a second audit is yet to be agreed, the committee states its intention to maintain a continuing interest in the Foundation Partnership and the performance of the Foundation in delivering its outcomes beyond the scope of this inquiry, including through the estimates process.

## **Recommendation 6**

**6.98 Should a Government decide to maintain the Foundation Agreement, the committee recommends that the Auditor-General undertake a second audit of the Partnership in late 2019–20 once the design aspects of the Partnership have been finalised.**

### **Addressing climate change**

6.99 This inquiry has received very compelling evidence of the need for the Commonwealth Government to take immediate steps to address climate change. The evidence broadly noted that the \$444 Foundation Partnership does not address the cause of climate change directly. While this evidence has concentrated on the imminent disastrous outcomes for the Reef, environmentally, economically and for local and national communities, this is a broader issue of national importance that must be addressed.

6.100 The committee is aware that the Foundation accepts that climate change is an underlying cause of ongoing Reef stressors, and that climate change abatement is important for the Reef's long term survival and health. However, the committee notes that the Partnership Agreement does not begin to address climate change, as it is focussed on reducing stressors, such as improving water quality and combatting crown-of-thorns starfish outbreaks, to enable recovery and build resilience of the Reef.<sup>18</sup>

6.101 Once again, the committee was reminded of the importance of this task over the course of this inquiry, by the 8 October 2018 release of the Intergovernmental Panel on Climate Change (IPCC) *Special Report on Global Warming of 1.5°C* on 8 October 2018. This report found that human activities have caused around 1.0°C of global warming above pre-industrial levels, that this had already caused significant damage, and that without a large effort, this trajectory would continue with a number

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18 Great Barrier Reef Foundation, 'Reef Trust Partnership Frequently Asked Questions', [www.barrierreef.org/science-with-impact/reef-partnership](http://www.barrierreef.org/science-with-impact/reef-partnership) (accessed 16 November 2018).

of effects, including 'risks to health, livelihoods, food security, water supply, human security, and economic growth'.<sup>19</sup>

6.102 The Climate Change Council's summary of the IPCC report emphasises that Australia will be particularly vulnerable to continuing increases in temperature. Regarding the impact on reefs of a further 0.5°C rise, the summary states that:

Coral reefs could lose a further 70-90% of cover, eliminating the Great Barrier Reef as we know it.

Increased ocean acidity in a 1.5°C world will affect the survival and abundance of a broad range of marine species, from algae to fish.<sup>20</sup>

6.103 Given this outlook, it is clear that the Partnership will only address the symptoms devastating the Reef, at best. In doing so, it is another indication that the Government does not accept the clear scientific consensus on the looming environmental effects of climate change. Moreover, it confirms yet again that this Government is unwilling to even consider undertaking necessary and urgent work to reduce our reliance on fossil fuels, and taking Australia's commitment to meet international emissions targets seriously.

### **Recommendation 7**

**6.104 The committee recommends that the Commonwealth Government take steps to address and effectively tackle climate change as an underlying cause of economic, social and environmental damage to the Reef and the Australian environment more broadly.**

**Senator Peter Whish-Wilson  
Chair  
Senator for Tasmania**

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19 IPCC, *Summary for Policymakers of IPCC Special Report on Global Warming of 1.5°C*, p. 11.

20 IPCC, *Summary for Policymakers of IPCC Special Report on Global Warming of 1.5°C*, p. 11.