

EXECUTIVE MINUTE

on

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

REPORT [No. 481]

[Efficiency and Effectiveness: Inquiry into Auditor-General's Reports 25, 29, 38, 42, 44, 45 and 51 (2018–19)]

General Comments

In June 2019, the Australian National Audit Office (ANAO) published its audit report for the Farm Management Deposits (FMD) Scheme, which considered whether the administration of the Scheme had been effective. The report included four recommendations, three of which applied to the Department of Agriculture, Water and the Environment (the department). The department agreed to all three recommendations and has been progressing work to address these, including:

- preparations for the evaluation of the FMD Scheme which will be completed by 30 June 2021;
- completion of an overarching risk assessment of the FMD Scheme, in consultation with the Australian Taxation Office (ATO), in September 2020; and
- working closely with the ATO to resolve FMD data integrity and sharing issues.

Recommendation No: 9

The Committee recommends that the Department of Agriculture examine whether the Farm Management Deposits Scheme is meeting its policy objective of 'improved self-reliance' through a range of methods including its proposed evaluation, and assess alternative options of achieving the objective if the results do not demonstrate that the policy objective is being met. The findings should be reported back to the Minister, with an update provided to the Committee.

Summary of response: agreed

Supporting rationale:

As detailed in the ANAO audit report for the FMD Scheme, the department has committed to undertake an evaluation of the Scheme, which is the most critical means for the department to assess how well the Scheme is meeting its defined policy objectives. This will include a comprehensive assessment on the degree to which the Scheme meets its policy objective of improved self-reliance and the identification of possible improvements to the Scheme if this objective is not being met.

The evaluation of the FMD Scheme will be completed by 30 June 2021. The findings will then be reported to the Hon. David Littleproud MP, Minister for Agriculture, Drought and Emergency Management and other relevant ministers, along with details of the findings provided to the Committee.

In addition to the evaluation, ongoing departmental and government processes will continue for the Scheme, including analysis of FMD data supplied to the department and the ATO by Authorised Deposit-taking Institutions (ADIs), and improvements to the Scheme through the annual budget (and other) processes.

Recommendation No: 10

The Committee recommends that the Department of Agriculture and the Australian Taxation Office implement specific key performance indicators in order to measure the performance of the Farm Management Deposits Scheme, and for the results to be published in Annual Reports.

Summary of response: agreed

Supporting rationale:

The department is the policy owner for the FMD Scheme. The ATO is responsible for administering the legislation, including compliance for the Scheme.

The ATO has responded separately to this recommendation regarding key performance measures for Scheme compliance to be reported in its annual reports.

Following the evaluation of the FMD Scheme in 2021, the department will review its performance indicators used to measure the performance of the Scheme, in the context of meeting its policy objectives. These indicators will be set out in a revised Monitoring and Evaluation Plan for the FMD Scheme, which will be completed by the end of 2021.

The department will then develop appropriate key performance indicators in the context of the department's corporate planning processes, which would then be considered for inclusion in its annual reports from 2022.

Recommendation No: 11

The Committee recommends that the Australian Taxation Office undertake a new risk assessment of the Farm Management Deposits Scheme with input from the Department of Agriculture, including matters such as compliance and policy changes, and to issue a new risk rating if required

Summary of response: agreed

Supporting rationale:

The ANAO audit report for the FMD Scheme recommended that the department complete an overarching risk assessment for the Scheme that included issues raised in the audit, with the ATO providing input on tax risks.

The department completed the risk assessment in September 2020 in close consultation with the ATO. A range of policy and compliance matters were considered during its development, including those raised in the audit.

As part of this process, the ATO also provided the department with an updated FMD tax compliance risk assessment; this maintained the previous low risk level rating. This rating must be taken in the context of the ATO's broader risk rating system, where the FMD Scheme is considered to be a low value program with lower compliance risks relative to the much larger programs it administers. Conversely, the FMD Scheme is one of the department's key primary producer assistance measures, therefore risk ratings, particularly for compliance and data related issues, can tend to be higher due to their impact on the department's ability to meet its policy objectives.

Under the department's risk management processes, no overall risk rating is assigned to the programs it administers. Instead, individual ratings are assigned to each identified risk. A range of risk ratings were identified in the overarching risk assessment, which included significant risks related to ATO processes including:

- the ATO not having sufficient FMD-specific processes in place to adequately check primary producer compliance with the Scheme, and
- ADIs failing to deliver complete or accurate FMD data to the ATO each year, impacting the department's ability to accurately report on and monitor key elements of the Scheme.

Treatments were developed to mitigate these risks including a commitment from the ATO to:

- consult ADIs to improve data quality
- consider development of FMD-specific small business risk rules to improve primary producer compliance.

The overarching risk assessment is an ongoing process which will be updated, in consultation with the ATO and the Treasury (which has responsibilities for the legislative aspects of the Scheme), with the first update to be done in January 2021 after the ATO has confirmed its future work program for small business risk rules. The ATO may choose to do a separate risk assessment as part of this process and assign a new risk rating related to its compliance processes.



Lyn O'Connell
Deputy Secretary
Department of Agriculture, Water and the Environment