



Auditor-General for Australia



3 May 2017

Senator Malcolm Roberts
Chair
Select Committee on Lending to Primary Production Customers
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Senator

Inquiry and report on the regulation and practices of financial institutions in relation to primary production industries, including agriculture, fisheries and forestry

The Australian National Audit Office (ANAO) published the following performance audit report that you may find relevant to the inquiry on the regulation and practices of financial institutions in relation to primary production industries, including agriculture, fisheries and forestry:

- Report No. 28 of 2015-16, *Administration of Concessional Loans Programs*.

Information about what the audit assessed, concluded and recommended is attached. The audit report is available online at www.anao.gov.au.

Should the Committee require further information in relation to these matters, my office would be pleased to provide you with a briefing at a time convenient to you or appear as a witness at a hearing. To arrange a briefing, please contact our External Relations area at

Yours sincerely

Grant Hehir

Report No. 28 of 2015-16, *Administration of Concessional Loans Programs* assessed the Department of Agriculture and Water Resources' establishment and administration of the Farm Finance and Drought Concessional Loans programs.

The audit concluded:

The effectiveness of the Department of Agriculture and Water Resources' design and establishment of the Farm Finance Concessional Loans Program was adversely impacted by a number of factors, primarily: the department's (and the Australian Government's) limited experience in delivering concessional loan programs; the condensed timeframe set by government to design and implement the program once a public announcement had been made; and the department's inability to appropriately consult with the intended delivery partners prior to the program's announcement due to confidentiality considerations. In comparison, the experience gained by the department through the design and implementation of the Farm Finance Concessional Loans Program meant that it was better placed to design the latter Drought Concessional Loans Program.

While the department ultimately established workable arrangements with the states and the Northern Territory to deliver both concessional loan programs, there were shortcomings evident in design decisions and implementation activities. These shortcomings included the absence of: an economic analysis of the costs and benefits of providing a subsidy to assist farm businesses; appropriate modelling to estimate potential demand and ultimately the required funding profile for each program; sufficiently robust arrangements to ensure that funding conditions were met before payments were made and that reported jurisdictional performance information was accurate and complete; and a sound performance measurement and reporting framework to determine whether the objectives set by government are being achieved.

Given the relatively novel nature of concessional loan arrangements across the Commonwealth and the challenges that the department faced in implementing these programs with limited support, it will be important for the department to communicate the lessons learned from these early programs—both in relation to future departmental programs and also more widely across other public sector entities.

The ANAO made the following recommendations:

Recommendation 1 - To provide the required assurance that conditions precedent have been met for agreements endorsed under future programs, the ANAO recommends that the Department of Agriculture and Water Resources:

- establish suitable guidance for staff on verifying that conditions precedent have been met;
- reinforce to staff the importance of following established guidance; and
- retain records to demonstrate that conditions precedent have been satisfied.

Recommendation 2 - The ANAO recommends that the Department of Agriculture and Water Resources obtain appropriate assurance that all relevant funding agreement requirements have been met before related payments are released.

Recommendation 3 - To underpin robust governance arrangements for the concessional loan programs, the ANAO recommends that the Department of Agriculture and Water Resources review and validate information reported by jurisdictions to ensure that it is complete and accurate.

Recommendation 4 - To improve accountability and support effective program management, the ANAO recommends that the Department of Agriculture and Water Resources:

- develop a program evaluation strategy for current and any future concessional loans programs;
- expand existing KPIs and/or develop additional measurement tools to better inform an assessment of the extent to which the objectives for the programs are being achieved; and
- publicly report on established performance measures.