



Auditor-General for Australia



30 January 2020

Senator Glenn Sterle
Chair
Senate Standing Committees on Rural and Regional Affairs and Transport
By email: rrat.sen@aph.gov.au

Dear Senator Sterle

Federal Government's response to the drought, and the adequacy and appropriateness of policies and measures to support farmers, regional communities and the Australian economy

The Australian National Audit Office (ANAO) has published the following performance audit report that you may find relevant to the Inquiry into *Federal Government's response to the drought, and the adequacy and appropriateness of policies and measures to support farmers, regional communities and the Australian economy*.

- Report No. 51 of 2018–19, *Farm Management Deposits Scheme*

Information about what this audit assessed, concluded and recommended is attached. The audit report is available online at <http://www.anao.gov.au>.

I would also like to draw your attention to the ANAO's response to recent correspondence from the Hon. Joel Fitzgibbon requesting that I conduct an examination of Federal Government drought funding measures. The response provides an outline of the ANAO's audit coverage of the 21 drought funding measures as advised by the Department of Agriculture as at 2 October 2019. Mr Fitzgibbon's correspondence and my response can be accessed on the ANAO website: <https://www.anao.gov.au/work/request/federal-government-drought-funding-measures>.

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 external.relations@anao.gov.au.

Yours sincerely

Grant Hehir

Report No. 51 of 2018–19, *Farm Management Deposits Scheme* assessed whether the Australian Taxation Office (ATO) and the Department of Agriculture have effectively administered the Farm Management Deposits (FMD) Scheme. In assessing this objective, the ANAO adopted the following two high-level criteria:

- advice on the policy changes to the FMD Scheme in 2016 was provided on a sound basis to help achieve the Scheme's objectives; and
- effective risk identification and compliance arrangements are in place to support the integrity of the FMD Scheme.

The audit concluded:

- The administration of the FMD Scheme has not been fully effective.
- Largely sound advice was provided to Government on the limited extent to which the proposed changes to the FMD Scheme were expected to help achieve the Scheme's objectives. Agriculture proposes to assess the impact of the 2016 policy changes through a broader evaluation of the Scheme within the next two years. Current data indicates that take-up rates of the three policy measures have been low, especially for the loan offset measure.
- Risk identification and compliance arrangements to support the integrity of the FMD Scheme have not been fully effective. The ATO's compliance arrangements reflect its assessment that risks to revenue are relatively low, and its approach of managing risks at the sector level (for example, small business risks). However, the compliance arrangements and risk assessment processes have not fully captured key elements of the Scheme's design. As the policy owner of the Scheme, Agriculture should work with the ATO to be satisfied that risk assessment and compliance processes are appropriate. How implementation is progressing or what progress is being made towards the goal and objective.

The ANAO recommended that:

- In line with the policy intent of the Scheme, the Department of Agriculture's planned evaluation of the Farm Management Deposits Scheme includes:
 - a focus, with specific questions, on the extent to which the Scheme assists primary producers to become more financially self-reliant; and
 - the findings from this analysis in the evaluation report, which draws out implications for the administration of the Scheme and for related policies and programs that provide financial support to primary producers.
- Consistent with their respective roles and responsibilities:
 - the Department of Agriculture completes an overarching risk assessment for the Farm Management Deposits Scheme that includes issues raised in this audit, with the Australian Taxation Office providing input on tax risks; and
 - (both entities work collaboratively and in a timely way on identified issues such as data integrity and data sharing.
- The Department of Agriculture and the Australian Taxation Office:
 - each review the quality of the Farm Management Deposits Scheme data provided to them by financial institutions to ensure the data is fit for purpose; and

- consider options to improve the use of the data, to increase the net benefits of the data collection and/or reduce costs on financial institutions or within government.
- The Australian Taxation Office:
 - extends its use of data matching to support compliance with the Farm Management Deposits Scheme; and
 - maintains visibility over the nature and extent of compliance activities conducted on the Scheme to ensure these are commensurate with the assessed level of risk.