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Submission No: .....4.....

## SUBMISSION

The Australian Government Department of Agriculture, Fisheries and Forestry  
Australia

Joint Committee of Public Accounts and Audit  
public hearing into

### **ANAO Audit Report No. 36, 2003-2004, *The Commonwealth's Administration of the Dairy Industry Adjustment Package***

During 2003, the Australian National Audit Office (ANAO) conducted a performance audit of the Commonwealth's administration of the Dairy Industry Adjustment Package. Specifically, the audit examined the two major components of the Package, the Dairy Structural Adjustment Program and Supplementary Dairy Assistance measures. Not included in the audit was the administration of the Dairy Regional Assistance Program, administered by the Australian Government Department of Transport and Regional Services, and the Dairy Exit Program, administered by Centrelink.

The performance audit examined the Australian Government Department of Agriculture Fisheries and Forestry's (the Department) planning for implementation of the DSAP and SDA. Additionally, the ANAO examined the governance arrangements in the Dairy Adjustment Authority, the body established to administer the programs. Finally, the ANAO examined the management of the Dairy Structural Adjustment Fund (DSAF), managed by the Australian Dairy Corporation (now Dairy Australia Limited).

#### **Department's overall response to the Report**

1. The ANAO Report of the performance audit was released on 25 March 2004. There were a number of key findings of the report, which resulted in three recommendations, all of which relate to the activities of the Department. As was noted by the ANAO in its Report, the Department considered that the Report's recommendations and general comments on the development and delivery of the programs are a useful assessment of the management of this process by the Department, the DAA and the Australian Dairy Corporation.
2. The Department agreed with all recommendations, and since the release of the Report, has been working with related agencies and within the Department to respond as appropriate. We offer the following comments in relation to the recommendations.

### ***Recommendation No. 1***

*The ANAO recommends that the Department of Agriculture, Fisheries and Forestry's planning for future major new initiatives include better identification and analysis of the risks, costs and challenges of implementation, to enable greater assurance of timely and cost effective program delivery.*

3. The Department agreed that for future major new initiatives, it would seek to better identify and analyse the risks, costs and challenges of implementation, to enable greater assurance of timely and cost effective program delivery. The Department has a robust risk management framework that is linked to planning and reporting at the corporate, business and project level.

4. Following the establishment of a Cabinet Implementation Unit (CIU) in the Department of Prime Minister and Cabinet, the Department is now incorporating implementation issues into the Cabinet and Budget submission process. The new framework for Cabinet and Budget submissions ensures early consideration of implementation issues and provides a framework for reconciling expectations. Furthermore, the Department's quarterly reporting procedures ensure the Secretary is aware of progress on implementation of policy initiatives.

5. DAFF has also recently released guidelines for policy and program development and implementation to improve timeliness and responsiveness of policy initiatives, with feedback and case studies to be reported in 2004-05. The guidelines include better practice principles across a range of policy activities related to planning and implementation, including resourcing and capability.

### ***Recommendation No. 2***

*The ANAO recommends that the Department of Agriculture, Fisheries and Forestry seek to amend its contract with Dairy Australia to enable the Department to require performance measures from all agencies able to draw administrative moneys from the Fund. This would assist the Department to justify the value for money of the costs of administering the Package for greater accountability for performance.*

6. The contract referred to in this recommendation is the Statutory Funding Agreement (SFA) between the Commonwealth and Dairy Australia Limited. Dairy Australia is the dairy industry's services body and provides R&D and marketing services for the benefit of the Australian dairy industry. These activities are funded by a producer levy, known as the Dairy Services Levy. Another major activity of Dairy Australia is to manage the Dairy Structural Adjustment Fund (DSAF), which was established to fund the Dairy Industry Adjustment Package and is funded by a consumer levy of 11 cents per litre on all fresh milk sales in Australia. Management of the DSAF involves substantial borrowings and is strictly regulated through the *Dairy Produce Act 1986* and the SFA.

7. This recommendation has required detailed consideration by the Department. While amendments to the SFA between the two parties are not, of themselves, difficult to manage, the legal boundaries surrounding a recommendation of this nature have required careful consideration by the Department and Dairy Australia. Specifically, the powers in respect to the DSAF are set down in the *Dairy Produce Act 1986* (the Act), and these powers set clear legal limits in respect to claims and the

rights of agencies to make claims on the Fund. In essence, these rights can be summarised as allowing relevant agencies to make claims on the Fund, and binding Dairy Australia (as the Fund administrator) to pay claims provided they are in accordance with the requirements of the Act.

8. Taking into account this legal structure, the Department is currently working with Dairy Australia to amend the SFA, and with other agencies (Centrelink and the Dairy Adjustment Authority) to develop appropriate protocols for the reporting of claims on the Fund against agreed performance benchmarks. The Department, as the identified lead agency in the ANAO report, is responsible for developing the performance benchmarks, along with assessing financial outcomes against these benchmarks. It is envisaged that both these benchmarks and performance outcomes, along with a description and explanation of any variances, will be reported in the Dairy Australia Annual Report which is required under the Act to be tabled in Federal Parliament.

9. It is important to note that the Department, in implementing this approach, is seeking to establish clear lines of accountability for reporting and performance assessment. Specifically, as already indicated, the Department is seeking to establish appropriate benchmarks, including in relation to its own performance and that of Dairy Australia, and will require reports to be provided by Dairy Australia to the Department on administrative claims made on the Fund in order for the Department to objectively assess performance outcomes on an aggregate and individual agency/company basis. It is envisaged that these reports will be provided quarterly for internal monitoring purposes and the results published annually as indicated.

10. The Department believes that the approach taken in implementing recommendation two is consistent with the intent of the ANAO report which identified the need for greater transparency in respect to the nature of the claims being made on the Fund and whether these claims afforded best value for the Commonwealth. The Department also notes that the approach is consistent with the findings of the Review of the Accrual Budget Documentations (Report 388) which recommended that agencies with a shared outcome should identify the shared outcome and the contribution of other agencies; determine a lead agency with prime responsibility for that outcome; and consider entering into memoranda of understanding with other agencies to clarify the responsibilities of each agency in achieving the shared outcome.

### ***Recommendation No. 3***

*The ANAO recommends that the Department of Agriculture, Fisheries and Forestry reconsider amending its contract with Dairy Australia to add standard clauses providing for ANAO access to premises, records, information and assets associated with Dairy Australia's responsibilities under the Dairy Industry Adjustment Package.*

11. The Department is seeking to amend its Statutory Funding Agreement with Dairy Australia to require Dairy Australia to allow specific access by the ANAO to its premises, records, information and assets associated with Dairy Australia's responsibilities under the Dairy Industry Adjustment Package. However, the Department notes that current provisions within the Statutory Funding Agreement already requires Dairy Australia to provide access to premises, accounts and records by the Commonwealth and its representatives.

12. Discussions with Dairy Australia indicate that these additional provisions will be acceptable to the Company. It should be noted that, as a private company, Dairy Australia provided the ANAO with unlimited access during the course of its performance audit, along with all assistance required of it.