

The Auditor-General
Audit Report No.50 2004–05
Performance Audit

Drought Assistance

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Canberra ACT
2 June 2005

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit across agencies in accordance with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit and the accompanying brochure to the Parliament. The report is titled *Drought Assistance*.

Following its tabling in Parliament, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian McPhee', is positioned above the printed name.

Ian McPhee
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office. The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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Abbreviations

ABARE	Australian Bureau of Agricultural and Resource Economics
ANAO	Australian National Audit Office
ARMCANZ	Agriculture and Resource Management Council of Australia and New Zealand
BoM	Bureau of Meteorology
BRS	Bureau of Rural Sciences
CPA	Certified Practising Accountant
CWA	Country Women's Association
CWAA	Country Women's Association of Australia
DAFF	Department of Agriculture, Fisheries and Forestry
DEST	Department of Education, Science and Training
DEWR	Department of Employment and Workplace Relations
DITR	Department of Industry, Tourism and Resources
DoTARS	Department of Transport and Regional Services
EC	Exceptional Circumstances
EC Interest Rate Subsidies	Exceptional Circumstances Interest Rate Subsidies
EC Relief Payment	Exceptional Circumstances Relief Payment
EMG	Emergency and General Assistance System
FaCS	Department of Family and Community Services
FarmBis	Farm Business Improvement Program
FRSP	Family Relationships Services Program
GDP	Gross Domestic Product
ISS	Newstart Income Security System
KPI	Key Performance Indicator
MOU	Memorandum of Understanding
NDRA	Natural Disaster Relief Arrangements
NRAC	National Rural Advisory Council

PIMC	Primary Industries Ministerial Council
PM&C	Department of the Prime Minister and Cabinet
RLPB	Rural Lands Protection Board
SBIRR	Small Business Interest Rate Relief

Summary and Recommendations

Summary

Background

1. The drought that started in 2002–03 has been particularly severe by historical standards. The consequences included a fall of more than 50 per cent in crop production in 2002–03.¹ Flow-on effects contributed to a downturn for rural businesses and fewer regional employment opportunities.
2. When drought conditions prevail, it is initially the responsibility of the respective State or Territory Government to provide drought assistance, where appropriate, in the affected region. However, when a drought is rare and severe, and results in a severe and prolonged downturn in income, State and Territory Governments may apply to the Australian Government to have the region or specific industry(s) declared as qualifying for Exceptional Circumstances (EC) assistance.
3. Initially, the drought was addressed by the Australian Government through the arrangements for EC. EC provides targeted assistance in the form of family income support² and interest rate subsidies for farm enterprises.³
4. As the severity and spread of the drought increased, *prima facie*⁴ EC was introduced by the Australian Government in September 2002.
5. With continuing spread of the drought, additional drought assistance measures were announced on 27 November and 9 December 2002. The measures provided immediate income assistance and interest rate relief for eligible farmers⁵, and provided further time for State and Territory Governments to prepare EC applications.

¹ Australian Bureau of Agricultural and Resource Economics, *Australian Commodities*, Vol 10 No 4, December Quarter, Australia, 2003, p. 570. DAFF advised that 2001–02 was one in which record crop production levels were achieved.

² EC Relief Payment is paid at a rate equivalent to the Newstart Allowance.

³ A 'farm enterprise' is defined in the *Farm Household Support Act 1992* (FHS Act) as an enterprise carried on within any of the agricultural, horticultural, pastoral, apicultural or aquacultural industries.

⁴ *Prima facie* provides six months of Interim Income Support payments commencing from the date on which the Minister for Agriculture, Fisheries and Forestry announces that an EC application has a *prima facie* case and its full EC status is being confirmed.

⁵ A 'farmer' is defined in the FHS Act as a person who: has a right or interest in the land used for the purposes of a farm enterprise; and contributes a significant part of his or her labour and capital to the farm enterprise; and derives a significant part of his or her income from the farm enterprise.

6. The measures also included assistance for eligible small businesses for the first time, through the Small Business Interest Rate Relief program. Personal counselling services were provided, and funding was allocated to the Country Women's Association to assist it help and support those affected by the drought.

7. At December 2004, there had been 60 EC declarations since September 2002. Over \$550 million in direct assistance has been provided, with more than \$1 billion allocated until 2006–07.

This audit

8. The objective of this audit was to assess the administration and implementation of the drought assistance measures.

9. The audit focussed on EC, including *prima facie* EC, and key aspects of the additional drought assistance measures.

Key Findings

Contingency planning and responding to the drought (Chapter 2)

10. The Department of Agriculture, Fisheries and Forestry (DAFF) did not have a specific preparedness or contingency plan for drought, notwithstanding previous recommendations made by a Taskforce of Australian and State and Territory Government officials to this effect.⁶ DAFF advised that its preparedness was instead focussed through existing arrangements, primarily through arrangements for EC.

11. Planning by DAFF did identify some risks to delivery of EC, including poor understanding of EC and difficulties in targeting assistance. However, there were no specific treatment strategies identified, corresponding to these risks. Nor did risk plans identify the possibility that substantial additional measures might be needed if the drought worsened. DAFF advised this was because it is the responsibility of the State and Territory Governments to apply for EC declarations in a timely manner.

12. The drought had more wide reaching consequences than previous droughts. Greater structure in addressing risks, and their treatments, would have assisted in identifying and addressing some of the difficulties that subsequently arose in delivering drought assistance.

13. DAFF undertook a substantial amount of work to fulfil its responsibilities for responding to the drought. This included the establishment of an internal Drought Taskforce to, inter alia, assess and process EC applications from State and Territory Governments. DAFF also compiled a package of proposals for the additional drought assistance measures announced on 27 November and 9 December 2002, in consultation with other relevant agencies.

14. However, DAFF advised that it was not asked to undertake the role of a lead agency. The Taskforce was not charged with a broader role of inter-departmental coordination of drought assistance measures. An Inter-Agency Group was established in November 2002 and met for a period of 11 months. The Group was chaired by the Department of Family and Community Services (FaCS), and focussed on the social aspects of drought recovery.

⁶ Review of the National Drought Policy (1997)–unpublished.

15. In the absence of a formal lead agency, there was no whole-of-government implementation plan, and some limitations in cross-departmental strategies. For example, there was no integrated communication strategy.

16. As well, there was no whole-of-government framework to support assessment of the implementation of the full range of drought assistance measures. Instead, assessment and reporting focussed on specific agency measures. This reporting varied in nature and detail between agencies, making it difficult to ascertain the overall success of the drought assistance measures, and opportunities for any refinement to such measures in the longer term to better achieve government outcomes. It also reduces transparency to stakeholders⁷ on outcomes achieved.

Promotion and information (Chapter 3)

17. The Australian National Audit Office (ANAO) found that, overall, there was a large range of information on drought assistance available to farmers and businesses. DAFF and Centrelink undertook a wide range of activities to promote the drought assistance measures. Activities included: face-to-face advice for farmers at Centrelink Customer Service Centres; liaison with rural organisations to assist in promoting and targeting information to farmers; regional seminars and roadshow visits; information materials and websites; a dedicated drought assistance hotline; and advertising.

18. Australian Government departments also collaborated jointly with industry bodies and State and Territory Governments at seminars, conferences and field days, to promote the range of assistance available to farmers. For example, departments coordinated to attend the Australian National Field days in Orange in October 2003.

19. However, there was little regional advertising prior to February 2003, more than two months after the announcement of the additional drought assistance measures. During this period there was increasing concern in regional communities about the impact of the drought and eligibility for assistance. The peak period for regional advertising of the drought assistance measures was February and March 2003.

20. DAFF advised that a number of factors influenced the timing of advertising, including the time of year. There was also a significant amount of free press coverage in the period leading up to the commencement of formal Australian Government advertising.

⁷ For the purpose of this audit report, stakeholder refers to industry bodies, including farmers and farmer organisations.

21. In June 2003, several months after the peak period of promotion for the drought assistance measures, a Centrelink commissioned report⁸ found that local (and regional) newspaper advertisements and radio announcements were the most common sources of information for farmers. Farmers' associations, personal contacts and Government seminars also contributed to enhancing farmers' knowledge.

22. The report⁹ also suggested that the multiplicity of sources of information and range of drought assistance measures available may have increased confusion. These findings are consistent with comments from stakeholders during this audit.

23. Promotional and information strategies for any future significant drought occurrence would benefit from an assessment of the effectiveness of the promotion and information activities for the drought assistance measures to determine lessons learned and better practice.

Assessment of Exceptional Circumstances applications (Chapter 4)

24. It is the responsibility of the State and Territory Governments to prepare and submit an EC application to the Australian Government. EC applications are often prepared in conjunction with peak industry bodies, local Government or farmer organisations.

25. DAFF has an EC handbook, developed in consultation with State and Territory Government agencies, to provide guidance on the processes for applying for, and assessment of, EC.

26. However, the handbook has limitations, including lack of a clear standard for information required in an EC application. Stakeholders, such as peak industry bodies and farmer organisations, also commented that the amount of information required for an application was extensive. In some instances, the information was difficult to obtain, particularly for newer industries, such as stone fruit orchardists, suffering from the effects of the drought.

27. The ANAO examined a sample of EC applications. In the sample, the ANAO found that all required further information to be provided, after application to the Australian Government. As a result, there were often delays in the assessment process as additional information or clarification was sought. Such actions can delay the provision of drought assistance to farmers.

⁸ ACNielsen, *Centrelink's Delivery of Drought Relief*, Australia, 2003.

⁹ *ibid.*

28. In response to the proposed audit report, DAFF advised that some EC applications were complete and required no further information. DAFF also advised that, to minimise delays in the assessment process, it consults with State and Territory Governments and industry representatives to discuss the information required and to expedite the provision of additional information, if requested.

29. The majority of applications have exceeded DAFF's internal eight week processing target. DAFF advised that timeliness is dependant on variables outside of its control. These include organising National Rural Advisory Council (NRAC) tours of affected areas, and obtaining further information from the State and Territory Governments.

30. There would be efficiencies gained in the EC process if there was greater clarity and shared understanding of the requirements for EC applications. Improved guidance could be provided through an enhanced EC handbook or other means.

31. The ANAO found that there were gaps in some documentation on DAFF files, including omissions from an internal documentation checklist. DAFF subsequently advised that all key documents are now contained on file.

32. A press release is the major source of information following an EC declaration, both for administration and for potential recipients. It outlines the EC area and any conditions on EC eligibility. The ANAO found that the distribution of press releases was extensive and timely.

33. There is no standard approach to describing EC areas in the EC applications (which is subsequently put into the press release). As a result, the descriptions of EC declared industries and regions were at times complicated. As well, some maps of the EC declaration areas did not relate clearly with descriptions of the areas in the press release.

34. These factors have resulted in some confusion, and difficulties in determining eligibility for drought assistance, both for potential recipients and Centrelink Customer Service Officers, who process drought assistance applications. Overall, there is scope to improve clarity in descriptions and maps of EC areas and their corresponding maps.

Delivery of assistance to farmers (Chapter 5)

35. Farmers and stakeholders often regarded the process of applying for drought assistance as confusing, and had a limited understanding of many of the measures. This was due both to the number of different drought measures (including those offered by State and Territory Governments) and to differences between the application processes, and information and eligibility requirements, for the different measures.

36. Centrelink¹⁰ accordingly took steps to improve accessibility and to better inform farmers. For example, most Customer Service Centres: established outreach services, including visiting farms and holding seminars; set up counters specifically for farmers; and contracted dedicated 'drought workers' to provide a support role within the community. These approaches were generally well received, with over 80 per cent of farmers satisfied with the services received from Centrelink staff.¹¹

37. There was variation in the extent and nature of these activities. Many factors will impact on uptake, including the extent of drought and the industries affected, and the individual circumstances of farmers in the area. In some areas, uptake of drought assistance was less than anticipated. Identifying those activities and outreach services that were most successful and cost effective in delivery, information and advice to farmers could assist with delivering future customer service initiatives in the farming community.

38. Centrelink National Support Office established sound administrative guidance and procedures to support the delivery of drought assistance at Customer Service Centres. This included training, a rural help desk at its National Support Office to provide advice on complex or difficult claims, and reference material on its intranet.

39. The processing of drought assistance claims was systematic and structured. Files and Centrelink's systems contained evidence of the required information, including for the assessment of eligibility. Centrelink meets its target of making 80 per cent of EC Relief Payments within 42 days of the lodgement of the initial claim.

40. Centrelink systems provide a reasonable level of assurance that applications are processed accurately and in a timely manner. However, there were some issues regarding the accuracy of information contained in the EC certificates issued by the relevant State or Territory Rural Adjustment Authority.

41. A farmer claiming EC Relief Payment must hold an EC certificate. It is the responsibility of the State and Territory Rural Adjustment Authorities to check that the location of the farm enterprise, its industry type and other eligibility requirements comply with the conditions of the EC declaration. In response to the proposed audit report, State and Territory Rural Adjustment Authorities advised the ANAO that EC certificates are issued based on advice from the applicant, typically by telephone. It was also noted that the State and

¹⁰ Apart from the EC Interest Rate Subsidies, farmers must apply to Centrelink for drought assistance.

¹¹ A research report, *Centrelink's Delivery of Drought Relief*, was prepared for Centrelink in June 2003. From a sample of 804 farmers, 251 farmers had applied to Centrelink for drought assistance. Of the 251 farmers, over 80 per cent were satisfied with the services received from Centrelink staff.

Territory Rural Adjustment Authorities are not required to implement procedures to prevent fraudulent claims.

42. However, the ANAO found, from a sample of files examined, that EC certificates submitted to Centrelink with applications for EC Relief Payment were often incorrect or had anomalies. These included: the farm on the certificate was not located within the EC declared area; and had incorrect industry or personal details on the EC certificate.

43. As a result of these anomalies, some Centrelink Customer Service Officers assessed the validity of EC certificates. Centrelink does not have formal responsibility or consistent arrangements to do so.

44. These work-arounds reflect a systematic weakness in the current procedures between the Australian Government and State and Territory agencies. The weaknesses affect a key aspect of the processing of claims for drought assistance, thereby undermining reliability and efficiency.

45. EC Interest Rate Subsidies are administered under the *Rural Adjustment Act 1992* (RA Act).¹² In order to pay money to the States or Territories under the Act, the Australian Government must have an Agreement with the State and Territory Governments. The ANAO found that the relevant Agreement had passed its formal termination date on 31 December 2000, and was not then renewed.

46. DAFF did not seek legal advice on the matter until February 2003. During this time, guidelines for the administration of EC Interest Rate Subsidies were being issued that referred to the Agreement (that had expired).

47. The legal advice obtained by DAFF was that it was arguable that the Australian Government and State and Territory Governments have impliedly extended the term of the Agreement.¹³ In this context, the ANAO notes that all parties behaved as if the Agreement was in place.

48. Notwithstanding this, DAFF was advised that it was desirable to clarify this situation by: entering into a new Agreement; or extending the term of the Agreement. In the event, DAFF took this advice and extended the term of the Agreement in July 2004, to December 2007.

49. The Agreement is a significant part of the formal framework for the delivery of EC Interest Rate Subsidies. Better monitoring of such a key element in the formal delivery framework is required to ensure the provisions which

¹² The RA Act specifies the payment structure for the subsidy. The Australian Government contributes 90 per cent of the cost and the State and Territory Governments contribute 10 per cent.

¹³ Legal advice obtained by DAFF advised that by continuing to (respectively): issue and accept guidelines; make and receive payments; and apply payments in accordance with the guidelines and the RA Act, State and Territory Governments had impliedly extended the term of the Agreement.

govern the program are met, not the least to address risks that may arise in delivery.

50. Rural Adjustment Authorities administer EC Interest Rate Subsidies. However, requirements for performance management, monitoring and reporting have not been formally agreed to with the Rural Adjustment Authorities, as required by the RA Act. In practice, DAFF receives weekly reports through informal arrangements.

51. This approach results in inconsistent reporting. A more structured approach to articulating performance requirements would improve the monitoring, accountability and transparency of the program, and meet the requirements of the RA Act in the future.

Small Business Interest Rate Relief (Chapter 6)

52. Consideration of assistance to small businesses was first undertaken by the Department of Industry, Tourism and Resources (DITR) in March 2002. Several options were considered. The department was asked by the Minister for Industry, Tourism and Resources to develop two options further, one being for an interest rate relief program.

53. While DITR indicated that it sought to gather some data, there was little development of these options. The recollection of those involved at the time was that there was no request from small business to provide such relief and no evidence of significant harm to small businesses from the drought. It was also considered that there were reasonable prospects that farm production would increase. The department advised that it was therefore not required to pursue the options further. There is no record of any request or decision not to continue this work.

54. The Small Business Interest Rate Relief program was introduced by the Australian Government as one of the additional drought assistance measures on 9 December 2002.¹⁴ Analysis of the key client groups or their needs had not been undertaken prior to the announcement. A risk management plan was not produced until early in 2004, limiting its usefulness for program planning and management.

55. Centrelink administered the program for DITR, which was the responsible policy department. An interim Agreement for these arrangements was signed by the agencies in December 2002, and a Memorandum of Understanding (MOU) was signed in March 2003. However, the related

¹⁴ Announced in the Prime Minister of Australia's press release 'New Drought Support' on 9 December 2002.

Program Protocol, which contained more detailed responsibilities, was not signed until January 2004.

56. As with other drought assistance measures, Centrelink used a range of activities to promote the program including: radio announcements; advertisements; and visits to regional areas. However, advertising did not commence until late February 2003, following concerns raised by DITR regarding the lack of advertising.

57. Processing of applications was centralised to Centrelink's Rural Call Centre in Maryborough (Queensland). Applications were accurately assessed in accordance with the required eligibility criteria. Over 90 per cent of applications were processed within five days.

58. DITR did not set targets for the program. It forecast that it would receive up to 17 500 applications, with up to 14 000 successful, as it advised that it considered it to be a safety net program. In contrast, only 452 applications were received, with just 182 successful. Program payments over the life of the program totalled just over \$1.1 million, compared with an initial estimate of \$70 million.

59. A Centrelink survey indicated that reasons for businesses not applying for the relief included complexity of the forms and processes, and not being able to meet the criteria for reduction in turnover and/or value of assets.

60. The program was closed in 2004. DITR advised that the program will be evaluated in 2005. In the light of these audit findings, the evaluation could usefully address program planning and design, including whether criteria targeted intended businesses; effectiveness of promotion; and reasons for low take-up.

Counselling (Chapter 7)

61. FaCS was responsible for the personal counselling measure, announced as part of the additional drought assistance measures on 27 November 2002.

62. The bulk of funding provided for counselling was through FaCS's existing Family Relationships Services Program (FRSP).¹⁵ Centrelink also provided telephone counselling and some face-to-face counselling, through a letter of agreement with FaCS.

63. Advertising targeting the personal counselling services did not commence until March 2003. FaCS advised that reasons for delay included a focus in early 2003 on its response to the Bali bombings. As with other

¹⁵ The FRSP funds about 100 organisations to provide a range of family relationship services. One of the services funded is Family Relationships Counselling.

measures, Centrelink produced fact sheets and publications. These were distributed through Customer Service Centres, social workers and outreach workers and the local community.

64. There were mixed views on the effectiveness of information and promotion. Most FRSP providers considered that there was insufficient publicity and information provided to potential clients about the availability of their services. For example, one FRSP provider commented that ‘many people didn’t know or understand what was on offer ... there needs to be more saturation of information about the benefits of seeking assistance ... publicity aimed at de-stigmatising counselling and assistance services would be helpful’.

65. These concerns were reflected in limited initial uptake of the counselling services. Accordingly, both FRSP organisations and Centrelink focussed, to a considerable degree, on activities to promote and establish relationships within the community, and outreach counselling activities. Examples included: information sessions for local groups and businesses; liaison and networking with other organisations; and doorknock campaigns. Broader counselling outreach activities included suicide prevention programs; workshops; and ‘time out’ days for farming women.

66. Overall, there was limited information provided to FaCS on the extent of Centrelink counselling assistance. Centrelink advised that this was because the delivery of counselling services had evolved from that envisaged.

67. Centrelink advised the ANAO that over 500 people had made appointments for counselling with social workers, for issues related to the drought.

68. Reporting by FRSP providers to FaCS was more structured, including self-appraisal reports. This enabled FaCS to assess trends and commonalities faced by the organisations. The reporting contributed to a proposal to fund innovative models for service delivery in 2003–04.

69. FRSP organisations provided counselling to over 3 000 families or individuals.

70. Neither FRSP providers nor Centrelink assessed client satisfaction in a structured way. Such assessment would have been particularly valuable for FaCS, given the nature of the services.

Country Women's Association Emergency Drought Aid (Chapter 8)

71. The Government provided \$1 million for the Country Women's Association (CWA)¹⁶ Emergency Drought Aid Fund. Through the Fund, the CWA across Australia provided grants to needy families in farming communities. DAFF administered the funds as a donation to the CWA. Administrative expenses were met by the CWA.

72. The Fund was advertised along with the Government's additional drought assistance measures and through the CWA network.

73. Decisions on whether to provide financial assistance, and the amount, were at the discretion of the local CWA. The decisions were based on an assessment of need against specific criteria. The criteria were developed jointly by the CWA and DAFF, reflecting their cooperation on administration of the Fund. In general, aid was provided in the form of voucher or a cheque payable to the claimants' creditor (for example, to pay utility bills).

74. Applicants were not required to fill in an application form. Instead, a Record of Assistance form was developed by the CWA, in consultation with DAFF. The forms were used to provide information to DAFF on the distribution of assistance provided.

75. The Fund was well received by rural communities, with funding being utilised very promptly. Some 90 per cent of the total allocation of funds was spent between January and March 2003.

76. The average payment was \$500. Most payments were made for: phone bills; vehicle costs; utilities; school fees and costs; food; and health related expenses. This was in line with the agreed criteria.

Overall audit conclusion

77. Australian Government agencies made considerable efforts to deliver the drought assistance measures to affected communities. Delivery of assistance was, on the whole, accurate and timely.

78. However, the overall response to the drought would have been facilitated by clearer arrangements for a lead agency, allied with associated risk management, coordination and whole-of-government performance management arrangements, to assist with refining measures for better outcomes and to improve transparency to stakeholders, providing a more

¹⁶ The Country Women's Association of Australia (CWAA) is a voluntary organisation that provides community support in rural and remote areas of Australia through an extensive network of 1 800 branches, with membership of around 44 000. Member bodies include seven State and Territory Associations. For the purpose of this audit report the CWAA, State and Territory Associations and local branches are generically referred to as the CWA.

visible responsiveness to community concerns. Such an approach would also assist, in the future, in aligning policy, program design and service delivery.

79. Centrelink and other providers were flexible in their approaches to providing information and advice, especially through outreach services. Some of the innovative outreach approaches, and measures such as the CWA Fund, were effective in reaching those affected and needing assistance. Others, such as the Small Business Interest Rate Relief program, were far less effective in achieving outcomes.

80. There was good cooperation between Australian and State and Territory Government agencies. However, aspects of their administrative interactions could be improved, to improve the delivery of assistance. In particular, improved facilitation of EC applications and use of EC certificates warrants consideration. Better monitoring of the Agreement between the Australian Government and State and Territory Governments is also required to ensure that timely and appropriate action is taken.

81. There was a considerable amount of promotion of the measures and provision of related information. However, some of the targeted advertising did not occur until several months after the announcement of measures. Assessment of the effectiveness of various promotional and information approaches would provide valuable lessons for any future assistance measures targeting the farming community.

82. Overall, there was a degree of confusion amongst potential recipients of the range of drought assistance measures and of eligibility requirements, which underlines the importance of agencies taking into account the growing experience with whole-of-government approaches in delivering more effective outcomes.

Recommendations and agency responses

83. The ANAO made 10 recommendations for improving the administration and implementation of Exceptional Circumstances and other drought assistance measures. All recommendations were agreed.

84. Responses to the audit report from DAFF and Centrelink are provided in Appendix 9. DITR and FaCS agreed with the recommendations relevant to them and did not make any further comments of substance on the report.

85. The following was the summary response from DAFF:

The Department welcomes the ANAO's recognition of its significant efforts in delivering drought assistance in an efficient, effective and timely manner.

The Department notes the views formed by the ANAO and agrees with the recommendations. The Department has already made significant progress in addressing a number of the issues raised in the ANAO report.

86. Centrelink commented that it:

Welcome[s] this audit report and agree[s] with the specific recommendation related to Centrelink's responsibilities.

87. With respect to the whole-of-government element of the proposed audit report, the Department of the Prime Minister and Cabinet provided the following comment:

The Department of the Prime Minister and Cabinet strongly advocates agencies working collaboratively in the areas of policy development, programme management and service delivery. All Departmental Secretaries recently endorsed a guide entitled 'Working Together' [see Appendix 10] that emphasises the importance of a whole-of-government approach to inter-agency work. The covering message from Secretaries states that 'Governance is enhanced by ensuring constructive, open communication across portfolios working to an agreed objective'. The ... guide ... acknowledg[es] that a lead agency will not always be necessary, [it] establishes an expectation that there will be a lead agency who, as well as working from the perspective of their agency, will also extol the benefits of a whole-of-government perspective. Where, in the minority of cases, there is not a lead agency, that needs to be the result of a conscious and agreed decision.

Recommendations

Recommendation No.1

Paragraph 2.34

The ANAO recommends that, for future significant drought or Exceptional Circumstances where there is a whole-of-government response, but no nominated lead agency, DAFF seek the agreement of government for it to adopt the role of lead agency.

DAFF response: Agreed.

Recommendation No.2

Paragraph 3.33

The ANAO recommends that DAFF and Centrelink undertake an assessment of promotion of the drought assistance measures. This should include an assessment of lessons learned and better practice to inform strategies for any future significant drought occurrence.

DAFF response: Agreed.

Centrelink response: Agreed.

Recommendation No.3

Paragraph 4.16

The ANAO recommends that DAFF, in consultation with State and Territory Governments, review and revise the EC handbook to provide further information and guidance on the data required to support an EC application.

DAFF response: Agreed.

Recommendation No.4

Paragraph 4.34

The ANAO recommends that DAFF maintain reliable documentation of decisions and processes around EC declarations, including records of significant discussions with State and Territory Governments.

DAFF response: Agreed.

Recommendation No.5

Paragraph 4.52

The ANAO recommends that DAFF, in consultation with State and Territory Governments, assess means of establishing greater consistency and clarity between descriptions of EC areas and their representation on maps.

DAFF response: Agreed.

Recommendation No.6 Paragraph 4.53	<p>The ANAO recommends that DAFF work with Centrelink to determine how maps and descriptions of EC areas can best meet Centrelink's needs for administering EC declarations.</p> <p><i>DAFF response:</i> Agreed.</p>
Recommendation No.7 Paragraph 5.20	<p>The ANAO recommends that DAFF, through the MOU with Centrelink, identify those activities and outreach services that were most successful and cost effective, to assist with the delivery of future customer service initiatives in the farming community.</p> <p><i>DAFF response:</i> Agreed.</p>
Recommendation No.8 Paragraph 5.56	<p>The ANAO recommends that DAFF review the role of, and administrative procedures for, EC certificates, in light of the quality control issues experienced.</p> <p><i>DAFF response:</i> Agreed.</p>
Recommendation No.9 Paragraph 6.56	<p>The ANAO recommends, that in evaluating the Small Business Interest Rate Relief program, DITR assess the sufficiency of program design, including whether its criteria targeted intended businesses; effectiveness of promotion; and reasons for low uptake.</p> <p><i>DITR response:</i> Agreed.</p>
Recommendation No.10 Paragraph 7.55	<p>The ANAO recommends that FaCS assess the extent to which promotion of the drought counselling assistance was sufficient to raise adequate awareness of services amongst the targeted communities.</p> <p><i>FaCS response:</i> Agreed.</p>

Audit Findings and Conclusions

1. Introduction

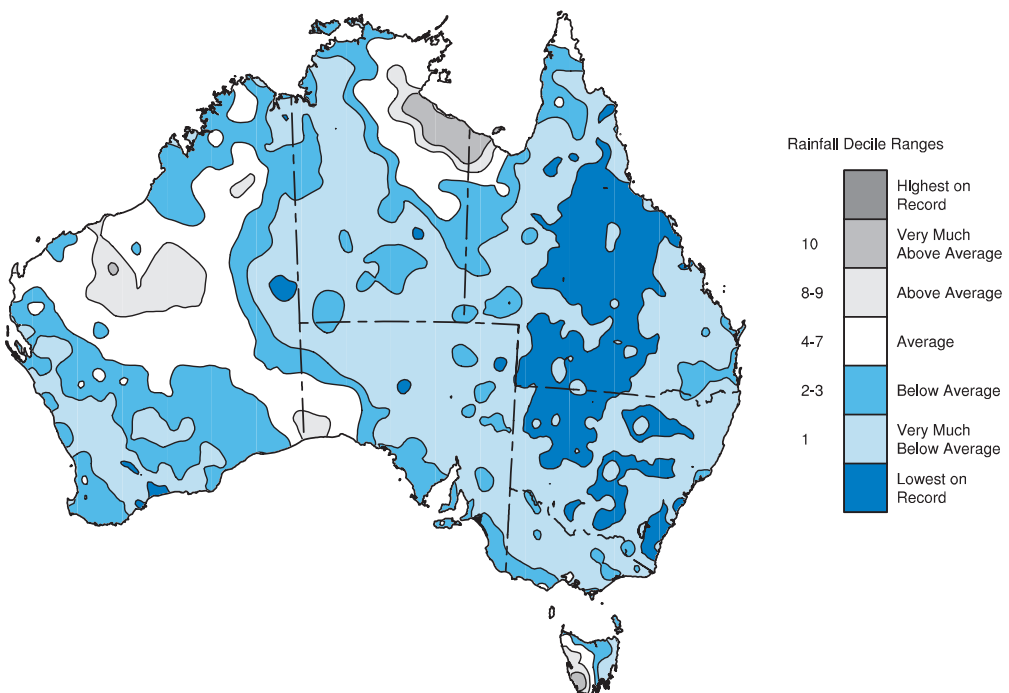
Background

1.1 Since the late 1880s, Australia has experienced several severe and prolonged droughts. They include the Federation Drought of 1895–1902; the 1914–15 drought; the World War Two droughts during 1937–45; the 1982–83 drought; and the El Nino associated droughts from 1991 to 1995 and in 1997.¹⁷

1.2 The drought that started in 2002–03 has been particularly severe. Extensive areas of Australia experienced drought conditions similar in severity and extent to the extreme droughts of 1902 and 1982–83. By January 2003, all of New South Wales and most of Queensland and Victoria had been experiencing below average rainfall (see Figure 1.1).

Figure 1.1

Australian rainfall 1 March 2002 to 31 January 2003



Source: Bureau of Meteorology

¹⁷ Australian Government Bureau of Meteorology, *Climate Education-drought* [Internet]. BoM, Australia, 2003, available from <<http://www.bom.gov.au/lam/climate/levelthree/c20thc/drought.htm>> [accessed 15 December 2003].

Impact of the drought

1.3 The Australian Bureau of Agricultural and Resource Economics (ABARE) estimated that the drought reduced Gross Domestic Product (GDP) in 2002–03 by about 1 percentage point, or \$7 billion.¹⁸ The impact on the farming sector has included:

- crop production was 55 per cent lower in 2002–03 than in 2001–02¹⁹;
- the grains harvest was the lowest since the 1982–83 drought²⁰;
- grain exports fell by 32 per cent²¹; and
- farm GDP fell by 24.8 per cent, to a level lower than during the 1994–95 drought.²²

1.4 The drought also had flow-on effects for rural communities. These included a downturn in local business and fewer regional employment opportunities. In addition, there have been social ramifications in rural communities, including increased anxiety and depression felt by families.²³

National Drought Policy

1.5 The National Drought Policy, agreed to in 1992 by the Agriculture and Resource Management Council of Australia and New Zealand (ARMCANZ)²⁴, is based on encouraging self-reliance and the management of drought and other risks by the farming community. The objectives of the policy are summarised in Figure 1.2, with further details in Appendix 2.

¹⁸ ABARE, *Australian Commodities*, September Quarter, Australia, 2003.

¹⁹ ABARE, *Australian Commodities*, Vol 10 No 4, December Quarter, Australia, 2003, p. 570. DAFF advised that 2001–02 was one in which record crop production levels were achieved.

²⁰ ABARE, *Australian Crop Report*, February, Australia, 2003, p. 1.

²¹ ABARE, *Australian Commodities*, Vol 10 No 4, December Quarter, Australia, 2003, p. 577.

²² L Lu, D Hedley, *The Impact of the 2002-03 Drought on the Economy and Agricultural Employment* [Internet]. Autumn 2004 Economic Roundup Report, Australian Government Treasury, Australia, 2004, available from <http://www.treasury.gov.au/documents/817/PDF/roundup_autumn_2004.pdf> [accessed 20 January 2005].

²³ Drought Review Panel, *Consultations on National Drought Policy: Preparing for the Future* [Internet]. Australian Government Department of Agriculture, Fisheries and Forestry, Australia, 2004, available from <http://www.daff.gov.au/corporate_docs/publications/pdf/innovation/drought/drought_report_complete.pdf> [accessed 25 March 2004], p.24.

²⁴ ARMCANZ was restructured and renamed the Primary Industries Ministerial Council (PIMC) in 2001. It is the peak government forum for consultation, coordination and where appropriate, integration of action by governments on primary industry issues. It comprises the Australian Government, State and Territory Governments and New Zealand government ministers responsible for agriculture, food, fibre, forestry and aquaculture, industries/productions and rural adjustment policy.

Figure 1.2**Objectives of the National Drought Policy**

- Encourage primary producers and other sections of rural Australia to adopt self-reliant approaches to managing the risks stemming from climatic variability.
- Facilitate the maintenance and protection of Australia's agricultural and environmental resource base during periods of increased climatic stress.
- Facilitate the early recovery of agricultural and rural industries consistent with long-term sustainable levels.

Source: National Drought Policy 1992

1.6 There is a range of Australian Government programs to encourage a self-reliant approach to farming. For example, the *Agriculture—Advancing Australia* package includes initiatives in farm business management. These include the Farm Business Improvement Program (FarmBis) and the Farm Management Deposit Scheme.²⁵

Drought assistance

1.7 When drought conditions prevail, it is initially the responsibility of the respective State or Territory Government to provide drought assistance, where appropriate, in the affected region.

1.8 However, when a drought is rare and severe, and results in a severe and prolonged downturn in income, State and Territory Governments may apply to the Australian Government to have the region or specific industry(s) declared as qualifying for Exceptional Circumstances (EC) assistance. The application must demonstrate that EC criteria are met (see Figure 1.3).

Figure 1.3**Exceptional Circumstances criteria**

- The event (whether a drought or other occurrence) must be rare (a one in 20 to 25 year event) and severe.
- The effects of the event must result in a severe downturn in farm income over a prolonged period.
- The event must not be predictable or part of a process of structural adjustment.

Source: ARMCANZ resolution March 1999—EC guidelines

1.9 EC aims to provide targeted assistance as a last resort to viable farmers²⁶, to assist them to cope with events outside the scope of normal risk

²⁵ Components of the package were previously audited by the ANAO. See ANAO Report No.1 2003–04, *Administration of Three Components of the Agriculture-Advancing Australia (AAA) Package* – Department of Agriculture, Fisheries and Forestry–Australia, Centrelink and Australian Taxation Office.

²⁶ A 'farmer' is defined in the *Farm Household Support Act 1992* (FHS Act) as person who: has a right or interest in the land used for the purposes of a farm enterprise; and contributes a significant part of his or her labour and capital to the farm enterprise; and derives a significant part of his or her income from the farm enterprise.

management.²⁷ Assistance is available to eligible producers, for up to two years, in the form of:

- family income support (EC Relief Payment). This is paid fortnightly, at a rate equivalent to Newstart Allowance²⁸; and
- business support for farm enterprises²⁹ through EC Interest Rate Subsidies, at a rate of 50 per cent of the interest payable. EC Interest Rate Subsidies are funded jointly by the Australian Government (90 per cent) and State and Territory Governments (10 per cent).

1.10 EC Relief Payment assistance is provided under the provisions of the *Farm Household Support Act 1992* (FHS Act). EC Interest Rate Subsidies are administered through the *Rural Adjustment Act 1992* (RA Act).

2002–2003 drought measures

1.11 Initially, the emerging drought of 2002–03 was addressed by the Australian Government through the arrangements for EC, which had been developed with the State and Territory Governments and finalised in March 1999. As the severity and spread of the drought increased, the Australian Government introduced measures to enable eligible farmers to receive drought assistance sooner:

- *prima facie* EC was introduced in September 2002; and
- additional drought assistance measures were announced on 27 November and 9 December 2002.

1.12 These measures were delivered as ex-gratia payments from appropriated funds.

***Prima facie* Exceptional Circumstances**

1.13 The assessment of EC applications can be a lengthy process. Under the *prima facie* arrangements, Interim Income Support payments are available commencing from the date on which the Minister for Agriculture, Fisheries and Forestry announces that an EC application has a *prima facie* case.

²⁷ EC is not used exclusively for drought. It can also be used as a mechanism for providing financial assistance for other events (including in combination with drought) such as frosts.

²⁸ The Newstart Allowance is a fortnightly payment available to unemployed people who are actively looking for work. Subject to income and assets tests, the payment for a single person with no dependents is \$394.60 per fortnight. EC Relief Payment applicants are subject to the same income and assets tests applying to Newstart Allowance, although farm assets are exempt from the assets test and proceeds from the forced sale of livestock due to drought are excluded from the income test under certain circumstances.

²⁹ A 'farm enterprise' is defined in the FHS Act as an enterprise carried on within any of the agricultural, horticultural, pastoral, apicultural or aquacultural industries.

1.14 If the EC application is eventually successful, income support continues for up to two years (including the period for which *prima facie* EC is available). If not, applicants remain eligible for income support for six months from the commencement date of *prima facie* assistance.

Additional drought assistance measures

1.15 The 'one off' additional drought assistance measures announced on 27 November and 9 December 2002 provided, *inter alia*:

- immediate income assistance to eligible farmers who were severely drought affected. All eligible farmers suffering a 1 in 20 year rainfall deficiency over the nine months March to November 2002 were able to immediately access Interim Income Support for six months³⁰;
- a six month breathing space in which State and Territory Governments could prepare EC applications;
- Interest Rate Relief to eligible farmers for stock support and drought recovery. Interest Rate Relief was available on new and additional loans up to \$100 000 for two years for eligible farmers in the areas declared on 9 December 2002 and those who were already receiving *prima facie* Interim Income Support or EC Relief Payments;
- assistance for small businesses in or heavily reliant on EC declared areas, available for the first time through the Small Business Interest Rate Relief (SBIRR) program managed by the Department of Industry, Tourism and Resources (DITR);
- additional funding to the Department of Family and Community Services (FaCS) for personal counselling services in drought affected areas; and
- funding to the Country Women's Association (CWA) to assist it in helping and supporting those living in farming communities.

1.16 Appendix 3 provides a full list of the Australian Government's drought measures.

Roles and responsibilities for drought assistance

1.17 There are many parties involved in the preparation, assessment and administration of drought and EC assistance to eligible farmers, including:

³⁰ When the additional drought assistance measures were announced, eligible farmers were able to apply for assistance from 9 December 2002 to 8 June 2003. This was later extended to 30 June 2003. This date was further extended to 30 September 2003 for those EC application areas where a final decision was yet to be made by the Australian Government.

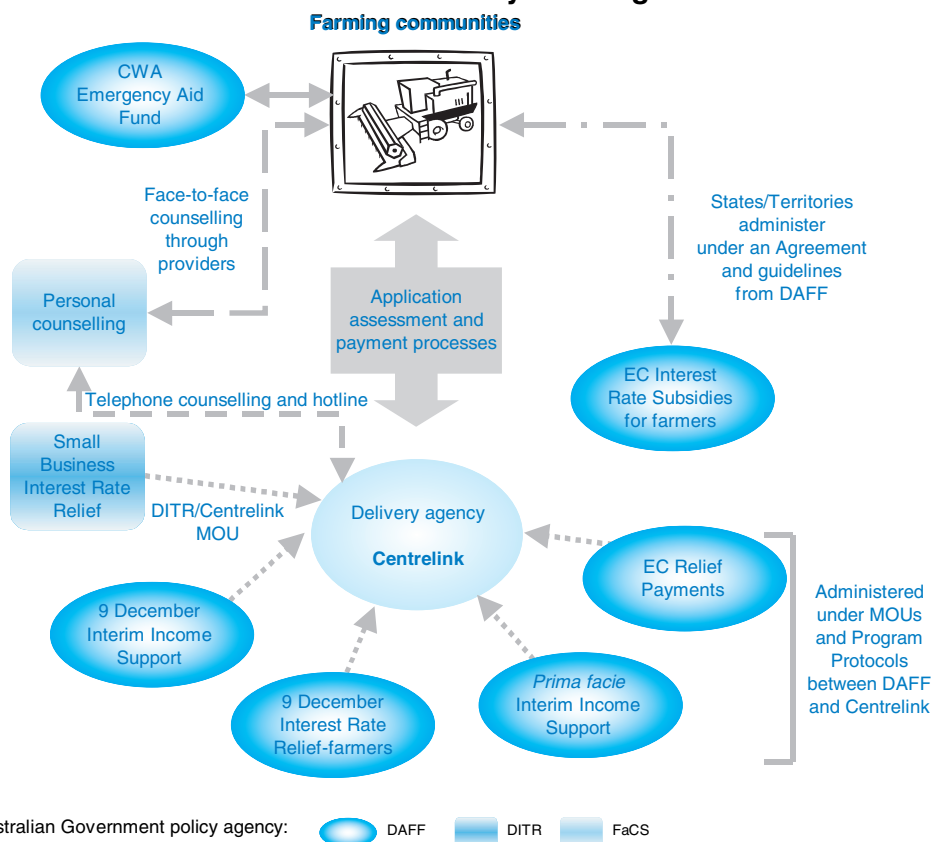
- State and Territory Governments, including Rural Adjustment Authorities;
- the Department of Agriculture, Fisheries and Forestry (DAFF), including ABARE and the Bureau of Rural Sciences (BRS);
- the National Rural Advisory Council (NRAC);
- the Minister for Agriculture, Fisheries and Forestry; and
- Centrelink, which delivers services for the Australian Government.

1.18 Appendix 4 provides a description of respective roles and responsibilities.

1.19 At the Australian Government level, once an area has been drought or EC declared, the roles and responsibilities of the various parties combine to provide assistance to eligible farmers. Figure 1.4 summarises the main administrative responsibilities and processes, as discussed in this report.

Figure 1.4

Australian Government service delivery of drought assistance measures



Source: ANAO

ANAO Audit Report No.50 2004–05
Drought Assistance

Drought assistance provided

1.20 At December 2004, there had been 60 EC declarations made at various times since September 2002 (Appendix 5 illustrates those areas that were EC declared as at December 2004). Over 44 500 farmers have sought some form of Government assistance.

1.21 The Australian Government has already provided over \$550 million to assist farmers and small businesses in this current drought.³¹ More than \$1 billion in drought assistance has been allocated until 2006–07.

This audit

Audit objective and scope

1.22 The objective of the audit was to assess the administration and implementation of drought assistance measures.

1.23 The audit focussed on EC, including *prima facie* EC, and key aspects of the additional drought assistance measures, as shown in Figure 1.5. Those measures shaded in grey are ongoing programs.

³¹ These amounts cover income support and business support under the Australian Government's EC policy, and excludes expenditure made under the 27 November and 9 December 2002 additional drought assistance measures.

Figure 1.5

Drought assistance measures included in this audit

Description	Funding 2002–03 to 2003–04
EC Relief Payment provides income support to eligible farmers for up to two years in EC declared areas.	\$328.9 million
EC Interest Rate Subsidies provides an interest rate subsidy for eligible farmers on new and additional loans.	\$363.3 million
Prima facie Interim Income Support provides up to six months income support for eligible farmers in <i>prima facie</i> EC areas.	\$58.5 million
9 December 2002 Interim Income Support—additional drought assistance measure provided up to six months income support for eligible farmers in areas declared by the Government.	\$169.6 million
9 December 2002 Interest Rate Relief—additional drought assistance measure provided interest rate relief to eligible farmers for up to two years.	\$38.5 million
SBIRR program—additional drought assistance measure provided interest rate relief to eligible small businesses in EC areas (or which serviced EC areas) for up to two years.	\$59.5 million ³²
Personal counselling—additional drought assistance measure improved access to counselling.	\$4 million
CWA Emergency Aid fund—additional drought assistance measure provided an emergency aid (payment) of family related expenses for eligible families affected by the drought.	\$1 million

Source: DAFF

Audit approach and methodology

1.24 The audit methodology included examination of relevant files and documents in DAFF, FaCS, DITR and Centrelink. Interviews were also conducted with staff in these agencies, and with key stakeholder³³ groups.

1.25 The audit assessed IT systems and claim files in Centrelink. Interviews and surveys were undertaken with staff at Centrelink Customer Service Centres and counselling service providers.

1.26 The audit criteria are summarised at Appendix 1. The audit was conducted in accordance with Australian National Audit Office (ANAO) auditing standards and was completed for a cost of \$738 000.

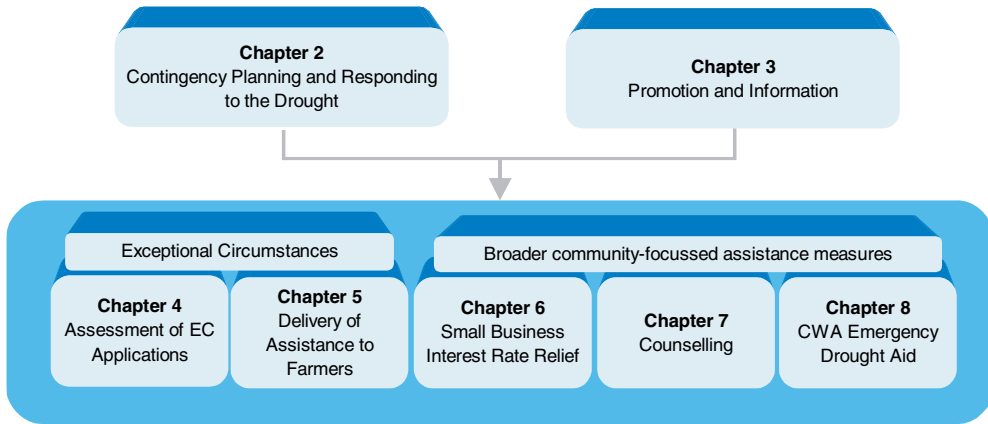
³² An additional \$23 million was allocated for the Small Business Interest Rate Relief program for 2004–05 in the DITR Additional Estimates Statements 2002–03.

³³ For the purpose of this audit report, stakeholder refers to industry bodies, including farmers and farmer organisations.

Report structure

Figure 1.6

Structure of the report



Source: ANAO

Other reviews

1.27 The Minister for Agriculture, Fisheries and Forestry appointed a Drought Review Panel on 9 November 2003 to consult nationally with key industry and community groups. The findings of the Panel's report were presented at a national roundtable discussion on 14 April 2004. The discussions involved the Australian and State and Territory Governments and key stakeholder groups.

1.28 As a result of this review, the Primary Industries Standing Committee was asked to develop policy options taking into account the outcomes of the Drought Review Panel and National Drought Roundtable for Australian and State and Territory Government Agriculture Ministers to consider. The ANAO has been informed that these options will be considered by Primary Industry Ministers in 2005.

2. Contingency Planning and Responding to the Drought

This Chapter examines contingency planning, and responses to the emerging drought.

Planning and preparedness

2.1 Droughts can have severe and wide-ranging impacts on the community. Effective risk management and contingency planning assists agencies to respond to such impacts by encouraging a systematic approach to identifying the likelihood and impact of a drought. This can facilitate the development and introduction of new initiatives, if required.

2.2 The need for contingency plans in regard to drought assistance was reinforced in a 1997 review of the National Drought Policy (undertaken by a Taskforce of Australian and State and Territory Government officials). The review recommended that:

State and Commonwealth Governments develop and maintain contingency plans, consistent with the National Drought Policy, to guide timely responses by farmers, banks and Governments, to future droughts.³⁴

2.3 However, DAFF did not have a specific preparedness plan or contingency plan for drought.

2.4 DAFF advised that its preparedness for drought was established through existing legislation and administrative arrangements, primarily focussed around the arrangements with State and Territory Governments for EC.

Preparedness and risk management in DAFF

2.5 The 2002–03 DAFF Business Plan (Rural Policy and Innovation) did identify a number of risks to the delivery of EC. These included:

- ongoing poor understanding of EC;
- reliance on provision of adequate data to complete assessments; and
- difficulties in targeting EC business and welfare assistance to appropriate stakeholders.

2.6 However, there were no specific treatment strategies identified corresponding to these risks. Nor were there any detailed treatments identified to address the risk of inadequate contingency planning.

³⁴ Review of the National Drought Policy (1997) – unpublished.

2.7 Relevant risk plans for 2002–03 did not identify continuation and/or intensification of the drought as a risk to delivery. Nor did they identify the possibility that substantial additional measures might be needed, in addition to EC, to address the then intensifying drought. DAFF advised this was because it is the responsibility of the State and Territory Governments to apply for EC declarations in a timely manner.

2.8 In the event, this drought had far more wide reaching consequences than other recent droughts. Previous severe droughts had resulted in six or fewer EC applications. In comparison, there were 77 EC applications for the current drought by mid-July 2004.

2.9 The extent and nature of the drought resulted in a response spread across more Australian Government agencies and programs than in the past. DAFF advised, in response to the proposed audit report, that the majority of the drought response, as in previous droughts, remained with DAFF and Centrelink.

2.10 The ANAO considers that greater focus on the risks from an intensifying drought, and their treatments, would have assisted in identifying and addressing some of the difficulties that arose in delivering drought assistance. These included confusion amongst potential recipients on the measures and their interaction with State/Territory assistance; limited uptake on some measures; and some administrative difficulties. These matters are discussed in the later sections of this report.

Responding to the drought

2.11 By mid-2002 there were strong indications that a major drought may develop.³⁵ However, by September 2002, only one EC application had been received for the 2002–03 drought.³⁶

2.12 DAFF developed proposals for Government for streamlining access to EC assistance. This resulted in the September 2002 announcement of *prima facie* EC (see paragraph 1.13), to provide income support while full EC status was being confirmed.

³⁵ BoM warned of an increased chance of El Nino in February 2002. In June 2002 it issued an El Nino warning. It noted that El Nino is not necessarily synonymous with drought as other influences can lessen its effect.

³⁶ At that time there were four EC declared areas, which had been declared in previous years. These resulted from EC applications lodged prior to 2002 (two in Western Australia, one in Queensland, one in Tasmania).

2.13 DAFF established an internal Drought Taskforce in October 2002. The Taskforce's main roles were to:

- assess and process applications from States and Territories for the declaration of EC;
- act as a Secretariat for NRAC; and
- (subsequently) compile a package of proposals to address difficulties faced by people affected by the drought.

2.14 In November 2002 the drought continued to develop and the Government asked departments to consider ways of providing additional assistance. This resulted in the 27 November and 9 December 2002 announcements of additional drought assistance measures.

Whole-of-government coordination and performance

2.15 Where there is a whole-of-government, or networked, arrangement for service delivery, it is generally recognised that more sophisticated and cooperative approaches to cross-agency issues are necessary than for single-agency programs. Relevant considerations include:

- identifying a lead agency;
- coordination and joint working agreements that facilitate effective overall working relationships, including identifying and articulating the responsibilities of those involved; and
- arrangements for measuring and assessing performance for the whole-of-government outcome.³⁷

Lead agency

2.16 At the Australian Government level, responsibility for managing agricultural drought policy, and implementing drought measures for farmers in response to severe and prolonged drought, lies with DAFF.

2.17 DAFF undertook a substantial amount of work to fulfil this role. It was responsible for compiling proposals to Government for the additional drought assistance measures, in consultation with other relevant agencies.

2.18 It also established the Drought Taskforce, whose core work revolves around assessment and processing of EC applications from State and Territory Governments. At the peak of the drought, the Taskforce had to deal with many

³⁷ ANAO, *Performance Information in Portfolio Budget Statements: Better Practice Guide*, Commonwealth of Australia, Canberra, 2002, p.19.

applications at once. The applications often varied in nature, reflecting the differing patterns of impact of the drought across regions and industries.

2.19 The Taskforce was also involved in coordinating with other departments, as required, in preparing briefing papers and budgets.

2.20 However, DAFF advised that it was not asked to undertake the role of a lead agency, and did not consider it necessary to do so. It also advised that the Taskforce was not charged with a broader role of inter-departmental coordination of drought assistance measures.

2.21 Other departments developed and implemented their own policies and programs independently. As a result, there was no whole-of-government implementation plan, and some limitations in cross-departmental strategies. For example, there was no:

- integrated communication strategy; or
- overarching or whole-of-government performance measures or reporting arrangements.

Inter-agency coordination

Coordination Group

2.22 In the absence of a formal lead agency, an Inter-Agency Group was established³⁸ in November 2002, to act as a high-level coordination forum for the social aspects of drought recovery (see Figure 2.1). The Group included representatives from DAFF, the Department of Transport and Regional Services (DoTARS), the Department of Workplace Relations (DEWR), the Department of Education, Science and Training (DEST), the Department of Health and Ageing, the Department of the Prime Minister and Cabinet (PM&C), DITR, FaCS and Centrelink. FaCS chaired and provided the Secretariat.

Figure 2.1

The Inter-Agency Group on drought assistance and recovery

The purpose of the Inter-Agency Group was to act as a high-level coordination forum for the social aspects of drought recovery. In particular, it sought to:

- establish what each agency was already doing to assist people affected by drought;
- consider what further steps could be taken; and
- establish a process for ongoing coordination to ensure the whole-of-government response.

Source: FaCS

³⁸ FaCS advised the ANAO that the Inter-Agency Group was instigated by PM&C.

2.23 Initially, the Group addressed the collection of information for cross-portfolio collaboration and information sharing. For example, it considered reports on the volume of calls to Centrelink inquiring about drought assistance and DAFF distributed revised maps of EC declared areas.

2.24 The Group discussed communication of the drought measures, which facilitated coordination of publicity activities and materials. However, it did not develop a whole-of-government communication strategy, nor other formal cross-agency strategies or plans. Chapters 3 and 5 discuss further the perceived adequacy of promotion and information.

2.25 In October 2003, the Group agreed to meet on an ad-hoc basis and to keep a watching brief on drought issues and agenda items. However, the Group did not meet again after October 2003. No other coordination group was established.

Memoranda of Understanding

2.26 The main delivery agency for drought assistance was Centrelink, which had a Memorandum of Understanding (MOU) with DAFF. Similar arrangements existed with DITR and FaCS for their drought response measures.³⁹

2.27 The objectives of the MOU between DAFF and Centrelink are outlined at Figure 2.2. The MOU assisted in expediting implementation of DAFF's additional drought assistance measures announced on 27 November and 9 December 2002.

Figure 2.2

Objectives of the MOU between DAFF and Centrelink

- To establish core principles of the business partnership arrangements between [DAFF] and Centrelink in:
- the provision of services by Centrelink on behalf of [DAFF], and the effective and efficient performance of those services;
 - the provision of advice to Government on policy issues relating to those services;
 - the design and development of policy and services to ensure they are customer focused and consistent with the Government's objectives;
 - the design, development and implementation of service delivery systems to ensure that the products are efficiently and effectively provided to those entitled to them; and
 - reporting on the outputs and outcomes of the implementation of policies.

Source: DAFF—Centrelink MOU, December 2001

2.28 The MOUs between Centrelink and the policy agencies were important in establishing a reporting framework, and in providing a structure for

³⁹ Centrelink had an MOU with DITR for the delivery of the Small Business Interest Rate Relief program. A letter of agreement between FaCS and Centrelink was signed for the personal counselling measure.

partnerships and joint working relationships. Specific aspects of these arrangements are discussed in subsequent chapters.

Measuring and assessing performance

2.29 The cross-portfolio nature of the drought measures is reflected in Portfolio Budget Statements. The DAFF Additional Estimates Statements for 2002–03 provide an example, including a high-level performance indicator (see Figure 2.3).

Figure 2.3

Extract from DAFF Additional Estimates Statements 2002–03

Drought [assistance measures]

'In response to the current drought, the Government has announced the provision of up to \$368 million of additional assistance to farmers and small businesses in the form of income support [and] interest rate subsidies ... This is a cross-portfolio measure between the Department of Agriculture, Fisheries and Forestry, the Department of Industry, Tourism and Resources and the Department of Education, Science and Training.'

Performance indicator

Assistance meets the welfare and/or business support needs of farmers and small businesses.

Source: DAFF Additional Estimates Statements 2002–03.

2.30 There were several agencies involved in the additional drought assistance measures, including DAFF, DITR, FaCS, DoTARS, DEWR, DEST and Centrelink as a service delivery agency. However, the ANAO found that there was not a whole-of-government framework to support assessment of this indicator and whole-of-government outcomes. That is, there was no suite of data requirements identified to monitor implementation of the full range of drought assistance measures, including identifying, collecting and collating the necessary information.

2.31 Instead, assessment and reporting focussed on specific agency drought measures. This reporting varied in nature and detail across agencies.⁴⁰ As a consequence, it is difficult to ascertain from annual reports the overall success of the drought assistance measures, particularly in terms of outcomes, service efficiency and effectiveness, and client satisfaction. This approach also reduced transparency to stakeholders on outcomes achieved and opportunities for any refinement to drought assistance measures in the longer term to better achieve government outcomes.

⁴⁰ For example, DAFF's 2002–03 annual report detailed many activities undertaken during the year, including: establishing the Drought Taskforce; the number of regional visits and meetings by NRAC; the number of EC applications received, processed, and approved or rejected for each State. It does not include reference points, such as assessment against targets or planned outputs.

DITR's 2002–03 annual report reported on the number of customers assisted through the Small Business Interest Rate Relief program, but did not comment that uptake was very low. The program had been running for six months.

2.32 The drought resulted in a range of programs administered to deliver various forms of drought related assistance. The overall response to the drought would have been facilitated by clearer arrangements for a lead agency, allied with associated risk management, coordination and whole-of-government performance management arrangements and accountability mechanisms. This would also have provided a more visible responsiveness to community concerns.

2.33 Such an approach would also assist, in the future, in aligning policy, program design and service delivery.

Recommendation No.1

2.34 The ANAO recommends that, for future significant drought or Exceptional Circumstances where there is a whole-of-government response, but no nominated lead agency, DAFF seek the agreement of government for it to adopt the role of lead agency.

DAFF response: Agreed. Where the Australian Government indicates that a whole-of-government response is required and no lead agency is nominated, DAFF will seek the agreement of the Australian Government for it to adopt the role of lead agency.

3. Promotion and Information

This Chapter examines promotion and ongoing provision of information and advice to rural communities regarding drought assistance.

DAFF Communication Strategy

3.1 DAFF developed a draft⁴¹ Communication Strategy in November 2002. The strategy identified the communications role of the Drought Taskforce as to:

promote existing Commonwealth programs, and help initiate and implement new measures to help demonstrate the Commonwealth’s strong commitment to drought affected farmers and rural communities.⁴²

3.2 The strategy included components to address: stakeholder liaison; roadshow visits; information materials and website; hotlines; media liaison; and advertising in appropriate publications. However, there were no timelines associated with elements of the strategy.

3.3 The ANAO found that DAFF implemented this strategy. Key actions taken are summarised in Figure 3.1.

Figure 3.1

DAFF promotion of drought assistance programs

Component of strategy	Action
Stakeholder liaison—utilising networks for distributing information	DAFF liaised with, and provided information to, several rural organisations to assist in promoting and targeting information to farmers. These included: Small Business Answers Officers ⁴³ ; Area Consultative Committees ⁴⁴ ; Rural Financial Counsellors; local media; and peak industry groups.

⁴¹ The draft Communication Strategy was never formally finalised. However, it was implemented by the department as a final strategy.

⁴² Drought Taskforce, *Draft Drought Taskforce Communication Strategy 2002–03*, November 2002.

⁴³ Small Business Answers Officers (funded by the Australian Government through the Small Business Assistance Program) provide a free, ‘on the ground’ general advisory service to small business owners and managers, through seminars, expos and field days.

⁴⁴ Area Consultative Committees are volunteer community based organisations that work in partnership with DoTARS to identify opportunities, priorities and development strategies for their regions.

Component of strategy	Action
Roadshow visits	Roadshows involved visits to more than 40 field days ⁴⁵ , agricultural shows, meetings of industry bodies, and other events around Australia, to answer questions and provide information in collaboration with other Australian Government agencies. Drought Taskforce representatives also attended numerous drought information days and producer meetings during the peak periods of the drought.
Website information and links	Website was established in October 2002. It includes press releases, maps of EC declared and <i>prima facie</i> EC areas. The website also contains links to other drought websites (such as State and Territory Government departments) and Centrelink's website. There were over 30 000 hits on the website over the twelve months following its implementation. ⁴⁶ The ANAO found that the website is readily accessible and updated frequently.
Information materials	DAFF worked with Centrelink to produce information sheets, and other promotional materials, for the additional drought assistance measures. (Centrelink's role is discussed further at paragraph 3.8). Information sheets were also distributed through stakeholder networks.
Hotline	DAFF used the existing Commonwealth Regional Information Services hotline ⁴⁷ (managed by DoTARS) to provide information on drought assistance. A new hotline, dedicated to drought assistance, was also established by Centrelink, to provide information specific to drought. DAFF provided scripts for operators of both of these hotlines.
Advertising	National advertising (print and some radio) coverage began in October 2002, while advertising in specific States began in February 2003 (see paragraphs 3.4 to 3.7).

Source: ANAO

3.4 There was little regional advertising between the 27 November and 9 December 2002 announcements and February 2003. In analysing available data, the ANAO observed that the peak period for regional advertising of the drought assistance measures was February and March 2003. This was two months after the announcement of the additional drought measures, and a period during which there was increasing concern in regional communities about the impact of the drought and eligibility for assistance.

3.5 DAFF advised that a number of factors influenced the timing of advertising, including the time of year and the time taken to 'book space' for advertising purposes. There was also a significant amount of free press

⁴⁵ A field day is an agricultural exhibition/expo/display that includes a range of activities such as demonstrations, competitions, trials and seminars.

⁴⁶ This figure includes hits from Centrelink staff who access the DAFF website for EC and drought assistance information, including press releases and maps of EC declared or *prima facie* EC areas.

⁴⁷ The Commonwealth Regional Information Services hotline provides people living outside of capital cities with information about Australian Government programs, agencies and services.

coverage in the period leading up to the commencement of formal Australian Government advertising.

3.6 In February 2003, print advertising in New South Wales included an advertisement in *The Land* and 150 regional newspapers, and several regional dailies such as *The Newcastle Herald*. A 30 second radio commercial was also run in New South Wales.

3.7 Print advertising was undertaken to a lesser extent in Queensland, Victoria and South Australia from March 2003. Figure 3.2 is an example of a Victorian advertisement from May 2003, which was published in the *Kerang Northern Times*.

Figure 3.2

Example of DAFF advertisement



**Commonwealth Drought
Assistance in Victoria**

Exceptional Circumstances (EC) Assistance for the Eastern Mallee

Exceptional Circumstances was declared in the Eastern Mallee
on 18 March 2003.

Livestock and crop producers in the Eastern Mallee eligible for EC assistance
can have their income payments backdated to the *prima facie* date of
15 December 2002 if they apply to Centrelink by **16 May 2003**.

To obtain an EC certificate eligible producers should call the
Victorian Rural Finance Corporation on (03) 9243 2654.

Interim Federal Assistance for Northwest Mallee.

Northwest Mallee farmers can apply to Centrelink before 8 June 2003 for
six months of income support and two years of interest rate relief
on new and additional loans up to \$100,000.

**Visit your local Centrelink office or call Centrelink on 13 23 16
to apply for Federal drought relief today.**

A Commonwealth Government initiative

Source: DAFF (from the *Kerang Northern Times*)

Information through Centrelink

3.8 As the Australian Government's main service delivery agency for drought assistance, Centrelink also had promotional and information

responsibilities. The key responsibilities, formalised through Program Protocols between DAFF and Centrelink, are outlined in Figure 3.3.

Figure 3.3

Centrelink’s key responsibilities

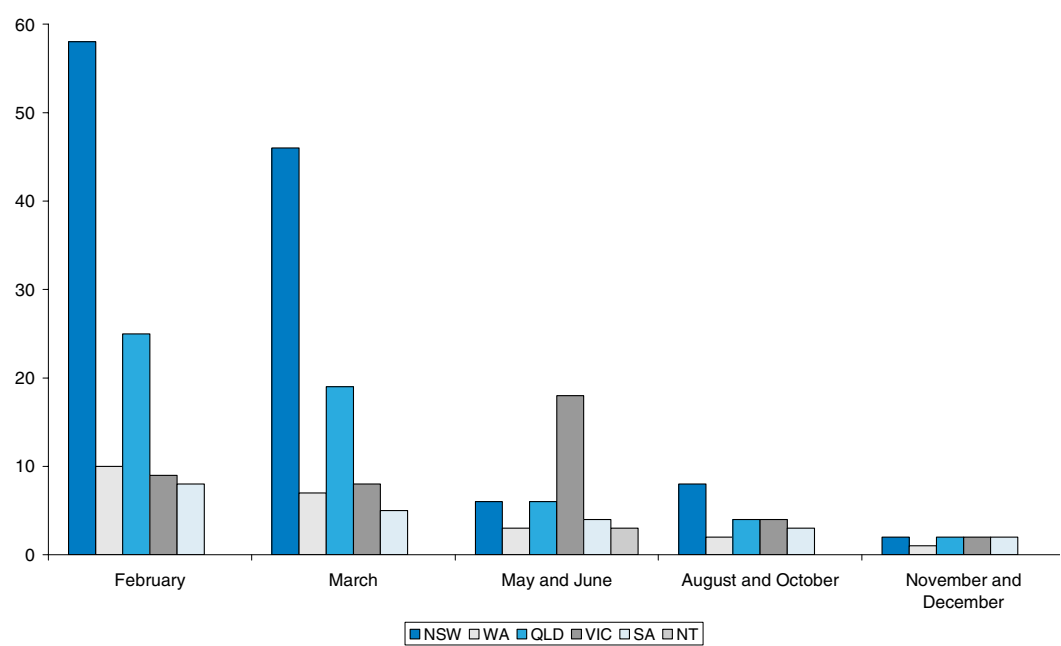
- Develop a [Centrelink] communication strategy to promote the drought [assistance] measures.
- Promote the drought [assistance measures] on Centrelink’s website.
- Provide access to information through Centrelink Customer Service Centres, Centrelink Call Centres and Centrelink agencies.
- Develop application forms and information packs.
- Provide information to individual customers on their eligibility for drought [assistance] and their subsequent obligations in applying for drought [assistance].

Source: DAFF—Centrelink Program Protocols, January 2002 and June 2003

3.9 The ANAO found that Centrelink did not commence substantial promotion of the drought assistance measures until February 2003. This was similar to DAFF’s timing, which was two months after the Australian Government’s announcements on 27 November and 9 December 2002. Most advertising occurred in February and March 2003. Figure 3.4 summarises the timing of newspaper advertisements.

Figure 3.4

Number of newspaper advertisements in 2003



Source: ANAO from Centrelink information

3.10 From February to December 2003, Centrelink placed over 260 advertisements in newspapers across States and the Northern Territory. Centrelink also ran over 3 000 radio commercials, mainly in New South Wales and Queensland, between February to June 2003.

3.11 Centrelink had a number of other means of providing advice and information to farmers. These are summarised in Figure 3.5.

3.12 The ANAO found that Centrelink's regional visits and roadshows, in particular, were well received.

Figure 3.5

Points of access and information available to farmers through Centrelink

Point of access	Information and assistance available
Customer Service Centre	Face-to-face advice provided to farmers. Application forms, fact sheets and publications were available. Some Customer Service Centres had a counter specifically for farmers.
Centrelink website	The website includes an explanation of the various programs and how to get additional information. Application forms and fact sheets can be downloaded. Website contains a link to other websites, such as DAFF, and includes other relevant contacts.
Drought hotline	A drought hotline was established in November 2002, to provide farmers with a first point of contact for information. This was at the cost of a local call to the caller. Drought-related enquiries were centralised through its Rural Call Centres in Maryborough (Queensland) and Port Augusta (South Australia). Over 60 000 calls had been received by October 2004. DAFF provided scripts for operators, in order to provide consistent information to callers. Forms and fact sheets were mailed to farmers.
Regional seminars/roadshows	Customer Service Centres undertook regional visits in their areas to encourage and assist farmers in applying for drought assistance. Farmers were able to ask questions and get information packages to apply for assistance.

Source: ANAO

3.13 Centrelink distributed information to other organisations to increase awareness. These included: accountants; local industries; banks; Rural Financial Counsellors and personal counsellors; local schools; community centres; and welfare groups.

3.14 The ANAO found that these actions met Centrelink's key responsibilities for drought, with the exception of developing a communication strategy.

3.15 Centrelink did not meet the Program Protocol's specific requirement to develop a Centrelink communication strategy. Neither party to the Protocol formally addressed this omission. An agreed communication strategy would have assisted in agreeing timelines for actions and means of assessing the

success or otherwise of actions taken. In this context, the ANAO notes the delays in regional advertising (see paragraph 3.4).

Inter-agency collaboration

3.16 As discussed at paragraph 2.21, there were limitations in whole-of-government coordination. However, communication and promotion was an area where there were some structured arrangements for collaboration.

3.17 While there was no whole-of-government communication strategy or identified lead agency, the Inter-Agency Group discussed and shared information on communication issues. Matters discussed included:

- activities by each agency, such as seminars, advertisements and editorials;
- agency communication strategies; and
- the extent to which agency media areas were sharing information.

3.18 Thus, some newspaper advertisements covered programs across several departments, for example EC, drought counselling, education, small business and CWA emergency drought aid.

3.19 Departments also collaborated jointly with industry bodies and State and Territory Governments at seminars, conferences and field days, to promote the range of assistance available to farmers.

3.20 For example, departments coordinated to attend the Australian National Field days in Orange in October 2003. The departments collaborated to provide a single package of information on the Australian Government's drought assistance at the event as well as answer questions about the various measures.

Effectiveness of promotion and information

3.21 The ANAO found that, overall, there was a large range of information on drought assistance available to farmers and businesses. This information was readily accessible through several outlets, as described above.

3.22 Centrelink commissioned a consultant to assist in evaluating the delivery of drought assistance in April 2003. The review had a particular emphasis on Centrelink's role in supporting communications.

3.23 The subsequent report⁴⁸ (June 2003) found that local (and regional) newspapers and radio were the most common sources of information for

⁴⁸ ACNielsen, *Centrelink's Delivery of Drought Relief*, Australia, 2003.

farmers. However, farmers' associations, personal contacts and Government seminars also contributed to enhancing farmers' knowledge. These findings are consistent with comments from stakeholders to the ANAO during this audit.

3.24 The report⁴⁹ commented that 74 per cent of farmers at the time of the survey knew about at least one drought assistance measure provided by Centrelink. It considered that this was 'quite good but could be better'.

3.25 It was also suggested that the 'multiplicity of sources may have hindered, not enhanced good communication and may even have increased confusion'. The range of drought assistance measures available may have contributed to confusion.

3.26 Suggestions contained in the report⁵⁰ to improve communication to farmers, many of which were implemented by Centrelink, included: more direct and detailed communication to farmers; use of farmers' organisations to spread the message; and clearer information on eligibility criteria.

3.27 The impact of some of these communication difficulties on farmers' knowledge and use of drought assistance services are discussed further at paragraph 5.3, which discusses applications by farmers.

Evaluation of promotion and information activities

3.28 DAFF undertakes occasional surveys to assess awareness of its programs and client needs. The most recent survey, conducted in 2002, indicated increasing awareness of the EC program. It found that 69 per cent of respondents had an awareness of the EC program, an increase of 12 per cent on 1998.⁵¹

3.29 DAFF advised the ANAO that it also monitors client satisfaction through, for example, visits to drought affected regions with NRAC.

3.30 However, the ANAO found there has been no national approach to evaluating the effectiveness of the drought assistance measures or the promotion and information provided to clients, either to determine and promulgate better practice or to ensure uptake of proven approaches across regions.

⁴⁹ *ibid.*

⁵⁰ *ibid.*

⁵¹ Department of Agriculture, Fisheries and Forestry, *Review of the Agriculture-Advancing Australia Package 2000-04 Summary of findings and issues* [Internet]. DAFF, Australia, 2004, available from <http://www.daff.gov.au/corporate_docs/publications/pdf/industry_dev/aaa/aaareviewsurveyFeb2004.pdf> [accessed 4 January 2005].

3.31 The ANAO notes that arrangements for drought assistance are under consideration by the Australian and State and Territory Governments. The ANAO considers that future initiatives would benefit from a national assessment of the past two years' activities, to determine lessons learned and better practice, and to inform strategies for any future significant drought occurrence. This audit, Centrelink's earlier evaluation, and the report of the Drought Review Panel, indicate that there are lessons that can usefully be drawn together to better inform future promotion and communication strategies.

3.32 As discussed in paragraphs 5.12 to 5.19, assessment of Centrelink's experiences in communicating with, and assisting, farmers through the application process would also be valuable.

Recommendation No.2

3.33 The ANAO recommends that DAFF and Centrelink undertake an assessment of promotion of the drought assistance measures. This should include an assessment of lessons learned and better practice to inform strategies for any future significant drought occurrence.

DAFF response: Agreed. DAFF and Centrelink are currently developing an appropriate approach to assessing the promotion of the current drought assistance measures to inform communication strategies for future significant drought events.

Centrelink response: Agreed.

4. Assessment of Exceptional Circumstances Applications

This Chapter evaluates the process for declaring a region or industry as being in Exceptional Circumstances.

Background

4.1 Before EC assistance can be provided, a region (or industry) must receive an EC declaration from the Minister for Agriculture, Fisheries and Forestry.

4.2 Figure 4.1 overleaf outlines the application and assessment process for EC declarations, discussed in this chapter. Further information on the roles and responsibilities of those involved in the process is provided at Appendix 4.

Preparation and submission of an EC application

Preparing applications

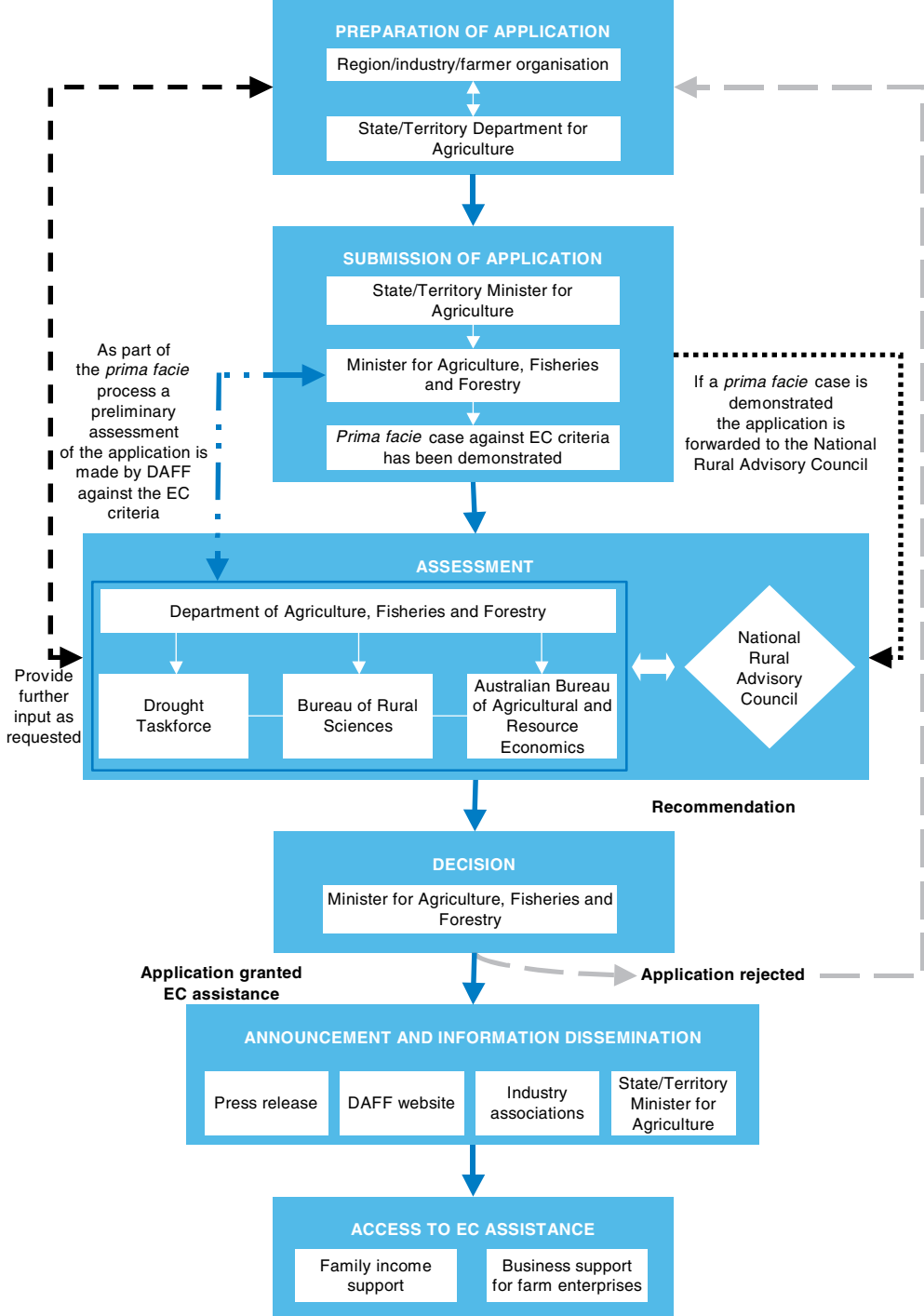
4.3 As discussed at paragraph 1.8, when a drought is rare and severe, and results in a severe and prolonged downturn in income, State and Territory Governments may submit an EC application to the Australian Government to have the region or specific industry(s) declared as qualifying for EC assistance.⁵²

4.4 In practice, State and Territory Governments often prepare EC applications with the assistance of peak industry bodies, local government and farmer organisations. Assistance from these stakeholders includes the collation of data, conducting surveys with industry members and case studies. State and Territory Governments rely on this information in order to submit an application that demonstrates that the area or industry has an EC case.

⁵² EC applications can be submitted directly to the Australian Government by a body other than a State or Territory Government (for example a peak industry body). However, for the application to be accepted by the Australian Government it requires support from the respective State or Territory Government.

Figure 4.1

Exceptional Circumstances application and assessment process



Source: ANAO analysis based on DAFF information

4.5 DAFF has developed an EC handbook, in consultation with State and Territory Government agencies, to provide a guide on the processes for applying for and assessment of EC.⁵³ It contains information on the background of EC policy, process for the assessment of an application, EC criteria, and a list of key contacts for advice and assistance. It also describes the roles of the Australian and State and Territory Governments, NRAC and local communities.

4.6 The EC handbook provided limited guidance on the information required in an EC application. The ANAO found this was a particular problem for peak industry bodies and farmer organisations that assist State and Territory Governments. These stakeholders were also unclear on what information should be included or excluded in the EC application.

4.7 One stakeholder commented that it had developed its own model for preparing information for an EC application, to address this. Another tried to avoid the risk of having a region or industry excluded from an EC declaration by providing a surplus of information for the application.

4.8 Stakeholders also commented that the amount of information required for an EC application was, to them, extensive. In some instances, the information was difficult to obtain, particularly for relatively new industries suffering from the effects of the drought.

4.9 A report prepared by the Drought Review Panel also commented that 'there is a general lack of enterprise level information on [such]⁵⁴ industries. This has led to delays in the application process and the assessment process in some cases.⁵⁵

4.10 There have been cases where the State or Territory Government has had to re-submit an EC application that DAFF considered did not meet the EC criteria, and in turn further consult with those who assisted with the original collection of data for the application. For example, one EC application covered an extensive region of the State with a diverse agricultural sector. During the assessment of the application, NRAC suggested that the EC application area did not meet the EC criteria as a whole, but there were regions within the

⁵³ Department of Agriculture, Fisheries and Forestry and State/Territory Government agencies, *Information Handbook: Exceptional Circumstances Assistance. Guide to the Policy and Assistance provided under Exceptional Circumstances* [Internet]. DAFF, Australia, 2004, available from <<http://www.daff.gov.au/content/output.cfm?ObjectID=CB15C2D0-EBD7-4B7F-98B800904EBC668F>> [accessed 10 April 2004].

⁵⁴ The report referred to irrigated industries such as the dairy industry as well as irrigated crop producers, horticultural industries such as stone fruit orchardists and vegetable growers, and intensive industries such as the pork industry. The lack of information related mainly to the data required to demonstrate that the income criterion has been met, as relevant data sources, such as ABARE Farm Surveys and Australian Bureau of Statistics data, do not cover these industries.

⁵⁵ Drought Review Panel, op. cit., p. 32.

application that could meet the EC criteria. NRAC suggested that the EC application be broken down into sub-regions to be re-assessed. This led to delays in providing EC assistance, as the original application was broken down and re-written into several EC applications, submitted and re-assessed by NRAC.

4.11 The ANAO also found that, in a sample of EC applications examined, all required further information to be provided, as the applications lacked sufficient detail or evidence to fully support the case. As a result, there were often delays in the assessment process, as DAFF sought additional information or clarification from the State or Territory Government.

4.12 The Drought Review Panel reinforced some of these concerns. It found that stakeholders considered the preparation of EC applications to be a very costly and onerous process.

4.13 Overall, the complexity and volume of information in some applications has caused significant delays in processing applications and therefore in providing assistance to clients.

4.14 In response to the proposed audit report, DAFF advised that some EC applications were complete and required no further information. DAFF also advised that, to minimise delays in the assessment process, it consults with State and Territory Governments and industry representatives to discuss the information required and to expedite the provision of additional information, if requested.

4.15 The ANAO considers that there would be efficiencies gained in the EC process if there were greater clarity and shared understanding of the requirements for EC applications. DAFF could facilitate this through consultation with State and Territory Governments who are responsible for the EC application. Consulting with key stakeholders and industry groups, who prepare EC applications, would also assist in addressing the views of the applicants in any revised guidance. Improved guidance could be provided through an enhanced EC handbook or other means. This could include examples and templates.

Recommendation No.3

4.16 The ANAO recommends that DAFF, in consultation with State and Territory Governments, review and revise the EC handbook to provide further information and guidance on the data required to support an EC application.

DAFF response: Agreed. DAFF will draw on the work already completed as part of the development of the National Monitoring System, which involved the Australian and State/Territory Governments agreeing on the variables, models and production measures on which future EC applications should be

developed. The National Monitoring System, once implemented, will streamline the development and processing of EC applications by providing a central source for the information necessary to develop an EC application.

Assessment and EC decision

***Prima facie* assessment**

4.17 Since September 2002, the EC assessment has consisted of two main steps: a *prima facie* assessment followed by a full EC assessment. As part of the *prima facie* process, the DAFF Drought Taskforce seeks advice from ABARE and BRS for a preliminary assessment of the application against the EC criteria.

4.18 BRS undertakes an analysis of the nature of the event, particularly issues relating to natural phenomena such as weather, rainfall, temperature patterns and other implications.

4.19 ABARE investigates trends in incomes and other relevant indicators of circumstances surrounding the event. Specific indicators include: farm cash receipts; farm cash outlays; farm cash income; average debt; liquid assets; and capital additions.

4.20 The Drought Taskforce then compiles a report to the Minister for Agriculture, Fisheries and Forestry. The report makes a recommendation on whether the application should receive six months of Interim Income Support under *prima facie* EC. If granted, the Australian Government issues a press release containing details of the Minister's decision.

4.21 Centrelink is also provided with written authority to start payments to farmers deemed eligible on application.

4.22 If it is considered that the EC application does not demonstrate a *prima facie* case against the EC criteria the application is rejected. A press release is issued to advise of the Minister's decision and no income support for farmers is made available.

Full assessment of the EC application

4.23 Only applications granted *prima facie* are forwarded to NRAC⁵⁶ for full evaluation against the EC criteria. BRS and ABARE provide a final assessment to NRAC to assist with its deliberations.

4.24 The ANAO found that initial advice from BRS is generally provided within eight days of the application being received by the Drought Taskforce.

⁵⁶ Under the RA Act the function of NRAC is to give the Minister for Agriculture, Fisheries and Forestry such advice and information as the Minister requests, for example on matters relating to declarations of EC.

ABARE generally provided initial advice within 13 days.⁵⁷ There were cases where advice was delayed due to additional information being requested from the applicants.

4.25 A sub-committee of NRAC conducts an inspection tour of the proposed EC area, with officers from BRS, the State or Territory Government, and the Drought Taskforce in attendance.

4.26 The tour involves interviewing farmers and local industry representatives. Additional information is also gathered about the region. For example: climatic and environmental data; type of farming enterprises; impacts on production; and monetary situation (for example farm cash income and debt/equity levels).

4.27 The ANAO found that there was a high level of support for the tours among key stakeholders. It enabled NRAC to see the social implications of the effects of the drought 'on the ground' as well as talk to farmers face-to-face.

4.28 The NRAC Secretariat⁵⁸ prepares a report after each inspection tour. The report is discussed with the full NRAC, and completed reports, including a recommendation and advice from the Drought Taskforce, are forwarded to the Minister for a decision.

Record keeping

4.29 The Drought Taskforce maintained a 'state of play' document to track EC applications which is updated weekly or as changes occur. It also developed an internal checklist of necessary documents and the steps required to process an EC application. However, this checklist was not always complete or kept on file.

4.30 The ANAO assessed a sample of EC applications to assess whether key documentation from DAFF's internal checklist was contained on file. Many of the files examined did not have key documents, such as:

- minutes from NRAC teleconferences on the EC application;
- letters to stakeholder organisations involved in preparing the EC application; and
- unsigned (or partially signed) copies of correspondence and reports for decisions.

⁵⁷ There were no set timeliness targets for BRS or ABARE to provide advice to the Drought Taskforce.

⁵⁸ The Drought Taskforce acts as Secretariat for NRAC.

4.31 During the course of the audit, DAFF advised the ANAO that all key documents are now contained on file and that it has adequate information to provide a paper trail of the EC declaration decisions.

4.32 In addition, DAFF's checklist does not require the results of some key discussions to be kept on file. For example, records of discussions held with State and Territory Governments and those involved in preparing the EC application are not held on file. DAFF advised the ANAO that it did not consider records of these discussions to be a key document for the EC application process.

4.33 The ANAO considers that recording and maintaining an appropriate level of such information would enhance the transparency and accountability of the EC application process.

Recommendation No.4

4.34 The ANAO recommends that DAFF maintain reliable documentation of decisions and processes around EC declarations, including records of significant discussions with State and Territory Governments.

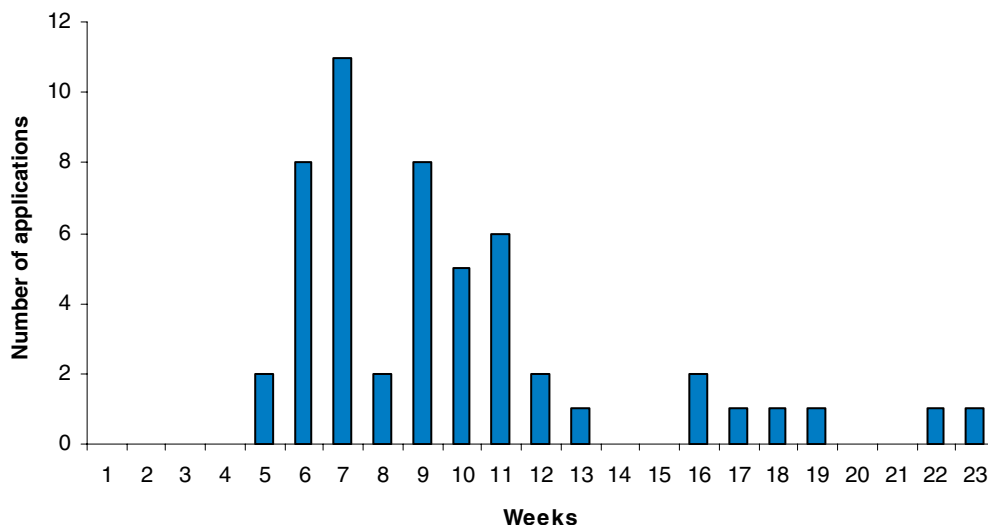
DAFF response: Agreed. DAFF will continue to maintain reliable documentation of decisions and processes around EC declarations.

Timeliness

4.35 DAFF aims to process an EC application within eight weeks of receipt, although it does not publicise this target. However, as Figure 4.2 indicates, the time taken to process the majority of applications received between September 2002 and June 2004 exceeded this target.

Figure 4.2

Time taken to approve EC applications: September 2002 to June 2004



Source: ANAO analysis of DAFF information

4.36 DAFF advised that the timeliness of processing EC applications is dependent on variables outside of its control. For example, it advised that it may not be possible to organise NRAC tours in a timely manner, NRAC members may be unavailable for a proposed tour, or relevant State and Territory officials may not be available.

4.37 DAFF also advised that delays occur due to requests for further information from the State and Territory Governments to support the EC application (see paragraph 4.11).

EC announcement and information dissemination

4.38 After the Minister has made a decision to grant EC status, DAFF coordinates the dissemination of information about the EC declaration, and any subsequent administrative arrangements. The steps include:

- a press release;
- placing EC declarations and maps on the DAFF website;
- authorising Centrelink to commence payments. This includes providing details such as the period of time for which payments should be provided and maps of the EC area;

- an MOU between DAFF and the relevant State Rural Adjustment Authority to provide for the issue of EC certificates for the EC declaration; and
- sending relevant details (guidelines) to the State or Territory Government, so that it may commence administering EC Interest Rate Subsidies in accordance with the EC declaration.

Quality and accuracy of information

4.39 The press release is the major source of information, both for administration, and for potential recipients. It outlines the EC area and any conditions on EC eligibility (such as restriction to particular producers or industry).

4.40 The ANAO found that the distribution of press releases was extensive and timely. Press releases were normally available to Centrelink, State and Territory Governments and farmer associations within 24 hours of an EC declaration.

4.41 BRS prepares a map of the EC declared area, based on electronic boundaries provided by the State and Territory Governments. The map is placed on the DAFF website.

4.42 A lot of the information provided in the press release stems from the EC application. This includes the description of the EC area and boundaries.

4.43 The ANAO examined a sample of press releases and EC declaration maps and found:

- the naming of EC declared areas on maps and information sheets was not consistent. For example, the North West New South Wales EC declared area was termed North West Region New South Wales, North West and North West Region Rural Lands Protection Board (RLPB) districts;
- descriptions of EC areas were often complicated. For example, some had long and protracted boundary descriptions that did not relate clearly with the EC declaration map on the website; and
- the EC declaration maps did not always relate clearly with EC declared areas on the DAFF website.

4.44 Appendix 6 provides an example of a complex boundary description and corresponding EC declaration map for the area. The EC declaration map is of a large geographical area, with limited precision and detail, whereas the description uses RLPB boundaries that are not indicated on the map.

4.45 As well, there is no standard approach to describing EC areas in the EC applications; this is not a requirement in the EC handbook. For example, New South Wales uses RLPB areas to define boundaries; Queensland and Victoria use Shires or regions.

4.46 The ANAO found that such complexities in description and varying means of defining boundaries have resulted in confusion and difficulties in determining eligibility, both for potential recipients and Centrelink. Figure 4.3 summarises some of the difficulties encountered by Centrelink Customer Service Centres with EC maps.

Figure 4.3

Some difficulties encountered by Customer Service Centres with EC declaration maps

- Insufficient detail on the EC declaration maps. The maps covered large geographic areas but lacked physical references (for example townships and waterways).
- As maps did not name many towns, it was sometimes difficult to establish which area the farms belonged to. To address this, Customer Service Centres often purchased or obtained additional maps, such as road maps, RLPB maps and local shire maps.
- In most cases hardcopy maps were received within two weeks of the declaration. However, there were instances when it took longer. For some areas, maps were never provided on websites or in hardcopy.
- There were problems in printing maps. Customer Service Centres do not have colour printers to print coloured maps. Images were often too large for the printer.

Source: ANAO survey of Customer Service Centres

4.47 DAFF made improvements to the maps placed on its website over the course of the drought. Most Customer Service Centres acknowledged that later maps were more useful for their purposes than the earlier ones, as there was more detail.

4.48 However, better consultation between DAFF and Centrelink is required to develop maps that more accurately address the administrative needs of the Customer Service Centres. For example, producing maps that align with boundary descriptions.

4.49 The detail of some EC declarations caused administrative difficulties in other respects. For example, for one declaration, eligible crop producers had to demonstrate two consecutive failed crops. However, for some regions the press release specified winter crops, creating confusion amongst summer croppers and in Centrelink Customer Service Centres. Clarification was sought, and DAFF confirmed that both summer and winter croppers were eligible for assistance.

4.50 As well, on occasions there was lack of clarity in terminology. For example, there was interchangeable use of Interest Rate Relief and Interest Rate Subsidies in public documents. However, the latter refers to EC Interest

Rate Subsidies, administered by the State and Territory Rural Adjustment Authorities on behalf of the Australian Government, whereas Interest Rate Relief was part of the additional drought assistance measures announced on 9 December 2002.

4.51 Overall, there is scope to improve clarity in descriptions, particularly in describing eligible areas.

Recommendation No.5

4.52 The ANAO recommends that DAFF, in consultation with State and Territory Governments, assess means of establishing greater consistency and clarity between descriptions of EC areas and their representation on maps.

DAFF response: Agreed. Whilst it is the responsibility of the State and Territory Governments to define EC application boundaries and supply the relevant spatial map information, DAFF will work with the State and Territory Governments to ascertain ways of establishing greater consistency and clarity between descriptions of EC areas and their representation on maps.

Recommendation No.6

4.53 The ANAO recommends that DAFF work with Centrelink to determine how maps and descriptions of EC areas can best meet Centrelink's needs for administering EC declarations.

DAFF response: Agreed. DAFF will continue to work with Centrelink to determine how maps and descriptions of EC areas supplied by the States and Territories can best meet Centrelink's needs for administering EC declarations.

Centrelink comment: Centrelink agrees to work closely with DAFF to implement this recommendation.

5. Delivery of Assistance to Farmers

This Chapter examines the delivery of drought assistance to farmers.

Background

5.1 The extent of the various forms of income and business support provided to farmers affected by the recent drought is summarised in Figure 5.1.

Figure 5.1

Drought assistance provided for recent drought, at December 2004

Type of assistance	Number of approved applications	Assistance paid
EC Relief Payments	17 457	\$285 million
EC Interest Rate Subsidies	9 062	\$200 million
<i>Prima facie</i> Interim Income Support	5 056	\$72 million
9 December 2002 Interim Income Support	10 067	\$24 million
9 December 2002 Interest Rate Relief	2 898	\$12 million
Total	44 540	\$593 million

Source: DAFF

5.2 This chapter assesses the processes for:

- applying for drought assistance from Centrelink, including farmers' access and knowledge of services;
- processing of claims;
- reliability of payments; and
- EC Interest Rate Subsidies applications by the State and Territory Rural Adjustment Authorities.

Applying for income support and interest rate relief

Farmers' understanding of application processes

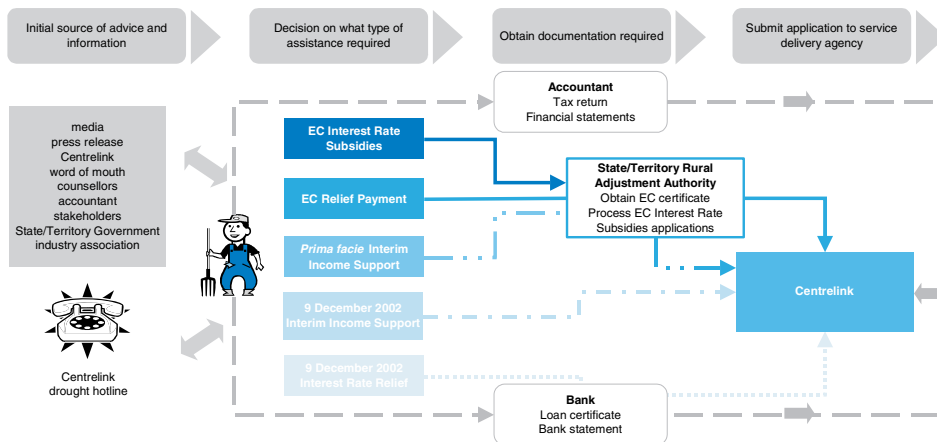
5.3 Apart from the EC Interest Rate Subsidies (discussed at paragraph 5.57), farmers must apply to Centrelink to receive any of the Australian Government drought assistance measures.

5.4 Completion of the application requires various documents and information to be supplied, depending on the assistance claimed (see paragraph 5.26 and Appendix 7). Centrelink Customer Service Officers can assist farmers to complete their application, and also provide advice on other types of benefits and services.⁵⁹

5.5 Figure 5.2 summarises the process.

Figure 5.2

Applying for drought assistance



Source: ANAO

5.6 In discussion with stakeholders the ANAO found that these stakeholders often regarded the process of applying for drought assistance as confusing.

5.7 This was due both to the number of different drought measures (including those offered by State and Territory Governments) and to differences between the application processes and information requirements for the different measures. For example, applicants were not required to obtain an EC certificate to claim for an additional drought assistance measure, but needed one to claim for EC Relief Payments.

5.8 The flow of information to farmers was also sometimes seen as indirect and causing confusion. For example the report on *Centrelink's Delivery of Drought Relief* (see paragraph 3.23) found that a radio advertisement about the closing date for some assistance caused confusion for those who were unfamiliar with the nature of the drought assistance measures. For example,

⁵⁹ For example, advice may be provided on the availability of a Health Care Card and/or Youth Allowance concessions.

the meaning of different terms and what type of assistance was being advertised.

5.9 ANAO fieldwork and an ANAO survey of Centrelink Customer Service Centres indicated that there was particular confusion by farmers regarding:

- eligibility under the different drought assistance measures;
- understanding of the income and assets test. For example, there was confusion on whether a 'gift' was considered an 'exempt asset' under the FHS Act. Inclusion of an asset could potentially impact a farmers eligibility for drought assistance;
- having to deal with Centrelink for income support and the relevant State or Territory Rural Adjustment Authority for EC Interest Rate Subsidies; and
- the different State and Territory and Australian Government drought declarations and programs.⁶⁰

5.10 The Drought Review Panel also found that stakeholders were confused about the range of drought assistance measures and their eligibility requirements. It considered that stakeholders had a limited understanding of many of the measures.⁶¹

5.11 Much of the difficulty experienced by farmers was a result of the construct and interaction of the various programs. The next section discusses how Centrelink handled this.

Improving farmers' access and knowledge of services

5.12 Having regard to some of the issues above, Centrelink took several steps to improve accessibility and to better inform farmers.⁶²

5.13 Access to Centrelink services can be difficult at times for farmers. This may be due to the remote location of farmers; their inability to leave the farm because of hand feeding of stock; or a reluctance by them to attend a Centrelink office.

5.14 In response to this, most Customer Service Centres established outreach services. These outreach services included, to varying degrees, visiting individuals on farms; holding seminars and community meetings; and

⁶⁰ Based on an ANAO survey of Centrelink's major Customer Service Centres for processing claims for drought assistance.

⁶¹ Drought Review Panel Report, op.cit., p. 2.

⁶² A research report, *Centrelink's Delivery of Drought Relief*, was prepared for Centrelink in June 2003.

a range of other measures. The aim was to enable farmers to find out about available drought assistance and to complete an application without having to travel far from the farm.

5.15 Some Customer Service Centres also set up counters specifically for farmers, and had dedicated farmer Customer Service Officers. Financial advisors, counsellors, and social workers were also at hand.

5.16 Other Customer Service Centres contracted dedicated 'drought workers' to provide a support role within the community and to the Customer Service Centre. For example, the drought workers liaised with local organisations and business groups; helped farmers complete the application forms; and visited farms.

5.17 The ANAO found that these initiatives were generally well received, and farmers advised that they greatly preferred the face-to-face contact that these services provided. Research undertaken for Centrelink also found that, overall, 83 per cent of farmers were satisfied with the services received from Centrelink staff.⁶³

5.18 There was variation in the extent and nature of these activities. Many factors will impact on uptake, including the extent of drought and the industries affected and the individual circumstances of farmers in the area. In some areas, uptake of drought assistance was less than anticipated by DAFF. For example one area in Victoria reached only 30 per cent of the anticipated level of assistance.⁶⁴

5.19 The ANAO considers that it would be worthwhile for DAFF to identify the activities and outreach services that were most successful and cost effective in delivering information and advice to farmers. This could assist with delivering future customer service initiatives in the farming community.

Recommendation No.7

5.20 The ANAO recommends that DAFF, through the MOU with Centrelink, identify those activities and outreach services that were most successful and cost effective, to assist with the delivery of future customer service initiatives in the farming community.

DAFF response: Agreed. DAFF is working in conjunction with Centrelink to identify those activities and outreach services that were most successful and cost effective for creating awareness of the drought assistance measures, to

⁶³ ACNielsen, op.cit., p. 54. From a sample of 804 farmers, 251 farmers had applied to Centrelink for drought assistance. Of the 251 farmers, 83 per cent were satisfied with the services received from Centrelink.

⁶⁴ This was based on the number of potential EC Relief Payments per month.

assist with the delivery of future customer service initiatives in the farming community.

Centrelink comment: Centrelink agrees to work closely with DAFF to implement this recommendation.

Processing of claims

Procedures and guidelines

5.21 Staff at the 14 Customer Service Centres designated as the major drought processing centres, were trained by Centrelink's National Support Office on the required processes for assessing and determining applications. The National Support Office also undertook visits to these Customer Service Centres to discuss administrative processes and emerging issues. Information on matters arising from the visits was circulated through Centrelink's office network.

5.22 Centrelink established administrative guidance and procedures. For example, Centrelink's Intranet contains *e-reference*, a step-by-step guide on how to process drought assistance applications. It also details actions to be taken if further information is required. Links are also provided to relevant legislation and policy.

5.23 The Centrelink Intranet also contains a *drought information page*. This contains: fact sheets; information on each of the measures; drought updates; and information, tips and answers to frequently asked questions.

5.24 A rural help desk was also established at the National Support Office to provide advice to Customer Service Centres on complex or difficult claims. The National Support Office would refer the question on to DAFF for further advice if it was unable to answer or resolve the matter itself.

5.25 The ANAO found that, generally, these arrangements and procedures were appropriate and worked well.

Checklists

5.26 Some Customer Service Centres developed an internal checklist to process applications. These checklists varied between offices, with some being more detailed than others. Generally, the checklists prompted Customer Service Officers to verify:

- proof of identity;
- personal and farm tax returns;
- profit and loss statements;
- off-farm assets (including through bank statements);

- EC certificate; and
- loan certificate.

5.27 The ANAO considers these checklists to be useful aids and quality checks for staff, and Centrelink's staff supported their value. However, some Customer Service Centres did not use checklists, and those in use were of varying detail. This contrasts with the robust guidance provided elsewhere. The ANAO considers that it would be of value to Customer Service Officers to identify better practice, and develop a uniform checklist to process applications and disseminate.

Quality control of the assessment process

5.28 Centrelink's quality control framework for the consistency and accuracy of drought assistance payments is 'Quality On-line'. This involves checking by supervisors of officers' work. The minimum level of checking is five per cent of assessments for experienced staff. This rises for less experienced staff (for example new staff have all assessments checked).

5.29 Centrelink advised that National Support Office also undertakes internal quality checks on a few files during visits to Customer Service Centres.

5.30 These arrangements do not represent a structured national-based assurance framework. Centrelink advised that it is in the process of incorporating EC Relief Payment into its Business Assurance Framework.⁶⁵

5.31 DAFF advised that an independent random sample review will also be undertaken to ensure quality control and to provide assurance that payments have been made in accordance with the legislative requirements. At the time of the audit the specific requirements for the random sample review had not been finalised between Centrelink and DAFF. There was no timeframe specified for this to occur.

5.32 In response to the proposed audit report, DAFF advised the ANAO that it has since met with Centrelink to undertake preliminary discussions on the requirements and timing of the random sample review.

Reliability of payments

5.33 The ANAO found that Centrelink's processing of claims was systematic and structured.

5.34 On receipt, applications are checked for completeness, and that all the required documents are attached. The ANAO found that this was done

⁶⁵ The Business Assurance Framework ensures payments made are both accurate and correct.

reliably. This is an important step, as about one-third of the sample of files examined by the ANAO required written requests for further information from the clients in order to process the application. Requests included documents to prove identity, bank statements, tax returns and EC certificates.

5.35 The ANAO found that files and Centrelink's systems contained evidence of the required information, including that to support the assessment of eligibility.

5.36 Centrelink uses two systems to manage the drought assistance programs. The Emergency and General Assistance System (EMG) is used for processing *prima facie* Interim Income Support, 9 December 2002 Interim Income Support and 9 December 2002 Interest Rate Relief. The NewStart Income Security System (ISS) is used for EC Relief Payments.

5.37 The ANAO found that Centrelink's systems were adequate for the administration and monitoring of drought assistance payments.

Calculating eligibility and payments

5.38 Once an application has sufficient information, it is assessed against eligibility criteria. These are contained in the FHS Act, *Social Security Act 1991* and the terms of the specific EC declaration.⁶⁶ Appendix 7 outlines the eligibility requirements for the different drought measures.

5.39 If the applicant is eligible, the rate of payment is calculated.⁶⁷ The payments are subject to an income and asset test.

5.40 The ANAO found that there were some issues regarding the accuracy of information contained in EC certificates (discussed at paragraph 5.50).

5.41 In other respects, assessments and payments were, on the whole, reliable. An examination of files, and IT audit of Centrelink systems, revealed only a small number of potential overpayments. The combined value of these amounts was not substantial. Centrelink is investigating these cases.

Timeliness

5.42 Under the Program Protocol, Centrelink is required to make 80 per cent of payments to eligible EC Relief Payment customers within 42 days of the lodgement of the initial claim.

⁶⁶ The FHS Act did not cover the additional drought measures, as they were not part of an EC declaration. These were administered as ex-gratia payments using similar administrative processes to EC Relief Payment.

⁶⁷ The FHS Act outlines the fortnightly rate for EC Relief Payment and the duration of time for which it is available. The rate for EC Relief Payments is equivalent to the Newstart Allowance. Ex-gratia payments were also determined by the requirements in the FHS Act.

5.43 Performance reports provided to DAFF indicate that over the life of the drought assistance program, Centrelink is meeting its Key Performance Indicator (KPI) with between 82 per cent and 84 per cent of applications being processed within 42 days.⁶⁸

5.44 A financial controls framework has been established to assess eligibility and ensure benefit payments reconcile. The ANAO found that Centrelink systems provide a reasonable level of assurance that applications are processed accurately and in a timely manner.

Exceptional Circumstances certificates

5.45 Under the FHS Act, a farmer claiming EC Relief Payment must hold an EC certificate issued by the relevant State or Territory Rural Adjustment Authority. The issuance of EC certificates by the State and Territory Rural Adjustment Authorities is governed by an MOU between the Secretary of DAFF and the Chief Executive Officers of the State and Territory Rural Adjustment Authorities for each separate EC declaration. The eligibility requirements for EC Interest Rate Subsidies for each EC declaration are outlined in a separate set of guidelines signed by the Minister for Agriculture, Fisheries and Forestry that are provided to the relevant State or Territory Minister and agencies (see paragraph 4.38).

5.46 It is the responsibility of the Rural Adjustment Authorities to check that the location of a person's farm enterprise, its industry type and other eligibility requirements comply with the conditions stated by the Minister for Agriculture, Fisheries and Forestry.

5.47 In response to the proposed audit report, State and Territory Rural Adjustment Authorities advised the ANAO that EC certificates are issued based on advice from the applicant, typically by telephone. It was also noted that, under the MOU, they are not required to implement procedures to prevent fraudulent claims.

5.48 DAFF advised the ANAO that it does not have formal arrangements with the State and Territory Rural Adjustment Authorities to address errors in EC certificates. It considered that the State and Territory Rural Adjustment Authorities would exercise reasonable care and responsibility in the issuing of EC certificates. In addition, DAFF advised that should a person fraudulently obtain an EC certificate, such persons are not automatically entitled to financial assistance as they are subject to relevant checks and assessments undertaken by Centrelink for the EC Relief Payment and by the State and Territory Rural Adjustment Authorities for EC Interest Rate Subsidies.

⁶⁸ ANAO assessment of a snap shot of data for May 2004, broadly confirmed these timeliness statistics.

5.49 Centrelink is required to process an EC application if the applicant holds an EC certificate.

5.50 From examination of records and interviews with Centrelink Customer Service Officers, the ANAO found that EC certificates were often incorrect in some respects, or had anomalies. Figure 5.3 illustrates some of these issues.

Figure 5.3

Errors in EC certificates

- **Farm on EC certificate not located within the EC declared area:** EC certificates are intended to verify the location of the farm, so that Centrelink only have to verify other criteria. However, there were several cases where Centrelink received EC certificates with farm locations outside of EC declared areas.
- **Incorrect industry:** in these cases, EC certificates were issued for a person whose farming industry was not included in the EC declaration.
- **Incorrect or incomplete details:** incorrect details included: incorrect spelling of names; incorrect date of birth; and address incomplete.

Source: ANAO analysis of Centrelink files and survey of Customer Service Centres

5.51 As a result of these anomalies, Centrelink Customer Service Officers often assessed the validity of EC certificates, even though this is not formally their responsibility. Centrelink advised that, where this occurred, further enquiries were made to the relevant Rural Adjustment Authority to clarify and resolve the discrepancy so that Centrelink meets its duty of care for payment of public monies.

5.52 The ANAO found that some staff were not confident about checking EC certificates, and considered that they had insufficient authority to do so.

5.53 DAFF advised that it did not have formal arrangements with Centrelink to check EC certificates. As well, there was not a nationally consistent approach to checking EC certificates within Centrelink.

5.54 The work-arounds identified in this audit reflect an intention to make program payments accurate. However, they also reflect a more systematic weakness in the current procedures between the Australian Government and State and Territory agencies, affecting a key aspect of the processing of claims for drought assistance, and therefore undermining reliability and efficiency.

5.55 The ANAO considers that DAFF could examine means of strengthening arrangements, consulting with other agencies as appropriate.

Recommendation No.8

5.56 The ANAO recommends that DAFF review the role of, and administrative procedures for, EC certificates, in light of the quality control issues experienced.

DAFF response: Agreed. DAFF is currently progressing legislative changes to remove the need for EC certificates.

EC Interest Rate Subsidies

Administrative arrangements

5.57 EC Interest Rate Subsidies provide subsidies for the interest payable on new and existing commercial loans for eligible producers within an EC declared area. EC Interest Rate Subsidies are available once the Minister for Agriculture, Fisheries and Forestry has EC declared an area (or industry). The State and Territory Government Rural Adjustment Authorities administer the subsidy.

5.58 The subsidies are administered under the RA Act.⁶⁹ Section 20E of the RA Act provides:

the [Australian Government] may enter into an Agreement with a State relating to rural adjustment (other than the Farm Business Improvement Program).

5.59 Legal advice obtained by DAFF confirmed that in order to pay money to the States or Territories under the RA Act, the Australian Government must have an Agreement with the State and Territory Governments. The Agreement provides for the Australian Government to determine policy guidelines for the payment of EC Interest Rate Subsidies (see paragraph 5.66).

5.60 The relevant Agreement between the Australian Government and State and Territory Governments passed its formal termination date on 31 December 2000, and was not then renewed.

5.61 DAFF did not explicitly address the consequences of this for advice to the Government. It did not seek legal advice on the matter until February 2003. During this time, guidelines were being issued that referred to the Agreement (that had expired).

5.62 The legal advice obtained by DAFF was that it was arguable that the Australian Government and State and Territory Governments have impliedly extended the term of the Agreement by continuing to (respectively): issue and accept guidelines; make and receive payments; and apply payments in accordance with the guidelines and the RA Act. In this context, the ANAO notes that all parties behaved as if the Agreement was in place.

⁶⁹ The RA Act specifies the payment structure for the subsidy. The Australian Government contributes 90 per cent of the cost and the State and Territory Governments contribute 10 per cent.

5.63 Notwithstanding this, DAFF was advised that it was desirable to clarify this situation by: entering into a new Agreement; or extending the term of the Agreement.

5.64 In the event, DAFF took this advice and extended the term of the Agreement in July 2004, to December 2007.

5.65 The Agreement is a significant part of the formal framework for the delivery of EC Interest Rate Subsidies. Better monitoring of such a key element in the formal delivery framework is required to ensure the provisions which govern the program are met; not the least to address risks that may arise in delivery.

5.66 As mentioned at paragraph 4.38, once the Minister for Agriculture, Fisheries and Forestry has declared an area or industry EC, DAFF coordinates the issuing of guidelines to the State and Territory Governments (to be passed on to the relevant State or Territory Rural Adjustment Authority) so that it may commence administering the subsidies. The guidelines set out the assessment criteria, level of support, description of the EC area (and industries) including the terms and conditions.

5.67 The ANAO found that DAFF did prepare EC Interest Rate Subsidy guidelines for State and Territory Governments appropriately and in a timely manner. This was aided by DAFF's internal use of a template which streamlined guideline development and which was varied to insert relevant information for the specific EC declaration.

Claims

5.68 To apply for EC Interest Rate Subsidies, farmers must complete an application form, available from the relevant State or Territory Rural Adjustment Authority.

5.69 The EC handbook⁷⁰ contains information for applicants on EC Interest Rate Subsidies. It also identifies the State and Territory Rural Adjustment Authorities that administer the subsidy.

5.70 Using the guidelines, the Rural Adjustment Authority determines the period of subsidy. The subsidy is available for up to two years. However, an applicant must apply in the first 12 months of the EC declaration (referred to as the declaration year), and then again in the second 12 months (the recovery year), to receive the full two years of assistance.⁷¹

⁷⁰ Australian Government Department of Agriculture, Fisheries and Forestry and State/Territory Government agencies, op.cit.

⁷¹ Applicants are reviewed after 12 months to ensure they are entitled to the second year of assistance. State and Territory Rural Adjustment Authorities issue reminders to applicants for them to re-apply.

Performance monitoring and outcomes

5.71 Under the RA Act, the Agreement between the Australian Government and State and Territory Governments must include provisions relating to performance requirements and indicators.

5.72 However, neither the Agreement nor guidelines (issued for each EC declaration) specify requirements for performance monitoring and reporting. Nor do they contain key performance indicators or targets.

5.73 In practice, through informal arrangements, DAFF receives reports from individual State and Territory Rural Adjustment Authorities on a weekly basis. These reports include information on: application date; status of application; EC region; amount approved; reason for rejection; and main industry.⁷²

5.74 However, this informal approach to performance reporting results in an inconsistent style of reporting from the State and Territory Rural Adjustment Authorities. A more structured approach to articulating performance requirements, including outcomes and/or target and key performance indicators, would improve the monitoring, accountability and transparency of the program and be in line with the requirements of the RA Act in the future.

Program results

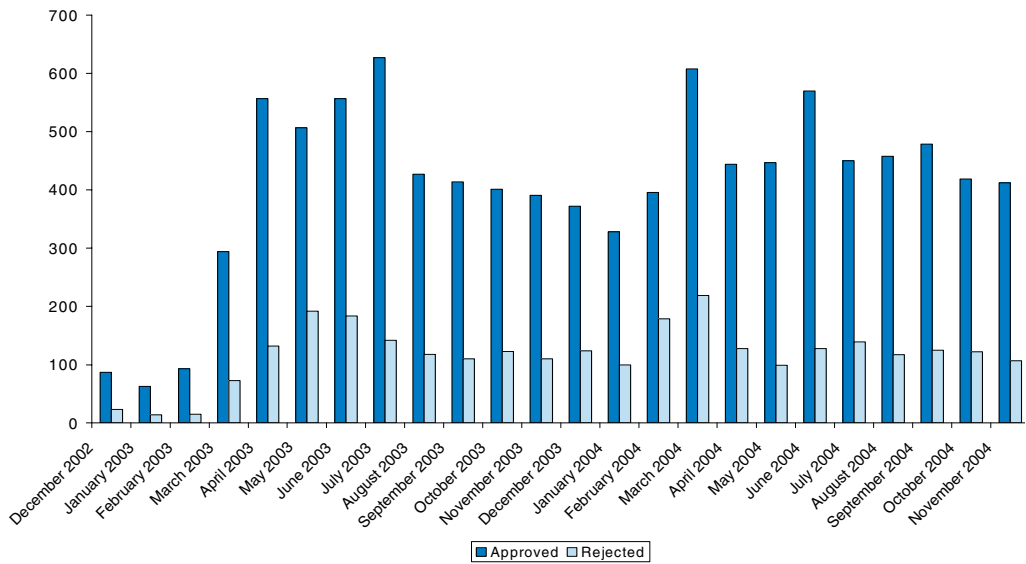
5.75 There have been over 12 000 applications for EC Interest Rate Subsidies lodged since December 2002, with a relatively stable level of applications since April 2003. Figure 5.4 summarises the trends.

5.76 Over 75 per cent of applications have been accepted.

⁷² DAFF advised the ANAO that the State and Territory Rural Adjustment Authorities and DAFF agreed to the provision of EC related reports in a standardised format in May 2003 but no formal agreement was put in place.

Figure 5.4

EC Interest Rate Subsidies applications, December 2002 to November 2004



Source: ANAO from DAFF information

6. Small Business Interest Rate Relief

This Chapter examines the implementation of the Small Business Interest Rate Relief program.

Background

6.1 As part of the additional drought assistance measures, the Australian Government announced the Small Business Interest Rate Relief (SBIRR) program on 9 December 2002.

6.2 DITR was responsible for the program, under which \$70 million was allocated for interest rate relief payments. Centrelink delivered the program, on behalf of DITR. DITR was allocated \$12.5 million for Centrelink's administrative costs. Centrelink billed DITR for the administrative costs associated with the delivery of SBIRR.

6.3 The objective of the drought assistance measures for small business was to assist financially small businesses significantly affected by the current drought.

6.4 The program focused mainly on small businesses, offering interest rate relief of up to \$5 000 per annum. Assistance was paid in one instalment each year for up to two years (a maximum of \$10 000 was available), on loans of up to \$100 000.⁷³

6.5 The program eligibility criteria were relaxed in July 2003, to encourage greater uptake of the program. On 2 April 2004 the Government agreed to wind down the program, with a closing date of 30 June 2004 (see paragraph 6.52).

Development of the Small Business Interest Rate Relief program

Planning for the program

6.6 Consideration for assistance to small businesses was first undertaken by DITR in March 2002. Several options were considered, resulting in the Minister for Industry, Tourism and Resources requesting that the department develop two of these options further, one being for an interest rate relief program.

⁷³ Applicants were reviewed after 12 months to ensure they were entitled to the second year of assistance.

6.7 While DITR indicated that it sought to gather some data, there was little development of these options. The recollection of those involved at the time was that there was no request from small business to provide such relief and no evidence of significant harm to small businesses from the drought. It was also considered that there were reasonable prospects that farm production would increase. The department advised that it was therefore not required to pursue the options further. There is no record of any request or decision not to continue this work.

6.8 The Small Business Interest Rate Relief program was introduced by the Australian Government as one of the additional drought assistance measures on 9 December 2002.⁷⁴ DITR had not undertaken analysis of the key client groups or their needs prior to the announcement.

6.9 As discussed later in this chapter, the program had low uptake.

Administrative responsibilities

6.10 Centrelink and DITR commenced negotiations, immediately after the announcement, on arrangements for administering the program. An interim Agreement⁷⁵ was signed on 19 December 2002, pending the negotiation of a full MOU.

6.11 The Agreement was in the form of a brief five-page document. It required Centrelink to: deliver the program; make initial estimates for service delivery; provide weekly and monthly reports; and provide the status of applications to DITR.

6.12 The MOU was signed in March 2003. It outlined Centrelink and DITR's broad responsibilities for program delivery (see Appendix 8).

6.13 The MOU and the Program Protocol, which contained more detailed responsibilities, together constituted the terms of the business partnership. The interim Agreement was to be used if the Program Protocol had not been finalised.

6.14 Development of the Program Protocol took 12 months longer than expected. The Agreement had specified that the Protocol would be signed by January 2003. This was not achieved until January 2004.

6.15 Notwithstanding these delays, the ANAO found that Centrelink met the key requirements of the Program Protocol, prior to the document being signed.

⁷⁴ Announced in the Prime Minister of Australia's press release 'New Drought Support' on 9 December 2002.

⁷⁵ This Agreement was referred to by DITR as a 'Proforma Protocol'.

6.16 Centrelink's key responsibilities are summarised in Figure 6.1.

Figure 6.1

Centrelink's key responsibilities

- Provide information to clients and promote the program.
- Process 80 per cent of applications within five working days of receipt, if all client information was provided.
- Post application forms within two days of request.
- Determine interest rate payable.
- Notify customers of outcome of their application within 30 days.

Source: DITR—Centrelink Program Protocol, January 2004

Promotion and information

6.17 Centrelink was responsible for developing a communication strategy for SBIRR.⁷⁶ Before the MOU was finalised, informal arrangements existed, which conveyed Centrelink's responsibility for developing a communication strategy.

6.18 Figure 6.2 shows the components of the draft communication strategy⁷⁷, and the ANAO's assessment of activities undertaken.

Figure 6.2

Centrelink promotion of SBIRR

Component of strategy	Action
Radio advertisements	Over 1 600 radio advertisements in New South Wales, Queensland and South Australia were aired between February and March 2003.
Print advertisements	Over 400 newspaper advertisements in New South Wales, Queensland, Western Australia, Victoria and South Australia between February 2003 and June 2004. Monthly advertisements in State edition of Certified Practising Accountant (CPA) News.
Information for Accountants and Financial Planners	Editorials in Financial Planning magazine, electronic information updates to members of CPA Australia and the Institute of Chartered Accountants.
Centrelink website	The Centrelink website contained fact sheets, media releases, application forms and links to other websites.

⁷⁶ This was reflected in the March 2003 MOU, and had been previously agreed to as Centrelink's responsibility in December 2002, in emails between the agencies.

⁷⁷ The draft communication strategy was never formally finalised. However, it was implemented by Centrelink as a final strategy.

Component of strategy	Action
Centrelink Rural Call Centre	Staff at the Toowoomba Rural Call Centre were trained to handle enquiries about the SBIRR program.
AusIndustry	The AusIndustry hotline was provided with telephone scripts on the SBIRR program, and information was provided to the AusIndustry regional network.
Visits to regional areas to promote SBIRR	Drought seminars were held in conjunction with DITR, the Queensland Rural Adjustment Authority, the Australian Taxation Office, Rural Finance (Victoria) and the Victorian Department of Regional Development. There were also exhibits at agricultural shows and field days.

Source: ANAO

6.19 The administrative elements of the strategy, and regional visits, commenced in December 2002.

6.20 Advertising did not commence at the same time. DITR raised concerns with Centrelink in January 2003 regarding the lack of advertising for SBIRR. In response, Centrelink initiated an advertising campaign in late February 2003.

6.21 The most intensive print and radio advertising occurred during February to March 2003.

6.22 Over 40 per cent of the advertising was in New South Wales, the largest drought declared area. All other elements of the draft communication strategy began in December 2002.

6.23 DITR advised the ANAO that it was monitoring advertising. The department altered the wording of its print advertisements to make them appear less restrictive, in response to concerns that some applicants may not think they were eligible.

6.24 DITR has not conducted a formal assessment of the effectiveness of promotion activities. As discussed later in this chapter, program outcomes suggest that such assessment would be advantageous, to draw lessons for future policy development and administration.

Application and assessment processes

Applications

6.25 Application forms and information packages were available from the Centrelink website, Customer Service Centres and the Rural Call Centres. Applicants were required to attach supporting documents to a completed application form including:

- proof of identity;

- business tax returns and financial information, including profit and loss statements, balance sheets, and depreciation schedules for the previous three years;
- a loan certificate for each loan, certified by the financial institution; and
- the most recent bank statement of the loan account.

6.26 Applicants could lodge their completed forms at any Customer Service Centre, but all processing was centralised to Centrelink's Rural Call Centre in Maryborough (Queensland).⁷⁸

Assessment

6.27 Applications were assessed against a checklist for eligibility criteria, provided in detailed Guidelines for Centrelink which accompanied the Ministerial Policy Guidelines.⁷⁹ The checklist also addressed the documentary evidence required and provided for the criteria.

6.28 Customer Service Officers also had to determine whether the client was within an EC declared area. This was done by referring to the EC maps and press releases, to check locations (see paragraph 4.38).

6.29 Application forms were processed through Centrelink's Emergency and General Assistance system.

6.30 The amount of interest rate relief payable was calculated at five percentage points on commercial loans or 50 per cent of the prevailing interest rate, whichever was lower, to a maximum of \$5 000 per annum.

6.31 The ANAO examined a sample of customer files and found that applications were assessed appropriately and accurately, and in accordance with defined processes and checklists.

6.32 Centrelink did not report processing times to DITR in accordance with the requirements of the MOU and Program Protocol. However, ANAO analysis of a sample of files indicated that Centrelink processing of applications was very timely. Over 90 per cent of applications were processed within five days (once all information had been received), compared with a target of 80 per cent in the Program Protocol.

⁷⁸ Payment of SBIRR was calculated from the date of receipt of the application form by the Centrelink Customer Service Centre.

⁷⁹ The detailed Guidelines for Centrelink, which accompanied the Ministerial Policy Guidelines, outlined the program design; definition of key terms; and the eligibility criteria. This was given to Centrelink for administrative purposes.

Performance and risk management

Risk management

6.33 DITR advised the ANAO that it was aware that the SBIRR program might pose a high level of risk, particularly because it was a first-time program. It was therefore considered difficult to know whether the program would result in high or low uptake.

6.34 DITR further informed the ANAO that it had considered actions to address risks. For example, some of the guidelines DITR designed contained the risk of inconsistent interpretation of criteria (for example, defining beneficial ownership rules and asset testing).

6.35 However, the ANAO found that there was no risk management plan in place prior to the launch of SBIRR, nor during most of its implementation. A risk management plan was not produced until early in 2004, limiting its usefulness for program planning and management. DITR informed the ANAO that the department was unfunded for management work on the program, and this limited their ability to put together documents, such as a risk management plan.

Monitoring and reporting

6.36 The SBIRR program was extensively monitored. Information and reports were sent to DITR on a daily, weekly and monthly basis.

6.37 The daily reports provided DITR management with basic information on program progress. Information included calls received; application forms sent and returned; and applications granted and rejected. The weekly and monthly reports provided additional detail in some areas, including amounts paid and reasons for rejection.

6.38 These reports enabled DITR to monitor uptake, including by State, EC area, and business size. The more detailed monthly reporting only started in October 2003.

6.39 The ANAO found that DITR monitored the number of applications received, rejected and the number approved from commencement of the program.

Program results

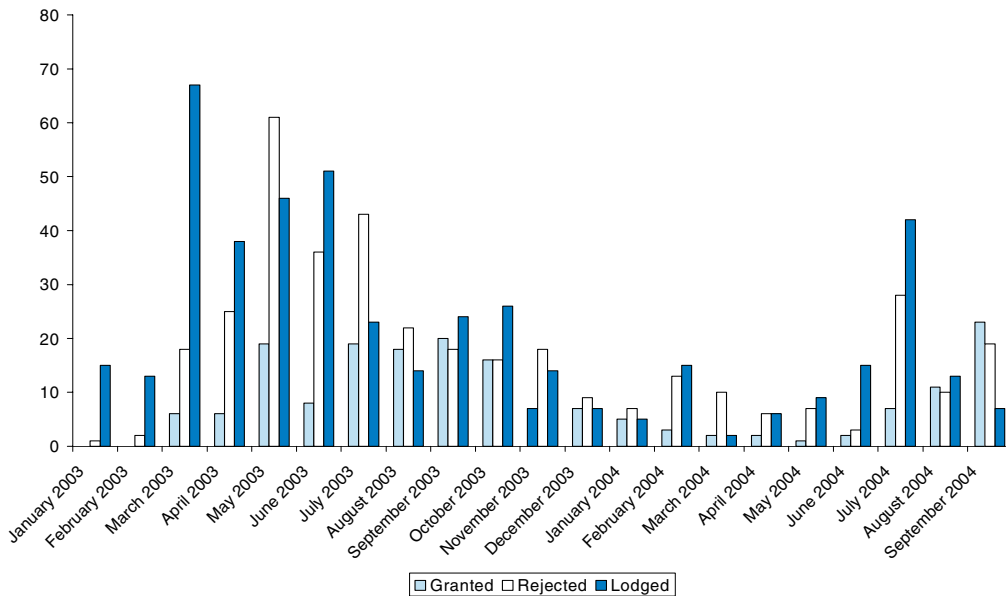
6.40 In accordance with its caution over likely program uptake, DITR did not set targets for the SBIRR program. It forecast that it would receive up to 17 500 applications, and up to 14 000 successful applications, and informed the Government accordingly. DITR advised the ANAO that it considered the program to be a safety net program.

6.41 However, only 452 applications were received during the life of the program and 182 of the applications were successful.

6.42 Figure 6.3 shows the number of applications lodged, granted and rejected from January 2003 to September 2004.⁸⁰

Figure 6.3

SBIRR applications lodged, granted and rejected⁸¹



Source: ANAO compiled from DITR data

6.43 As a result of the low uptake, program expenditure was only a small fraction of the initial estimates. Payments over the life of the program totalled just over \$1.1 million, compared with initial estimates of \$70 million.⁸² This is less than 2 per cent of the original estimate. Figure 6.4 shows the distribution by State of these payments.

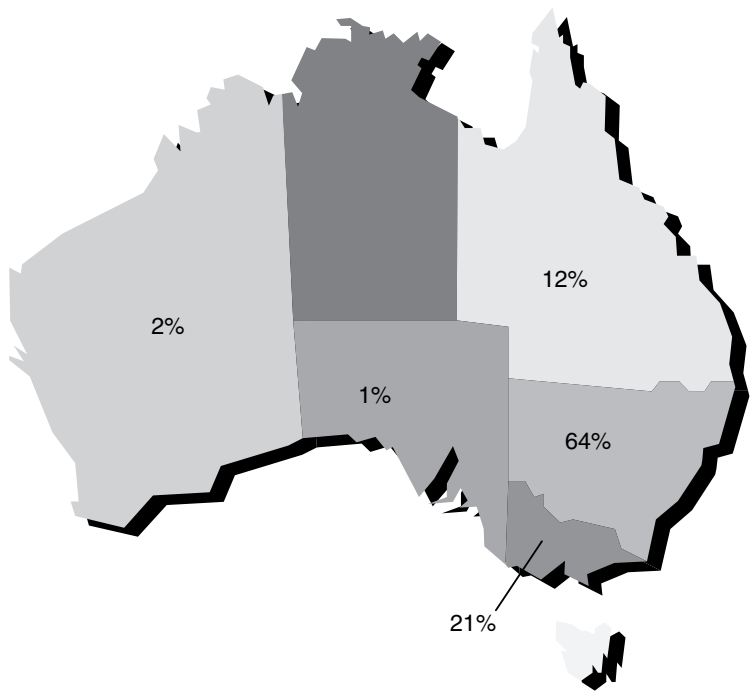
⁸⁰ Applications were accepted after 30 June 2004 provided an expression of interest had been lodged.

⁸¹ Granted and rejected totals do not equal the number of claims lodged, as claims that are re-assessed are only counted as being lodged once.

⁸² Estimates were progressively reduced. For example, the 2003–04 allocation of \$35 million was reduced in DITR's Additional Estimates Statements to \$6.3 million.

Figure 6.4

Distribution of SBIRR payments



Source: ANAO compiled from DITR data

Reasons for not applying

6.44 Centrelink undertook a small survey, at DITR’s request, in February 2003 to investigate why people who had enquired about the program had not lodged an application. The survey indicated that 46 per cent of respondents did not intend to apply for SBIRR. Reasons given for not applying are summarised in Figure 6.5.

Figure 6.5**Reasons for not applying for SBIRR**

- Need help to complete (for example, accountant and/or advisor not available).
- Too busy to complete the forms.
- Complexity—didn't understand what had been provided.
- Proof of identity too difficult to meet or provide.
- Beneficial owner's⁸³ assets exceed the limit (\$212 500 as at 30 June 2004).
- Insufficient turnover (under \$50 000).
- Effort required to complete the forms greater than the benefits.

Source: Centrelink

6.45 With mounting indication that the demand for the program was low, the criteria for SBIRR were relaxed. However, as Figure 6.3 demonstrates, after relaxing the criteria in July 2003, there was no marked impact in the number of applications received.

Rejected Applications

6.46 The rejection rate was high throughout the life of the SBIRR program. Overall, some 60 per cent of applicants were not successful.

6.47 The most frequent causes for rejection of a claim were⁸⁴:

- failure to supply documents;
- turnover had not declined by the amount required by the eligibility criteria⁸⁵; and
- the applicant was not a qualifying small business.⁸⁶

Administrative Costs

6.48 The original estimate of \$12.5 million for Centrelink to administer the SBIRR program was not revised. However, Centrelink billed DITR for \$790 000 in administrative costs over the life of the program.

⁸³ Under the eligibility criteria for the Small Business Interest Rate Relief program, a beneficial owner is defined as the individual who benefits from ownership of the business regardless of who holds title. For many businesses, the beneficial owner is the individual who owns the business, but they may also be the majority owner of the business, or the equal owners of the business.

⁸⁴ Based upon Centrelink reports to DITR of reasons for rejecting applications.

⁸⁵ The criteria required a decline of 50 per cent in turnover over the past six months compared to the same six month period in the previous three years, under the original program rules. This was revised to 30 per cent from July 2003.

⁸⁶ To be a qualifying business, it must be solvent, have an ABN, and have an eligible loan. It does not include charities or not-for-profit groups. If it is not a small business (less than 20 employees), it must also demonstrate at least 75 per cent of income from the farming sector in an EC area.

6.49 The low uptake, combined with administrative start-up costs, has resulted in a high administrative cost per application.

6.50 The average cost of processing each application was \$1 755. The average amount of assistance was \$6 365.

Wind-down of the program

6.51 DITR undertook a review of the program in December 2003. It concluded that the very low demand for the program indicated that the policy objective of 'assisting small business significantly affected by the current drought event' was unwarranted. There were also concerns about the high administration costs. It was not considered that there were feasible options to improve the program.

6.52 The Government approved the wind-down of the program on 2 April 2004. The cut-off for expression of interest was 30 June 2004, and 31 August 2004 for applications.

6.53 DITR and Centrelink developed wind-down strategies, to assist in a smooth wind-down of the program. The ANAO found that the program wind-down was effective and trouble-free. This included accelerated payments.⁸⁷

Evaluation

6.54 DITR advised the ANAO that the SBIRR program would be evaluated in 2005, as part of DITR's normal evaluation framework.

6.55 In the light of these audit findings, the evaluation could usefully address program planning and design, including whether its criteria targeted intended businesses; effectiveness of promotion; and reasons for low take-up.

Recommendation No.9

6.56 The ANAO recommends, that in evaluating the Small Business Interest Rate Relief program, DITR assess the sufficiency of program design, including whether its criteria targeted intended businesses; effectiveness of promotion; and reasons for low uptake.

DITR response: Agreed.

⁸⁷ Second instalments due in the 2004–05 financial year were paid in July 2004.

7. Counselling

This Chapter examines implementation of the additional drought assistance measure that provided counselling to people affected by the drought.

Background

7.1 On 27 November 2002 the Government announced that it would provide funding of up to \$2 million in 2002–03 for personal counselling services.⁸⁸ This was subsequently extended for a second year, with an additional \$2 million allocated in 2003–04.

7.2 The aim was to provide an avenue through which farming families affected by the drought could find emotional support, advice about the various assistance options available to them, and referral to other Government services.

7.3 The services were free to those affected by the drought, and confidential.

Administrative arrangements

7.4 The Department of Family and Community Services (FaCS) was responsible for the personal counselling measure. The bulk of funding provided for counselling was through FaCS's existing Family Relationships Services Program (FRSP).

7.5 Centrelink was also funded to provide telephone counselling and some face-to-face counselling.

7.6 The aim of the combination of face-to-face and telephone personal counselling was to provide adequate coverage of drought affected areas, as well as choice of services and provider-types to meet the needs of customers.

Centrelink

7.7 Centrelink social workers, and to a lesser extent, Centrelink psychologists, played a role in the provision of personal support and counselling for people in drought affected areas. Support and counselling were provided both by telephone and on a face-to-face basis. However, the most significant aspect of the work undertaken was the outreach work provided to drought affected communities.

⁸⁸ Counselling was available to people in areas announced on 9 December 2002 under the additional drought assistance measures, as well as those located in (or near to) EC declared or *prima facie* EC areas.

7.8 Centrelink was allocated \$375 000 to provide these services in 2002–03, and a further \$500 000 for 2003–04. A letter of agreement with FaCS outlined the services to be provided, clients and the performance reporting arrangements.

FaCS's Family Relationships Services Program

Identifying providers

7.9 The FRSP funds about 100 organisations to provide a range of family relationship services. One of the services funded is Family Relationships Counselling.

7.10 Utilising the FRSP providers for drought assistance counselling enabled FaCS to make use of an existing infrastructure.⁸⁹ It also leveraged off the relationships that the FRSP providers had built up (see Figure 7.1).

Figure 7.1

Benefits of using FRSP for drought counselling

- The organisations had working relationships with other rural welfare or community groups. For example, health professionals.
- Organisations had an established position of trust in the community. An ANAO survey of FRSP providers highlighted the importance of building trust in the community in order to attract clients.

Source: FaCS and ANAO survey of FRSP providers.

7.11 In December 2002, some 40 organisations were asked to submit a proposal for the new services. These organisations already provided Family Relationships Counselling, and were appropriately located. FaCS selected 32 organisations to provide family relationship and personal counselling services in drought affected areas.

7.12 The ANAO found that FaCS had a structured and well-documented process for the selection of FRSPs.

Contract and performance management

7.13 Contractual Agreements with the selected organisations were varied to include the new services. Most variations were signed by February 2003.

7.14 The Agreements stipulated performance measures, and the organisations were required to meet a minimum performance target for a number of clients.

7.15 Reporting requirements included financial aspects of the contracts, numbers assisted and self-appraisal reports.

⁸⁹ The FRSP had also provided counselling assistance during the 1994 drought.

7.16 The ANAO found that there was good compliance with the reporting requirements set out in the Agreements. Guidelines and templates for reporting assisted FRSP providers in meeting the requirements.

7.17 Over \$1.6 million of funding was provided to FRSP organisations to provide the drought counselling services in 2002–03. The funding was provided in three phases. This enabled FaCS to monitor uptake of services and redirect funds to other drought affected areas if need was greater elsewhere.⁹⁰

7.18 Additional funding of \$1.5 million was made available in 2003–04.⁹¹

Communication strategy

7.19 A *Communication Paper*, developed by FaCS in early December 2002, noted that:

as the drought counselling measure is a small part of a much larger package ... there is a risk that this measure could be lost in advertising and other promotion ... This risk can be minimised by the use of [a] targeted communication strategy specifically for the personal counselling measure.⁹²

7.20 Key aspects of the strategy are summarised in Figure 7.2, along with the ANAO's assessment of achievements against the strategy.

7.21 The ANAO found that, overall, FaCS followed the communication strategy.

7.22 However, most advertising did not commence until March 2003. This was notwithstanding that most of the arrangements with FRSP providers had been signed before then.

7.23 FaCS advised the ANAO that the reasons for delay included a focus in early 2003 on its response to the Bali bombings. It considered that this may have slowed down the initial advertising and implementation of the drought counselling measure.

⁹⁰ Some of the initial 32 FRSP organisations did not receive funding for every phase in 2002–03. This was due to low uptake of services in their locality or not being able to provide the required services sufficiently.

⁹¹ 29 FRSP organisations were funded in 2003–04. Funding included \$500 000 for innovative projects proposed by individual FRSP providers to encourage partnerships within local communities.

⁹² FaCS, *Communication Paper – Drought Counselling Services*, December 2002.

Figure 7.2

FaCS communication strategies and activities

Print advertising: advertisements were placed in approximately 120 regional newspapers across drought affected areas.

Radio advertising: more than 1 800 'hits' over 60 radio stations across drought affected areas. This included community service announcements on commercial stations and radio advertising, commencing March 2003.

Calling cards: 5 000 cards distributed to Centrelink and FRSPs, rural counsellors and other agencies in drought affected areas. Cards also distributed through DoTARS Commonwealth Regional Information Service.

Information kits: 500 kits distributed to FRSP counsellors in April 2003. Kits contained fact sheets on both Australian and State and Territory Government assistance. Counsellors were invited to copy and distribute the information to clients.

FaCS website: included information on locations of all FRSP organisations providing drought counselling.

Centrelink website: information on Australian Government drought assistance measures available, and links to other websites.

Source: FaCS and ANAO analysis

7.24 Initially \$100 000 of funding was intended for communication activities in 2002–03. However, only \$36 127 was spent on communication in the year. Accordingly, \$30 000 was reallocated to the counselling services, with the remainder rolled over into 2003–04.

7.25 The potential relationship of poor initial uptake of FRSP counselling to program promotion is discussed at paragraph 7.33.

Centrelink services

Publications and information

7.26 As previously discussed, Centrelink's services included the production and dissemination of publications and fact sheets. This material targeted farming families affected by drought.

7.27 The materials were distributed through Centrelink Customer Service Centres, social workers, and outreach workers. They were also distributed to local agencies, shops, doctor's surgeries and other public venues.

7.28 The drought assistance hotline also provided an avenue for referrals to FRSP providers, Centrelink social workers and psychologists.

Centrelink face-to-face counselling

7.29 Centrelink had existing counselling services, which it was able to supplement using the additional drought funding. An additional 9.6 social work/psychology positions were created on a temporary basis.

7.30 Centrelink's major focus in using the funding was to assist in the provision of personal support and counselling through outreach activities. This outreach involved attending community meetings, travelling and working with other Centrelink staff (such as Financial Information Officers), organising workshops and seminars (often in conjunction with local agencies), distributing locally produced information on coping with the social and psychological aspects of the drought, media interviews and other innovative practices such as photographic exhibitions that assisted in bringing communities together in response to these difficulties.

7.31 This approach reflected Centrelink's view that few farm families and others affected by the drought would seek assistance by making appointments with social workers and psychologists, until some trust had been established through less formal contact.

7.32 An example of the extent of support needed in drought affected communities, and how Centrelink assisted, is provided in Figure 7.3.

Figure 7.3

Example of the type of support and assistance provided by Centrelink

A local policeman approached a social worker at a drought information seminar in a small town. He raised concerns about drought affected farmers and the lack of available support. He told of a number of instances where the wives of farmers had handed in their partners' guns, as they were fearful of the risk of suicide.

The social worker provided the policeman with Centrelink drought assistance forms for him to give to the farmers as well as phone contacts for counselling and support services. Three families made contact with the social worker, who was able to provide counselling, referral and practical assistance.

Source: Centrelink

Face-to-face counselling through the FRSP

Promotional activities

7.33 FRSP organisations generally found that demand for their services was low during the initial months following the announcement of the additional drought measures.

7.34 This was reflected in mixed views by FRSP providers and stakeholders on the effectiveness of information and promotion of the drought counselling measures by FaCS and Centrelink.

7.35 On the one hand, publications contained clear and concise messages, contact numbers and useful advice for farmers and others affected by drought. Some stakeholders commented on the high quality and usefulness of the Centrelink services and publications.

7.36 However, the ANAO also found the majority of FRSP providers considered that there was not sufficient publicity and information provided to potential clients about the availability of their services. Only some 10 per cent of FRSP providers felt there was enough information provided, by both FaCS and Centrelink, to assist their role. For example, one FRSP provider commented that:

many people didn't know or understand what was on offer. We think that there needs to be more saturation of information about the benefits of seeking assistance. Farmers in the grip of crisis are naturally more focussed on receiving financial relief. Publicity aimed at de-stigmatising counselling and assistance services would be helpful.

7.37 This is a matter that warrants further consideration for any future programs. Of relevance in such consideration is the extent to which delays in advertising the program by FaCS contributed to the above concerns.

FRSP promotional and outreach activities

7.38 Reports prepared by the FRSP providers indicated several reasons for the slow uptake of services initially. These included:

- lack of awareness of the availability of counselling services;
- travel difficulties for remote farmers;
- an initial reluctance to trust counsellors, with potential clients unwilling to seek help;
- optimism that the drought would be short-term; and
- the priority of seasonal farming work.

7.39 In light of the limited initial uptake, most FRSP organisations focussed initially on promotion, establishing relationships within the community and outreach counselling activities. Figure 7.4 summarises some of the activities identified by the ANAO.

Figure 7.4**Promotional and outreach activities undertaken by FRSP providers****Promotion and establishing relationships within the community**

- Radio and newspaper interviews and advertisements. Articles also written for industry newsletters.
- Distribution of brochures and posters to schools, libraries, doctors, rural bodies and local businesses.
- Attended local events such as field days, neighbourhood centres, farm expos and information displays at cattle sales.
- Information sessions for local groups including real estate and stock and station agents, local businesses, local politicians and Farmers' Federation representatives.
- Liaison and networking with Rural Financial Counselling Service, Country Women's Association, Women in Dairying, school counsellors and local churches to provide information, programs and counselling services.
- Doorknock campaigns and outreach visits in remote areas.

Counselling focussed outreach activities

- Face to face counselling with farmers.
- Suicide prevention programs.
- Workshops on well being.
- 'Time out' days for farming women.
- Men's 'Barbeques and Shearing Shed Days'.
- Community Education Workshops.

Source: ANAO from FaCS information

7.40 Given some of the challenges in getting farmers to use their services, FRSP providers adopted varied approaches to counselling and counselling-related activities.

7.41 The ANAO found that FRSP organisations were flexible in their approaches to promotion and delivery of their services,⁹³ adjusting to local community and client circumstances.

Performance management and results

Centrelink

7.42 Under the letter of agreement between FaCS and Centrelink, Centrelink was required to provide FaCS with written reports each month. These reports were to contain information on the number of people who had requested counselling (through the drought hotline or through a Customer Service Centre), received counselling, and the number of those referred to FRSP providers.

⁹³ Based on FaCS appraisal reports and an ANAO survey of FRSP organisations.

7.43 FaCS advised the ANAO that it received few reports. Centrelink considered that it was difficult to collect this information, as the delivery of counselling services adapted to meet demand. Changes included group and family counselling and outreach type delivery of counselling services.

7.44 Rather than information on quantity of assistance, Centrelink provided FaCS with information on the type of work being undertaken by social workers. The changes to reporting arrangements were not formally agreed between FaCS and Centrelink.

7.45 Accordingly, there was limited information available on the extent of Centrelink counselling assistance.

FRSP reporting

7.46 The ANAO found that FaCS used the FRSP appraisal reports to assess trends and commonalities faced by the organisations delivering the drought counselling services. The assessments were also sent to the FRSP organisations to provide feedback. They also contributed to the proposal to fund innovative models for service delivery in 2003–04.

7.47 FaCS also collected performance data through the *FaCSLink* database. FRSP providers are required to input information into the database within one month of provision of the drought service provided.

Assistance provided

7.48 FaCS advised the ANAO that it received few reports from Centrelink (see paragraph 7.43). The ANAO therefore sought further information from Centrelink on numbers assisted. Centrelink advised that, to February 2005, 525 people had made appointments for counselling with social workers for issues directly related to the drought. Of these, about half were men. Two-thirds were over the age of 40. Data are not available on those who obtained assistance and advice through the community outreach activities.

7.49 Centrelink reported that a further 1 563 people were referred to Centrelink social workers between January 2003 and September 2004, through the drought assistance hotline.

7.50 FaCS estimated that the funding would allow around 6 000 people to receive face-to-face counselling.

7.51 Figure 7.5 summarises the extent of assistance provided by FRSP providers.

Figure 7.5**Clients utilising FRSP drought counselling services**

Year	Family counselling		Personal counselling	
	Number of clients (families and individuals)	Number of sessions ¹	Number of clients	Number of sessions
2002–03	860	1 305	423	1 103
2003–04	744	1 421	599	1 459
2004–05 ²	301	426	157	352
Total	1 905	3 152	1 179	2 914

Source: FaCS

1 Sessions held are based on one-hour blocks.

2 No further money was allocated in 2004–05, however FRSPs could carry forward unspent funds from 2003–04 for use during 2004–05.

7.52 FRSP reporting did not assess or measure client satisfaction in a structured way. Nor has FaCS sought to assess this. Such assessment would have been particularly valuable for FaCS, given the nature of the services.

7.53 In this context, the ANAO found, from stakeholder interviews and FRSP organisations, that some rural regions had encountered problems in recruiting trained staff. This had occasionally impacted on waiting times. For example, waiting times for those seeking counselling of between one and two months were reported by two FRSP providers.

7.54 The ANAO found that there is also scope to improve coordination between the different counselling services, to provide better client service. About half of the FRSP providers advised the ANAO that coordination between the different counselling services could be better. In particular, respondents to the ANAO survey indicated a need for:

- better coordination between Rural Financial Counsellors and social counsellors. Knowing of other counsellors in their area would help in coordinating counselling measures; and
- meetings of the different drought counselling providers.

Recommendation No.10

7.55 The ANAO recommends that FaCS assess the extent to which promotion of the drought counselling assistance was sufficient to raise adequate awareness of services amongst the targeted communities.

FaCS response: Agreed.

8. Country Women's Association Emergency Drought Aid

This Chapter examines DAFF's administration of the donation to the Country Women's Association Emergency Drought Aid Fund, announced on 27 November 2002.

Background

8.1 On 27 November 2002 the Government announced that it would provide \$1 million for the CWA⁹⁴, to establish an Emergency Drought Aid Fund (the Drought Fund).

8.2 Through the Drought Fund, the CWA across Australia provided grants to needy families in farming communities that met specific criteria.

Administrative arrangements

8.3 DAFF initially considered administering the \$1 million through contracts or letters of agreement with each State and Territory CWA.⁹⁵ However, the desire for prompt dispersal of the funds contrasted with the delays likely from preparing the necessary legal documents for such arrangements.

8.4 DAFF therefore decided to administer the funds as a donation to the CWA.

8.5 This meant that DAFF could not formally impose reporting requirements for program monitoring purposes. However, the CWA and DAFF worked cooperatively to agree on information and reporting arrangements, so that DAFF did receive such information.

8.6 The transfer of funds occurred on 20 December 2002.

8.7 Each State and Territory CWA Association received a proportion of the \$1 million funds, based upon an estimate of the number of people affected by the drought in the State or Territory.

⁹⁴ The Country Women's Association of Australia (CWAA) is a voluntary organisation that provides community support in rural and remote areas of Australia through an extensive network of 1 800 branches, with membership of around 44 000. Member bodies include seven State and Territory Associations. For the purpose of this audit report the CWAA, State and Territory Associations and local branches are generically referred to as the CWA.

⁹⁵ DAFF could not administer the funds through the CWA because it was not an incorporated entity, and therefore could not accept Government funding. The funds therefore had to be channelled through the State and Territory CWA Associations, which are incorporated.

Delivering assistance

8.8 The CWA Drought Fund was advertised in major newspapers, along with the Government's additional drought assistance announcements. The CWA also advertised the assistance in its own publications, network of members, and its websites.

8.9 People seeking assistance were asked by CWA members, and through advertisements, to contact their local CWA branch or the CWA Head Office in their State or Territory.

8.10 Decisions on whether to provide financial assistance, and the amount, were at the discretion of the local CWA. The decisions were based on an assessment of need against specific criteria, combined with local knowledge of the degree of hardship being incurred by the applicant.

8.11 Reflecting the cooperation between the CWA and DAFF, the criteria were developed jointly by the CWAA, CWA State and Territory Associations, and DAFF. The CWA distributed the criteria to all State and Territory CWA's, to assist in a nationally consistent approach to distribution of funds. The criteria are summarised in Figure 8.1

Figure 8.1

CWA Emergency Drought Aid Fund assessment criteria

Support was provided on the basis of need, which was broadly defined according to the following criteria:

- for farming families or families servicing farming (for example, local shopkeepers) located in EC declared areas, areas declared *prima facie* and awaiting EC declaration, or areas emerging from EC;
- families with dependent children. The number and age of dependents often determined degree of support. For example, if children were in their early teens and likely to be at school away from home, they might have been granted a larger degree of support;
- other families with, perhaps, dependent or semi-dependent parents; and
- for **household** expenses—for example, food, vehicle, school and medical expenses, phone and utility bills
 - support for medical expenses was in the form of meeting gap payments or in assisting with the cost of travel to and from specialists
 - support was largely in the form of a voucher (for food, perhaps) or as a cheque to meet unpaid bills (i.e. phone, electricity etc)
 - where possible vouchers/cheques were to be supplied to local businesses (grocery stores, petrol stations, draperies for school uniforms etc) to help keep local people in business.
- Payments were generally capped at \$1 000. However, additional support was provided where need was assessed as extreme. No payments exceeded \$2 000 per family.
- Applicants were asked to name other Commonwealth drought assistance received. However, other assistance did not disqualify an applicant from receiving CWA Emergency Drought Funding.

Source: DAFF

8.12 The CWA sought to make payments within three days of application, and not later than one week after application (unless it had to check or validate claims where it was not immediately apparent that the applicant was eligible).

8.13 In general, aid was provided in the form of voucher or a cheque payable to the claimants' creditor (for example, to pay utility bills). The aim was to ensure that money went to the purpose intended. In New South Wales and Western Australia personal cheques were also sent to families.

8.14 In line with the Minister's announcement of the initiative, the \$1 million fund was not used to cover administrative expenses. These were met by the CWA.

Monitoring and reporting

Reporting

8.15 Applicants were not required to fill in an application form. Instead, a Record of Assistance form was developed by the CWA, in consultation with DAFF, which the CWA used to record details of the application. The forms were used by the local CWA to record identity, amount of assistance, and what it was used for.

8.16 The forms were collated and reconciled by the CWAA, and forwarded to DAFF. The CWAA also provided DAFF with summary data on: expenditure by State; the distribution of applications by postcodes; and the type, number and amount of payments made each month.

8.17 The ANAO considers that these were pragmatic and appropriate reporting arrangements in the context of the fund being a donation.

8.18 DAFF used and assessed the information provided. For example, it prepared progress reports for the Minister for Agriculture, Fisheries and Forestry.

Results

8.19 Funding ran out in New South Wales, Western Australia, Victoria and Queensland between February and April 2003. The \$10 000 of unspent funds from the Northern Territory and Tasmania was reallocated to these States in May 2003, after approval by the Minister for Agriculture, Fisheries and Forestry.

8.20 Some 90 per cent of the total allocation of funds was spent between January and March 2003. This was much earlier than the expected 30 June 2004 end date.

8.21 The average payment made by the CWA was \$536. The smallest payment was \$30, and the largest \$2 000 (the maximum allowed).

8.22 Over 90 per cent of payments were made for:

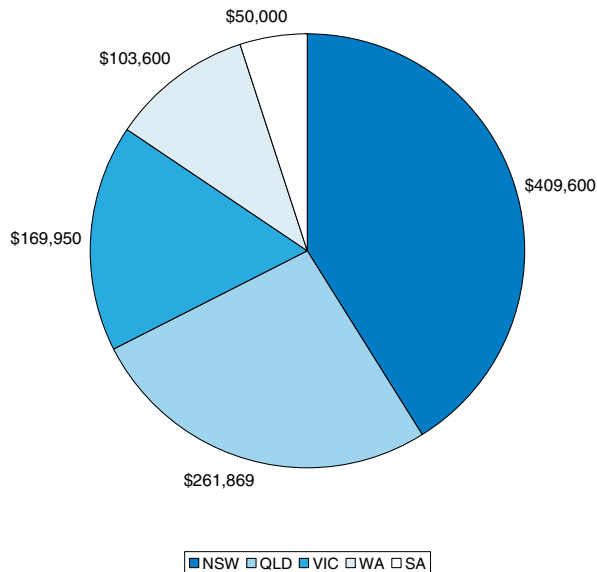
- phone bills;
- vehicle costs;
- utilities;
- school fees and costs;
- food; and
- health related expenses.

This was in line with the agreed criteria.

8.23 Figure 8.2 shows the breakdown of expenditure by State.

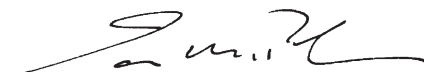
Figure 8.2

CWA State drought expenditure



Source: DAFF

Canberra ACT
2 June 2005


Ian McPhee
Auditor-General

Appendices

Appendix 1: Audit criteria

Audit criteria broadly addressed whether:

- Risk management and preparedness strategies for drought response were effective.
- The administrative process for declaring regions as EC was systematic, effective and timely.
- Agencies were effective in promoting the drought measures and in providing clients with sufficient information to facilitate access to services.
- Centrelink's administration of drought relief payments was effective in meeting agreed delivery parameters.
- Funds were appropriately administered and expended in EC declared areas.
- The drought measures were adequately monitored and evaluated.

Appendix 2: National Drought Policy

Prior to 1989, drought was regarded as a natural disaster, and drought assistance was provided under the Natural Disaster Relief Arrangements (NDRA). NDRA was administered through the Australian Government Department of Finance and State and Territory Treasuries.

The Australian Government and the States and Territories agreed on a range of measures that would be provided in time of drought. These were triggered by a drought declaration by the State and Territories. The most usual forms of assistance were business support measures, such as subsidies on transport of livestock, fodder and water; subsidies on the cost of fodder; and concessional loans or interest subsidies.

The States and Territories met the cost of these measures until a threshold level of expenditure was reached, after which the Australian Government contributed to the cost. The major emphasis of assistance measures was to attempt to insulate farmers from the effects of drought through business support.

After 1 July 1989, drought was excluded from NDRA. Australian and State and Territory Governments recognised that droughts are a natural feature of the Australian climate, that will naturally occur on a reasonably regular basis for many agricultural areas. Analysis at that time suggested that the assistance provided was poorly targeted and distorted farm input prices. It had acted as a disincentive for farmers to plan and prepare for drought.

This led to the development of a National Drought Policy, agreed to by ARMCANZ in 1992. The central philosophy of the National Drought Policy was self-reliance and effective risk management in farming, recognising that farmers themselves can best make their own decisions, based on their own assessment of risk.

Under the Policy, the Australian Government and State and Territory Government agreed to measures that included phasing out of transaction-based subsidies (in particular for the transport of fodder, water and livestock) provided by State and Territory Governments. Interest subsidies would only be provided jointly by the Australian Government and the State and Territory Governments in 'exceptional circumstances'. The main thrust of the policy was to encourage self-reliance and the management of drought and other risks by the farming community. Any assistance measures provided by the States and Territories would aim to support farmers' risk management strategies and self reliance.

In 1995, ARMCANZ established a national framework for determination of Drought Exceptional Circumstances, and initiated a review of the National Drought Policy. This review reported in February 1997.

The National Drought Policy underpins the current Exceptional Circumstances policy, which aims to provide targeted assistance as a 'last resort' to viable farmers to assist them to cope with rare and severe events that are outside the scope of normal risk management.

Appendix 3: Australian Government drought assistance measures

Drought measure	Purpose	Duration
DAFF		
EC Relief Payment	The EC Relief Payment was established in 1997 as part of the <i>Agriculture—Advancing Australia (AAA)</i> policy package. It replaced the previous income support payment known as the Drought Relief Payment, which was introduced in September 1994. EC Relief Payment provides assistance to farm families in EC declared areas who are experiencing difficulties meeting basic living expenses.	1997–ongoing
EC Interest Rate Subsidies	Provides business support (interest rate subsidy) to farm enterprises that are viable in the long term, but are in financial difficulties due to an EC event. EC Interest Rate Subsidies is a separate program to the Interest Rate Relief provided under the Australian Government's 9 December 2002 drought assistance measures.	1993–ongoing
<i>Prima facie</i> Interim Income Support	First introduced in September 2002, it provides up to six months of Interim Income Support, and is available to eligible farmers in <i>prima facie</i> EC areas.	September 2002–ongoing
9 December 2002 Interim Income support	Farmers in areas eligible for assistance under the terms of the Australian Government's 9 December 2002 drought assistance measures were able to claim Interim Income Support until June 2003. ¹	9 December 2002–June 2003. Farmers in areas subject to outstanding EC applications had access extended to September 2003.
9 December 2002 Interest Rate Relief for farmers	Provided Interest Rate Relief to eligible farmers in areas specified in 9 December 2002 announcement, and in EC and <i>prima facie</i> EC areas. ¹	December 2002–June 2003. Farmers in areas subject to outstanding EC applications had access extended to September 2003
Farm Management Deposits—earlier access to funds for Farm Management Deposit holders in EC declared areas	Allows primary producers in EC declared areas earlier access to their Farm Management Deposits, without losing the taxation benefits. Backdated to July 2002 after announcement. ²	July 2002–ongoing
CWA Emergency Drought Aid	Provided farming families and family businesses servicing farming with emergency aid for family related expenses. ²	December 2002–May 2003
Pest animal management grants program	Assisted farmers and communities in EC declared areas to deal with animal pests (eg kangaroos, feral pigs, feral goats, rabbits and wild dogs) through humane culling, and so assist the recovery when drought breaks. ²	January 2003–June 2004

Drought measure	Purpose	Duration
AAA Farm Help	Provides assistance to farmers experiencing severe financial difficulties while they take steps to improve their financial situation.	1997–ongoing
DAFF/Environment Australia		
Australian Government Envirofund (AGE) Drought Recovery Round	The AGE was for individuals and community groups to undertake small projects up to \$30 000. The AGE Drought Recovery Round targeted works and measures that could: protect the land, water, vegetation and biodiversity resource base from the effects of the drought; assist preparations for recovery from the drought; and prevent environmental damage when the drought ends.	December 2002–May 2003
DITR		
Small Business Interest Rate Relief program	Assisted otherwise viable small businesses survive the current drought event through the provision of interest rate relief. ¹	December 2002–June 2004
FaCS		
Personal counselling for people in drought affected areas	Improving access to personal counselling services when families and individuals are under stress and local finances diminished. ²	November 2002–continuing until funding exhausted (approximately June 2005)
Flexible arrangements for NewStart and other benefits for people unemployed due to drought	The measure is designed to help unemployed people in drought affected areas get onto NewStart and other payments quickly. ²	November 2002–ongoing
Department of Health and Ageing		
Drought Support Workers	The project is funded through the Regional Health Services Program for two Drought Support Workers to assist landholders and their families in the northern part of Western Division of New South Wales and in the Upper and Lower Hunter regions.	May 2003–June 2004
'Just Ask' – a national mental health telephone information service for people in rural areas; and 'Toolkit for getting through the Drought' publication.	These measures are funded through the National Mental Health Strategy. The service provides information about mental health, mental illness, and available related services including community and peer support.	Telephone service since January 2001 and 'Toolkit' since 6 December 2002 – ongoing
Helping Others to Cope	The project is funded through the Regional Health Services Program. The Mid Western Area Health Service in New South Wales reviewed and updated a professional workshop package titled 'Helping Others To Cope', for people living in drought affected areas of New South Wales.	May 2003–June 2004

Drought measure	Purpose	Duration
DEWR		
Drought Force	Drought Force is an extension of the Work for the Dole program. It provides people who are laid off as a result of the drought, and other suitably skilled unemployed people from the local area, with the opportunity to lend a hand on drought affected properties or to work on community projects. ¹	December 2002–ongoing
Access to Job Matching Services for redundant rural workers in drought affected areas	Provides employees who have been made redundant or facing redundancy access to Job Matching services. ¹	December 2002–ongoing
Early access to Intensive Support (job search training) for rural workers in drought affected areas	Provides individuals in drought affected areas who have been laid off as a result of the drought, with early access to Intensive Support (job search training). ¹	December 2002–ongoing
DEST		
New Apprenticeships Incentives Program – Special Assistance Programme	The program assisted New Apprentices who became out of trade, due to drought or other circumstances. It provided financial assistance to New Apprentices for compulsory training costs and the purchase of compulsory books or equipment to enable the completion of the theoretical component of a New Apprenticeship.	1998–June 2003
Declared Drought Area Incentive	This provides a special additional incentive to encourage rural employers to continue to offer employment opportunities to those who are willing to remain in drought affected areas and pursue training to develop their skills.	1994–ongoing

Source: Australian Government, *Drought Assistance Measures 2002–03 and 2003–04: Summary of measures provided by Australian, State and Territory Governments to assist response to and recovery from the current drought*, Australia, 2003.

¹ Announced by the Australian Government as an additional drought assistance measure on 9 December 2002.

² Announced by the Australian Government as an additional drought assistance measure on 27 November 2002

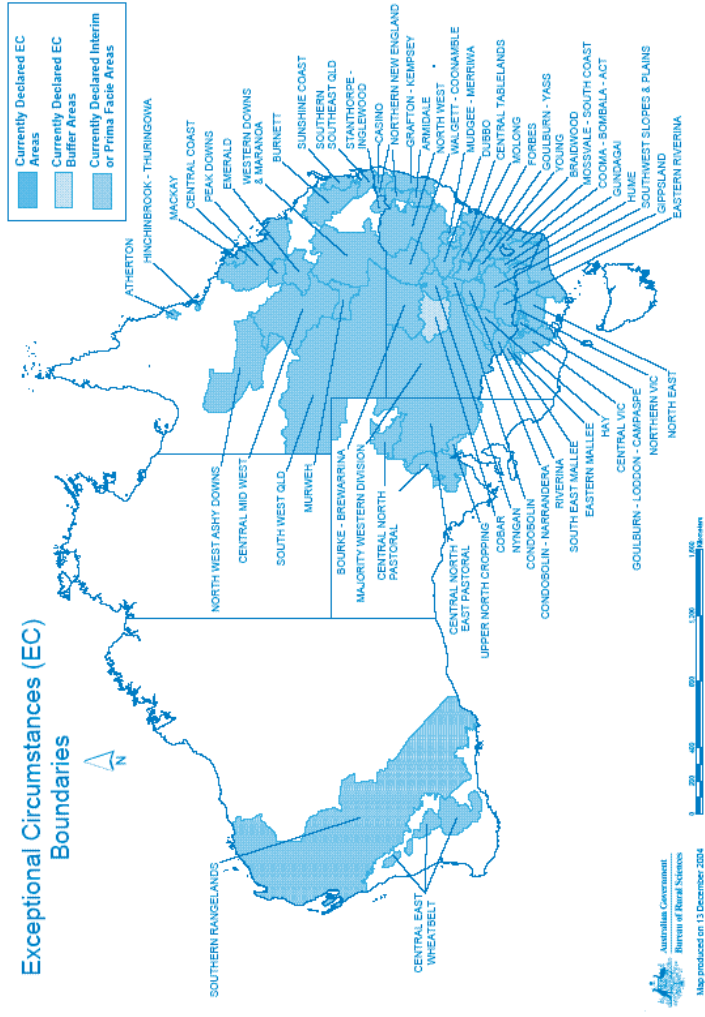
Appendix 4: Roles and responsibilities for drought and EC assistance

Entity	Roles and responsibilities
Australian Bureau of Agricultural and Resource Economics (ABARE)	ABARE assists with the analysis of financial information, and investigates what trends are occurring regarding incomes and other circumstances surrounding the event. In particular, ABARE provides information regarding the financial position of farmers before the event as well as analysing the impact of the event on income. ABARE reports this information to NRAC.
Bureau of Rural Sciences (BRS)	BRS provides scientific advice to NRAC, based on the integration of available scientific evidence, particularly issues relating to natural phenomena such as weather, rainfall and temperature patterns. It provides interpretation with the aid of models and expert opinion.
Centrelink	Centrelink administers the majority of drought assistance payments to farmers and small businesses, under MOUs and Program Protocols with DAFF and DITR. Centrelink also has responsibility for telephone counselling through its drought hotline, and some face-to-face counselling.
Country Women's Association (CWA)	As part of the additional drought measures announced on 27 November 2002, CWA received a \$1 million donation from the Australian Government to establish an Emergency Drought Aid Fund. Monies were distributed by CWA to families in farming communities who met specific criteria.
Department of Agriculture, Fisheries and Forestry (DAFF)	DAFF holds primary responsibility for drought issues for farmers, including the development and implementation of EC policy in conjunction with the States and Territories.
Department of Family and Community Services (FaCS)	As part of the additional drought assistance measures announced on 27 November 2002, FaCS received \$2 million to provide additional drought counselling services in drought affected or EC areas. An additional \$2 million was provided in 2003–04.
Department of Industry, Tourism and Resources (DITR)	As part of the 9 December 2002 additional drought assistance measures \$83.5 million was allocated for a Small Business Interest Rate Relief program. The program was managed by the Office of Small Business in DITR and administered through Centrelink.
Drought Taskforce	The Drought Taskforce was established in DAFF in October 2002 in response to the developing drought. The Taskforce acts as a Secretariat for NRAC, as well as providing briefings/advice to the Minister for Agriculture, Fisheries and Forestry.

Entity	Roles and responsibilities
Minister for Agriculture, Fisheries and Forestry	The Minister has responsibility for determining whether or not a particular area has demonstrated a <i>prima facie</i> case for EC, and after receiving recommendations from NRAC, whether that area demonstrates a case for a full EC declaration. The Minister receives advice from NRAC, the Drought Taskforce, BRS and ABARE.
National Rural Advisory Council (NRAC)	Under the RA Act, NRAC provides independent advice on whether a full case has been made against the EC criteria to the Minister for Agriculture Fisheries and Forestry. NRAC assesses an EC application. It may conduct an inspection tour of the affected region to evaluate the information provided and to obtain additional information from producers.
State and Territory Governments	Before applying for EC assistance, the State/Territory Government must demonstrate that it has provided substantial new assistance, that is not normally available. The State/Territory Government must also declare drought in the EC application area. The State and Territory Governments have responsibility for lodging EC applications. EC applications may be prepared in conjunction with peak industry bodies, local Governments or farmer organisations.
State and Territory Rural Adjustment Authorities	State and Territory Rural Adjustment Authorities issue EC certificates under the FHS Act, once an area has been EC declared and after determining that an applicant is in the EC area. Rural Adjustment Authorities are also responsible for administering the payment of EC Interest Rate Subsidies under the RA Act.

Source: ANAO from DAFF, Centrelink and DITR information

Appendix 5: Map of EC boundaries December 2004



Source: DAFF

Appendix 6: Example of boundary description and EC declaration map

Example of boundary description for an EC declared area⁹⁶

North West Region

All of the Moree, Northern Slopes and Tamworth Rural Lands Protection Board (RLPB) districts, and parts of Armidale, Coonabarabran, Coonamble, Hunter, Mudgee-Merriwa and Narrabri RLPBs as follows:

Armidale: Division A

Coonabarabran: Divisions B, C, D and part of Division A

The part of Division A that is in the EC area is the area south and east of a line formed by the northern boundary of the RLPB with the Newell Highway, and by that highway south to the Number One Break Road then west to Cumbli road, then south to the Baradine-Gwabegar Road through Baradine to the Gulargambone-Baradine Road, then southwest to a road approximately 2.3 kilometres west of Goorianwa Gap and south to Box Ridge Road.

Coonamble: Division C

Hunter: Divisions A, B, C and D

Mudgee-Merriwa: Divisions A, B and D

Northern New England: (formerly Divisions D and I)

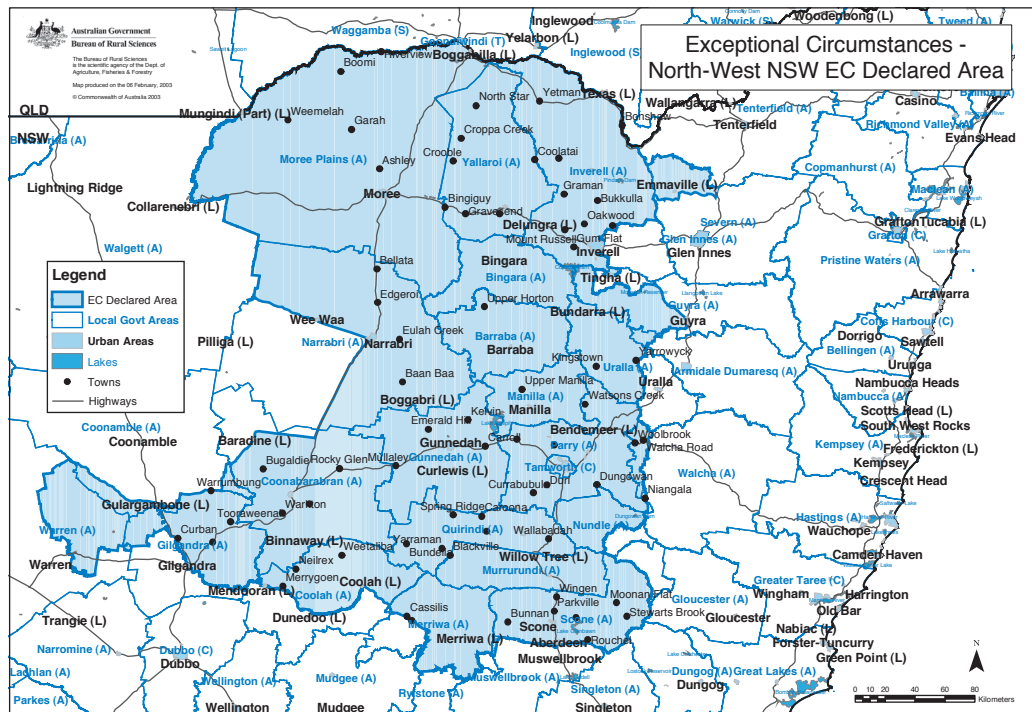
Commencing on the northern boundary of the district at its intersection with the southern boundary of the Tenterfield Shire; by that boundary south-easterly generally to its intersection with the line of the former main northern railway, railway line to the southern boundary of the district; by the district boundary westerly, northerly and easterly generally to the point of commencement. Also includes the following parishes within the District: Ashford, Arthur's Seat, Weean, Bllonbah, Agerton, Fraser, Pindari, North Nullamanna, Bukkulla, Kings Plains, Wyndham, Hogarth, Vivier, Champagne, Burgundy, Nullamanna, Bannockburn and the part within the District of the parish of Redbank.

Narrabri: Divisions C, D and most of Division B. The Division B portion is the area north of the road from Wee Waa to Burren Junction.

Source: Extract from DAFF press release 6 February 2003

⁹⁶ Note: boundary descriptions outlined in the press release are taken from the description in the original EC application lodged by the relevant State or Territory Government.

Example of EC declaration map – North-West New South Wales



Source: DAFF website

Appendix 7: Eligibility requirements for drought assistance

Eligibility requirement	Drought assistance measure			
	EC Relief Payment	<i>Prima facie</i> Interim Income Support	9 December 2002 Interim Income Support	9 December 2002 Interest Rate Relief
<i>Farm Household Support Act 1992¹</i>				
Applicant must meet the definition of a 'farmer'	✓	✓	✓	✓
At least 18 years of age	✓	✓	✓	✓
Australian resident	✓	✓	✓	✓
Applicant must be in Australia	✓	✓	✓	✓
Farm must be within an [EC declared or eligible drought affected] area	✓	✓	✓	✓
Applicant must not be in receipt of any other Australian Government income support assistance	✓	✓	✓	
EC certificate from Rural Adjustment Authority	✓			
Application form from Centrelink	✓	✓	✓	✓
Reviewed every six months	✓	NA	NA	✓ ²
Available for up to two years	✓			✓
<i>Social Security Act 1991</i>				
Income test	✓	✓	✓	
Assets test	✓	✓	✓	
Off-farm assets test	✓	✓	✓	✓
Proof of identity	✓	✓	✓	✓
<i>Other</i>				
Loan certificate from financial lender				✓
Available for up to six months		✓	✓	

Source: ANAO from DAFF and Centrelink documents

1 Only EC Relief Payment is administered under the FHS Act (grey shaded area). *Prima facie* Interim Income Support; 9 December 2002 Interim Income Support; and 9 December 2002 Interest Rate Relief are administered as ex-gratia payments, but use similar eligibility criteria to EC Relief Payment.

2 9 December 2002 Interest Rate Relief was reviewed by Centrelink every 12 months

Appendix 8: Centrelink and DITR responsibilities under MOU

Centrelink's responsibilities include:

- provide services to support DITR's business needs and delivery requirements;
- provide regular reports to DITR on variances against projected expenditures (within 24 hours);
- provide monthly financial reports (reporting guidelines to be specified in Protocol);
- be responsive to changing needs and environment of DITR;
- continuously improve quality, effectiveness and efficiency;
- legal issues relating to service delivery and procedural matters;
- maintain a rural programs team; and
- deliver services within resources and using funding appropriated for that purpose.

DITR responsibilities include:

- provide Centrelink with forecast of program expenditure and customer numbers broken down by month at the commencement of each financial year, and commencement of or with major variation to program;
- policy, including Ministerial correspondence and briefings;
- provide project briefings and instructions and give information to Centrelink;
- consult Centrelink on and renegotiate service charges;
- distribute materials for post program surveys;
- take account of Centrelink's concerns or request regarding design;
- ensure Centrelink is consulted and involved in ensuring changes can be implemented; and
- coordinate visits to Centrelink network through national manager.

Other responsibilities include:

- Centrelink and DITR participate in regular meetings relating to policy and program development (also covered under the Proforma);
- National account manager in Centrelink responsible for monitoring MOU and National Manager responsible for Program Protocols; and
- MOU and Protocols reviewed annually by National Manager, National Account Manager and Program Manager.

Source: DITR—Centrelink MOU, March 2003

Appendix 9: Agency responses

The following is the text of DAFF and Centrelink's responses to the proposed audit report.⁹⁷

Department of Agriculture, Fisheries and Forestry

Thank you for your letter of 12 April 2005 seeking comments from the Australian Government Department of Agriculture, Fisheries and Forestry (the Department) under section 19 of the *Auditor-General Act 1997* on the ANAO's proposed performance audit report on Drought Assistance. I am pleased to note the ANAO's recognition of the Department's significant efforts in delivering drought assistance in an efficient, effective and timely manner.

The proposed report provides a comprehensive analysis of the drought assistance measures provided by the Australian Government. I note the views formed by the ANAO and the Department agrees with the recommendations. Significant progress has already been made in addressing a number of the issues raised, including those associated with the development of Exceptional Circumstances (EC) applications and the processes required for individual farmers to apply for drought assistance.

The Primary Industries Ministerial Council is currently reviewing EC arrangements for drought assistance as part of a national drought policy reform process. In addition, the Department is undertaking a 'drought survey' to further assist in the development of a national approach to evaluating the effectiveness of drought assistance measures.

In respect to the management of risk associated with drought, the Australian Government's EC policy continues to provide the framework within which the Department is required to operate. Specific responses to emerging conditions, such as the formation of the Australian Government Drought Taskforce, will be implemented as required.

As requested, responses to each of the recommendations are provided at Attachment A, and a summary for use in the report summary and brochure is provided at Attachment B. In addition, general drafting and editorial comments on the proposed report have been provided separately.

I would like to acknowledge the cooperative efforts of the ANAO officers involved in conducting the audit, particularly given the broad nature of drought policy and the assistance provided.

⁹⁷ Comments have been edited to exclude salutations.

Centrelink

I welcome this audit report and agree with the specific recommendation related to Centrelink's responsibilities.

The Department of the Prime Minister and Cabinet

Whilst not subject to this audit, the Department of the Prime Minister and Cabinet provided comments strongly advocating agencies working collaboratively. This is in line with the Secretaries' guide *'Working together: Principles and practices to guide the Australian Public Service'* (see Appendix 10).

Appendix 10: Working together: Principles and practices to guide the Australian Public Service⁹⁸

For some years now, public servants have been exhorted to work in a 'whole-of-government' fashion. They have been told that policy development needs to be 'joined up'; policy delivery should be 'seamless'; and 'departmentalism' should be eschewed.

Secretaries and Agency Heads have emphasised the importance of working across organisational barriers to achieve policy and service delivery objectives. There is a strong level of commitment. However the implementation of a whole-of-government approach requires some assistance.

Collegiality is an important leadership behaviour. But how should it be put into action? Secretaries have agreed that a brief and practical guide on how members of the Australian Public Service (APS) should work together would be useful. That is the purpose of the attached paper.

There are already significant examples across the APS of effective whole-of-government activity. Secretaries not only meet on a monthly basis to discuss matters affecting the service as a whole, but also work with agency heads in a variety of groups and committees to further the effective development and implementation of government policy. Taskforces and IDCs routinely work through the issues surrounding a wide range of policy and service delivery issues. And, of course, every day public servants build productive one-to-one relationships across bureaucratic boundaries.

As Secretaries, we want to see all APS officers look beyond the immediate interests of their own organisation to the broader context. We need to ensure that government is presented with a comprehensive range of well-informed policy options and that the views of all elements of the community are properly recognised.

The way we work together must always be governed by the ethical standards and values of the APS in terms of the way we cooperate with each other, the comprehensiveness and responsiveness of the advice we provide to the government of the day and the confidentiality with which it is given.

In no way do we encourage the APS to think but one thought or speak with a single voice. We extol the exchange of ideas and views. The relative merits of different options often need to be assessed. Even the most effective working group might find that a consensus cannot be reached. That can be an entirely

⁹⁸ Management Advisory Committee, *Working together: Principles and practices to guide the Australian Public Service* [Internet]. Australian Government Australian Public Service Commission, Australia, 2005, available from <<http://www.apsc.gov.au/mac/workingtogether.htm>> [accessed 11 May 2005].

appropriate outcome. After all, it is for Ministers, and collectively the Cabinet, to decide on policy and how it is to be implemented.

We value working together in a whole-of-government manner. Well-coordinated policy development and well-delivered government services rely on the avoidance of narrow thinking driven by departmental ambition. Governance is enhanced by ensuring constructive, open communications across portfolios working to an agreed objective.

We hope the attached guide will provide practical guidance on ways to achieve the best results from our collective endeavours.

Secretaries

Mr David Borthwick
Dr Peter Boxall
Mr Robert Cornall
Mr Bill Farmer
Ms Jane Halton
Dr Jeff Harmer
Dr Ken Henry
Ms Joanna Hewitt
Mr Michael L'Estrange
Mr Mark Paterson
Ms Lisa Paul
Ms Patricia Scott
Dr Peter Shergold
Mr Ric Smith
Mr Mark Sullivan
Mr Mike Taylor
Dr Ian Watt
Ms Helen Williams

Public Service Commissioner

Ms Lynelle Briggs

March 2005

WORKING TOGETHER

PRINCIPLES AND PRACTICES TO GUIDE THE AUSTRALIAN PUBLIC SERVICE

The achievement of optimal outcomes in policy development, programme management and service delivery will often require public servants to work collaboratively across agencies and portfolios. Often that will be as part of special purpose working groups.

In 2004 the Management Advisory Committee released *Connecting Government—Whole-of-Government Responses to Australia's Priority Challenges*. It dealt in a detailed way with aspects of working across organisational boundaries to deliver government objectives.

The definition adopted by that publication was as follows:

Whole-of-government denotes public service agencies working across portfolio boundaries to achieve a shared goal and an integrated government response to particular issues. Approaches can be formal and informal. They can focus on policy development, programme management and service delivery.

Whatever the nature of communications—from individual officers in two agencies exchanging information, to the work of a taskforce to whom officers from various agencies are seconded—there should be open and productive discourse. It is important at the same time that lines of accountability remain clear.

To assist in achieving effective outcomes from work carried out jointly by agencies, all Secretaries have agreed to the following guidance. It encapsulates the best practice checklists that appear in *Connecting Government*. The report can be found at www.apsc.gov.au/mac/connectinggovernment.htm.

Communication

A whole-of-government approach requires public servants to look at the overall goal of an activity and recognise where a successful outcome requires input from or collaboration with other agencies.

Contact with other agencies is often on a one-to-one basis. Much of it is informal. The complexity of government now commonly requires intra and cross-portfolio work. Sharing relevant information should be a regular activity, but it should not be used in a way that clouds the issue of where responsibility lies. Accountability remains important. If, in providing information to a colleague, you expect that officer to take action, you should say so. The purpose of communication should be clear.

There are numerous ways in which larger groups of public servants work together. There are many purposes. Working groups can be established to manage a crisis situation; to develop a paper for Cabinet consideration; to resolve disagreements between departments that are hampering the effective development of policy or delivery of services; to articulate the relative merits of policy options or to work as part of a team responsible for ongoing programme delivery. Working groups can exist for a short time, eg IDCs or taskforces on particular issues. Alternatively they can be established on a standing basis to meet as required, eg the Inter-Departmental Emergency Taskforce or the Secretaries' Committee on National Security.

Communication requirements may differ for an IDC and a taskforce. Taskforce team members generally aim to reach a consensus from a variety of views and consider what are appropriate policy and programme delivery options. IDCs often involve departments weighing up competing priorities. While it is important to try to reach a common understanding of the facts and policy purpose, a consensus outcome may not be possible. Indeed it may not necessarily be an appropriate objective: at times it may be better to establish the relative merits of different options. Ultimately, it is Ministers who retain primary responsibility for developing policy proposals and bringing them forward to Cabinet for consideration.

Whatever the nature of the working group, however, the purpose and respective responsibilities of participants should be clear from the outset.

Organisation

Despite their widely varying purposes, the following issues should be considered when establishing working groups.

Membership and leadership. If working groups are to be fully successful, agencies must be prepared to allocate high quality resources for the task. Participants should have sufficient seniority and carry enough authority to contribute in a meaningful way to group discussion and decision-making. Their home agencies should provide them with the time and support necessary to work effectively on the whole-of-government task.

Continuity of membership should be maintained to the maximum extent possible. Central agencies should generally be represented. Chairs or leaders should take responsibility for creating a culture of information sharing and collegiality among participants.

The issue of the lead agency might already have been established. If not, relevant Secretaries need to be consulted. Not all working groups will require a lead agency if team arrangements make that unnecessary.

Structure and operating framework. These will vary depending on the nature of the group. While participants will represent their agencies at an IDC, in

other types of groups participation might be based on individual expertise that will contribute to joint problem solving. The lead agency or agencies should appoint chairs or leaders who, while acknowledging their own agency interests, are also able to take a wider, whole-of-government perspective.

Just as it is important that participants understand each other's role, so too should the group be told of any constraints under which individual participants are working. If, for example, pertinent information cannot be shared with the group (perhaps for security reasons) the relevant participant should convey to the group that there are factors that might impinge on government decisions that cannot be fully discussed. Similarly, if participants believe that certain matters are not negotiable, that should be made known. Information should be discussed as openly as possible.

Settling terms of reference and timeframe. Sometimes these matters will be determined by Cabinet, by legislation or by relevant Ministers or Secretaries. Where that is not the case, these matters should be settled expeditiously by the group, with more senior involvement called on if agreement cannot be reached quickly. Where new issues emerge, the group should seek further guidance rather than exceeding their authority.

Time should also be set aside for consulting with relevant agencies, particularly relating to complex or controversial issues or for advice on implementation.

Establishing a financial framework. In a small number of cases some working groups will need to consider the appropriation of funds to meet the costs of their whole-of-government work. Representatives of the lead agency should discuss appropriate budgetary arrangements with the Department of Finance and Administration. Supplementation will remain a matter for Ministers.

Establishing management arrangements. Taskforces often bring together staff from different agencies to work under a common management framework. That framework needs to recognise differences of organisational culture but also the goals of a common focus and collaborative effort. Teamwork is essential. Practical administrative issues should not be overlooked during the establishment phase. Where officers from various agencies join a taskforce that will exist for a considerable time, it is important to establish what performance assessment and pay arrangements will apply to individual participants.

Reporting back to home agencies. Generally the requirements for reporting back to one's own agency will be a matter for each agency to determine. It would be expected that there would be knowledge at senior levels in an agency of the progress and directions of working groups.

Where a participant in a working group is required to report progress to a Minister, it is important that other participants know that. They will need to

consider whether their own reporting arrangements need adjustment. Transparent and timely coordination is particularly important where talking points are being prepared for Ministers. Normally where there is close ministerial interest, that is an indication that the most effective course of action is to complete the work of the group quickly so that final decisions can be made by Ministers.

Remember: it is the responsibility of Ministers to bring forward policy options for consideration by the Government. The aim of whole-of-government processes is to ensure that their proposals are informed by a variety of views and an assessment of the merits of options. Officials will on occasions be asked to present policy options to Cabinet by way of a memorandum.

Record-keeping. The lead agency will normally be responsible for preparing a record of meetings and circulating it to all participants for comment. These records are important. If inaccuracies appear in the draft minutes, they should be drawn to the attention of the lead agency promptly. The working group should discuss at its first meeting the detail that is considered appropriate in the minutes, including whether discussion, decisions or action points should be specifically minuted.

Reviewing progress. All participants should work conscientiously to meet the agreed timeframe for reporting. It is important that working groups do not outlive their usefulness. Those groups without formal reporting dates should periodically review the contribution they are making and, if necessary, adjust their method of working, seek intervention at a more senior level to assist in resolving differences or perhaps even recommend that they be disbanded. There will occasionally be groups that rightly conclude that progress will be made only with intervention at Secretary level.

Standards of behaviour

Leadership requires collegiality. Good policy outcomes depend on public servants working effectively across organisational boundaries. Secretaries expect those who work in their portfolios to work constructively and cooperatively with their colleagues in other agencies for whole-of-government outcomes.

Public servants should bring to their work behaviour that reflects the values and ethical standards of the APS. In particular, working relationships should be productive and effective. There should be a genuine commitment to working in a collaborative manner. The operation of working groups should reflect an acceptance of the benefits of a whole-of-government approach to policy development, programme management and service delivery. Secretaries are committed to the development of a Senior Executive Service that has the range of capabilities to support this objective.

It is vital that participants in working groups ensure the confidentiality of their work. Policy decisions are the responsibility of the government. Leaking of information during the policy development process is a grave breach of trust. It undermines good governance. It carries the danger that premature publicity will hamper the adoption of the best policy outcomes and will place at risk the benefits of having the widest involvement in policy development.

A checklist of responsibilities when agencies are working together is attached. It is a guide with which all public servants should be familiar.

HOW AGENCIES SHOULD WORK TOGETHER IN SPECIAL PURPOSE GROUPS

The lead agency or agencies

- Appoint chair or leader who, while acknowledging their own agency interests, is also able to take account of a whole-of-government perspective.

Chair or leader

- While leading from the perspective of their agency, also extols the benefits of a whole-of-government perspective on the task in hand.
- Ensures appropriate central, line and operational agencies are involved in discussions.
- Ensures terms of reference and a timeframe for reporting are in place and includes time for consultation with relevant agencies.
- Ensures any necessary financial arrangements are secured.
- Ensures that agreed record-keeping arrangements are set up.
- Ensures confidentiality arrangements are understood by all participants.

Heads of participating agencies

- Ensure their agency representative has the capacity and authority to participate actively and constructively in discussion and decision-making.
- Put in place good communication arrangements between senior management and their agency representative.
- Provide their agency representative with clear directions as appropriate.
- Advise their representative whether reporting to the Minister will occur.
- Advise their representative of any particular caveats or requirements constraining their involvement in the inter-agency arrangement.

Participating members

- While participants represent their agency, each also has a responsibility to act from a whole-of-government perspective so that the arrangement can produce the best results for government.

- Seek effective outcomes in a constructive manner with members rather than defending agency territory.
- Advise other members of any particular caveats or requirements constraining their involvement in the arrangement.
- Follow up with the lead agency if the responsibilities of the lead agency are not met.
- Follow up with their own agency if the responsibilities of their agency are not met.
- Accept the confidentiality of the arrangements as outlined by the lead agency.
- Embrace collegiality as a behaviour crucial to public sector leadership.

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