The Auditor-General
ANAO Report No.28 2015–16
Performance Audit

Administration of Concessional Loans Programs

Department of Agriculture and Water Resources

Australian National Audit Office

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Australian National
Audit Office

Canberra ACT

28 April 2016

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Department of Agriculture and Water Resources titled *Administration of Concessional Loans Programs.* The audit was conducted in accordance with the authority contained in the *Auditor-General Act 1997*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit to the Parliament.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's website—http://www.anao.gov.au.

Yours sincerely

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

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Summary and recommendations

Background

1. Since 2013, Australian Governments have announced $3.55 billion in funding for concessional loans to assist farm businesses to improve their debt servicing capacity or recover from the effects of drought.[1] The audit examined the first two concessional loans programs established by the Department of Agriculture and Water Resources (the department) the:

- Farm Finance Concessional Loans Program ($420 million in 2013–14 and 2014–15); and
- Drought Concessional Loans Program ($280 million in 2013–14 and 2014–15).[2]

2. Under each program, the Australian Government has provided loan funding to the states and the Northern Territory (the jurisdictions) to establish and fund schemes that provide concessional loans to eligible farming businesses.[3] The schemes that were established offered five-year interest-only loans to eligible farm businesses. The maximum loan amount available was $1 million or up to 50 per cent of the farm business' eligible debt (whichever was lower).[4] Loans can be used to restructure existing debt or provide new debt for specified activities. The department advised that, as at 29 February 2016, there were:

- 410 farm finance concessional loan recipients, with loans totalling $196.690 million (46.8 per cent of the total funding available); and
- 320 drought concessional loan recipients, with loans totalling $192.377 million (71.2 per cent of total funding available).

3. The first loans are due for repayment in 2018–19.

Conclusion

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

1 A concessional loan provides finance on more favourable (concessional) terms than could be accessed by farm businesses through the capital market.

2 Total funding for the Drought Concessional Loans Program was later reduced to $270 million.

3 The Drought Concessional Loans Scheme was not delivered in Tasmania in 2013–14 or 2014–15. Neither program has been delivered in the Australian Capital Territory.

4 Eligible debt is debt that has been established upon commercial interest rates, terms and conditions.

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

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

Supporting findings

Program design and planning for implementation

7. The department had limited evidence on which to establish the need for a Farm Finance Concessional Loans Program and did not: prepare an analysis of the costs and benefits of providing assistance to farming businesses through a subsidy; or develop modelling to determine the number of potentially eligible applicants, which was needed to inform key design elements. Further, the department did not include in its advice to government robust default rate data that would have better informed an assessment of the financial risks associated with establishing concessional loans programs to assist farming business. The department did, however, appropriately inform government that its advice was affected by the short timeframe available to prepare the program proposal and confidentiality considerations that meant that jurisdictions (proposed delivery partners) were unable to be consulted.

8. For the later Drought Concessional Loans Program the department outlined the interest cost savings that would accrue to farm businesses, but did not provide a cost-benefit analysis to demonstrate that a subsidy would be an effective policy intervention to address the needs of farm businesses experiencing drought conditions or determine the potential number of applicants.

9. When designing the Farm Finance Concessional Loans Program the department considered existing Commonwealth and Queensland government concessional loans programs, with the Farm Finance Concessional Loans Program proposal that was ultimately approved by government largely informed by the Queensland Government's program. Subsequently, the earlier Farm Finance Concessional Loans Program was used as the model for the design of the latter Drought Concessional Loans Program.

10. Key design parameters were not finalised until after the program had been announced as their development was to be informed by consultation with jurisdictional delivery partners. Further, in the absence of robust data to indicate potential demand for either program, the department was not well positioned to make informed estimates of total required funding and

payments to delivery partners or tailor administrative arrangements to cater for the resulting workload.

11. While the risk assessments prepared by the department for both programs were reasonable, the department's inexperience in implementing concessional loan programs meant that it did not have a full appreciation of the range of implementation risks present for the Farm Finance Concessional Loans Program. The department's advice about risk for the Drought Concessional Loans Program was more considered—informed by the experience gained from implementing the earlier concessional loan program.

12. The department did not establish an implementation plan for the Farm Finance Concessional Loan Program. Although a comprehensive assessment of risks to the implementation of the program was undertaken and the development of an implementation plan for the Farm Finance Concessional Loans Program had been commenced, the plan was not completed or approved. The department eventually documented its approach to the delivery of the Farm Finance Concessional Loans Program as part of the Drought and Rural Assistance Program Plan, which was prepared once all Farm Finance schemes had commenced. An implementation plan was developed and approved for the Drought Assistance Package, which included the Drought Concessional Loans Program as part of the suite of measures to provide in-drought support to farm businesses. As well as documenting key risks to implementation, the plan outlined how the program would be implemented and the arrangements for monitoring implementation.

Program delivery

13. While the agreements established by the department provided an appropriate delivery framework, weaknesses in administrative arrangements and documentation meant that the department was unable to appropriately demonstrate that it had confirmed that the established conditions precedent for each agreement had been satisfied for seven of the 13 schemes prior to releasing funding. Although the agreements are operating as anticipated, the department's failure to adequately establish that all conditions precedent were met has exposed the Commonwealth to additional risk regarding the operation of the governing agreements.

14. The variations in the timing of access to concessional loans and benefits able to be accessed were reasonable as the decentralised delivery approach meant that these aspects were required to be negotiated and agreed bilaterally between governments. However, there would be merit in the department monitoring scheme differences to manage risks to fairness and consistency, such as the inconsistent assessment of applications against criteria set by the Commonwealth.

15. The department established effective arrangements to: make timely and accurate payments to, and correctly record payments from, each jurisdiction. However, the department had limited assurance that: all requirements for payment specified in the agreements had been met before payments were made; the discretionary payment that was made was necessary; and amounts reported to the department and used to inform program monitoring are accurate and complete.

16. Effective arrangements have been established to support communication by the jurisdictions, with the department:

- implementing comprehensive communication plans for all schemes;
- establishing a Communication Network and holding meetings with delivery partners; and
- reviewing the effectiveness of communication activities.

Monitoring and reporting on program performance

17. The effectiveness of the arrangements established by the department to monitor funding structures and program delivery is mixed. Arrangements are in place to monitor program delivery, including the: formation of a dedicated Program Board to monitor each program; collection and collation of information from each jurisdiction regarding loan portfolio and delivery arrangements; and preparation of regular reports and the conduct of periodic reviews to inform oversight. The effectiveness of these arrangements is, however, undermined by processes that provide limited assurance that the information reported by jurisdictions is complete and accurate. Further, there is scope to augment information collected from jurisdictions to assess impairment to better inform the departmental Executive and, where relevant, Ministers, of the likelihood, costs and impact of default.

18. The department has not established appropriate arrangements to evaluate the impact or effectiveness of each program.

19. The Parliament and the public have been informed about the implementation of each concessional loan program, primarily through the department's annual reports. However, sufficient information to enable stakeholders to determine the extent to which the objectives of each program are being met has not been reported.

Recommendations

Recommendation No.1

Paragraph 3.9

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

(a) establish suitable guidance for staff on verifying that conditions precedent have been met;

(b) reinforce to staff the importance of following established guidance; and

(c) retain records to demonstrate that conditions precedent have been satisfied.

Department of Agriculture and Water Resources' response: *Agreed.*

Recommendation No.2

Paragraph 3.29

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

Department of Agriculture and Water Resources' response: *Agreed.*

Recommendation No.3

Paragraph 4.8

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

Department of Agriculture and Water Resources' response: *Agreed in part.*

Recommendation No.4

Paragraph 4.41

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

(a) develop a program evaluation strategy for current and any future concessional loans programs;

(b) expand existing KPIs and/or develop additional measurement tools to better inform an assessment of the extent to which the objectives for the programs are being achieved; and

(c) publicly report on established performance measures.

Department of Agriculture and Water Resources' response: *Agreed.*

Summary of Department of Agriculture and Water Resources' response

20. The Department of Agriculture and Water Resources' summary response is provided below:

> The Department of Agriculture and Water Resources (the department) considers the report and findings provide a basis for further improvements to the development and on-going management of the government's concessional loans schemes. As noted in the report, concessional loans programmes are a relatively new form of assistance across the Commonwealth.
>
> The department has committed to improving its administration of concessional loans schemes and has already implemented a number of procedures to strengthen the administration of current and future schemes. The department's employment of new measures will continue to be refined with increased knowledge, understanding and experience of the risks and issues associated with concessional loans schemes.
>
> The department is working closely with the state and territory governments to establish the delivery and eligibility settings for the 2016–17 scheme announced in the Agricultural Competitiveness White Paper.

Audit Findings

1. Background

Introduction

1.1 In 2012, in the context of generally favourable real net farm cash incomes[5] and interest rates that had been declining over recent years[6], the farming and finance sectors expressed concerns to the then Australian Government that some farming enterprises were finding it increasingly difficult to service debt due to a range of factors impacting:

- income, such as high input costs, extreme weather conditions, low commodity prices and/or exchange rate fluctuations; and
- access to credit, including lower land valuations and tightened credit market conditions following the Global Financial Crisis.[7]

1.2 To assist farm businesses to improve their debt servicing capacity the then Government announced that it would make concessional loans available as a form of debt relief.[8] Subsequently, the current Government has made concessional loans available to assist farm businesses to manage and recover from the effects of drought. Since 2013, $3.55 billion in funding for concessional loans has been announced through the following programs:

- $420 million (2013–14 and 2014–15) for the Farm Finance Concessional Loans Program;
- $280 million (2013–14 and 2014–15) for the Drought Concessional Loans Program[9];
- $100 million (2014–15) for the Drought Recovery Concessional Loans Program for farm businesses in Queensland and New South Wales;
- $250 million (2015–16) to extend the Drought and Drought Recovery Concessional Loans Programs; and
- $2.5 billion (2016–17 to 2025–26) for a new Drought Concessional Loans Program.

1.3 Prior to the establishment of the Farm Finance Concessional Loans Program, the Department of Agriculture and Water Resources (the department) had not administered a concessional loans program. In this audit, the ANAO examined the first two concessional loan programs established by the department on behalf of the Government—the Farm Finance Concessional Loans Program and the initial Drought Concessional Loans Program. The objective and outcomes of each program are outlined Figure 1.1 (on the following page).

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5 ABARES, Agricultural Commodities: December quarter 2012. Available from <http://www.agriculture.gov.au/abares/publications> [accessed 25 January 2016].

6 Reserve Bank of Australia, *Money and Credit Statistics: Indicator Lending Rates*. Available from <www.rba.gov.au/statistics/tables> [accessed 19 October 2015].

7 Concerns were raised at a Rural Finance Roundtable held on 17 October 2012. The roundtable had been convened for representatives of the farming and finance sectors to discuss issues surrounding rural access to finance and rural indebtedness with the then Treasurer and the then Minister for Agriculture, Fisheries and Forestry.

8 A concessional loan provides finance on more favourable (concessional) terms than could be accessed by farm businesses through the capital market.

9 Total funding for the Drought Concessional Loans Program was later reduced to $270 million.

Figure 1.1 Objectives and outcomes of concessional loan programs

	Farm Finance Concessional Loans Program	Drought Concessional Loans Program
Objective	To build the ongoing financial resilience of farm businesses that are experiencing debt servicing difficulties but are considered potentially viable in the longer term.	To assist farm businesses that are experiencing a significant financial impact as a result of the effects of drought.
Outcomes	Farm businesses are able to demonstrate their need, their ability to repay a loan and that they can provide sufficient security, and are able to apply for a concessional loan. The full value of the loans is provided to farm businesses experiencing debt servicing difficulties that are considered commercially viable in the longer term. Receipt of a concessional loan provides the opportunity for loan recipients to improve their debt servicing capacity.	Concessional loans are available to farm businesses that are experiencing a significant financial impact as a result of the effects of drought and that are considered commercially viable in the longer term. Receipt of a concessional loan provides the opportunity for loan recipients to continue their operations while recovering from the effects of drought and return to commercial viability in the longer term.

Source: ANAO based on departmental information.

1.4 The key dates in the development, implementation and delivery of each program are outlined in Figure 1.2.

Figure 1.2: Key dates for the concessional loans programs

Farm Finance Concessional Loans	Date	Drought Concessional Loans
Commence New Policy Proposal	26 February 2013	
Policy proposal put forward	12 March 2013	
Cabinet agrees to new policy	18 March 2013	
Program announced	27 April 2013	
First jurisdiction opens for applications	6 August 2013	
	4 November 2013	Commence New Policy Proposal
	28 January 2014	Policy proposal put forward
Final jurisdiction opens for applications	24 February 2014	
	25 February 2014	Cabinet agrees to new policy
	26 February 2014	Program announced
	6 June 2014	First jurisdiction opens for applications
	20 February 2015	Final jurisdiction opens for applications
Closed to applications	30 June 2015	Initial program funding closed to applications

Source: ANAO from departmental information.

Funding and delivery arrangements

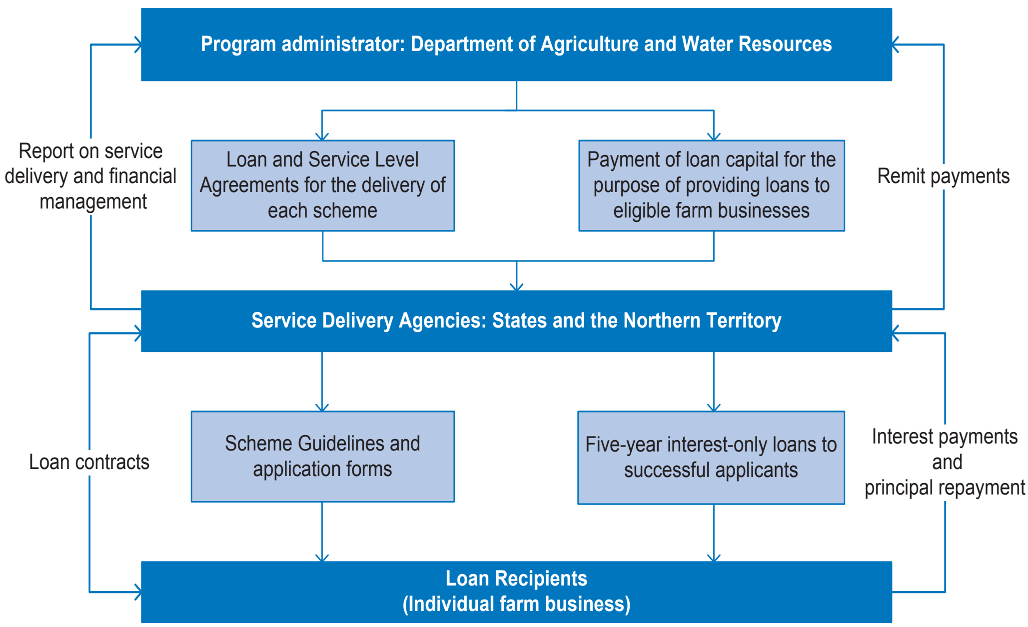
1.5 Given the absence of specific legislative powers to enable the Commonwealth to deliver concessional loans directly to farming businesses[10], under each concessional loans program funds were loaned to the states and the Northern Territory (the jurisdictions) to establish schemes to provide loans to eligible farming businesses.[11]

1.6 The department is responsible for administering each program, including:

- implementing funding and delivery arrangements with the jurisdictions for each scheme; and
- monitoring and reporting on program delivery.

1.7 Scheme delivery arrangements were negotiated bilaterally with each jurisdiction and are underpinned by a loan agreement and a service level agreement that outline roles and responsibilities, reporting and performance requirements and the terms and conditions of the Commonwealth's loan. The programs' delivery arrangements are shown in Figure 1.3.

Figure 1.3: Delivery arrangements for the concessional loans programs



Source: ANAO from departmental information.

10 The advice obtained by the department indicated that, in the case of the proposed concessional loans programs, the Constitution did not provide a heads of legislative power which would alone, or in combination, provide broad support for a Commonwealth program of direct assistance to farming businesses through the provision of concessional loans.

11 Funding was provided under sections 96 and 122 of the Constitution, which provides for grants of financial assistance to the states and territories. Tasmania has not delivered a Drought Concessional Loans Scheme. Neither program has been delivered in the Australian Capital Territory.

1.8 Decentralised delivery models generally involve more complex arrangements than centralised models. In the case of the concessional loans programs, schemes are administered by a diverse range of entities with differing levels of loan management experience, including: state government departments[12]; a state-based statutory authority[13]; and a private sector banking institution.[14] Further, Farm Finance Concessional Loans Schemes have been tailored to address jurisdictions' needs (within broad approved parameters), including in terms of maximum and minimum loan amounts, loan types and access to extensions of term (as shown in Table 1.1). Scheme Guidelines inform potential applicants of the eligibility and assessment criteria, as well as the terms and conditions that apply to each loan.

Table 1.1 Farm Finance Concessional Loans Scheme settings

Jurisdiction	Loan type	Loan amount (max)	Extended loan term (years) available at commercial rate of interest
New South Wales	Debt restructuring	$650 000	One
Queensland	Debt restructuring	$1 million. Increased from $650 000 (6 November 2013)	Two
Victoria	Debt restructuring	$650 000	Two
	Productivity enhancement (added September 2014)	$650 000 Minimum $100 000	
Western Australia	Productivity enhancement	$400 000. Increased from $200 000 (May 2014) Minimum $50 000	Two (added 16 January 2015)
	Debt restructuring (added 16 January 2015)	Loan totalling $1 million for debt restructuring and/or productivity enhancement.	
South Australia	Debt restructuring	$650 000 Minimum $200 000	No extension.
Tasmania	Debt restructuring and productivity enhancement	$650 000	Two
Northern Territory	Debt restructuring	$1 000 000	Two

Source: ANAO analysis of departmental information.

12 The New South Wales Rural Adjustment Authority, Primary Industries and Regions South Australia, Tasmanian Government Department of State Growth and the Western Australian Government Department of Agriculture and Food.

13 QRAA (Queensland), which also delivers schemes on behalf of the Northern Territory Government.

14 The Rural Finance division of the Bendigo and Adelaide Bank delivers schemes on behalf of the Rural Finance Corporation of Victoria (a state government entity).

1.9 Table 1.2 outlines the funds allocated by the Australian Government to each scheme in 2013–14 and 2014–15.[15]

Table 1.2 Funds allocated to each concessional loan scheme

Jurisdiction	Farm Finance Concessional Loan Scheme ($m)	Drought Concessional Loan Scheme ($m)
Total program funding	**420**	**280**
Queensland	100	100
New South Wales	90	100
Victoria	70	30
South Australia	50	10
Western Australia	50	20
Tasmania	30	n/a
Northern Territory	30	10
Total funding allocated	**420**	**270**
Unallocated funding		*10*[a]

Note a: Unallocated Drought Concessional Loans Program funding was redirected to the Drought Recovery Concessional Loans Program.

Source: Department of Agriculture and Water Resources.

1.10 The department advised that, as at 29 February 2016, there were:

- 410 farm finance concessional loan recipients, with loans totalling $196.690 million (46.8 per cent of the total funding available); and
- 320 drought concessional loan recipients, with loans totalling $192.377 million (71.2 per cent of total funding available).

Terms and conditions of farm businesses' concessional loans

1.11 The schemes established under each program provided interest-only loans to eligible farm businesses. The maximum loan amount available was $1 million or up to 50 per cent of the farm business' eligible debt (whichever was lower).[16] Loans could be used to restructure existing debt or provide new debt for:

- productivity enhancements (Farm Finance Concessional Loans Program); and
- operating expenses and/or drought recovery and preparedness activities (Drought Concessional Loans Program).

15 Initially, Farm Finance Concessional Loans Program funding was allocated evenly between jurisdictions. On 6 November 2013, the then Minister for Agriculture (now the Minister for Agriculture and Water Resources) announced a reallocation of funding 'to better reflect the number of farm businesses in each jurisdiction'. The Hon B. Joyce MP (the then Minister for Agriculture) 'Extra Assistance to support farmers', media release, Parliament House, Canberra, 6 November 2013.

16 Eligible debt is debt that has been established upon commercial interest rates, terms and conditions. For the purposes of the Drought Concessional Loans Program, eligible debt also includes existing debt under the Farm Finance Concessional Loans Program.

1.12 The loan principal is to be repaid in full at the end of a five-year term. However, some jurisdictions' Farm Finance Concessional Loan Schemes and all jurisdictions' Drought Concessional Loan Schemes allow loans to be extended for up to two years at a commercial rate of interest.

Interest rate applied to concessional loans

1.13 The Australian Government sets the concessional interest rate; the rate is reviewed every six months and is to be revised if the Commonwealth Five Year Bond rate moves more than +/-10 basis points.[17] In line with reductions in the bond rate, the concessional interest rate has also fallen (as outlined in Table 1.3).

1.14 The latest reduction was announced by the Minister on 27 July 2015, at which time he advised farm business that the programs were delivering an interest rate subsidy of 50 per cent or better at the current concessional interest rate. Based on the total program funding loaned to farm businesses at the current rate, a 50 per cent subsidy delivers benefits to farm businesses of approximately $12.85 million per annum across the two programs (as outlined in Table 1.3).[18]

Table 1.3: Concessional interest rate and cost of providing a subsidy

Program	Initial rate (per cent)	Rate as at 1 January 2016 (per cent)	Total loans to farm businesses as at 30 June 2015 ($million)	Value of the 50 per cent subsidy per annum at the current concessional interest rate ($million)
Farm Finance Concessional Loans Program	4.5	3.55	196.690	6.98
Drought Concessional Loans Program	4.0	3.05	192.377	5.87
			Total	**12.85**

Source: Scheme Guidelines and the Hon. B. Joyce MP (the then Minister for Agriculture, now the Minister for Agriculture and Water Resources), 'Interest rates drop for farm business concessional loans schemes', Parliament House, Canberra, 27 July 2015.

17 To borrow money to fund its activities, the Australian Government sells bonds. The bond rate is the rate of interest paid by the Government to the lender of those funds. For a five-year bond, the principal will be repaid at the end of the five-year period.

18 This value is illustrative only as the concessional interest rate is subject to adjustment. The calculation assumes that funds could otherwise be loaned at a market rate, uses the current concessional interest rate as the basis of calculation and does not consider the government's cost of borrowing funding or the opportunity cost of alternate uses of funds.

Audit approach

1.15 The objective of the audit was to assess the effectiveness of the department's establishment and administration of the Farm Finance and Drought Concessional Loans programs.[19] To form a conclusion against the audit objective, the ANAO adopted the following high level audit criteria:

- was each program appropriately designed and was implementation effectively planned?
- were arrangements for the delivery of concessional loans appropriate?
- were program monitoring and reporting arrangements sound?

1.16 The ANAO examined departmental records, including key documentation supporting the establishment of each scheme (Loan Agreements, Service Level Agreements, Scheme Guidelines and application forms). In addition, the ANAO conducted interviews with departmental officers and obtained feedback from key stakeholders.

1.17 The audit was conducted in accordance with the ANAO Auditing Standards at a cost to the ANAO of approximately $486 921.87.

19 The extension of the Drought Concessional Loan Program through the provision of new funding for 2015–16 (outlined in paragraph 1.2) was not specifically examined as part of this audit.

2. Program design and planning for implementation

Areas examined

The ANAO examined the department's advice to government on the design of each program, including whether the department had: effectively established the need for each concessional loan program; considered existing models of concessional loan programs; and a well-developed understanding of the risks to program implementation and the achievement of outcomes. The ANAO also examined whether the department had developed an appropriate plan to support its implementation of each program.

Conclusion

The effectiveness of the Department of Agriculture and Water Resources' design and establishment of the Farm Finance Concessional Loans Program was adversely affected by a number of factors including the:

- department had limited evidence on which to establish the need for a Farm Finance Concessional Loans Program and did not prepare an analysis of the costs and benefits of providing assistance to farming businesses to demonstrate that a subsidy was the best policy intervention to address the concerns raised with government;
- absence of an existing suitable concessional loan program model in conjunction with the department's inexperience with the delivery of concessional loan programs;
- short timeframe available to prepare the policy proposal; and
- confidentiality considerations prior to the program's announcement that meant that jurisdictions (the intended delivery partners) were not able to be consulted about the delivery arrangements prior to the announcement of the program.

As the design of key elements of the Farm Finance Concessional Loans Program were finalised after the program was announced by the Government, the timely implementation of the program was made more challenging. To manage the Government's expectations for timely delivery, the department finalised aspects of program design in parallel with implementation within each jurisdiction.

The department did not establish an implementation plan for the Farm Finance Concessional Loan Program. Although an assessment of risks to implementation was undertaken and the development of an implementation plan for the program had been commenced, the plan was not completed or approved. The department ultimately documented its approach to the delivery of the program in a Drought and Rural Assistance Program Plan and subordinate plan. These plans were not, however, finalised until Farm Finance Concessional Loans schemes had commenced in each jurisdiction.

In comparison to the initial program, the department was better placed to design and implement the Drought Concessional Loans Program. The program's design was guided by the department's earlier experience implementing the Farm Finance Concessional Loans Program and implementation was informed by an appropriate planning framework. As was the case with the earlier program, advice did not include a cost-benefit analysis to support the use of subsidy to support drought affected farm businesses and the jurisdictions were not consulted about their intended role prior to the announcement of the program. The absence of consultation with the jurisdictions made it more difficult for the department to effectively design and plan the program.

Did the department effectively establish the need for each concessional loan program?

The department had limited evidence on which to establish the need for a Farm Finance Concessional Loans Program and did not: prepare an analysis of the costs and benefits of providing assistance to farming businesses through a subsidy; or develop modelling to determine the number of potentially eligible applicants, which was needed to inform key design elements. Further, the department did not include in its advice to government robust default rate data that would have better informed an assessment of the financial risks associated with establishing concessional loans programs to assist farming business. The department did, however, appropriately inform government that its advice was affected by the short timeframe available to prepare the program proposal and confidentiality considerations that meant that jurisdictions (proposed delivery partners) were unable to be consulted.

For the later Drought Concessional Loans Program the department outlined the interest cost savings that would accrue to farm businesses, but did not provide a cost-benefit analysis to demonstrate that a subsidy would be an effective policy intervention to address the needs of farm businesses experiencing drought conditions or determine the potential number of applicants.

Farm Finance Concessional Loans Program

2.1 The department advised the then Minister for Agriculture, Fisheries and Forestry that representatives of the rural and banking sectors at the Rural Finance Roundtable had revealed growing concerns that some farming enterprises were finding it increasingly difficult to service debt. There were, however, differing views as to the extent of the debt servicing issue and the sustainability of debt levels.[20] In this context, the department advised that growth in average farm business debt had slowed and additional studies/surveys were needed to obtain a clearer picture about whether farm businesses were experiencing financial hardship due to high levels of debt.

20 The Rural Finance Roundtable, which was held on 17 October 2012, had been convened for representatives of the farming and finance sectors to discuss issues surrounding rural access to finance and rural indebtedness with the then Treasurer and the then Minister for Agriculture, Fisheries and Forestry.

2.2 However, the department did not undertake further studies/surveys to inform its advice to government and relied on evidence that it could readily obtain to develop a proposal to provide concessional loans. The circumstances affecting the drafting of the submission were outlined in advice prepared for the then Departmental Secretary that outlined that the department had only been able to undertake a preliminary assessment of key aspects of the proposed program (resources, risks, timeframe and milestones) due to the extremely tight timeframe given to develop the submission and the department's inability to consult and engage with key stakeholders. Notwithstanding these limitations, a policy proposal for the Farm Finance Concessional Loans Program, which was designed by the department in consultation with the Department of the Treasury, was included in a package of measures for the then Government to consider as a means to respond to the concerns that had been raised at the roundtable meeting.

2.3 The Government was advised by the department that there was a case to provide concessional loans to farm businesses that continued to be affected by financial pressures and were facing significant interest liabilities so they could: remain on the land; have access to increased cash flow; and obtain finance for productivity improvements. While there was evidence available to indicate that certain farm businesses in specific farming segments had high levels of debt, the need for intervention by government was not clearly demonstrated as:

- advice also outlined that debt levels were expected to fall without intervention;
- modelling was not undertaken to establish the number of expected loan applicants/recipients for the program;
- the department did not conduct an economic analysis of the costs and benefits of providing interest rate subsidies to farm businesses; and
- there were existing concessional loans programs in Queensland and New South Wales and the advice prepared by the department did not outline whether a Commonwealth program would duplicate or complement the existing arrangements.

2.4 The Government was informed by the department that there was risk involved in providing loans to farm businesses in financial difficulty, particularly in the event of default as funds would be lost unless pursued by government. The department advised the Government that, based on experience, a default rate of eight per cent was likely.[21] The department advised the ANAO that this rate had been provided as verbal advice by the Department of the Treasury (Treasury) and the then Department of Finance and Deregulation (Finance). The department did not, however, retain evidence of this advice provided by Treasury and/or Finance.

2.5 In the absence of reliable default rate data, there would have been merit in the department including in its advice to government comparable data, such as, readily available information about default rates in agricultural loan portfolios held by the financial sector. Such information would have better informed decision-makers about the impact that defaults may have in future years on the program's costs and on government budgeting. Further, robust default rate data would have assisted the Government to better assess the financial risks associated with establishing concessional loans programs to assist farming businesses. While advice recognised the upfront financial cost involved in funding the loans and the potential for defaults to occur, the

21 An eight per cent default rate (on the principal of $420 million) represents a cost to government of $33.6 million.

department further advised the Government that it expected to recoup all expenditure over the life of the program. Further, the program costings that were agreed with Finance assumed a zero default rate (the advice provided on program costings was inconsistent with earlier advice of an eight per cent default rate based on previous experience). The department advised that it had relied on Finance's advice regarding the assumed level of default for the costings because it had not previously administered concessional loan programs and did not have relevant departmental data to develop its own costings.

Drought Concessional Loans Program

2.6 Drought concessional loans aim to assist farm businesses that are experiencing a significant financial impact as a result of the effects of drought. The department proposed that concessional loans would assist farmers to make on-farm improvements that would otherwise not be possible during a drought or to manage during, and recover from, drought 'more easily' than if they had to meet repayments on loans at a full commercial interest rate. The department advised government that concessional loans were needed to assist the farming sector to survive and recover from drought. To support its proposal to government, the department provided:

- rainfall deficiency maps to demonstrate areas that had been experiencing extended periods of poor rainfall;
- data indicating farm business income shortfalls under current drought conditions;
- estimates of fixed running costs for broadacre farm businesses based on modelling by the Australian Bureau of Agricultural and Resource Economics[22]; and
- modelling of the potential financial savings for individual loan recipients that could be achieved through lower interest costs.

2.7 Notwithstanding the rationale for the policy intervention, successive reviews of the Australian Government's drought policy have found that interest rate subsidies have been ineffective and raised concerns that subsidies could result in farm businesses being less responsive to drought conditions.[23] On this basis, the proposal developed by the department to introduce a new subsidy to assist drought affected farm businesses would have been strengthened if an economic analysis of the costs and benefits of the proposed subsidy had been included.

2.8 While the department did not determine the number of potential loan applicants, it did advise the Government of the factors that would likely impact demand. While indicative recipient numbers were provided, these numbers were based on the proposed available funding, divided by the average debt levels of farm finance concessional loan recipients.

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22 It was not, however, clear whether broadacre farms typically had higher or lower running costs than other eligible farming industries such as aquaculture, apiculture (bee-keeping) and dairy farms. As such, the appropriateness of use of broadacre farms as a benchmark was not validated.

23 Department of Agriculture and Water Resources website. Available from <http://www.agriculture.gov.au/ag-farm-food/drought/drought-policy/history/business-support> [accessed 27 January 2016].

Did the department consider existing models for concessional loan programs?

When designing the Farm Finance Concessional Loans Program the department considered existing Commonwealth and Queensland government concessional loans programs, with the Farm Finance Concessional Loans Program proposal that was ultimately approved by government largely informed by the Queensland Government's program. Subsequently, the earlier Farm Finance Concessional Loans Program was used as the model for the design of the latter Drought Concessional Loans Program.

Key design parameters were not finalised until after the program had been announced as their development was to be informed by consultation with jurisdictional delivery partners. Further, in the absence of robust data to indicate potential demand for either program, the department was not well positioned to make informed estimates of total required funding and payments to delivery partners or tailor administrative arrangements to cater for the resulting workload.

Identifying the concessional loan program model and program parameters

2.9 The department advised the ANAO that, while concessional loans were not unique, there were relatively few operating examples to draw on when it was designing the Farm Finance Concessional Loans Program[24] and that it was the first Australian Government entity to implement this concessional loans program model. The department also advised that the design of the Farm Finance Concessional Loans Program was informed by a desk-based review of the Queensland Government's Sustainability Loans and First Start Loans programs[25] and of the joint Australian Government–State National Disaster Relief and Recovery Arrangements.[26] However, at the point at which the Government was to approve the policy proposal for the Farm Finance Concessional Loans Program, the department had provided little advice about key program parameters, such as eligibility criteria, delivery arrangements and program settings, although the Queensland Government's program was referenced. Departmental records indicate that more detailed advice could not be provided because the department had not consulted stakeholders and the framework for delivering concessional loans had not been decided. These program parameters were finalised after the program was announced and the jurisdictions had subsequently been consulted.

24 The Australian Government provides concessional loans, for example, to support education through the Higher Education Contributions Scheme and to assist the recovery of small businesses, primary producers and voluntary non-profit bodies following natural disasters under the Natural Disaster Relief and Recovery Arrangements.

25 In 2011–2012, the Queensland Government provided $60 million for the Sustainability Loans and First Start Loans programs, with loans of up to $650 000 at concessional rates available to primary producers and commercial fisher businesses.

26 The National Disaster Relief and Recovery Arrangements provide assistance to disaster affected states and territories and their communities. Under these arrangements, concessional loans of up to $100 000 may be made available to primary producers. The loans have a ten year term with an interest-only period of up to two years.

2.10 As outlined earlier, the Drought Concessional Loans Program was modelled on the earlier Farm Finance Concessional Loans Program. On this basis, the department was better placed to provide more comprehensive advice on the key parameters for the Drought Concessional Loans Program due to its experience with the former concessional loan program. The department's advice for the Drought Concessional Loans Program outlined the proposed delivery arrangements, eligibility criteria and program settings.

Program costs

2.11 The costs for both programs were developed by the department and agreed with Finance. In the case of the Farm Finance Concessional Loans Program, the department's briefing to government included the following design parameters:

- the maximum loan value for each eligible farm business should be \$650 000[27]; and
- administered funding of up to \$840 million was needed for Farm Finance Concessional Loans across 2013–14 and 2014–15.[28]

2.12 In relation to the Drought Concessional Loans Program, the department proposed that:

- the maximum loan value for each eligible farm business should be \$1 million (the maximum funding available under some Farm Finance Concessional Loans Schemes)[29]; and
- up to \$280 million in funding was required across 2013–14 and 2014–15.

2.13 The department did not document the basis on which the proposed funding envelope for each program was determined. In the absence of modelling to determine the potential number of eligible applicants for each program, as outlined earlier, the department was unable to confirm that the total program funding amounts would be sufficient to address (or would exceed) the potential demand from farming businesses. Further, while the maximum loan value proposed by the department for the Farm Finance Concessional Loans Program was higher than the average broadacre farm debt levels reported by the department, it was not evident whether the funding that was being made available was appropriate or adequate.

Assumptions about administration costs

2.14 The costings for the Farm Finance Concessional Loans Program were prepared on the basis that delivery partners would absorb the costs of delivering the scheme in their jurisdictions. In advice to its then Secretary, the department indicated that it had only undertaken a preliminary assessment of the resources needed to administer the program in each jurisdiction because of 'the extremely tight timeframes given to develop the proposal and its inability to consult and engage with nominated program delivery partners'.

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27 The minimum loan value was \$0.

28 The Government approved the proposal on the basis that program costs be reduced. To address this requirement, administered program funding was halved to \$420 million.

29 The maximum loan value per applicant for the Queensland and the Northern Territory Farm Finance Concessional Loans Schemes had been increased from \$650 000 to \$1 million.

2.15 Ultimately, the jurisdictions did not agree to absorb delivery costs and additional funding of $17.9 million was provided by the Australian Government to meet the costs of administering the Farm Finance Concessional Loans Program. The costings for the later Drought Concessional Loans Program allowed $10 million towards the jurisdictions' 'reasonable' administration costs. The department did not define the composition of 'reasonable' costs.

2.16 The department agreed delivery fees with the jurisdictions after each program had been announced. Fee arrangements were outlined in the service level agreements with the Government:

- setting a standard delivery fee per scheme ($2.5 million) after consultation with the jurisdictions for Farm Finance Concessional Loans Program; and
- negotiating differing fees with each jurisdiction for the Drought Concessional Loans Program.

2.17 Delivery fees paid by the Australian Government were designed to cover the jurisdictions' costs of administering the schemes, including: establishing systems and skills necessary to deliver the concessional loans schemes; assessing applications; the ongoing management of concessional loans established with farm businesses; and performance reporting to inform the department of actions taken to deliver the schemes. While an upfront fixed fee approach is simpler for the Australian Government to administer, the costs per application assessed or approved are ultimately impacted by the number of applications received by each jurisdiction. Table 2.1 outlines the range of costs per application assessed or approved across each program.

Table 2.1: Costs per application assessed or approved

	Lowest cost ($)	Highest cost ($)
Farm Finance Concessional Loans Program		
Cost per application assessed	8561.64	96 153.85
Cost per successful application	21 367.52	416 666.67
Drought Concessional Loans Program		
Cost per application assessed	9677.42	500 000.00
Cost per successful application	12 396.69	500 000.00

Source: ANAO analysis of departmental data.

2.18 In the case of the Drought Concessional Loans Program, the Government agreed to different service delivery fee levels across jurisdictions, even in those cases where the same loan funding amount was allocated and the same minimum services were to be delivered. The department did not document the rationale for determining that differing fee levels were appropriate or represented value for money when the jurisdictions did not bear the costs of default and already had established systems to deliver a concessional loans program. The department did, however, take steps to obtain better value for money from the arrangement with South Australia given the low number of successful applications for its Farm Finance Concessional Loans Scheme and was expected to have a low number of drought concessional loan applications. In this case, the department negotiated that no additional delivery fee would be paid for the Drought Concessional Loans Scheme. However, the average cost per successful South Australian application remained high across the two programs ($416 666 each for the six farm finance and drought concessional loan application assessed as successful). To inform future fee negotiations, there would be benefit in the department reviewing the setting of fees and documenting the basis on which the approach to negotiating fees and fee levels delivers value for money to the Commonwealth.

Did the department demonstrate that it had a well-developed understanding of the risks to program implementation and the achievement of program outcomes?

While the risk assessments prepared by the department for both programs were reasonable, the department's inexperience in implementing concessional loan programs meant that it did not have a full appreciation of the range of implementation risks present for the Farm Finance Concessional Loans Program. The department's advice about risk for the Drought Concessional Loans Program was more considered—informed by the experience gained from implementing the earlier concessional loan program.

Assessment of risk

2.19 As required for New Policy Proposals, each concessional loan program proposal outlined the five highest risks to the program's successful implementation and an overall program risk rating (as outlined in Table 2.2 on the following page). The risk ratings were determined using Finance's Risk Potential Assessment Tool.[30]

2.20 As outlined earlier, the lack of consultation with the jurisdictions was the basis of a number of risks identified in the department's assessment for the Farm Finance Concessional Loans Program. When combined with the department's limited experience in the delivery of concessional loans programs, and tight timeframes to develop the program proposal for consideration by government, the lack of consultation adversely impacted the quality and depth of the advice provided about each proposal's risks.

2.21 As is evident from Table 2.2, there was a lack of alignment between the ratings assigned to the five highest risks for the Farm Finance Concessional Loans Program (ratings of 'medium' to 'very high') and the overall program risk (rated as 'low'). The department advised that the overall program risk rating of 'low' was the result of an error in completing the template. On this basis, there is scope for the department to strengthen the oversight of risk assessment activities for new policy proposals to ensure that the significant implementation risks to government associated with programs that require urgent implementation and involve new or complex delivery systems attract appropriate additional risk mitigations/treatments.[31]

30 The Risk Potential Assessment Tool uses formulae to extract the five highest-rated risks and calculate the proposal's overall risk-level rating based on risk ratings (from very-low to very-high) entered for 21 standard risk areas.

31 Significant risks to implementation can include, but are not limited to proposals that involve significant cross entity or cross jurisdictional issues, require urgent implementation, or involve new and complex delivery systems. Department of the Prime Minister and Cabinet, *Implementation planning for the Australian Public Service*, 10 November 2012. Available from <http://pandora.nla.gov.au> [accessed 7 September 2015].

Table 2.2: Top-five risks and overall program risk rating

Risk Area	Risk rating	Overall program risk rating
Farm Finance Concessional Loans Program		
Contractual/Delivery arrangements	Very High	LOW
Other Jurisdictions/ Agencies/ Business areas	High	
Financial	Medium	
Organisational/ Cultural change	Medium	
Innovation	Medium	
Drought Concessional Loans Program		
Government priority	Very High	VERY HIGH
Stakeholders	Very High	
All other	Very High	
Other Jurisdictions/ Agencies/ Business areas	Very High	
Procurement	Very High	

Source: ANAO summary of the Risk Potential Assessment Tool prepared for the Farm Finance Concessional Loans and Drought Concessional Loans proposals.

2.22 Despite a lack of consultation with the jurisdictions, the department had a more thorough understanding of the risks posed by the Drought Concessional Loans Program due to experience gained by implementing the Farm Finance Concessional Loans Program. The overall program risk rating ('very high') that was communicated to government for the Drought Concessional Loans Program accurately reflected the ratings for the top-five risks identified for the program (all were rated 'very high'). Further, the department retained documentation outlining all risks entered into the Risk Potential Assessment Tool and provided a copy of the Drought Concessional Loans Program assessment to Finance as required.

Did the department develop an appropriate plan to support its implementation of each program?

The department did not establish an implementation plan for the Farm Finance Concessional Loan Program. Although a comprehensive assessment of risks to the implementation of the program was undertaken and the development of an implementation plan for the Farm Finance Concessional Loans Program had been commenced, the plan was not completed or approved. The department eventually documented its approach to the delivery of the Farm Finance Concessional Loans Program as part of the Drought and Rural Assistance Program Plan, which was prepared once all Farm Finance schemes had commenced. An implementation plan was developed and approved for the Drought Assistance Package, which included the Drought Concessional Loans Program as part of the suite of measures to provide in-drought support to farm businesses. As well as documenting key risks to implementation, the plan outlined how the program would be implemented and the arrangements for monitoring implementation.

Planning to implement the Farm Finance Concessional Loans Program

2.23 The department advised the ANAO that planning for the Farm Finance Concessional Loans Program occurred in parallel with the establishment of schemes within each jurisdiction. This approach was taken due to time pressures to deliver loans, although the delivery model had not been decided prior to the program's announcement.[32] The department advised that despite taking steps, such as engaging a project manager, it struggled to meet the Government's expectations surrounding the timing of program delivery.

2.24 In accordance with the department's established program implementation processes, officers began developing an implementation plan for the Farm Finance Concessional Loans Program.[33] However, the plan was not completed or approved and the department did not document its approach to implementing the program. In the absence of an appropriate overarching program implementation plan or documented delivery approach, there was an increased risk to successful implementation, particularly given the complex, decentralised delivery model involving a range of jurisdiction specific arrangements.

Risk assessment

2.25 The department prepared a comprehensive assessment of risks to the successful implementation and delivery of the Farm Finance Concessional Loans Program. On 27 May 2013, the department held a workshop with officers from other relevant government departments to identify risks in the following areas: eligibility and assessment; stakeholders; political and reputational; financial; program compliance; loan recipient compliance; policy outcomes; capability and capacity; legal; implementation; and communication. The department documented mitigation and management strategies for the risks identified.

2.26 The program's overall risk rating was now considered by the department to be 'high'[34], with the most significant risks (following mitigation) being political and reputation risk—caused by loan recipient default and delivery agency foreclosure on the loan. The ANAO compared the two risk assessments prepared for the program and noted that the later assessment expanded on the earlier assessment. The latter assessment was well developed, detailed and outlined how these risks would be managed. Further, the latter risk assessment's 'high' overall risk rating more accurately reflected the highest rated risks identified.

Internal audit of the establishment of the Farm Finance Package

2.27 The ANAO's findings in relation to the planning arrangements for the Farm Finance Concessional Loans Program accord with an earlier internal audit undertaken by the department. In November 2013, the department's Internal Audit Branch advised its Executive that the

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32 The then Treasurer and the then Minister for Agriculture, Fisheries and Forestry had advised the public that concessional loans would be delivered 'as soon as possible'. The Hon. W. Swan MP (Treasurer) and the Hon. Senator J. Ludwig (Minister for Agriculture, Fisheries and Forestry), joint media release, 'Fairer Finance for Aussie Farmers', Parliament House, Canberra, 27 April 2013.

33 The department's Program and Project Management Framework establishes the processes and documentation to be used by officers. The risk assessment conducted by the department was in addition to the assessment prepared as part of advice on the proposed concessional loan program.

34 As previously outlined in Table 2.2 the government had previously been informed that the program had a low overall risk rating.

establishment of the Farm Finance Package (which includes the concessional loans program) required improvement, primarily because a number of key planning documents had not been developed. The department agreed to develop and implement a plan for the Farm Finance Program to improve program and project management and governance. The aforementioned Drought and Rural Assistance Program Plan was developed to address this requirement and to support the department's implementation and delivery of all drought and rural assistance programs.

Drought and Rural Assistance Program Plan

2.28 The Drought and Rural Assistance Program Plan was approved on 5 May 2014. The plan outlined the overarching governance arrangements, including a Program Board, to oversee and monitor all drought and rural assistance programs administered by the department.[35] High-level arrangements for stakeholder management and communications, and risk and issues management were also outlined. Additional detail on these arrangements and program specific risks was provided in the Drought Assistance Package Implementation Plan (approved 8 May 2014) and the Farm Finance Concessional Loans Scheme Project Plan (approved 6 June 2014). The subordinate plans outlined objectives, outcomes, timeframes, roles and responsibilities, risks, budgets and resourcing and deliverables relevant to each concessional loans program.

2.29 The Drought Assistance Package Implementation Plan outlined three 'high' risks (following mitigation) for the Drought Concessional Loans Program, including financial loss to the Commonwealth and delayed implementation. These risks were identified through a workshop involving departmental officers from a range of areas, including finance, communications, risk management, governance, the Australian Bureau of Agricultural and Resource Economics and an officer from the Australian Government Solicitor, held on 27 March 2014 and updated on 12 May 2014. The Drought Concessional Loans Program was assessed as having a 'very high' implementation risk (equivalent to the initial risk advice provided to government).

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35 The Program Board was initially established in January 2014 for the Farm Finance Program and its role was expanded to include all drought and rural assistance programs. The Board is chaired by a Deputy Secretary with eight permanent members—one officer from the Department of Human Services and the department's senior executive officers with responsibilities for drought and rural assistance program and finance and the department's General–Counsel.

3. Program delivery

Areas examined

The ANAO examined whether the department had established: effective agreements for each program; effective arrangements to manage loan funding; and effective arrangements to support communication of the schemes by the jurisdictions.

Conclusion

The department had established workable effective delivery arrangements that enabled concessional loans to be made available to farm businesses across Australia and to ensure that potential applicants were aware of the opportunity to access loans. However, the arrangements would have been strengthened by:

- retaining documentation to demonstrate that the conditions precedent for each scheme were satisfied; and
- establishing processes to confirm that payment conditions (including conditions precedent and advice that milestones had been achieved) have been met before funding is transferred to jurisdictions.

Recommendations and suggested improvements

The ANAO has made two recommendations aimed at providing greater assurance that requirements established in agreements regarding conditions precedent and payments have been met.

In addition, the ANAO has suggested that there would be merit in the department:

- monitoring scheme differences to manage risks to fairness and consistency;
- finalising guidance on the financial processes and procedures for concessional loans programs; and
- strengthening its assurance as to the completeness and accuracy of the financial information reported by the jurisdictions.

Did the department establish effective agreements for each program?

While the agreements established by the department provided an appropriate delivery framework, weaknesses in administrative arrangements and documentation meant that the department was unable to appropriately demonstrate that it had confirmed that the established conditions precedent for each agreement had been satisfied for seven of the 13 schemes prior to releasing funding. Although the agreements are operating as anticipated, the department's failure to adequately establish that all conditions precedent were met has exposed the Commonwealth to additional risk regarding the operation of the agreements.

The variations in the timing of access to concessional loans and benefits were reasonable as the decentralised delivery approach meant that these aspects were required to be negotiated and agreed bilaterally between governments. However, there would be merit in the department monitoring scheme differences to manage risks to fairness and consistency, such as the inconsistent assessment of applications against criteria set by the Commonwealth.

Establishing arrangements for each scheme

3.1 The department consulted widely to develop template documents—guidelines and loan and service level agreements—which were used to support the negotiation of scheme arrangements with each jurisdiction. The scheme guidelines informed potential applicants of, among other things: the application period; funding availability; how to apply; eligibility and assessment criteria and the terms and conditions of the loans. Guidelines were agreed bilaterally with each jurisdiction and approved by the Government as follows:

- Farm Finance Concessional Loans Schemes between 15 July 2013 and 3 December 2013; and
- Drought Concessional Loans Schemes between 3 June 2014 and 28 January 2015.

3.2 Once the guidelines were approved for each scheme, the loan agreement and service level agreements could be finalised. Officers with appropriate delegations executed agreements for the:

- Farm Finance Concessional Loans Schemes between 24 July 2013 and 19 February 2014; and
- Drought Concessional Loans Schemes between 5 June 2014 and 18 February 2015.

3.3 The department included conditions precedent in agreements to obtain assurance that the jurisdictions could legally deliver concessional loans and had the systems, processes and capability to do so.[36] The satisfaction of the conditions precedent was necessary: to establish the service level agreements; and for the Commonwealth to be obliged to make loan payments.[37]

Confirming that conditions precedent had been satisfied

3.4 Each jurisdiction was required to demonstrate that it could satisfy the conditions precedent for its scheme. To inform the department's determination that the conditions precedent had been satisfied, the jurisdictions submitted a range of evidence for the department's consideration, such as legal opinions to advise that there were no legal impediments to the establishment of the scheme. However, the department was unable to demonstrate that for each scheme it had systematically:

- collected and assessed appropriate evidence regarding each condition precedent; and
- determined that each condition precedent had been met.

3.5 While some decisions relating to whether conditions precedent were satisfied had been recorded, the evidence considered and/or the date of the decision was not. For example, in the case of one scheme a senior officer had confirmed that the conditions precedent had been met, but the evidence supporting this decision was not attached or recorded with the decision. Further,

36 In these agreements, conditions precedent were used to specify actions, capabilities, advice and approvals that the Commonwealth required to have confidence that the jurisdictions could deliver the schemes as required.

37 The loan agreements stated that the provision of the Commonwealth loan to the jurisdiction was subject to the prior satisfaction of conditions precedent and if any condition precedent has not been satisfied the Commonwealth is not obliged to provide the loan. The service level agreements stated that the establishment of the agreement was subject to the prior satisfaction of the conditions precedent.

a 'status' table was used for one Farm Finance Concessional Loans Scheme and all the Drought Concessional Loans Schemes to track the status of each conditions precedent. Some status tables indicated that conditions had been met, however, these tables were not signed or dated and the relevant evidence was not attached or filed with the status table.

3.6 Notwithstanding required improvements in the department's recording keeping practices, sufficient evidence had been retained to demonstrate that, of the 13 schemes, conditions precedent had been satisfied for seven schemes. The evidence retained by the department indicated that the conditions precedent for the remaining six schemes had only been partially met. For example, the department did not document:

- whether it was satisfied with the Memorandum of Understanding signed between joint delivery partners for two schemes as required by the conditions precedent. The department advised the ANAO that it had provided comments on the draft memoranda and it had not identified any issues with the final version of the memoranda; and
- its rationale for accepting evidence that did not fully address the requirement stated in the condition precedent, such as one instance where the approval provided by a state Treasurer did not reflect the wording required by the condition precedent. While the department advised that it considered the approval was sufficient to meet the condition, this decision had not been officially recorded. On this basis, it was unclear whether the lack of alignment between the condition precedent requirements and the approval provided had been considered at the time the initial payments were made.

3.7 Further, there were weaknesses in the department's verification processes to confirm that conditions precedent had been met. For example, the department accepted unsigned legal opinions from jurisdictions as assurance that four schemes could be delivered as required.[38] The finalisation of legal opinions provides greater certainty in the event that the opinion must be relied on at a later date.

3.8 Greater attention was required from the department to ensure that each condition precedent has been fully met to ensure that the risks anticipated in establishing a decentralised delivery approach were to be managed adequately. While the agreements are operating as anticipated, the department's failure to appropriately document the satisfaction of all conditions precedent unnecessarily exposed the Commonwealth to additional risks that:

- payments were made in advance of receiving adequate assurance that the jurisdictions could deliver their schemes; and
- it is unable to act on its powers under an agreement if the agreement has not been made operable.

38 In each case, the wording of the legal opinion had been agreed by both parties.

Recommendation No.1

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

(a) establish suitable guidance for staff on verifying the satisfaction of conditions precedent;
(b) reinforce to staff the importance of following established guidance; and
(c) retain records to demonstrate that conditions precedent have been satisfied.

The Department of Agriculture and Water Resources' response: *Agreed*

3.10 *The Department of Agriculture and Water Resources (the department) has implemented improvements to its procedures that address this recommendation.*

3.11 *The department had arrangements in place to ensure the conditions precedent for each jurisdiction and scheme had been met. Departmental officers collected advice and documentation to inform an assessment and, where appropriate, liaised with the Australian Government Solicitor and state and territory officials to confirm that the evidence provided was sufficient to meet the condition.*

3.12 *To strengthen assurance that conditions precedent have been met, and records are maintained that demonstrate this, the department has developed more robust processes to explicitly record the status of and supporting evidence for each condition precedent. This documentation is verified by a senior officer. This process has been implemented for the 2015–16 concessional loans schemes and will be in place for future schemes.*

3.13 *Departmental officers are made aware of the required verification processes and departmental recordkeeping practices, including the use of the Records Management Portal (and previously TRIM), to ensure that all records are maintained to demonstrate that conditions precedent have been met.*

Access to concessional loans

3.14 Applicants' ability to access support under the concessional loan programs was dependent on the timing of the scheme being opened in each jurisdiction. As agreements for schemes were negotiated bilaterally, the schemes were opened consecutively rather than concurrently. The date that each scheme opened is outlined in Table 3.1.

Table 3.1: Date schemes opened

Jurisdiction	Farm Finance Concessional Loans Schemes	Drought Concessional Loans Schemes
New South Wales	6 August 2013	20 June 2014
Queensland	16 August 2013	6 June 2014
Victoria	23 July 2013	6 February 2015
Western Australia	20 January 2014	23 September 2014
South Australia	20 December 2013	20 February 2015
Tasmania	13 January 2014	n/a
Northern Territory	24 February 2014	10 December 2014

Source: ANAO analysis of media releases and department records of scheme opening dates.

3.15 There was a delay of up to eight months between the first and last scheme opening for each program, which meant that potential applicants in those jurisdictions that were able to finalise arrangements early had access to financial benefits ahead of potential applicants in similar circumstances in other jurisdictions. The time taken to agree guidelines and agreements was a result of the department's limited experience in the delivery of concessional loan programs and the variable arrangements already in place across jurisdictions to support the delivery of concessional loans. The department advised that timeliness was also affected by variable levels of engagement by individual jurisdictions and the impact of government elections.[39] The establishment of decentralised delivery arrangements is complex and can, due to the number of different arrangements to be agreed, affect the ability of the department to open schemes simultaneously. Each successful applicant had access to a concessional loan for a term of five years irrespective of the date schemes opened.

3.16 The department's website included advice to potential Farm Finance Concessional Loans Program applicants that schemes may differ, including the types of loans offered by jurisdictions.[40] Other areas in which schemes varied were broadly drawn to the attention of stakeholders and potential applicants during the course of program delivery, primarily through a Frequently Asked Questions page on the department's website.[41]

3.17 Schemes also varied in terms of the application requirements and assessment approaches.[42] Table 3.2 (on the following page) provides some examples of the different application requirements within each program.

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39 A federal election was held on 7 September 2013 and a Victorian Government election was held on 29 November 2014.

40 Key differences were outlined in Table 1.1.

41 Available from www.agriculture.gov.au.

42 Application forms outlining potential applicant requirements were approved by the department as an attachment to the service level agreement.

Table 3.2: Examples of the different application requirements

Application requirement	Examples from Farm Finance Concessional Loans Scheme Guidelines	Examples from Drought Concessional Loans Scheme Guidelines
Cash flow (projections and actuals)	New South Wales—monthly cash flow projections for the next 12 months. Queensland—monthly cash flow projections for the current and subsequent 12 month periods. Western Australia—actual monthly cash flow data for the past year and monthly cash flow budgets for the subsequent 12 months. Tasmania—cash flow projections for the next three years.	New South Wales—a monthly cash flow budget for the next 24 months. Queensland—monthly cash flow projections for the current and subsequent 12 month periods. South Australian—a five year budget.
Support from existing lenders	South Australia required priority over loan security from the applicant's existing lender. Western Australia required the applicant's main lender to: validate the applicant's identify (a 100 point check) and the information provided in the application; and provide, in writing, details of loan security requirements, priority over assets and ongoing support. In 2013–14, New South Wales required contact details for the applicant's main lender but did not require applicants to obtain the support of lenders prior to submitting an application. In 2014–15, the application form was amended and a completed 'Lenders Certificate of Support' was to be submitted with the application form.	

Source: ANAO analysis of departmental information.

3.18 In August 2015, the department reviewed three jurisdictions' systems and processes for managing their Farm Finance Concessional Loans schemes. This review identified that the jurisdictions' approaches to applying the criteria and assessing each application were not consistent. For example, the jurisdictions applied different ratio thresholds to calculate the suitability of security and different focus areas to determine the applicant's capacity to repay the loan. Further, additional criteria were included in the guidelines of some schemes. For example, guidelines for: the Western Australian scheme specified a dollar amount for assessing non-farm and liquid assets; and New South Wales, South Australia, Queensland and the Northern Territory schemes included an additional criterion relating to the percentage of current debt that an applicant could borrow.[43]

3.19 The department considered that identified differences in the assessment processes posed a risk to the fairness and consistency of schemes across jurisdictions. To ensure greater consistency in the application and assessment process, the department has indicated that it will explore more streamlined delivery mechanisms for future programs. While it is reasonable for decentralised delivery arrangements to differ due to variations in the delivery environment, in the absence of the streamlined delivery mechanisms proposed there would be merit in the

43 No more than 50 per cent of the existing eligible debt could be applied for, but there was variation between jurisdictions in this criteria regarding whether the level was less than or equal to 50 per cent.

department monitoring scheme differences to manage risks to the fairness and consistency of the schemes.

Did the department establish effective arrangements to manage loan funding?

The department established effective arrangements to: make timely and accurate payments to, and correctly record payments from, each jurisdiction. However, the department had limited assurance that: all requirements for payment specified in the agreements had been met before payments were made; a discretionary payment that was made was necessary; and amounts reported to the department and used to inform program monitoring are accurate and complete.

3.20 Under the concessional loan programs, the department is responsible for managing:

- payments made to the jurisdictions (loan capital and service delivery fees) during 2013–14 and 2014–15. A payment schedule, including any requirements to be met, was agreed with each jurisdiction; and
- incoming payments from the jurisdictions (loan principal repayments and interest due to the Commonwealth) during the life of each farm businesses' concessional loan.

3.21 The department approved a framework and policy document for Farm Finance Loans Management in October 2013 and updated the document to reflect administrative differences for the later concessional loans programs. This document outlines the governance arrangements, policies and processes that regulate the financial management of the loans, including agency performance and monitoring, financial and credit risk management, accounting treatment and impairment of assets for the Farm Finance Concessional Loans Program.

3.22 In addition, the department has drafted, but not yet approved as at 8 December 2015, detailed guidance on the processes for: monitoring the performance of concessional loans; and escalating and reporting non-compliance and credit risk matters. This guideline consolidates loan management arrangements for all current concessional loan programs and provides further detail on how processes will operate. The department should finalise additional guidance as a priority to confirm the financial processes, roles and procedures that should be applied to all concessional loans programs.

Payments to the jurisdictions

3.23 The department obtained the relevant approvals required to authorise the spending of the total amount of Commonwealth funding specified in each loan and service level agreement. The ANAO examined all 51 payments made by the department to the jurisdictions under the agreements as outlined in Table 3.3 (on the following page). Individual payments to jurisdictions ranged from $100 000 to $50 million.

Table 3.3: Sample of payments to the jurisdictions, 1 July 2013–30 June 2015

Program	Loan payments		Service delivery fee	
	No.	$ million	No.	$ million
Total payments for each program, as at 30 June 2015	**29**	**545**	**22**	**24.6**
Farm Finance Concessional Loans Program payments	*19*	*285*	*16*	*17.5*
Drought Concessional Loans Program payments	*10*	*260*	*6*	*7.1*

Source: ANAO.

3.24 Each of the 51 payments matched the amount due according to the agreement. Of the 51 payments, 49 were made on time with two payments made late.[44]

Meeting payment schedule requirements

3.25 In relation to 32 of the 51 payments examined, the payment schedule in each funding agreement specified the conditions precedent to be met and/or milestone activities required from the jurisdiction before payments were made.[45] For the 13 schemes, the payment schedules of:

- 12 schemes required conditions precedent to be satisfied prior to payment of the initial loan and service delivery fee payments of each scheme (24 payments totalling $149.6 million)[46]; and
- 10 schemes included payments with milestone activities attached, such as, the opening of application periods or that a sufficient number of applications had been received to exhaust current funding. For the 14 payments with milestones (totalling $240 million), evidence of the milestones being met was to be provided by the jurisdiction prior to payment by the department.[47]

3.26 The department's concessional loan program area was responsible for ensuring that the payment schedule requirements had been met before authorising payment by the finance area. However, the department obtained limited assurance that all requirements had been met before payments were made, primarily because:

- the department did not routinely document that the conditions precedent had been satisfied. The department's records indicated that payment authorisations included advice that conditions precedent had been met for one scheme;
- payment authorisations for 19 of the 35 Farm Finance Concessional Loans Scheme payments examined had been completed by the finance area. When payment

44 One payment was 77 working days late and the other payment was 42 working days late.

45 Some payments required that both conditions precedent and milestones be met prior to payment. For the remaining 19 payments, an invoice was to be submitted.

46 One scheme allowed payments to be made prior to the satisfaction of the conditions precedent. If the conditions precedent had not been met by 31 July 2014 (within two months of the agreement being executed), the agreement was to be terminated and any payments returned to the Commonwealth.

47 Some payments' requirements included both conditions precedent and milestones.

authorisations did not originate from the program area, documentation had not been retained by the department to clearly indicate that requirements had been met; and

- the jurisdictions did not routinely provide required evidence that milestone activities had been met prior to payment. For the 14 payments with milestone requirements, the department had obtained the necessary evidence for three payments and had documented that requirements had been met for one payment (although the evidence that had been relied upon to make its decision was not documented or retained).

3.27 The ANAO's sample included one discretionary payment made to Queensland.[48] The scheme's loan agreement allowed the department to make an additional payment on 30 June 2014 using funds allocated for the jurisdiction's 2014–15 loan payments. The department did not document the basis on which it made the payment prior to 30 June 2014 or the basis on which the early payment was required. The department subsequently advised the ANAO that 'given the high levels of uptake and increase in the volume of applications received leading up to the end of the financial year, the Commonwealth made the additional payment to ensure that there were sufficient funds available to fund Drought Concessional Loans to eligible farm businesses'. However, as at 15 July 2014, Queensland had received Drought Concessional Loan applications totalling $12.7 million and had approved applications totalling $2.147 million. On this basis, the need for funding payments to be brought forward prior to 1 July 2014 had not been established as the initial payment of $20 million had not been exhausted.

3.28 Given the identified shortcomings in procedures and practices relating to payments made under the concessional loan programs, the department should strengthen procedural requirements and reinforce to staff that payments are only to be made after requirements established in agreements have been met, including documenting the departmental assessment. The ANAO noted that there was evidence of improved assessment and record keeping relating to more recent concessional loan program payments. In relation to the last three payments made in June 2015, a minute had been prepared that outlined the basis on which payment was to be made, including evidence that any payment schedule requirements had been met.

48 Prior to the provision of a $20 million discretionary payment on 27 June 2014, the department had also made one payment to Queensland of $20 million on 18 June 2014.

Recommendation No.2

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

The Department of Agriculture and Water Resources' response: *Agreed*

3.30 *The department has implemented improvements to its procedures that address this recommendation.*

3.31 *For the 2015–16 concessional loans schemes, the department has developed a more robust process to ensure conditions precedent, and any other requirements, are met prior to the payment of loan or administration funds to jurisdictions. These processes will be extended to ensure any conditions for subsequent payments are met before payment is made.*

3.32 *The importance of payments being made on time, and only once all requirements have been met, has been reiterated to departmental officers. The improved arrangements outlined in the department's response to recommendation one include ensuring compliance with departmental recordkeeping practices and the use of decision logs for the department to be satisfied all requirements have been met by each jurisdiction for each scheme.*

3.33 *The programme area has developed a tracking system to document payments of loan and administrative funds for the current 2015–16 scheme and future schemes. Invoices are sent to the programme area and only submitted for processing and payment once the programme area is satisfied all requirements have been met.*

Payments from the jurisdictions

3.34 The jurisdictions are required to submit regular payments to the department. These payments comprise several components—loan principal and interest payments received from farm businesses, uncommitted funds held by the jurisdictions, and interest earned on uncommitted funds while held by the jurisdictions. There are different due dates for payment components across the jurisdictions and the programs, with payments required either on a monthly, quarterly, or date-specific basis. The department manages the irregular timing of payment components by recording interest due from farmers and from the jurisdictions on a monthly basis.

Reconciling payments

3.35 The jurisdictions are to provide reconciliation reports to advise the department of the payment for each component. All jurisdictions submit a monthly reconciliation report except Western Australia, which reports quarterly. The information required in the reconciliation reports for both programs is outlined in Box 1 (on the following page).

Box 1 Summary of wording of the reconciliation reporting requirement

The jurisdiction will provide a written reconciliation statement to the Commonwealth confirming the amount of:

(a) principal and/or interest received in that month from concessional loan recipients;
(b) any interest earned by the jurisdiction on the Commonwealth/jurisdiction loan which the jurisdiction is paying to the Commonwealth; and
(c) the Commonwealth/jurisdiction loan repayment which the jurisdiction is making to the Commonwealth.

Source: Loan Agreements for the Farm Finance and Drought Concessional Loans Schemes.

3.36 Each jurisdiction met the reporting requirements established in the loan agreements and submitted their reconciliation reports in a timely manner. To reconcile payments, the department enters details from the reconciliation reports in its financial management information system, with the entry of this data subject to quality checks. The department advised that it considered the jurisdictions' repayments were accurate because it had recalculated amounts and no large data variances had been noted.

3.37 The department's calculations were based on the information reported by the jurisdictions. As part of the audit of the 2015 financial statements, the ANAO tested data used by the department for monthly reconciliations. The ANAO noted that the department obtained limited internal assurance that amounts provided by the jurisdictions were complete and accurate. For example, the department was not aware that it had been underpaid interest on uncommitted loan capital until a jurisdiction advised that this had occurred and had submitted the additional $75 299 to the department. In this context, the department should strengthen the assurance that it receives as to the completeness and accuracy of the financial information reported by jurisdictions.

Did the department establish effective arrangements to support communication of the schemes by the jurisdictions?

Effective arrangements have been established to support communication by the jurisdictions, with the department: implementing comprehensive communication plans for all schemes; establishing a communication network and holding meetings with delivery partners; and reviewing the effectiveness of communication activities.

Developing and implementing communication plans

3.38 As required under the service level agreements, the department developed and implemented communication plans with the jurisdictions for each scheme. These individual communication plans were subordinate to the overarching communication strategies for each concessional loan program. The communication plans were comprehensive, with each plan outlining a consistent approach and message. While program communication activities were predominantly directed at farmers, they also addressed secondary audiences such as rural communities and the rural finance sector. The implementation of the plans by the jurisdictions involved:

- undertaking activities to raise awareness of the availability of concessional loans and the eligibility requirements; and
- reporting to the department on the impact of their communication activities, such as, program references in publications or websites and stakeholder contact data (numbers of telephone calls and website hits).

Activities to raise awareness

3.39 The activities undertaken by the jurisdictions to raise awareness include public relations events, advertising, promotional activities (online, face-to-face, hard copy), and emails to clients. The department has reviewed the effectiveness of communication activities by:

- discussing drought assistance measures with farming businesses and stakeholders in Queensland and New South Wales in August 2014. On the basis of these interactions, the department considered that there was awareness of assistance measures, but stakeholders had misconceptions about aspects of the assistance available. For example, there was uncertainty about: the provider of assistance; the type of interest rate to be applied; and how the loan was to be repaid. The department's findings correlated with stakeholder feedback received by the ANAO that indicated that there was some confusion surrounding aspects of the concessional loan programs and other programs delivered to farm businesses; and
- analysing the relationship between jurisdiction's advertising campaigns and 'hits' on the department's website. The department's analysis indicated that there was a correlation between jurisdictions' advertising campaigns and increases in the department's website traffic.

3.40 While the department advised that it was not in a position to direct jurisdictions' advertising approaches, it does receive advice regarding upcoming communications activities. On this basis, there is scope for the department to better utilise the relationship between jurisdictions' advertising and 'hits' to the department's website to address misconceptions about the programs or to communicate to stakeholders about variations across schemes.

Communication network

3.41 The department established a communication network in August 2014 to 'support ongoing communication and consultation' with jurisdictions. Prior to the initial meeting of the network in late 2014, the department had discussed communications matters with the jurisdictions in an informal manner, as needed. As at December 2015, four communication network meetings had been held.[49]

3.42 The key performance indicators established for the schemes set a target of 80 per cent attendance from jurisdictions at communication network meetings. Of the four meetings that had been held, there have been no meetings where all required attendees have been present. The ANAO's analysis of attendance levels suggested that the indicator is not being met. However, the ANAO was unable to confirm this result as the department did not specify the period in which the

49 The most recent communication network meeting (November 2015) focussed on the extended Drought Concessional Loans Program and the Drought Recovery Concessional Loans Program.

80 per cent target would apply, set meeting dates in the agreements, or indicate how frequently meetings are to be held. Without this information, it is difficult for the: jurisdictions to ensure that the target will be met; and department to establish if there has been non-compliance with the indicator.

3.43 The draft minutes for the most recent meeting (November 2015) indicate that the department has established a record of meeting attendance to assist it to undertake reviews against the service level agreements. This step will assist both parties to monitor compliance with the relevant key performance indicator.

3.44 The minutes of the earlier meetings indicate that a range of matters were discussed, for example, the department outlined its review of the effectiveness of communication activities and the jurisdictions discussed their communication activities. The department also sought feedback on: the factors driving the lower than expected uptake of loans; issues with standardised reporting; and misconceptions about eligibility. Notwithstanding the less than optimal participation rates, the network has facilitated improved communication between the Commonwealth and its delivery partners.

4. Monitoring and reporting on program performance

Areas examined

The ANAO examined whether the department has: established effective arrangements to monitor funding arrangements and program delivery; established arrangements to evaluate each program; and reported to the Parliament and the public on program outcomes.

Conclusion

Program monitoring arrangements established by the department are generally sound. There is scope to improve these arrangements by conducting, on a risk basis, checks and/or reviews to confirm that jurisdictions are reporting data that is accurate and complete and implementing arrears management practices and procedures in accordance with requirements. The establishment of a robust assurance framework and obtaining additional advice, including commercially available default rates for agricultural loans, would better position the department to improve the assurance that it has around the management of the portfolio of loans under each program.

Information reported publicly about the concessional loan programs has provided stakeholders with limited information on the extent to which the objectives of each program have been met. The department should strengthen program monitoring and reporting arrangements for concessional loan programs by: establishing an evaluation framework; and developing a set of relevant, reliable and complete key performance indicators and using additional measurement tools to supplement the use of indicators to provide more meaningful insights into the achievement of each program's objectives.

Recommendations and suggested improvements

The ANAO made two recommendations aimed at ensuring that information reported by the jurisdictions is complete and accurate and improving the usefulness of publicly reported performance information.

In addition, the ANAO has suggested that the department: establish more robust arrangements to monitor the submission of reports by delivery partners; obtain additional information to strengthen its ability to accurately assess the extent to which loans will be repaid; conduct an early review of the jurisdictions' application of agreed arrears management practices and procedures to confirm that these are being implemented as required; and develop a greater understanding of the demand factors for concessional loans programs to assist the department to better position its advice regarding costings, the expected number of applicants, and the need for similar programs in the future.

Did the department establish effective arrangements to monitor funding arrangements and program delivery?

The effectiveness of the arrangements established by the department to monitor funding structures and program delivery is mixed. Arrangements are in place to monitor program delivery, including the: formation of a dedicated Program Board to monitor each program; collection and collation of information from each jurisdiction regarding loan portfolio and delivery arrangements; and preparation of regular reports and the conduct of periodic reviews to inform oversight. The effectiveness of these arrangements is, however, undermined by processes that provide limited assurance that the information reported by jurisdictions is complete and accurate. Further, there is scope to augment information collected from jurisdictions to assess impairment to better inform the departmental Executive and, where relevant, Ministers, of the likelihood, costs and impact of default.

Oversight of program implementation and delivery

4.1 The department's Executive and, since January 2014, a dedicated Program Board have been responsible for monitoring each concessional loan program.

Program Board

4.2 The department provides monthly reports to inform the Program Board's monitoring of each program.[50] The ANAO examined all reports provided to the Board between March and December 2014. The reports reviewed by the ANAO met the reporting requirements outlined in the program plan, were consistent in format, and provided the Board with a consolidated picture of each jurisdiction's delivery activities and the status of the loan portfolio. Reported information included:

- the overall status of each program in a 'traffic light' format;
- progress in achieving milestones and deliverables, including the outcomes of scheme reviews and performance reviews;
- funds paid to, and payments received from, jurisdictions;
- issues, risks and potential impacts; and
- recent developments and decisions.

4.3 In the period subject to review, the Farm Finance Concessional Loans Program was rated as 'amber', with this rating indicating to the Board that 'current or potential risks or issues were present that required attention. However no immediate action was warranted'. The Drought Concessional Loans Program was rated 'amber' until June 2014, after which time: negotiation activities were rated 'amber'; and delivery activities were rated 'green'. The 'green' rating indicated to the Board that program delivery was 'on track and no significant risk or issues were emerging'. Based on the risks and delivery issues raised, the ratings provided for each program were reasonable.

50 Reports were provided to the Board on a monthly basis, except in May 2014 when the Board did not meet.

Executive and Ministerial reporting

4.4 The department has prepared a range of reports for the departmental Executive and for the Minister for Agriculture and Water Resources in relation to the implementation of each program. While the department's records evidencing the extent of reporting are incomplete (as reports are either in draft or have not been retained on official records), the Weekly Business Meeting Briefs, the Weekly Divisional Reports, Over the Horizon Briefs and the Question Time Briefs that were available demonstrated that the Executive and the Minister were informed about a range of activities undertaken to implement each program.

Jurisdictional reports

4.5 The reports prepared by the department for the Executive, the Minster and the Program Board were developed from information provided by the jurisdictions and collated by the department. The service level agreements require the jurisdictions to report on each scheme's loan portfolio, financial performance and compliance with key performance indicators.[51] The jurisdictions are required to report on a monthly basis except Western Australia (both programs) and Victoria (Farm Finance Concessional Loans Program), which report quarterly against the key performance indicators.

Accuracy and completeness of information reported

4.6 The department initially reviews the integrity of reports received from the jurisdictions to confirm that data is historically consistent and that there are no anomalies evident. Notwithstanding these initial reviews, the department does not undertake any analysis of the reported information to confirm its completeness and accuracy even in those areas where it holds data and is able to assess compliance, such as, reviewing the information reported for key performance indicators relating to communications network meeting attendance against the meeting minutes. In its August 2015 review of three Farm Finance Concessional Loans schemes (as discussed previously in paragraph 3.14), the department found that there was evidence of a review of the accuracy and completeness of reports provided to the department by one of the three jurisdictions sampled. The absence of jurisdictional reviews of data accuracy and completeness has the potential to affect the integrity of reported information, on which the department reports program performance. Based on the findings and recommendations of its review, the department agreed to work with the jurisdictions to ensure adequate review arrangements were established for reported program information.

4.7 The establishment of structured review processes by jurisdictions would provide greater assurance that incorrect or incomplete reports are not being provided to the department. To supplement these review processes there would be merit in the department conducting, on a risk basis, checks, reviews and/or audits to confirm that data reported by the jurisdictions is accurate and complete.

51 The service level agreements require reports to be provided to the Commonwealth by each jurisdiction on time and complete, 95 per cent of the time.

Recommendation No.3

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

The Department of Agriculture and Water Resources' response: *Agreed in part*

4.9 *The department will continue to review the loan portfolio, financial, key performance indicators (KPIs) and default information provided to it by all jurisdictions on a monthly basis and as part of the formal six monthly review process as specified in the service level agreements. The department will also work with jurisdictions to confirm reporting is completed and verified against historical data as required.*

4.10 *Departmental officers have a system in place to receive and verify incoming monthly data against historical data. This goes to ensuring errors are identified and enables officers to clarify and rectify issues with state and territory counterparts. For 2016–17 scheme, the department will work with delivery agencies to ensure that each has appropriate quality assurance and checking processes in place for the financial and programme data held and reported to the department. The department will continue reconciliations of financial information submitted by delivery agencies against its own accounts. The department will not undertake a system of intensive manual review and validation of the raw data held by delivery agencies unless systematic material anomalies are detected.*

4.11 *The department is developing an automated database for collection and storing of reporting from jurisdictions. Once implemented, this will greatly improve the department's verification of programme data and assessment of the performance of the loan schemes.*

4.12 *The department has the capability to audit the functions and records of the delivery agencies and will use this capability as it is deemed appropriate or necessary.*

Reports were submitted in a timely manner

4.13 As outlined earlier, the service level agreements establish a target for jurisdictions to submit reports to the department on time in 95 per cent of cases.[52] The department advised the ANAO that it tracks the date that reports are received, but it was not able to provide evidence of this tracking process.

4.14 Of the 128 reports reviewed by the ANAO, the receipt date was retained on departmental records for 100 reports, with:

- 80 reports received within ten days of the end of the month;
- 19 reports received within 12 days of the end of the month; and
- one report received 39 days after the end of the month.

52 The service level agreements establish different requirements for when reports are due—either 'monthly', 'quarterly' or within 10 business days of the end of the month.

4.15 While the timeliness of jurisdictions submission of reports to the department was variable, this variability did not adversely impact on performance reporting to the Program Board and the department's Executive. Strengthening the tracking of report receipt dates would, nonetheless, enhance the department's capacity to monitor jurisdictions' compliance with established performance targets. In addition, standardising due dates for reports would also assist the department to monitor the timeliness of reporting.

Reviews of jurisdictions' performance against agreements

4.16 The department is required to review each jurisdiction's performance against the agreements on a six monthly basis.[53] Given the first Farm Finance Concessional Loans scheme agreements were established on 24 July 2013, the first review was due by 24 January 2014. This review was undertaken in June 2014. The department advised that the delay in conducting the first reviews was to allow all jurisdictions time to establish their schemes and to align the review cycles. Aligning the review cycles was pragmatic as it supported an efficient and coordinated approach to the reviews. However, by doing so:

- there were Farm Finance Concessional Loans schemes that were not reviewed until they had been operating for almost twelve months. As the department did not agree an alternate arrangement with the jurisdictions, this approach was also contrary to the agreed requirement to hold regular reviews at least every six months; and
- the department had missed the opportunity to comprehensively review the initial concessional loans schemes and confirm that the reporting and delivery arrangements were operating as expected before later schemes (and programs) were established.

4.17 As at May 2015, the department had reviewed the Farm Finance Concessional Loans schemes twice and the Drought Concessional Loans schemes once (as outlined in Table 4.1).

Table 4.1: Performance reviews conducted, as at May 2015

Period covered	Program	Schemes reviewed	Performance areas reviewed
July 2013 to June 2014	Farm Finance Concessional Loans Program	All seven schemes reviewed	Loan portfolio reporting for scheme administration • performance reporting • financial reporting • communications
July to December 2014	Farm Finance Concessional Loans Program	All seven schemes reviewed	The four areas above and: • defaults • arrears management.
	Drought Concessional Loans Program	Four of the six schemes reviewed[(a)]	

Note a: The Victorian and South Australian schemes were not established until 2015.

Source: ANAO analysis of departmental information.

53 The department and the jurisdictions agreed to review the loan agreements and consult and liaise about the implementation of the scheme and the provision of the administrative services at least every six months or as otherwise agreed.

4.18 The ANAO examined all 18 review reports. Across these reports, the jurisdictions and the department considered that the loan, performance and financial reporting requirements had predominantly been met. Where jurisdictions had not met established indicators, the reasons were noted and, in some instances, the jurisdictions were reminded of their obligations.

Monitoring the loan portfolio

4.19 The Commonwealth has agreed to bear responsibility for costs associated with concessional loans that enter default.[54] As a consequence, the Commonwealth bears the financial risks of the concessional loans programs, principally, that loaned funds will not be repaid. Defaults also affect the achievement of program objectives and may involve the government in loan foreclosure actions that have the potential to attract adverse publicity.[55]

4.20 Under the loan agreements, a framework for managing defaults has been established that requires the jurisdictions to apply agreed arrears management practices and procedures and to consult with the department on any actions undertaken to pursue the recovery of funds. Where the jurisdictions have reported interest payments in arrears, the department has sought information from them about their management of the payments in arrears. However, the department has not reviewed the jurisdictions' application of agreed arrears management practices and procedures. Commensurate with increases in the number of loans in arrears, an early review to confirm that these practices and procedures are being implemented as required would provide greater assurance to the department that the jurisdictions are well placed to manage any concessional loan principal defaults.

4.21 The risk of default in the early stages of the program is generally low, as each program allows concessional loan recipients to make interest–only payments until the end of the five year loan period, payment timing can be tailored to suit income streams and each recipient has been assessed as having the capacity to repay the loan. The risk of default increases when loan recipients are required to repay the principal at the end of the five year term.[56] Significant levels of default in the loan portfolio over time will potentially impact on the availability of funding for future government expenditure priorities.

4.22 Under the loan agreements, the department is required to review the portfolio of concessional loans on a biannual basis to identify any signs of impairment that may affect the collection of loans. As at December 2015, the department has undertaken two reviews to examine the portfolio of concessional loans for potential sources of impairment. These were in: April 2015 for the period from 1 July 2014 to 31 March 2015; and August 2015 for the period up to 30 June 2015.[57]

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54 While it is recognised that the Commonwealth's loan is to the jurisdictions and the expectation is that the jurisdictions will adopt a 'best endeavours' approach to recovering the Commonwealth's principal, the agreements pass the risk for unpaid interest and principal on loans made by the jurisdictions back to the Commonwealth. This arrangement was clearly established for the early schemes through Heads of Agreement letters provided by the Government to state government ministers.

55 As discussed in Chapter 2, the political and reputational risk associated with foreclosures due to loan recipient default was identified as a key risk for each program.

56 The first loan principal repayments are due in 2018–19.

57 The department's guidance indicates that reviews will be undertaken in February/March and June to inform the preparation of the department's financial statements.

4.23 Biannual impairment reviews were not undertaken by the department during 2013–14 as required under the agreements. The department advised that the rationale for not conducting impairment reviews in 2013–14 was that 'there were no loans impaired at that stage, nor were there any indicators of impairment, given 2013–14 was the first year of schemes'. From early 2014, the Board was informed of the Commonwealth's funding exposure through monthly reports that outlined the total amount of funding approved for loans to farm businesses, arrears in interest repayments and if there were financial risks that required action or decisions. On this basis, the Board had adequate information to monitor potential impairment to the Commonwealth loan book during the early stages of the program despite the absence of an impairment review.

4.24 Both the April and the August 2015 impairment reviews reported no adverse issues requiring further investigation. However, as part of the August 2015 review the department sought advice from one jurisdiction about two loans that had payments that were more than 90 days in arrears. In both cases, the jurisdiction advised that the loans were being managed in accordance with its policies and procedures and it had obtained information on arrangements for payment of overdue amounts. On the advice of the jurisdiction that adequate security was held for the loans in question, the department's 2014–15 financial statements did not provide for any impairment on outstanding loans. Table 4.2 outlines that number and value of loans in arrears (due to non-payment of interest) reported in the department's August 2015 review of loan impairment.

Table 4.2: Number and value of loans in arrears as of 30 June 2015

Program	Number of loans in arrears				Value of arrears ($)
	0–29 days	0–59 days	0–89 days	0–90+ days	
Farm Finance Concessional Loans Program	2	1	1	1	16 374.35
Drought Concessional Loans Program	2	0	0	1	25 912.55

Note: The table is based on ageing categories used by the department, with loans categorised into ageing bands according to the oldest amount overdue. Overdue loans may include multiple overdue payments of different ages.

Source: Department of Agriculture and Water Resources.

4.25 Although the department's current process provides a detailed assessment of sources of impairment, the department's ability to accurately assess the extent to which loans will be able to be collected would be strengthened by:

- establishing a sufficiently robust assurance framework to confirm that information from the jurisdictions is complete and accurate;
- referencing publicly available data on commercial lenders' default rates for agricultural loan portfolios to address the lack of comprehensive departmental data;

- seeking actuarial analysis and modelling on the costs of default (including defaults of loan principal repayment) from, for example, the Australian Government Actuary[58]; and
- collecting and analysing information on the risk of cross-default within the loans portfolio, including details of the security taken against loans and the jurisdictions' priority over the security.[59]

4.26 On the basis that the Australian Government has expanded the number of programs that utilise the concessional loans model, has targeted farm businesses in financial difficulty and lengthened timeframes for principal repayment from five years to ten years for the Drought Recovery Concessional Loans Program, it is important that the department is well informed about sources of impairment to its loan book and likelihood and expected cost of default.

Has the department established arrangements to evaluate each program?

The department has not established appropriate arrangements to evaluate the impact or effectiveness of each program.

Planning to evaluate each program

4.27 The Drought and Rural Assistance Program Plan and its subordinate plans do not outline an approach or timing for an evaluation of each program. The department advised the ANAO that an evaluation of the concessional loans programs is likely, but the framework and timetable had not been established. The plan did, however, indicate that a mid-program appraisal of the department's implementation of the Drought Concessional Loans Program (as well as other measures in the Drought Assistance Package) would be undertaken in September 2014. A similar appraisal was not conducted for the Farm Finance Concessional Loans Program.

Appraisal of the Drought Assistance Package

4.28 The appraisal of the Drought Concessional Loans Program was to inform the Program Board of the extent to which the package's outputs and outcomes had been achieved and identify any emerging risks. The department completed its review in December 2014, with draft findings against outputs and outcomes provided to the Program Board for comment. The department's findings are outlined in Table 4.3 (on the following page).

58 The Australian Government Actuary undertakes financial and demographic modelling, including modelling and assessment of long term financial liabilities and risks. Additional information available from: <http://www.aga.gov.au/about/default.asp> [accessed 6 October 2015].

59 There is a risk of cross-default when assets are held jointly as security as is the case for the farm finance and drought concessional loan programs where up to 50 per cent of the loan recipient's existing debt is transferred from a commercial lender to a jurisdiction. In the event that the commercial lender moves to foreclose its portion of the loan and it is the senior security holder, the loan made by the jurisdiction, on behalf of the Commonwealth, may not be recovered.

Table 4.3: Appraisal of the Drought Concessional Loans Program

Measure	Target	Department's finding
Output	Implementation of a Drought Concessional Loans Scheme for drought-affected farmers.	Applications opened in Queensland on 6 June 2014, New South Wales on 20 June 2014 and in Western Australia on 23 September 2014.
Outcome	Greater opportunity for those farm businesses and farm families in hardship to be provided with financial assistance.	Drought Concessional Loans Schemes have provided greater opportunities for farm businesses and families in hardship to access financial assistance. The schemes are more generous than their predecessor (Farm Finance Concessional Loans Program) and thus make it easier for drought-affected farmers to access financial support.

Source: Extract from the Department of Agriculture and Water Resources, *Review of Implementation of the February 2014 Drought Assistance Package*, 4 December 2014.

4.29 While helpful in assessing progress on implementing a new program, there would have been merit in the appraisal also establishing whether the program was well positioned to meet its remaining outcome and whether an appropriate set of measures had been established to demonstrate the achievement of the program's objective. This would have informed decision makers about the likelihood of the program achieving its objectives and the department's preparedness to report to stakeholders which would have allowed any necessary adjustments to be made early.

Progress towards outcomes

4.30 There have been three outcomes established for the Farm Finance Concessional Loans Program and two outcomes for the Drought Concessional Loans Program (as outlined previously in Figure 1.1). Each program has two similar outcomes—*concessional loans will be provided to farm businesses in need* and *receipt of the loan improves the farm businesses' circumstances*. The additional Farm Finance Concessional Loans Program outcome anticipated that the full value of loan funding would be provided to farm businesses.

4.31 The department advised the number of applications, loan recipients and total loan funding within each jurisdiction as at 29 February 2016 as outlined in Table 4.4 (on the following page).

Table 4.4: Applications, outcomes and loan value for the Farm Finance and Drought Concessional Loans Programs as at 29 February 2016

Jurisdiction	No. of applications received	No. of successful applications	Total value of loans provided ($m)
Farm Finance Concessional Loans Program			
Queensland	292	100	58.220
New South Wales	241	117	52.633
Victoria	229	96	40.018
South Australia	51	3	1.600
Western Australia	122	45	15.578
Tasmania	55	37	19.101
Northern Territory	26	12	9.540
TOTAL	**1016**	**410**	**196.690**
Drought Concessional Loans Program			
Queensland	259	151	87.662
New South Wales	155	121	79.587
Victoria	54	40	20.893
South Australia	14	3	2.093
Western Australia	26	5	2.142
Northern Territory	0	0	0.000
TOTAL	**508**	**320**	**192.377**

Source: Department of Agriculture and Water Resources.

4.32 As of 29 February 2016, jurisdictions had declined 59.6 per cent of farm finance concessional loan applications and 37 per cent of drought concessional loan applications. The department has previously advised the Rural and Regional Affairs and Transport Legislation Committee (the Committee) that the three main reasons for applications being declined were that the applicant has:

- not needed assistance;
- been unable to demonstrate capacity to repay the loan; and
- had insufficient security to apply against a loan.[60]

4.33 Both concessional loan programs have experienced significant underspends with the:

- Farm Finance Concessional Loans Program loaning 46.8 per cent of its total available funding; and
- Drought Concessional Loans Program loaning 71.2 per cent of its announced total program funding.

60 At Senate Estimates hearings in May 2015.

4.34 The level of underspends varied between jurisdictions. For the:

- Farm Finance Concessional Loans Program, unallocated funding ranged from 36 per cent (Tasmania) to 97 per cent (South Australia) of the total funding allocated to those jurisdictions; and
- Drought Concessional Loans Program, unallocated funding ranged from 12 per cent (Queensland) to 100 per cent (Northern Territory) of the total funding allocated to those jurisdictions.

4.35 The department advised the Committee that the reasons for the underspend in the Farm Finance Concessional Loans Program included farm businesses' preferences for the lower interest rates of the later Drought and Drought Recovery Concessional Loans Programs and the Drought Recovery Concessional Loans Program's ten–year loan term, as well as the banking sector matching the Government's loan interest rates to remove the incentive for farm businesses to apply for a concessional loan. An alternate view presented to the ANAO by a key stakeholder indicated that potential applicants may refrain from applying for a concessional loan due to: concerns that they may not be able to refinance their debt at the end of the concessional loan term; the short loan term, capped nature of the loans; and the potential to damage the relationship with an existing banker if the farm business moved part of their existing loan.

4.36 Given that an underspend has also occurred under the Drought Concessional Loans Program, there would be merit in the department examining those factors that have impacted on demand for program funds. Developing a greater understanding of the demand factors for concessional loans programs would assist the department to better position its advice, particularly with regard to costings, the expected number of applicants, and the need for similar programs in the future. An examination of this type would normally be undertaken as part of a formal evaluation process for a major policy implementation initiative.

Has the department reported to the Parliament and the public on program outcomes?

> The Parliament and the public have been informed about the implementation of each concessional loan program, primarily through the department's annual reports. However, sufficient information to enable stakeholders to determine the extent to which the objectives of each program are being met has not been reported.

4.37 The department's annual reports are the primary means used to inform stakeholders of the extent to which the:

- Farm Finance Concessional Loans Program has built the ongoing financial resilience of farm businesses that are experiencing debt servicing difficulties but are considered potentially viable in the longer term; and
- Drought Concessional Loans Program has assisted farm businesses that are experiencing a significant financial impact as a result of the effects of drought.

4.38 Due to the timing of the programs' implementation, the department's 2013–14 Portfolio Budget Statements did not include key performance indicators (KPIs) or targets related to the objectives of either concessional loan programs.[61] In the absence of relevant KPIs, the department reported more generally on its achievements and the challenges in implementing and delivering the programs in its 2013–14 Annual Report. The reported information by the department focused on implementation activity. It did not provide stakeholders with information on the impact of the programs on farm businesses or the effectiveness of the programs against established objectives.

4.39 Although the 2014–15 Portfolio Budget Statements reproduced the 2013–14 KPIs, the department reported against new indicators in its 2014–15 Annual Report. This reported information was in addition to providing a broad overview of key achievements and challenges in implementing the programs. The new KPIs and the targets used for reporting on each program are outlined in Table 4.5.

Table 4.5: Performance against targets for the Farm Finance and Drought Concessional Loans Programs, 2014–15

Performance measures and targets	
Key Performance Indicators	**2014–15 target**
Programme 1.11 Drought Concessional Loans	
Work with each state and territory to implement drought concessional loans	Eligible drought affected farm businesses access loan funds for debt restructuring, operating expenses and drought recovery activities
Programme 1.12 Rural Programmes	
Work with each state and territory on the implementation and delivery of Farm Finance Concessional Loans	Eligible farm businesses access funds for debt restructuring or productivity enhancement projects

Source: ANAO analysis of the Department of Agriculture and Water Resources, 2014–15 Annual Report.

4.40 In relation to each KPI, the department reported that the target had been met. However, due to the general nature of these targets, minimal program activity would result in their achievement. Further, the indicators and targets are not well aligned to the overall objectives of the programs and they do not, in their current form, provide insights into program impact or effectiveness. The department should establish revised indicators or develop additional measurement tools to better indicate whether the Farm Finance Concessional Loans Program has built farm businesses' financial resilience and the Drought Concessional Loans Program has assisted farm businesses affected by drought.

61 The performance indicators included in the department's 2013–14 and 2014–15 Portfolio Budget Statements were largely related to other schemes or initiatives under the auspices of rural and drought programs.

Recommendation No.4

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

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

The Department of Agriculture and Water Resources' response: *Agreed*

4.42 *The department currently collects a range of data to monitor existing concessional loans programmes and recognises improvements can be made to enable effective and more detailed evaluation of current and future concessional loans programmes. The department is developing a monitoring and evaluation plan for the 2016–17 scheme announced as part of the Agricultural Competitiveness White Paper, with a view to conducting evaluations during the life of the programme to assess its impact and effectiveness.*

4.43 *The department will undertake enhanced analysis of the current schemes' data to assess whether the schemes meet their objectives and whether there are gaps in evaluation data. Should any issues be identified, the department will work with states and territories to review and address these as is necessary. The department will conduct these reviews and consultations with states and territories by the end of 2016–17. Depending on the outcome of these reviews and consultations, the department may pursue a post implementation review of one or more of the schemes.*

4.44 *The department is developing KPIs for the 2016–17 scheme to assist with assessing the extent to which programme objectives are being achieved. The department will also develop KPIs for participating state delivery agencies to support effective and efficient delivery of the scheme and improve accountability.*

4.45 *The department publicly reports on performance measures for the current concessional loans schemes through the department's corporate plans and annual reports, Portfolio Budget Statements, AusTender and Senate Estimates.*

Grant Hehir
Auditor-General

Canberra ACT
28 April 2016

Appendices

Appendix 1 Department of Agriculture and Water Resources' response

Australian Government
Department of Agriculture and Water Resources

SECRETARY

Ref: EC16-000176

Ms Michelle Kelly
Group Executive Director
Performance Audit Services Group
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Ms Kelly

Thank you for your letter of 26 February 2016 regarding the proposed performance audit report on the Administration of Concessional Loans Programs and for the opportunity to respond to the report.

The Department of Agriculture and Water Resources (the department) generally agrees with the recommendations in the report. The report recognises the complex environment in which the Farm Finance and Drought Concessional Loans Schemes were developed and the challenges faced by the department. The report also acknowledges the improvements made by the department in managing risks in this environment, particularly in the development of the Drought Concessional Loans Scheme.

The department's comments for inclusion in the Audit Report Summary are enclosed.

If you require any further clarification on our comments, please contact Anna Willock, Acting First Assistant Secretary, Farm Support Division on 02 6272 5780 or anna.willock@agriculture.gov.au.

Yours sincerely

Daryl Quinlivan
30 March 2016

Enc.

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