



Auditor-General for Australia



29 October 2019

The Hon Joel Fitzgibbon MP  
Shadow Minister for Agriculture and Resources

By email: [Joel.Fitzgibbon.MP@aph.gov.au](mailto:Joel.Fitzgibbon.MP@aph.gov.au)

Dear Mr Fitzgibbon

I am writing in response to your letter of 1 October 2019, requesting that I consider examining all Government drought initiatives since 2014 with particular reference to:

- the Government's claim it is spending \$7 billion; and
- the design, implementation and effectiveness of each program, including the Drought Communities Program.

The Department of Agriculture has advised that as at 2 October 2019, there were 21 measures included in the \$7 billion drought support funding. The attachment to this letter provides information about each measure and its value.

A number of considerations are made when considering topics for inclusion in the Australian National Audit Office's (ANAO's) annual audit work program including risk, impact, importance, materiality, auditability and coverage. In developing the work program I also consider the priorities of the Parliament, as advised by the Joint Committee of Public Accounts and Audit (JCPAA).

Based on these criteria, the extent of your request to audit each drought related program would be across the 21 measures independently, as each measure is administered separately. As detailed in the attachment to this letter, seven of the 21 measures have been subject to previous or current audits. These audits have focussed on the larger or more established

programs and includes tabled audits on the Farm Management Deposits Scheme (26 June 2019), Design and Governance of the National Water Infrastructure Development Fund (28 February 2018) and Administration of Concessional Loans Programs (28 April 2016), and audits that are underway on the design and establishment of the Regional Investment Corporation (scheduled to table in April 2020), Procurement of strategic water entitlements (scheduled to table in December 2019), and on Bilateral agreement arrangements between Services Australia and other entities (scheduled to table in March 2020), which will examine the administration of the farm household allowance. In addition, the 2019–20 work program includes a potential audit topic on Treasury’s management of the balance sheet — concessional loans, that may include an examination of the Regional Investment Corporation loans.

Given the extent of audit activity recently undertaken, currently underway and potential, I do not intend to commence additional audits on the matters referred at this time. I have, however, noted your specific reference to the Drought Communities Program and will consider the inclusion of this in the ANAO’s 2020–21 Annual Audit Work Program.

Yours sincerely

A handwritten signature in cursive script that reads "Grant Hehir".

Grant Hehir  
Auditor-General

## Attachment A: Drought funding breakdown.

Information provided by the Department of Agriculture, as at 2 October 2019		Value and description quoted from Budget Papers	Related Auditor-General reports tabled, current and potential 2019–20 topics	
Drought Measure	Value			
1	Future Drought Fund	\$5,000,000,000	<p><b>Mid-Year Economic and Fiscal Outlook 2018–19<sup>1</sup>, p. 177:</b></p> <ul style="list-style-type: none"> <li>The Government will establish the Future Drought Fund to fund initiatives that enhance drought resilience, preparedness and response across Australia.</li> <li>The balance of \$3.9 billion in uncommitted funds from the Building Australia Fund will be transferred to the Fund on establishment and will be invested by the Future Fund Board of Guardians. The invested funds are expected to grow to \$5 billion over the next 10 years.</li> </ul>	<p>Auditor-General Report No. 50 of 2004–05 <a href="#">Drought Assistance</a> (tabled June 2005)</p> <p>Auditor-General Report No. 53 of 2010–11 <a href="#">Drought Assistance</a> (tabled June 2011)</p>
2	Regional Investment Corporation loans	\$1,000,000,000	<p><b>Mid-Year Economic and Fiscal Outlook 2018–19, p. 151:</b></p> <p>Making available \$1.0 billion over four years from 2018–19 to allow the loans issued by the Regional Investment Corporation to be increased, thereby making more low cost capital available for farmers to help them manage through, and recover from, drought. This includes increasing the maximum loan size, available for both farm investment and drought loans, from \$1.0 million to \$2.0 million, and increasing total funding available for loans from \$250.0 million to \$500.0 million per annum.</p>	<p>Auditor-General Report No. 28 of 2015–16 <a href="#">Administration of Concessional Loans Programs</a> (tabled April 2016)</p> <p><a href="#">Design and establishment of the Regional Investment Corporation</a> (due to table April 2020)</p> <p><a href="#">Treasury's management of the balance sheet — concessional loans</a> (potential audit)</p>
3	National Water Infrastructure Development Fund	\$750,000,000	<p><b>Mid-Year Economic and Fiscal Outlook 2018–19, p. 206:</b></p> <p>The Government will provide an additional \$750.0 million over six years from 2019–20 for the National Water Infrastructure Development Fund including:</p> <ul style="list-style-type: none"> <li>\$710.0 million to construct water infrastructure in partnership with states and territories and private investors;</li> <li>\$30.0 million for project design and planning approvals;</li> <li>\$6.5 million for Geoscience Australia to carry out a strategic water balance project in the Great Artesian Basin; and</li> <li>\$3.5 million for a detailed water resource assessment of river catchments in Northern Australia.</li> </ul>	<p>Auditor-General Report No. 30 of 2017–18 <a href="#">Design and Governance of the National Water Infrastructure Development Fund</a> (tabled February 2018)</p> <p><a href="#">Procurement of strategic water entitlements</a> (due to table December 2019)</p>
4	Farm Household Allowance	\$183,300,000	<p><b>Mid-Year Economic and Fiscal Outlook 2018–19, p. 150:</b></p> <p>\$196.3 million over four years from 2018–19 for changes to the Farm Household Allowance (FHA), to immediately assist farmers who are suffering ongoing hardship to access income support by increasing the number of farmers eligible for payments and increasing the level of support available.</p>	<p><a href="#">Bilateral agreement arrangements between Services Australia and other entities</a> (due to table March 2020)</p>
5	Drought Communities Program extension and Drought Community Support Initiative	\$116,000,000	<p><b>Mid-Year Economic and Fiscal Outlook 2018–19, p. 151:</b></p> <ul style="list-style-type: none"> <li>\$82.4 million over two years from 2018–19 to provide funding for local infrastructure and drought-relief projects in 81 drought-affected council areas;</li> <li>\$33.6 million to provide financial assistance of up to \$3,000 per household for approximately 10,000 farming households and workers as a new stream of the Drought Communities Programme.</li> </ul>	
6	Bureau of Meteorology radars	\$77,200,000	<p><b>2019–20 Budget Paper No 2<sup>2</sup>, p. 73:</b></p> <p>The Government will provide \$28.0 million over four years from 2019–20 for the installation of Bureau of Meteorology radars and rain gauges (\$77.2 million over the life of the installations to 30 June 2042) to address gaps in weather monitoring infrastructure in Queensland.</p>	<p>Auditor-General Report No. 39 of 2018–19 <a href="#">The Bureau of Meteorology's Delivery of Extreme Weather Services</a> (tabled May 2019)</p>

<sup>1</sup> [https://archive.budget.gov.au/2018-19/myefo/myefo\\_2018-19.pdf](https://archive.budget.gov.au/2018-19/myefo/myefo_2018-19.pdf)

<sup>2</sup> <https://www.budget.gov.au/2019-20/content/bp2/index.htm>

	Information provided by the Department of Agriculture, as at 2 October 2019		Value and description quoted from Budget Papers	Related Auditor-General reports tabled, current and potential 2019–20 topics
	Drought Measure	Value		
7	Taxation Measures, including accelerated fodder storage asset depreciation and Farm Management Deposits	\$75,000,000	<b>Mid-Year Economic and Fiscal Outlook 2018–19, p. 151:</b> \$75.0 million over three years from 2019–20 to accelerate fodder storage assets depreciation over one year rather than three, to encourage the storage of fodder in good growing seasons when it is less expensive, for use in periods of drought when on-ground feed is more limited. This measure applies on an ongoing basis from 19 August 2018.	Auditor-General Report No. 51 of 2018–19 <a href="#">Farm Management Deposits Scheme</a> (tabled June 2019)
8	On-farm emergency water infrastructure rebate scheme	\$50,000,000	<b>Mid-Year Economic and Fiscal Outlook 2018–19, p. 152:</b> \$50.0 million over three years from 2018–19 for state and territory governments to install on-farm water-related infrastructure in drought-affected areas for stock watering purposes;	
9	Empowering our Community and Connecting Youth Awareness — raising Initiative and the Telehealth Services	\$26,900,000	<b>Mid-Year Economic and Fiscal Outlook 2018–19, p. 151:</b> The Government is providing \$26.9 million for the creation and expansion of the Empowering Our Community and Connecting Youth Awareness-Raising Initiatives and the expansion of Medicare Benefits Schedule telehealth services in drought affected rural and regional areas, to improve access to mental health support services.	
10	Great Artesian Basin	\$23,700,000	<b>Mid-Year Economic and Fiscal Outlook 2018–19, p. 152:</b> \$23.7 million over three years from 2019–20 for the Great Artesian Basin (GAB) state and territory governments to implement a range of immediate and long-term measures to enhance water security for GAB water users.	
11	Drought Communities Programme	\$15,000,000	<b>2019–20 Budget Paper No 2, p. 124:</b> \$15.0 million in 2019–20 for the Drought Communities Programme to deliver local infrastructure and drought-relief projects in a further 15 drought-affected councils across Australia	
12	Wild dog fencing and other pest and weed management	\$15,000,000	<b>Mid-Year Economic and Fiscal Outlook 2018–19, p. 152:</b> \$15.0 million in 2018–19 to manage pests and weeds that can undermine drought management and recovery efforts.	
13	Foundation for Rural and Regional Renewal	\$15,000,000	<b>Mid-Year Economic and Fiscal Outlook 2018–19, p. 152:</b> \$15.0 million over three years from 2018–19 for the Foundation for Rural and Regional Renewal to deliver small-scale grants to improve social connectedness and stimulate the economy in drought-affected regional communities	
14	Joint Agency Drought Taskforce	\$5,600,000	<b>Mid-Year Economic and Fiscal Outlook 2018–19, p. 152:</b> This package includes \$5.6 million over two years from 2018–19 (including \$0.3 million in capital funding) to establish a Joint Agency Drought Taskforce, led by the Coordinator General for Drought.	
15	Rural Financial Counselling Service	\$5,000,000	<b>Mid-Year Economic and Fiscal Outlook 2018–19, p. 151:</b> \$5.0 million in 2018–19 for the Rural Financial Counselling Service to improve support to farmers, particularly to assist them make their Farm Household Allowance applications.	
16	Country Women’s Association of Australia	\$5,000,000	<b>2019–20 Budget Paper, No 2, p. 124:</b> \$5.0 million in 2018–19 for the Country Women’s Association of Australia to provide assistance to drought-affected communities.	
17	National Drought Map	\$4,200,000	<b>2019–20 Budget Paper, No 2, p. 48:</b> The Government will provide \$4.2 million over four years from 2019–20 (and \$0.5 million per year ongoing) to improve and maintain the National Drought Map.	
18	Farm Household Allowance destocking	\$3,100,000	<b>2019–20 Budget Paper No 2, p. 46:</b> The Government will provide \$3.1 million over two years from 2018–19 to exempt net income generated from the forced sale of livestock from Farm Household Allowance (FHA) payment assessment, when that income is invested into a Farm Management Deposit.	

	Information provided by the Department of Agriculture, as at 2 October 2019		Value and description quoted from Budget Papers	Related Auditor-General reports tabled, current and potential 2019–20 topics
	Drought Measure	Value		
19	Regional weather and climate guides to help with on-farm decision making	\$2,700,000	<b>Mid-Year Economic and Fiscal Outlook 2018–19, p. 151:</b> \$2.7 million over two years from 2018–19 for the Bureau of Meteorology to create localised weather intelligence guides to enable farmers to improve their ability to make quantitative business risk management decisions.	Auditor-General Report No. 39 of 2018–19 <a href="#">The Bureau of Meteorology's Delivery of Extreme Weather Services</a> (tabled May 2019)
20	Empowering our Communities Initiative (additional)	\$2,500,000	<b>2019–20 Budget Paper, No 2, p. 106</b> The Government will provide \$5.5 million over four years from 2018–19 for additional mental health services and support for communities impacted by natural disasters in Victoria, Queensland and Tasmania.	
21	FarmHub (managed by the National Farmers' Federation)	\$400,000	<b>Mid-Year Economic and Fiscal Outlook 2018–19, p. 151:</b> \$0.4 million over three years from 2018–19 for a Farm Hub hosted on the National Farmers Federation website to provide a coordinated and comprehensive online information source of the support available to farmers.	
	<b>Total</b>	<b>\$7,375,600,000</b>		