

# 1 Audit summary

## 1.1 Introduction

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The impact of drought is widespread and extends to agribusinesses, rural and regional communities and state and national economies.

In October 2008, the state raised its support for farmers and rural communities by \$115 million to nearly \$400 million since 2005–06.

In response to unprecedented conditions faced by farmers and affected businesses, the government introduced drought response measures that directly targeted business assistance. This included the municipal rate subsidy and rebate for fixed water charges (water rebate) in 2005 and 2006 respectively.

Just over 48 per cent of funding has been allocated to the water rebate and municipal rate subsidy between 2005–06 and 2008–09. Both these schemes provide business support to certain eligible categories of farmers. This audit focused on these schemes, given their materiality. The balance of funding is spread across approximately 50 other drought programs.

The audit objective was to assess the effectiveness of the water rebate and the municipal rate subsidy measures in terms of how well these measures have achieved objectives.

## 1.2 Conclusion

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While the audit acknowledges the need to respond quickly to the worsening drought situation, there are no documented objectives or intended outcomes for the municipal rate subsidy and water rebate schemes, apart from the high-level strategic objectives of the drought assistance package. Consequently, we could not definitively conclude that funding for these two schemes are an effective use of public moneys. Normally it would be expected that schemes should be able to demonstrate that public money has been well spent, given the \$176 million cost incurred as at the end of February 2009.

In terms of Victoria's future drought assistance programs, implementing the National Reform Agenda is likely to result in a longer-term response in line with recently agreed principles for drought reform, which emphasise greater preparedness and self-reliance by farmers.

The Department of Primary Industries (DPI) control framework could be relied on to provide an adequate level of assurance that payments of the municipal rate subsidy were made in accordance with the schemes requirements. Less reliance could be placed on the Department of Sustainability and Environment's (DSE) control framework over water rebates. This also affected the administration of the rebates by water corporations. Further, in the case of Goulburn-Murray Water, the control environment should be strengthened.

## 1.3 Findings

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### 1.3.1 Scheme design

There were no documented objectives or intended outcomes for either scheme, apart from the broad strategic objectives of the drought assistance package to help farmers with the worst drought on record. This meant that it was not possible to measure the extent to which expenditure on these schemes was effective.

The water rebate scheme is not means tested. As long as eligible customers in 2008–09 are receiving less than 30 per cent of their water allocation, the rebate is paid irrespective of their financial circumstances. In 2007–08 the rebate was paid if customers received less than 40 per cent of their water allocation and, in 2006–07, less than 50 per cent of their water allocation.

### 1.3.2 Performance reporting with an outcome focus

Program implementation and the financial status of all current drought assistance initiatives are reported quarterly. The reporting framework does not include the extent to which program objectives are achieved and the level of contribution made by the program to meeting relevant outcomes.

The transaction-based design of both the water rebate and municipal rate subsidy schemes makes it difficult to effectively measure the extent to which outcomes have met objectives. However, not all drought assistance programs are transaction-based and there is potential to improve the way in which their performance is reported across the board. Clear and consistent performance reporting holds agencies accountable for how well public money is spent.

### 1.3.3 Program development and the National Reform Agenda

Drought initiatives are reassessed annually to determine whether funding should continue. The National Reform Agenda should involve a rethink of existing Victorian drought assistance programs. This should drive a longer-term and better-targeted approach to program development that conforms to the recently agreed principles for drought reform, announced by the Primary Industries Ministerial Forum in November 2008 and reconfirmed in February 2009.

### 1.3.4 Control frameworks over expenditure

DPI has developed a control and reporting framework that provides a sound level of assurance over the expenditure by councils in relation to the municipal rate subsidy. This involves both independent audits over councils' administration of the scheme and comprehensive monitoring of payments.

DSE needs to improve its control framework for managing the water rebate. For example, eligibility criteria requires further clarification to avoid the difficulties being experienced by water corporations in interpreting the criteria.

## 1.4 Recommendations

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### Effectiveness of schemes

The Drought Interdepartmental Coordination Group (DICG) should consider the impact of the National Reform Agenda and:

- establish a consistent approach to sound program design and development such as clearly defined objectives and outcomes to give effect to the Primary Industries Ministerial Forum's recently agreed principles for further drought reform
- re-evaluate existing initiatives for consistency with these principles **(Recommendation 4.1)**.

The Department of Primary Industries (DPI), as part of its management of the Drought Interdepartmental Coordination Group (DICG), should:

- improve current performance reporting of drought assistance programs to include the reporting of outcomes and their extent of alignment with program aims and objectives
- develop a standard method for evaluating key drought assistance programs, in conjunction with relevant agencies **(Recommendation 4.2)**.

### Rebate and subsidy administration

DSE should improve the planning and control framework for the Rebate for Fixed Water Charges (water rebate) and, in particular:

- improve consultation and communication with water corporations when planning and implementing any changes to the scheme's administration
- implement a robust risk management framework for the scheme's operation and delivery
- closely monitor the administration of the water rebate to identify any inconsistencies or inaccuracies in interpretation of the eligibility criteria by water corporations

- enforce the requirements of the deed of grant with each water corporation, particularly for reporting and audit of the administration of the scheme to provide assurance over the expenditure of public funds  
**(Recommendation 5.1).**

Goulburn-Murray Water should upgrade control procedures by:

- including the administration of the water rebate in its risk management plan
- increasing the sample size for checking that the water rebate has been correctly applied
- improving controls over data security **(Recommendation 5.2).**

Grampians Wimmera Mallee Water should include the administration of the water rebate in its risk management plan **(Recommendation 5.3).**

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