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## Joint Committee of Public Accounts and Audit

### Inquiry into Commonwealth Grants Administration: Auditor-General Reports 47 (2020–21); 16 & 21 (2021–22); and 1 (2022–23).

### Submission by the Australian National Audit Office

#### Introduction

1. The framework governing the administration of Commonwealth grants is provided by the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and articulated in the *Commonwealth Grants Rules and Guidelines* (CGRGs). These guidelines were first issued in July 2009 after their development was informed by a comprehensive Strategic Review of Australian Government Grants Administration (the strategic review).<sup>1</sup> The objective of the review was to improve the efficiency, effectiveness, accountability and transparency in the administration of grant programs across the Commonwealth.<sup>2</sup>
2. Consistent with the review's recommendations, the grants policy framework established was largely principles-based, with prescriptive rules and mandatory requirements kept to a minimum. Over a decade on, the CGRGs remain largely the same<sup>3</sup> and this area of government administration remains subject to significant debate, with ANAO audits showing that there is often a focus on compliance with only the small number of mandatory requirements listed in the framework rather than the overarching principles. The ANAO's recent work in this space, along with the persistence of debate over the lack of transparency in the award of grant funding, indicates that the framework has not achieved its original objective. In these circumstances, there would be merit in the Parliament and Australian Government revisiting the framework.
3. The strategic review identified four key characteristics, or 'framework requirements', that needed to be established to support effective administration of grants across the Commonwealth. These included a:
  - strong financial management framework — with clear links drawn between the requirements of that framework and the responsibilities of decision-makers and others involved in the administration of grant programs; and

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1 Mr Peter Grant PSM, Strategic Review of the Administration of Australian Government Grant Programs, 31 July 2008.

2 Ibid., p.35.

3 While the CGRGs have been updated and reissued from time to time, these updates have not introduced any substantial changes to the structure and principles-based nature of the guidelines. Changes have involved improving readability and clarity of content, as well as realigning the framework in 2014 to the newly introduced PGPA Act. Prior to this, the guidelines were issued under the *Financial Management and Accountability Act 1997*.

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- clear framework of policy principles — to govern the administration of grant programs across the Commonwealth; and
- standard framework of concepts and definitions — to provide a common understanding of terms and a clear basis for the interpretation and application of policy guidance.<sup>4</sup>

4. ANAO audit work indicates that these aspects warrant particular focus as part of this inquiry. The link between the CGRGs and the PGPA Act is important to highlight because the CGRGs, as a legislative instrument under that Act, support accountable authorities to discharge their responsibility under the PGPA Act to promote the proper use and management of public resources.<sup>5</sup> Accountable authorities mainly discharge this responsibility by ensuring that their entity has appropriate policies, procedures, guidelines and internal controls in place.<sup>6</sup> These must be consistent with the CGRGs and effective in supporting officials to be compliant with all aspects of the framework. This involves departmental practices being consistent with both the overarching intent of the ‘key principles for grants administration’, as well as adhering to the small number of specific ‘mandatory requirements’.

5. The JCPAA expressed a concern in its December 2020 report that appropriate resources, guidance and advice was not being provided to Commonwealth entities administering grants programs. Specifically, the committee noted that it:

considers that the Department of Finance’s RMGs, while a helpful resource for officials administering grants programs, do not contain the detail which was previously included in the ANAO’s Guide, which may help officials involved in grants administration. The Committee also recognises that the Department of Finance has previously been advised to work with the ANAO in compiling the Guide. The extent to which this has occurred is unclear. Providing clear and effective resources to Commonwealth officers administering grants programs is essential in ensuring that such programs are managed appropriately and to the standards required of public entities.<sup>7</sup>

6. Accordingly, the committee recommended that the Department of Finance revise and improve the guidance it provides through its Resource Management Guides (RMGs).<sup>8</sup> Specifically, the committee noted that:

- while a helpful resource for officers administering grants programs, the RMGs do not contain the detail which was previously included in the ANAO’s Better Practice Guides;<sup>9</sup>
- the lack of best practice examples contained in the RMGs, and the uncertainty regarding which processes are mandatory or not, is concerning; and

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4 The other requirement detailed in the review was: a robust reporting framework — for the collection and reporting of information on grants, designed to meet both administrative requirements and public accountability objectives.

5 Sections 15 and 16 of the *Public Governance, Performance and Accountability Act 2013*; and Department of Finance, *Commonwealth Grants Rules and Guidelines 2017*, paragraphs 3.4 and 3.5.

6 Department of Finance, *Commonwealth Grants Policy Framework* [Internet], available from <https://www.finance.gov.au/government/commonwealth-grants/commonwealth-grants-policy-framework> [accessed 1 November 2022].

7 Joint Committee of Public Accounts and Audit, [Report 484: The Administration of Government Grants: Inquiry into Auditor-General’s Reports 5, 12 and 23 \(2019–20\)](#), paragraph 2.62, p.19.

8 *Ibid.*, Recommendation 2, pp.20-21.

9 In response to a recommendation from the independent Review of Whole-of-Government Internal Regulation, the ANAO decided to discontinue and cease distribution of its range of better practice guides from 1 July 2017.

**OFFICIAL**

- this matter had been previously addressed in reports regarding grants administration and entities had been encouraged to improve officers' training regarding the management of grants programs.
7. As the policy owner for the framework, the Department of Finance (Finance) is responsible for monitoring and reporting on the effectiveness of the CGRGs against intended outcomes. In a situation where there is an ongoing lack of appropriate guidance around the CGRGs for practitioners, it is difficult to see how Finance would be in a position to advise the Finance Minister on the effectiveness of the framework if this monitoring role is not being undertaken.

### **Improving compliance with the grants administration framework**

8. Against this background, the ANAO has outlined in this submission some key issues and suggestions for the JCPAA to consider as part of its inquiry into Commonwealth grants administration.

#### **Issues observed through audit work**

- The low use of open and competitive grant selection processes compared with other less competitive mechanisms is both inconsistent with the principle of 'achieving value with relevant money' and at odds with the Australian Government's preferred approach, as reflected in the CGRGs.<sup>10</sup>
- Grant opportunity guidelines that do not accurately convey the application and assessment processes adopted are not indicative of 'robust planning and design'. It is detrimental to the conduct of a transparent and accountable process to:
  - apply processes not set out by the published grant opportunity guidelines;
  - build high levels of flexibility into guidelines such that the use of documented specific criteria can be made less relevant through clauses allowing broad discretion; and/or
  - omit important information from the guidelines such as identifying all stakeholders, including parliamentarians and their staff, who will play a role in the assessment and award of grant funding.
- Transparency and accountability over funding decisions not being achieved due to shortcomings in the advice provided to decision-makers, poor record-keeping and inconsistent approaches to reporting overturns to the Finance Minister.

#### **Possible changes to the Commonwealth Grants Rules and Guidelines**

9. Our recent experience suggests there remains merit in the effective implementation of the JCPAA's earlier recommendations in *Report 484: The Administration of Government Grants: Inquiry into Auditor-General's Reports 5, 12 and 23 (2019–20)*. The ANAO also see benefits in the CGRGs including a clear statement setting out its objective; and detailed explanation as to why the framework must be applied with full regard to both the requirements and key principles in the context of delivering on the overarching requirements of the PGPA Act.

10. Further suggested changes are explained in context throughout this submission and are summarised below:

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<sup>10</sup> Department of Finance, *Commonwealth Grants Rules and Guidelines 2017*, paragraph 8.5.

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- Amending respective sections of the CGRGs from ‘should’ to ‘must’ to strengthen the direction to adopt and increase the adoption of competitive, merit-based selection processes.
- Considering the adoption of a similar approach to that taken for the Commonwealth Procurement Rules whereby corporate Commonwealth entities can be prescribed to comply with those rules by the Finance Minister issuing a direction under the PGPA framework.
- Considering the adoption of a similar online reporting approach as that outlined in the NSW Government’s Grants Administration Guide.
- Implementation of the ANAO recommendations to the Australian Government as part of Auditor-General Report No.1 2022–23.<sup>11</sup>

**Chosen methods should promote open, transparent and equitable access to grants**

11. The CGRGs state that competitive, merit-based selection processes<sup>12</sup> should be used to allocate grants unless specifically agreed otherwise by a minister, accountable authority or delegate.<sup>13</sup> While a statement to this effect has appeared since July 2009, ANAO audit work indicates that more is needed to encourage uptake. This could be achieved by amending paragraph 11.5 of the CGRGs to strengthen the directives from ‘should’ to ‘must’.

12. Notwithstanding that they are the Australian Government’s stated preferred approach, competitive selection processes are chosen in the minority of cases. ANAO analysis of GrantConnect awards data from grants awarded between 31 December 2017 and 30 June 2021 was that 35 per cent by number, or 39 per cent by value, were reported as having used a competitive selection process.<sup>14</sup>

13. The ANAO noted in its March 2020 submission to the JCPAA’s *Inquiry into Auditor-General’s Reports 5, 12 and 23 (2019-20)*, instances where programs announced as being competitive and merits-based have actually employed closed, non-competitive processes.<sup>15</sup> More recent audits suggest that there remains a risk that even when programs are reported as having used an open and competitive selection process, they still may not result in those applications assessed as the most meritorious against the criteria being funded. Specifically, the ANAO found that:

- in Report No.23 of 2019–20, nine projects were identified and invited, after the advertised closing date for an open and competitive grants program, to submit either a revised or late application, with all nine subsequently assessed and approved for funding;<sup>16</sup> and
- in Report No.1 of 2022–23, the department’s approach — of recommending the decision-maker select from a ‘pool’ of applications that significantly exceeded the amount of

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11 Auditor-General Report No.1 of 2022–23, *Award of Funding under the Building Better Regions Fund*, pp. 15-16.

12 Competitive allocation processes often involve funding rounds that open and close on nominated dates, with eligible applications received by the closing date being assessed against merit criteria and then prioritised against competing, eligible applications for the available funding.

13 Department of Finance, *Commonwealth Grants Rules and Guidelines 2017*, paragraph 11.5.

14 Auditor-General Report No.7 of 2021–22, Information Report, *Australian Government Grants Reporting*, Figure 3.1.

15 Australian National Audit Office, *Submission to the Joint Committee of Public Accounts and Audit Inquiry into Auditor-General’s Reports 5, 12 and 23 (2019–20)*, 7.2 Supplementary to submission 7, March 2020, available from Submissions – Parliament of Australia (aph.gov.au) [accessed 12 October 2022], Paragraph 18.

16 Auditor-General Report No.23 of 2019–20, *Award of Funding under the Community Sport Infrastructure Program*, paragraphs 2.28 to 2.31.

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funding available to be awarded — contributed to 65 per cent of applications approved were not those assessed as being the most meritorious by the department.<sup>17</sup>

**Granting activities not covered by the CGRGs**

14. There is a significant outlay of public funds awarded under grant-like arrangements, or by Corporate Commonwealth entities.<sup>18</sup> Entities not subject to the CGRGs can benefit from basing their grants administration framework and practices on those rules and guidelines,<sup>19</sup> given they reflect the Australian Government's expectations and support accountable authorities to discharge their responsibility under the PGPA Act to promote the proper use and management of public resources.

15. An opportunity exists to strengthen the integrity and administration of these arrangements, where appropriate, by the Finance Minister issuing a directive for selected entities to comply with the CGRGs. This would be consistent with the approach for the Commonwealth Procurement Rules (CPRs) where selected entities have been prescribed under the PGPA framework to apply the CPRs.

16. Payments to a State or Territory that are made for the purposes of the *Federal Financial Relations Act 2009*, such as under the \$4.8 billion Urban Congestion Fund, are taken not to be grants for the purposes of the CGRGs. Consideration of the better practice outlined in the CGRGs may assist non-Corporate Commonwealth entities in the effective administration of such financial arrangements.<sup>20</sup>

**Robust and well-designed grant opportunity guidelines should support transparent and accountable processes**

17. Potential applicants and other stakeholders reasonably expect that program funding decisions will be made in a manner and on a basis consistent with the published program guidelines.<sup>21</sup> Our work suggests that where this has not always been the case, there have been issues with the design of and adherence with the published grant opportunity guidelines.

18. During the inquiry into Auditor-General Report No.23 of 2019–20, the ANAO suggested to the JCPAA that there would be benefits in the CGRGs being expanded to include an eighth key principle on adherence to published guidelines.<sup>22</sup> The Committee recommended this to government, as the proposed principle 'would uphold the expectations of the Parliament and other stakeholders and

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17 Auditor-General Report No.1 of 2022–23, *Award of Funding under the Building Better Regions Fund*, paragraphs 3.31 to 3.33 and 5.16 to 5.19.

18 Corporate Commonwealth entities are generally not subject to the CGRGs where the grants are awarded under the authority of the entity itself. However, the CGRGs apply to corporate Commonwealth entities, non-government organisations and third parties where they undertake grants administration on behalf of the Australian Government (CGRGs, footnote 1).

19 Auditor-General Report No.23 of 2019–20, *Award of Funding under the Community Sport Infrastructure Program*, key learnings, paragraph 28.

20 Auditor-General Report No.47 of 2020–21, *Administration of Commuter Car Park Projects within the Urban Congestion Fund*, footnote 10.

21 Auditor-General Report No.23 of 2019–20, *Award of Funding under the Community Sport Infrastructure Program*, key learnings, paragraph 28; and Auditor-General Report No.1 of 2022–23, *Award of Funding under the Building Better Regions Fund*, key learnings, paragraph 35.

22 Australian National Audit Office, *Submission to the Joint Committee of Public Accounts and Audit Inquiry into Auditor-General's Reports 5, 12 and 23 (2019–20)*, 7.2 Supplementary to submission 7, March 2020, available from Submissions – Parliament of Australia (aph.gov.au) [accessed 12 October 2022], Paragraphs 6–9.

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provide transparency to applicants when published criteria is amended'.<sup>23</sup> Although the government agreed to the recommendation,<sup>24</sup> the CGRGs have yet to be amended to reflect this agreement.

19. There continues to be merit in implementing this recommendation. An opportunity exists to expand upon this principle to prevent the inclusion of other unidentified, or a non-exhaustive list of, factors being included in addition to or separate from the published criteria in the guidelines.

20. Entities should ensure that decision-makers, and any individuals advising them, understand that undertaking processes that are inconsistent with the key principles or not outlined in the funding guidelines can be detrimental to the conduct of a transparent and accountable process and to the achievement of the program objectives. This has been one of the most common deficiencies identified in performance audits of funding programs and has been considered in previous inquiries.<sup>25</sup> Recent audits indicate this remains a key area of deficiency, with findings of:

- the use of non-exhaustive, broad and non-specific assessment criteria such as 'any other factors' in the published program guidelines and increasing reliance upon these factors when making funding decisions;
- the assessment process not being undertaken as described in the program guidelines, such as a separate parallel assessment process being undertaken; and
- decision-making on the award of grants commencing before the published assessment process has been completed.

**Ensuring all stakeholders in grants administration understand the requirements of the CGRGs**

21. It is important that entities responsible for the administration of grants programs make sure that all stakeholders involved in the process understand the requirements of and their obligation to adhere to the CGRGs.

22. Ministerial advisers and other staff have an important role in assisting ministers to discharge their portfolio responsibilities, including relevant grants programs. The NSW Government's September 2022 Grants Administration Guide directly addresses how stakeholders such as parliamentarians, the responsible minister, other ministers and ministerial staff are able to be involved in the award of grant funding.<sup>26</sup> While the NSW guide was based on the principles set out in the CGRGs,<sup>27</sup> this same level of clarity is not provided by the CGRGs.

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23 Joint Committee of Public Accounts and Audit, [Report 484: The Administration of Government Grants: Inquiry into Auditor-General's Reports 5, 12 and 23 \(2019–20\)](#), Recommendation 5 (in part), paragraph 2.71.

24 [Australian Government response](#) to the Joint Committee of Public Accounts and Audit's *Report 484: The Administration of Government Grants: Inquiry into Auditor-General's Reports 5, 12 and 23 (2019–20)*, October 2021, page 4.

25 ANAO supplementary submission 7.2 to the Joint Committee of Public Accounts and Audit inquiry into matters contained and associated with Auditor-General's Reports 5, 12 and 23 (2019–20). ([Submissions – Parliament of Australia \(aph.gov.au\)](#))

26 NSW Department of Premier and Cabinet, *M2022-07 Grants Administration Guide*, September 2022, available from: [M2022-07 Grants Administration Guide \(nsw.gov.au\)](#) [accessed 25 October 2022].

27 NSW Department of Premier and Cabinet and the NSW Productivity Commissioner, *Review of grants Administration in NSW*, April 2022, available from <https://www.dpc.nsw.gov.au/publications/> [accessed 9 May 2022], see: Recommendation 1 and Appendix C.



**OFFICIAL**

23. In the absence of this and consistent with the Ministerial Staff Code of Conduct, any activities undertaken by ministerial staff observed as part of our audit work have been taken by the ANAO to be those of the responsible ministers, conducted through their offices.

24. Where there is a lack of clarity in the CGRGs or in the guidance available to officials responsible for grants administration (as observed by the JCPAA in Report 484<sup>28</sup>), this necessitates entities to apply their own interpretation and judgement. This creates a risk of ineffective and inconsistent application of the framework. The Department of Finance advised the JCPAA in March 2020 that:

While Finance provides assistance to entities in relation to the framework, it is up to accountable authorities and officials to understand the application of the PGPA Act, the CGRGs and other legislation in relation to their grants programs, and to ensure that relevant requirements are met. Accountable authorities and officials are expected to seek legal advice as required in discharging their responsibilities.<sup>29</sup>

25. Our recent experience is that more clarity should be provided within the CGRGs or by the Department of Finance through its RMGs rather than entities seeking their own legal advice. A recommendation was included in Auditor-General Report No.1 of 2022–23 to address this.<sup>30</sup>

### Shortcomings in advice to decision-makers

26. The CGRGs require officials to, among other things, provide ministers with advice on the merits of proposed grants relative to the grant opportunity guidelines and the key principle of achieving value with relevant money. Providing ambiguous advice without a clear funding recommendation does not fulfil this requirement.

27. This was examined in Auditor-General Report No.1 of 2022–23 and recommendations were made to address the related issues. The committee may wish to examine paragraphs 4.6, 4.7 and 4.12 of the CGRGs in conjunction with the Auditor-General’s recommendations that the Australian Government amend the CGRGs to:

- strengthen the written advice prepared for approvers on the merits of a proposed grant or group of grants by requiring that advice to include a clear and unambiguous funding recommendation that:
  - identifies the recommended applications that have been assessed as eligible and the most meritorious against the published assessment criteria; and
  - does not recommend applications for an aggregate value of grant funding that exceeds the total amount available for the particular grant opportunity; and
- require that when advising on the award of grant funding, officials recommend that the decision-maker reject all applications not supported for the award of a grant within the available funding envelope; and
- require that the basis for any decisions to not approve applications that were recommended for funding be recorded.

28. These recommendations address practices observed as part of that audit, as well as observations that suggest a weakening of the framework when an entity implementing a grant

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28 Joint Committee of Public Accounts and Audit, [Report 484: The Administration of Government Grants: Inquiry into Auditor-General’s Reports 5, 12 and 23 \(2019–20\)](#), Recommendation 2 and paragraph 2.62.

29 Department of Finance Submission to the JCPAA, March 2020.

30 Auditor-General Report No.1 of 2022–23, *Award of Funding under the Building Better Regions Fund*, Recommendation 3, p. 15.

**OFFICIAL**

program seeks to comply with the small number of mandatory requirements rather than the overarching key principles. Other examples of poor quality or inadequate advice were observed in respect to:

- funding recommendations not being consistent with assessments of the extent to which the candidates had met eligibility requirements and assessment criteria;<sup>31</sup>
- entity advice being formulated on the basis of an instructed or preferred approach rather than providing independently formed recommendations or not reflecting that its advice had been revised after initial submission;<sup>32</sup>
- advice not clearly identifying who will be deciding which applicants will receive a grant and confirming that this person has the necessary legal authority to make those decisions;<sup>33</sup> and
- circumstances where the decision-maker reached a decision that differed with the entity assessment of applications against the program guidelines without documenting the basis — this is important in providing a line of sight between the assessment and the funding decision.<sup>34</sup>

**Record-keeping**

29. The CGRGs highlight the importance of complete and accurate records for accountability, probity and transparency in grants administration. Transparency provides assurance that grants administration is appropriate, and that legislative obligations and policy commitments are being met. Nevertheless, poor record-keeping continues to limit transparency and impact upon the ANAO's ability to conduct efficient and fulsome audits.

30. Administering entities have a responsibility to ensure that decision-makers are appropriately advised of and supported to meet their record-keeping obligations. Documentation around funding decisions has been poor for processes where the approver has been a minister or involved an expert or ministerial panel.<sup>35</sup> The ANAO noted in a recent audit that secretariat support is one of the service offerings available to agencies that have engaged grants hub services.<sup>36</sup> Entities should, at a minimum, offer this assistance or bring these services to the attention of decision-makers where panel deliberations are to inform funding decisions.

31. The ANAO has found in a number of audits that the written records provided little substantive insight into the basis for the funding decisions taken. Shortcomings have been particularly identified in circumstances where decision-makers have disagreed with a funding recommendation and where they have taken additional information into account. While developing relevant templates helps, it is important that further assistance and advice is provided by entities to ministers in situations where the recorded basis does not make it clear how the assessment criteria were applied to select the

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31 Auditor-General Report No.31 of 2020–21, *Award of Funding under the Supporting Reliable Energy Infrastructure Program*, key message, paragraph 23.

32 Auditor-General Report No.23 of 2019–20, *Award of Funding under the Community Sport Infrastructure Program*, key message, paragraph 28.

33 *Ibid.*, paragraph 28.

34 Auditor-General Report No.16 of 2021–22, *Award of Funding under the Safer Communities Fund*, paragraph 27; Auditor-General Report No.23 of 2019–20, *Award of Funding under the Community Sport Infrastructure Program*, key message, paragraph 28; and Auditor-General Report No.1 of 2022–23, *Award of Funding under the Building Better Regions Fund*, paragraphs 4.26 to 4.34.

35 Auditor-General Report No.9 2014–15 *The Design and Conduct of the Third and Fourth Funding Rounds of the Regional Development Australia Fund*; and Auditor-General Report No.1 of 2022–23, *Award of Funding under the Building Better Regions Fund*.

36 *Ibid.*, paragraph 4.31



**OFFICIAL**

successful applicants, how any other considerations set out in the guidelines were applied to selecting the successful applicants ahead of other candidates, or why it was decided to award a funding amount different to the recommended grant amount and how the amount of funding was arrived at.<sup>37</sup> There may be benefit in guidance to entities emphasising to their responsibility of advising ministers when documentation does not meet required standards.

32. Shortcomings in advice on the merits or value for money of funding proposals has been evident in audits of closed non-competitive processes, including the implementation of election commitments, where candidates were identified in advance of application and departmental assessment. Audits of closed non-competitive processes implemented under the CGRGs, or the *Federal Financial Relations Act 2009* have found instances of departments:

- recommending funding be awarded without clearly identifying in the advice the extent to which the applications had been assessed as meeting the merit assessment criteria;<sup>38</sup>
- advising the minister that a proposal fully met the criteria in the program guidelines, without those guidelines including clear merit assessment criteria;<sup>39</sup> and
- providing written briefings that included assessment reports to advise the minister to approve funding, yet the department had not sought to establish merit assessment criteria and the assessment work had not adequately demonstrated that projects will provide value for money.<sup>40</sup>

## Reporting and data quality

33. The CGRGs require that ministers report once a year (by 31 March of the following calendar year) any instances where they approved an application that the entity recommended be rejected. This addresses a limited sub-set of instances of overturn funding decisions. It does not address decisions to:

- not approve one or more applications that had been recommended, on the basis that they met to a high standard the published assessment criteria, for funding; or
- approve applications that, while not recommended, had not been explicitly recommended for rejection.

34. Together, Appendices 8, 9 and 10 of Auditor-General Report No.1 of 2022–23 illustrate these situations and show how many grant applications were not required to be reported for five rounds of the Building Better Regions Fund.<sup>41</sup> In contrast, the NSW Government's Grants Administration Guide requires online reporting of funding decisions where the exercise of ministerial discretion

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37 Auditor-General Report No.16 of 2021–22, *Award of Funding under the Safer Communities Fund*, key message, paragraph 27; Auditor-General Report No.23 of 2019–20, *Award of Funding under the Community Sport Infrastructure Program*; and Auditor-General Report No.1 of 2022–23, *Award of Funding under the Building Better Regions Fund*.

38 Auditor-General Report No.31 of 2020–21, *Award of Funding under the Supporting Reliable Energy Infrastructure Program*, paragraphs 4.7–4.9; Auditor-General Report No. 3 of 2018–19, *Award of Funding under the Community Development Grants Program*, paragraph 3.21; Auditor-General Report No. 41 of 2014–15, *The Award of Funding under the Safer Streets Programme*, paragraph 37.

39 Auditor-General Report No. 22 of 2018–19, *Award of a \$443.3 Million Grant to the Great Barrier Reef Foundation*, paragraphs 4.8–4.11.

40 Auditor-General Report No.47 of 2020–21, *Administration of Commuter Car Park Projects within the Urban Congestion Fund*, paragraphs 12 and 26.

41 Auditor-General Report No.1 of 2022–23, *Award of Funding under the Building Better Regions Fund*, pp.103-105.

**OFFICIAL**

results in grant decisions that vary from the recommendations of officials.<sup>42</sup> There is merit in considering the adoption of a similar online reporting approach as that outlined in the NSW Government's Grants Administration Guide. This, along with the implementation of the recommendations set out in paragraph 26, could involve the publication of a report by the Finance Minister of all instances reported to the Finance Minister where ministers have decided to approve a grant which the relevant official has recommended be rejected with the reasons recorded for the approval of each grant.

### **Probity and conflicts of interest**

35. Actual or perceived conflicts of interest can undermine the objective of grants administration as set out in the CGRGs, 'to promote proper use and management of public resources through collaboration with government and non-government stakeholders to achieve government policy outcomes.' The CGRGs outline that officials should establish transparent processes to manage misconceptions and the potential for personal or related party gain. Unlike in the procurement space, there remains limited guidance around achieving probity in grants administration, including effective identification and management of conflicts of interest.<sup>43</sup>

36. Recent audits indicate shortcomings around the appropriate identification and documentation of conflicts of interest<sup>44</sup>, suggesting that the JCPAA's recommendations from March 2020 remain relevant.<sup>45</sup> Specifically:

- stakeholders, such as parliamentarians and their staff, involved in the assessment of applications not being required to identify whether they have any conflicts of interest;
- decision-makers, including ministers, not being required to transparently declare the existence of any conflicts of interest and how they were managed; and
- no records being made of meetings at which important decisions are taken about the award of grant funding.

### **Grant hubs**

37. ANAO audits have indicated from time to time that the evidence suggests there is a skills gap in the areas of procurement and grants administration. The centralised grants hub model presents an opportunity to enhance the grants administration capability across the sector.

38. Service providers play a significant role in grants administration. In 2019–20, grants service providers administered: 768 grant programs; 36,279 grants awarded: and \$8.4 billion in grants payments.<sup>46</sup> The ANAO audit of the operation of two grants service providers, the Business Grants Hub (BGH) and the Community Grants Hub (CGH), identified significant data management and quality issues. Where data was available, BGH and CGH generally demonstrated compliance with selected

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42 NSW Department of Premier and Cabinet, *M2022-07 Grants Administration Guide*, September 2022, available from: [M2022-07 Grants Administration Guide \(nsw.gov.au\)](https://www.nsw.gov.au) [accessed 25 October 2022].

43 Australian National Audit Office, *Submission to the Joint Committee of Public Accounts and Audit Inquiry into Auditor-General's Reports 5, 12 and 23 (2019–20)*, 7.2 Supplementary to submission 7, March 2020, p.8, available from [Submissions – Parliament of Australia \(aph.gov.au\)](https://www.aph.gov.au) [accessed 12 October 2022]

44 Auditor-General Report No.1 of 2022–23, *Award of Funding under the Building Better Regions Fund*, paragraph 4.26.

45 The JCPAA recommended that the Department of Finance to review the official record keeping requirements of the CGRGs with a view to addressing probity issues, including a requirement for all parties involved in grant administration to disclose and record any conflicts of interest.

46 Auditor-General Report No. 21 of 2021–22, *Operation of Grants Hubs*, audit snapshot.

**OFFICIAL**

legislative requirements, but poor data quality impeded an assessment of whether business processes and workflows were followed.<sup>47</sup>

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<sup>47</sup> Auditor-General Report No. 21 of 2021–22, *Operation of Grants Hubs*, paragraphs 3.21–3.36. See also ANAO analysis of the Department of Social Services’ CGH data that was not able to be concluded as part of Operation of Grants Hubs performance audit, in Auditor-General Report No.32 2021–22 *Interim Report on Key Financial Controls of Major Entities*, Chapter 4.