



## Australian Government

### Department of the Prime Minister and Cabinet

PDR: EC18-000243

Senator Dean Smith  
Chair  
Joint Committee of Public Accounts and Audit  
Parliament House  
CANBERRA ACT 2601

Dear Senator Smith

#### **JCPAA Report 464: Commonwealth Grants Administration**

The Joint Committee of Public Accounts and Audit (JCPAA) recently conducted an Inquiry into Commonwealth Grants Administration based on several Australian National Audit Office (ANAO) reports, including a 2016-17 performance audit of the Indigenous Advancement Strategy (IAS). The Department of the Prime Minister and Cabinet provided a submission and evidence as part of the Inquiry process.

The Inquiry Report was released on 5 September 2017, and the department has been giving extensive consideration to it. I am responding to the report on behalf of the department as the recommendations are administrative in nature, rather than policy matters requiring a Ministerial response.

The JCPAA acknowledged progress made by departments in addressing concerns raised in the ANAO reports which were the focus of its Inquiry. It also emphasised the importance of full implementation of the ANAO report recommendations, and made three additional recommendations to address continued shortcomings in Commonwealth grants administration.

The department has made substantial progress in implementing the ANAO and JCPAA recommendations. The department's Executive takes seriously its responsibility to foster and sustain a supportive culture that promotes grants administration consistent with the Government's overarching grants policy framework. To this end, the Indigenous Affairs Group has recently developed enhanced staff training on grants administration, and established a Grant Assurance Office to monitor adherence to processes and provide regular feedback to managers and their staff.

The Report noted the JCPAA's concerns with administrative processes that are used by granting departments across the Commonwealth, including application and assessment processes, advice to decision makers, and program evaluation. The department recently sought independent advice in respect of the IAS grant processes, and is responding to the conclusions of that advice in addition to the ANAO and JCPAA recommendations.

Further, in relation to program evaluation, the IAS Evaluation Framework is now available on the department's website.

I have included three attachments to this letter:

- the department's response to each of the JCPAA's recommendations (Attachment A);
- the department's submission to the JCPAA during the Inquiry, which included an update on implementation of the ANAO report recommendations (Attachment B); and
- an update on further actions taken or underway since the Inquiry to implement the ANAO recommendations (Attachment C).

Please advise if there is any further information required or means by which we can assist the JCPAA.

Yours sincerely

Andrew Tongue  
Associate Secretary Indigenous Affairs  
7 March 2018

## ATTACHMENT A

### PMC RESPONSE TO RECOMMENDATIONS OF JCPAA REPORT 464

No.	JCPAA Recommendation	PM&C Response
1	<p>The Committee recommends that the Department of the Environment and Energy, the Attorney-General's Department and the Department of the Prime Minister and Cabinet establish partnership agreements with their respective Grants Hubs, where they have not already done so, and ensure that new or existing agreements:</p> <ul style="list-style-type: none"> <li>• outline individual and shared responsibilities and corresponding expectations of each party;</li> <li>• provide for joint risk identification and complementary risk management arrangements, including where applicable, for programme design. These risks may be considered either in the agreements or subsidiary risk management plans, with the risks appropriately informed by the different level of service agreement; and</li> <li>• clearly articulate overarching assurance processes that support the balance between better practice administration and the achievement of policy outcomes.</li> </ul>	<p>Agreed. The department has a longstanding relationship with the Department of Social Services (DSS), which administers the Community Grants Hub. Reflecting this relationship, the department was early in developing and settling a partnership agreement with DSS for the delivery of Hub services.</p> <p>The service the department currently accesses through the Community Grants Hub is the Grants Digital Platform. The current partnership agreement therefore focuses on the roles, responsibilities and associated expectations of each party in relation to the Digital Platform.</p> <p>The department is active on numerous governance forums that provide opportunities for co-design of future grants processes and system design as the Hub model progresses. Working groups jointly identify risks and consider mitigation strategies, and are also examining system workflows, enhanced reporting capability and acquittal processes among other matters.</p> <p>The department has also provided input through the Streamlining Government Grant Administration Program to the development of Department of Finance guidance on good practice governance and assurance frameworks for shared services arrangements.</p>
2	<p>The Committee recommends that the Department of the Environment and Energy, the Attorney-General's Department and the Department of the Prime Minister and Cabinet, ensure that they:</p>	<p>Agreed. The department has always had in place resources to assist staff in understanding and adhering to the <i>Commonwealth Grants Rules and Guidelines</i> (CGRGs). As noted in the JCPAA Report, the department's Grants Operating Model provides the framework to assist staff to</p>



	<ul style="list-style-type: none"> <li>• measure the number of staff formally trained with regard to the <i>Commonwealth Grants Rules and Guidelines</i>, including implementing where necessary, arrangements to conduct this activity; and</li> <li>• quickly rectify skills gaps so that sufficient expertise is retained so as to ensure compliance with the <i>Commonwealth Grants Rules and Guidelines</i>, including but not limited to record keeping requirements within the guidelines.</li> </ul>	<p>effectively and efficiently deliver and execute the IAS. Further, as noted in the Report, the Grants Administration Manual (GAM) provides staff with a step-by-step guide through each stage of grants administration, including requirements to adhere to the CGRGs and relevant legislation, the importance of sound record-keeping and provision of accurate and complete advice to decision-makers including sufficient information to comply with the CGRGs.</p> <p>The department has developed a comprehensive staff training package aligned with the GAM. This includes elements of core training that are mandatory for staff working in grants administration. Electronic and targeted face-to-face training has recently been delivered to address key areas of concern including duties of officials, legislative requirements and delegate briefing processes.</p> <p>Improved records are being maintained of staff attendance at training sessions. Additionally, the department is planning a staff census which will be undertaken periodically to ensure all staff performing grant administration functions complete mandatory training and other training targeted for staff with specific roles.</p>
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3	<p>The Committee recommends that the Department of the Environment and Energy, the Attorney-General's Department and the Department of the Prime Minister and Cabinet respectively, report back to the Committee on progress against the Auditor-General's recommendations from each of the following individual audit reports: <i>Award of Funding under the 20 Million Trees Programme</i> (No. 4 of 2016–17); <i>The Design of, and Award of Funding under, the Living Safe Together Grants Programme</i> (No. 12 of 2016–17); and <i>Indigenous Advancement Strategy</i> (No. 35 of 2016–17).</p> <p>The advice to the Committee should clearly indicate whether full implementation of the respective recommendations has been achieved or provide a plan of activities and date of expected achievement, and where applicable, any barriers to implementation.</p>	<p>Agreed. The Secretary of the department wrote to the Auditor-General on 18 January 2017 providing an overall departmental response to the proposed ANAO audit report and a detailed response against each recommendation.</p> <p>The JCPAA report acknowledged progress that had been made by the respective departments against the ANAO audit recommendations. The department's progress was covered in our submission to the JCPAA during the Inquiry process (Attachment B).</p> <p>A further update on actions taken or underway since the Inquiry to implement the ANAO recommendations is provided at Attachment C.</p>
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## **Attachment B**

### **Department of the Prime Minister and Cabinet**

#### **Submission to the Joint Committee of Public Accounts and Audit (JCPAA)—Inquiry on Commonwealth Grant Administration**

The Department acknowledges the work that has gone into the preparation of the Australian National Audit Office (ANAO) audit report on the design and implementation of the Indigenous Advancement Strategy (IAS). The Department is open to scrutiny, and always willing to listen to external perspectives about how we can deliver better services and outcomes for Indigenous Australians. Indeed, the IAS 2014 Grant Funding Round has been the subject of a Senate Inquiry and two Implementation Readiness Assessments by the Department of Finance and internal audit security.

This submission provides some context around the IAS and a brief update on the Department's progress in implementing the four recommendations made by the ANAO.

The IAS responded to longstanding calls from Indigenous leaders, communities and other stakeholders to address fragmentation, duplication and excessive red tape in the design and delivery of Indigenous programs. It also responded to concerns about a lack of transparency and accountability in Indigenous Affairs funding.

The transition of Indigenous programmes and the associated staff to PM&C was one of the most complicated machinery of government changes in recent decades. One hundred and fifty programmes and activities were transitioned into the IAS programme streams; staff were transferred into PM&C from eight departments; five separate grant management systems were inherited and consolidated over time (down to two currently); and a new organisational structure was forged, including a reformed regional network.

The decision was taken to develop and implement the IAS as early as practicable to evidence the Government's commitment to fundamentally overhaul Indigenous policy and administration.

The Department has acknowledged shortfalls in some of its processes including record keeping, and that there were developments that arose that were beyond expectations and planning. With the benefit of hindsight, it is clear that implementation of the IAS would have been strengthened with more effective communication and engagement with stakeholders affected by the changes.

Since the time of the grant round the Department has sought to continuously improve the administration of IAS, including through the revision of IAS Guidelines in March 2016. Having moved well beyond the transition phase, the implementation of the IAS has progressed with greater understanding of the flexibility provided by the broad programs, and avenues for applying for funding under the Guidelines.

The four ANAO recommendations are directed toward: the regional network enabling local solutions; strengthened grant assessment processes; better departmental advice to the Minister on funding recommendations; and strengthened performance measurement for the IAS.



The Department has already taken action, or is implementing changes, to address the recommendations. The following paragraphs provide the Committee with a short update in relation to each of the recommendations.

***First, the regional network enabling local solutions.*** The regional network has an extensive on-the-ground presence through 37 offices in capital cities, regional and remote locations, supplemented by a direct presence in approximately 75 communities. The network places senior staff close to communities and has specialist officers who lead direct engagement with communities. In particular, Indigenous Engagement Officers live in their community, speak the Indigenous language(s) used by the local community and use their knowledge of the community and language to help government understand local issues and to ensure community feedback is heard.

The revised IAS Guidelines provide a stronger role for regional network staff in supporting organisations to develop project proposals, particularly through the new community-led grants process. The Guidelines also include strengthened assessment criteria that relate to Indigenous community support for proposals. Regional network staff have a key role in assessing grant applications and applying local knowledge to the assessment process and are integral to the effective implementation of the IAS.

This was developed in consultation with Indigenous communities through formal consultation on the new Guidelines and through ongoing engagement through the network.

***Secondly, strengthening grant assessment processes.*** The Department has acknowledged that there was during the initial grant round a need for clearer communications with potential grant applicants. The revised IAS Guidelines include greater clarity around application processes, a simpler application form, further information on the five programme areas and clearer guidance on the assessment criteria.

The Department has also built into its grants management arrangements a strengthened Assessment Management Office which is responsible for coordinating, overseeing and providing assurance on application and assessment processes. This is ensuring we are now applying a consistent and well documented process in assessing grant applications.

The Audit report notes the primary funding opportunity for the IAS was the 2014 grant funding round. This is incorrect. Taking out the funding provided through the 2014 IAS grant funding round, the IAS has provided \$2.1billion to support over 6,800 activities.

***Thirdly, providing better departmental advice to the Minister on funding recommendations.*** The implementation of improved grant assessment processes (discussed above) promotes consistency in the briefing advice provided to the Minister in his role as decision-maker. Each brief submitted to the Minister for consideration includes a range of information to support funding recommendations. Standardised briefing templates have been established for briefing purposes to achieve consistency. Our revised processes provide us with assurance that the departmental advice provided to the Minister is clear and accurate, and that outcomes from the decision-making process are appropriately documented.

***Lastly, strengthened performance measurement.*** A key focus for the Department is to strengthen the IAS performance framework, our key performance indicators, performance

monitoring and reporting processes, and program evaluation. Our work in these areas will inform future investment decisions.

The Department is reviewing the measures related to the IAS that are reflected in the Department's corporate plan and portfolio budget statements. Work is also underway to improve grant performance information, including key performance indicators for IAS projects.

The Department has in place an evaluation plan for the IAS and work is underway to build a longer term program of evaluations. This program of work will be critical to measuring the impact and effectiveness of the IAS in achieving outcomes and takes into account recent announcements about increasing funding for the evaluation of Indigenous programmes.

To support our work in this important area, the Minister announced in February 2017 that \$40 million has been committed over the next four years to strengthen IAS evaluation activities, with the Prime Minister also announcing a further \$10 million in funding for research into Indigenous policy and its implementation. Through this work we will be better able to assess where our investment needs to be focused in the future, and ensure the IAS continues to deliver positive outcomes for Indigenous Australians.

In conclusion, the Department acknowledges the ANAO has an important role to fulfil in relation to the accountability of public service administration, and notes there would also be a benefit in future ANAO audits of Indigenous programmes and policies having a stronger focus on evaluating their impact.



## Attachment C

### Update on implementation of ANAO recommendations

The following paragraphs provide the JCPAA with a short update in relation to the four recommendations made in ANAO Report No. 35 of 2016-17 *Indigenous Advancement Strategy*. The update includes additional actions taken or underway since the Inquiry, and it should be read alongside the department's submission to the JCPAA during the Inquiry process.

***First, the regional network enabling local solutions.*** The department is reviewing elements of the IAS Guidelines, including to support increased Indigenous participation in the oversight and delivery of IAS grant funded activities, and the Regional Network's local knowledge of organisations and communities will be critical in this regard.

The Regional Network also continues to mature its approach. Currently the Network is undergoing a recalibration exercise intended to build on its strengths and capabilities, and redefine the role it plays as part of the lead agency for Indigenous Affairs. This project aims to continue to enhance the capability of the Regional Network to:

- meet growing expectations of the public for the conduct of government business;
- understand and facilitate both social and economic opportunities for Indigenous Australians; and
- work with a stronger place-based perspective while contributing to the broader policy and program development work of the Indigenous Affairs Group of the department.

***Secondly, strengthening grant assessment processes.*** In addition to the points made in our original submission, it is noted that the department provides guidance for applicants through program specific application kits which detail program priorities and application information related to the funding round in question.

The department is also in the process of formalising an IAS Provider Forum. The Forum will provide a key consultation and engagement mechanism with providers funded under the IAS. It will focus on operational and administrative matters, such as grant application processes.

The department previously advised on the steps it had taken to apply a consistent and well documented process in assessing grant applications through a strengthened Assessment Management Office. Additionally, the department has established a Grants Assurance Office to bolster quality control and assurance over grants processes, and reinforce enhanced staff training in grants administration.

***Thirdly, providing better departmental advice to the Minister on funding recommendations.*** The department's response to the ANAO recommendation and original submission to the JCPAA addressed this issue.

The department continues to monitor the effectiveness of the controls it has put in place to improve briefing advice to the Minister in his role as decision-maker.

As indicated above, the recently formed Grants Assurance Office has a key role in reviewing the effectiveness of controls and making recommendations to improve administrative processes and practices.

***Lastly, strengthened performance measurement.*** IAS grant key performance indicators (KPIs) were re-designed during 2017, with clearer links to the grant recipient's funded activity deliverables. The new KPIs will help establish a more reliable and coherent evidence base, enabling us to better understand what outcomes are being achieved under the IAS.

The revised KPIs for Program 2.2 Children and Schooling grants are being applied to over 500 activities with renewed funding from January 2018. For the remaining IAS programs, revised KPIs are expected to be entered into the grant management system in March 2018 so that they can be applied from that point forward.

The revised KPIs will also inform strengthened performance measures related to the IAS in the department's 2018-19 Portfolio Budget Statements and next iteration of the Corporate Plan.

In July 2017 an enhanced departmental agreement manager verification process was introduced to strengthen the assessment of grant recipient performance reports.

To supplement our current provider performance reporting and review processes, the department is also conducting a pilot of an in-depth, independent review process known as Grant Activity Reviews. These reviews will gather richer insights on the contribution IAS grant funding is making in communities, which will also be made public to support policy and program development and to better inform communities and service providers.

The pilot is examining 12 grant activities in Western New South Wales funded under the Children and Schooling and Safety and Wellbeing programs, and it will be used to inform the methodology and broader rollout of the concept.

Following the pilot the intent is to implement a full program of reviews across targeted areas in Australia. This will help build the evidence base about both place-based outcomes and the effectiveness of different types of grants.

The Grant Activity Reviews will focus on four key areas:

- outcomes and benefits being achieved through individual grants;
- identifying strengths and opportunities to improve service delivery;
- better understanding the grant recipient's business drivers; and
- improving the design of grants and grant management practices.

Finally, the IAS Evaluation Framework is now available on the department's website and has been informed by consultation with Indigenous Australians.

Central to the Framework are a set of core values that explore how well IAS programs and activities make a positive contribution to the lives of Aboriginal and Torres Strait Islander peoples. Best practice principles will be used to guide all IAS evaluations to be relevant, robust, appropriate and credible.

The IAS Evaluation Framework is published alongside the IAS 2017-18 Annual Evaluation Work Plan.