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Joint Committee of Public Accounts and Audit

Answers to Questions on Notice

Department/Agency: Australian National Audit Office

Inquiry: Administration of Government Grants Inquiry into Auditor-General's Reports 5, 12 and 23 (2019-20)

Committee Member: Mrs Lucy Wicks MP

Type of question: Written

Date set by the committee for the return of answer: 4 August 2020

Questions regarding the application assessment process

1. **ANAO:** Footnote 38 of the audit report outlines that it is prudent for the approver to remain at arm's length from the assessment process in grant programs.
 - a. Can you please provide examples of other instances identified through your performance audits where having this separation should have occurred?
 - b. In those previous cases, can you please explain what recommendations the ANAO handed down at the time and if those recommendations were implemented?
 - c. What are the main differences between those previous instances where the approver has not been at arm's length from the assessment process and what has been found through the course of this audit?

Answer

There have been two earlier audit reports where the ANAO identified a lack of separation between the decision-maker and the assessment process:

- Auditor General Report No. 3 of 2010–11 *Establishment, Implementation and Administration of the Strategic Projects Component of the Regional and Local Community Infrastructure Program*; and
- Auditor General Report No. 14 of 2007–08 *The Regional Partnerships Program*.

In relation Auditor General Report No. 3 of 2010–11, the ANAO recommended that clearly defined selection criteria be published in the program guidelines and applied by the administering department in the assessment of grant applications. The report of that audit also set out that the grants administration framework required departments to provide advice to Ministers on the merits of each grant application relative to the guidelines for the program, which had not occurred in relation to this program. The grants administration framework that is now in place had been developed in response to the findings and recommendations of Auditor General Report No. 14 of 2007–08. The 20 audit recommendations included eight that related to application assessment and approval processes.

The key difference between what was found in those two audits and the audit of the Community Sport Infrastructure Grants (CSIG) Program was the conduct of a parallel assessment process by the Minister's Office. The ANAO has not previously audited a grant program where assessment of grant applications was undertaken simultaneously by both the administering entity and staff in a Minister's Office, with different criteria being applied.

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Questions regarding comparisons with the Australian Research Council

2. **ANAO:** In your answer to Question 1 Part 1 in Supplementary Submission 1, you outline the key learnings from the ARC audit report that can be applied to other grant admin programs. These include engaging subject matter experts and implementing fit-for-purpose IT infrastructure that can be used to manage grants from end-to-end.
- a. Subject Matter Experts: What role could there be in grant programs administered by other entities for subject matter experts?
 - b. Maturity Comparisons: In the Committee's hearing on 7 February 2020, the ANAO advised that "the ARC has a mature and effective process to assess grants. It is a process that has developed over time" (page 2 of the February 7th transcript).
 - i. How can the key findings from the ARC report be adopted and utilised by entities who may not be delivering grant programs consistently and may not be able to mature their processes over many years?
 - ii. The ANAO noted in their second supplementary submission that they have undertaken 50 performance audits of grant programs since July 2009. How many of these audits considered grant programs that had been running consistently, year on year?
 - iii. What can be done to address inexperience and/or gaps in grant administration as a result of processes not being as mature as they could be in all entities?
 - c. Conflict of Interest: With regards to Conflict of Interest arrangements, the Auditor General noted in a previous hearing that the ARC's "approach to dealing with probity-type issues is very good" (page 4 of the February 7th transcript).
 - i. What can other entities, like Sports Australia, learn about management of probity-issues from the ARC?

Answer

(a) Through our audit work we have observed that Subject Matter Experts can make a valuable contribution in design of grant programs as well as in the assessment of competing applications (such as through membership of assessment panels). The Commonwealth Grants Rules and Guidelines (CGRGs) provide a governance framework for third party involvement in the assessment process in that they set out that:

- third parties, including external committees, are required to adhere to applicable requirements of the CGRGs, where they undertake grants administration on behalf of the Commonwealth; and
- where a committee assesses applications against particular criteria, or recommends supporting particular grant activities or distributing relevant money to grantees, committee or panel members are to be treated as officials for the purposes of the CGRGs.

(b) (i) and (iii) Entities not experienced with regularly delivering grant programs, or that have yet to mature their processes, can benefit from:

- consulting with other grant giving entities, both in Australia and elsewhere;
- participating in the grants community of practice that is organised by the Department of Finance; and

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- examining reports of ANAO performance audits of grant programs, and relevant ANAO *Insights* publications.

(b) (ii) The following are other ANAO audits that have examined ongoing grant programs:

- Auditor General Report No. 14 of 2007–08 *The Regional Partnerships Program*;
- Auditor General Report No. 7 of 2009–10 *Administration of Grants by the National Health and Medical Research Council*; and
- Auditor General Report No. 11 of 2014–15 *The Clean Technology Program*;
- Auditor General Report No. 18 of 2014–15 *The Ethanol Production Grants Program*;
- Auditor General Report No. 35 of 2016–17 *Indigenous Advancement Strategy*;
- Auditor General Report No. 7 of 2017–18 *Efficiency of the Australia Council's Administration of Grants*;
- Auditor General Report No. 3 of 2018–19 *Award of Funding Under the Community Development Grants Program*; and
- Auditor General Report No. 35 of 2019–20 *Grant Program Management by the Australian Renewable Energy Agency*.

The ANAO has also conducted audits of various grant programs that have had more than one funding round (but which are not ongoing programs).

(c) The ANAO's audit of the CSIG program found that Sport Australia appropriately managed conflicts of interest for the assessment team. The deficiencies identified related to broader management of conflicts of interest within Sport Australia, specifically in relation to senior officers with program oversight responsibilities. Drawing from the lessons other entities can learn from the ARC as well as other ANAO audit activity, the ANAO recently published an *Insights* publication titled *Management of Conflicts of Interest in Procurement Activity and Grants Programs*.

Questions regarding consistency with the grant guidelines

3. Paragraph 4.32 states that eight projects were completed by the time funding agreements were executed by Sport Australia, despite the program guidelines stating no projects that had commenced work would be funded.
 - a. **ANAO/Sports Commission:** Could this have been avoided if funding guidelines were drafted more clearly? How can this be avoided in the future?

Answer

The ANO's analysis is that this situation did not arise as the result of a lack of clarity in the program guidelines. Rather, the guidelines for the Community Sport Infrastructure Grants (CSIG) Program clearly identified that:

- no projects that have already commenced works would be funded; and
- project works could only commence after a funding agreement has been executed.

That the guidelines were sufficiently clear on these points was evident from applicants that had completed their projects contacting Sport Australia, their local Federal Member or the Minister's Office after they

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had been awarded funding to advise that they had completed the project for which they were being awarded funding.

The records examined by the ANAO show that Sport Australia was aware that it was signing grant agreements that provided funding for projects that had been completed, and that doing so was not consistent with the published program guidelines. Sport Australia nevertheless proceeded to sign the funding agreements. One way to avoid this occurring in the future is for funding approvals to be revoked where it becomes evident that the applicant is not eligible under the program guidelines. Sport Australia did not seek to do this in relation to the CSIG program.

The majority (six) of the eight projects that had been completed by the time funding agreements had been signed by Sport Australia were awarded funding in the second and third funding rounds. As set out at paragraph 4.31 in the Audit Report, the award of additional funding in February and April 2019 based on applications submitted in September 2018 for projects to be completed by 30 June 2019 led to an increased risk that funding would be awarded to projects that had already commenced.

As indicated at paragraph 4.31, this risk could have been managed by, before funding is awarded, confirming with applicants that they remain eligible to receive funding (that is, they have not commenced or completed work).

Questions regarding role of MPs and Senators in grant administration

4. **ANAO:** Could you please provide examples of programs at a state or territory level that have a formalised process for local representations by MPs to assist in filtering applications where grant programs may be oversubscribed?

Answer

A systematic identification of grant programs which have used endorsement by members of Parliament, whether federal or state, has not been undertaken through ANAO audit work.

The ANAO's mandate is set out in the *Auditor-General Act 1997* and does not extend to the ANAO auditing State government grant programs nor the implementation of the assessment and decision-making processes that are employed in other jurisdictions for those programs.

Nevertheless, to inform analysis of the design of Australian Government grant programs, ANAO performance audit work can include comparing the planned approach for the program being audited to the assessment and decision-making approach set out in the guidelines published for similar grant programs, whether at a Commonwealth or state level. For the Community Sport Infrastructure Grants (CSIG) program this included Australian Government and state government programs that fund community sport infrastructure projects. Examples drawn on where sporting infrastructure was an eligible purpose in the grants program included:

- Victorian Government's Community Sports Infrastructure Fund
- NSW Government's Stronger Communities Fund
- Australian Government's Strategic Projects Component of the Regional and Local Community Infrastructure Program
- Australian Government's Regional Development Australia Fund

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- Australian Government's National Stronger Regions Fund
5. **ANAO:** Could you please also provide an example (or template) of a grant program which has an effective mechanism in place to allow MPs and Senators to provide community input on local project priorities?

Answer

Similar to other local infrastructure grant programs the ANAO has audited, the CSIG guidelines provided an effective mechanism for Parliamentarians to identify whether they supported individual applications for funding. Specifically, a project support form was developed for stakeholders (including Parliamentarians) to complete and be attached to the application. Support from Parliamentarians and other stakeholders could then be taken into account by Sport Australia in its assessment of applications against the three published criteria. It was evident that support from Parliamentarians and other stakeholders was taken into account in Sport Australia's assessment work.

We are aware of two Australian Government grant programs where Parliamentarians were to play a role in the prioritisation of grant funding applicants:

- Anzac Centenary Local Grants Program which provided funding of up to \$125,000 to support projects in each Federal electorate commemorating the First World War. The published program guidelines set out the following process:
 - proposals to be developed with the local community, taking into account the published eligibility and assessment criteria. To assist this process, each Member of the House of Representatives was to establish an Electorate Committee consisting of representatives from community groups interested in the Anzac Centenary (for example, ex-service organisations, educational institutions, museums, local government);
 - Parliamentarians and their Electorate Committee were to consult broadly to develop an approach to commemorating the Anzac Centenary that represents the community's view; and
 - Parliamentarians and their Electorate Committee were to assist the Department of Veterans' Affairs (DVA) assess each application by providing comments against the assessment criteria. DVA was responsible for the assessments and providing recommendations on funding approvals to the Minister for Veterans' Affairs (who was the decision-maker). The guidelines set out that that the Minister may decide not to award any grants, or not to award the full \$125,000 available within a particular Federal Electorate, where the applications did not meet the assessment criteria; and
- The Stronger Communities Programme which provided each Federal electorate with \$150,000 to fund small capital projects. The published program guidelines set out the following process:
 - in consultation with their community, each Member of the House of Representatives must identify potential applicants and projects in their electorate and invite them to apply for a grant. Only those entities invited by the Member to apply were eligible for program funding;
 - Parliamentarians must either consult with an existing consultation committee or establish a new consultation committee comprised of representatives from the local community, to identify potential applicants and projects in their electorate. The identified projects must be consistent with the intended program outcomes and criteria. Parliamentarians

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must advise the department of the basis for project selection and provide a detailed list of nominated applicants and projects; and

- the Department of Industry, Innovation and Science was to assess applications for completeness and against the published eligibility criteria. To be recommended for funding, projects were required to meet all eligibility criteria, provide value for money and be considered a proper use of public resources. Funding decisions were the responsibility of a departmental official.

The ANAO has not audited either program and so is unable to comment on whether the mechanisms set out in the program guidelines were applied and effective.

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Department/Agency: Australian National Audit Office

Topic: Inquiry into the Administration of Government Grants (Auditor-General's Reports 5, 12 and 23 (2019-20))

Date of Hearing: 3 July 2020

Committee Member: Mrs Lucy Wicks MP

Type of question: Hansard, 3 July 2020, Page 13 & 14

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Question:

CHAIR: *That's given rise to another thought. Do you have any other examples in other states or territories or other programs in relation to infrastructure-type programs for communities—grant programs that are really designed for broad grassroots community outcomes such as this one? Do you know of any other grant programs at either state or territory level or national level that do have some sort of established formal process of feedback to help filter these priorities and formalise that process? Auditor-General? I apologise; we cannot hear you.*

Mr Boyd: *At Commonwealth level there have been some programs where it's the actual member of the House of Representatives who is, if you like, the key filtering process. There was an Anzac centenary grants program a few years back where each electorate was given a certain amount of money and the local member played a key role in the input to that. With another program, and what we see more commonly is: it'll be explicitly part of the criteria, as to the level of demonstrated local support, and part of demonstrating that can be the extent to which you are able to get your local member—your federal member or sometimes your state member—to actually put their name down in supporting the candidate for funding and the reasons for that, and then that gets transparently picked up in the merit scoring process. But that's just part of the assessment process. The challenge here for this program was: the input was happening at the decision-making stage, with not all members of parliament aware there was a capacity to actually provide input to that, rather than at the assessment stage; it then impacted upon the merit scoring of the projects.*

Mr HILL: *No-one told me.*

CHAIR: *I'll take that as a comment, Deputy Chair! A final question, and I'm happy for you to take this on notice: are you aware whether perhaps there are other programs—so you've noted federal programs, but whether perhaps at a state or territory level there are other examples that it might be helpful to provide? I'm just wondering if you know of any or if you would be willing to take that question on notice?*

Mr Hehir: *I'll take it on notice—*

CHAIR: *Sure.*

Mr Hehir: *but I'm not certain that it's something that would've been picked up in our normal processes. I will take that on notice.*

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Answer:

A systematic identification of grant programs which have used endorsement by members of Parliament, whether federal or state, has not been undertaken through ANAO audit work.

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