

## **PARLIAMENTARY INQUIRY QUESTION ON NOTICE**

**Department of Health and Aged Care**

**Joint Committee of Public Accounts and Audit**

**Inquiry into probity and ethics in the Australian public sector**

**PDR Number: IQ23-000100**

**Risk assessment on grant opportunity guidelines**

**Spoken**

**Hansard page number: 24**

**Senator: Julian Hill**

**Question:**

Mr Chalmers: As to the process around risk—there is a Department of Finance led process around developing a self-risk assessment for every set of grant opportunity guidelines we produce. Within that risk assessment we look at constitutional and legislative risk, and a number of implementation and delivery risks. That risk assessment is then provided to the Department of Finance for comment, and for agreement of a risk rating for each set of grant opportunity guidelines. Depending on the overall risk rating of that grant opportunity, it depends on the approval process prior to then offering that grant opportunity publicly.

Senator REYNOLDS: Will that form part of your advice to the minister, in terms of your assessment of risk?

Mr Chalmers: That advice goes to our minister as part of the process. When the risk rating is medium or high, that risk rating is provided along with the overall risk rating.

Senator REYNOLDS: From my memory of these situations, just because it has a medium or high risk doesn't mean you shouldn't proceed; it actually just means you need to make sure that the department has the appropriate risk mitigation measures in place to implement it? But it is higher risk?

Mr Chalmers: Correct.

Senator REYNOLDS: As to what the Chair asked, can you take that on notice and provide more information about what the situation was then in terms of what we've just been discussing and then how you've changed it, in a bit more detail? That would be quite instructive for us. It's a journey that many others need to go on.

**Answer:**

The Commonwealth Grants Rules and Guidelines (CGRGs) specify that officials must "be conscious of the risks of a grant opportunity, make informed decisions in managing these risks and identify and harness potential benefits." To meet this requirement the Department has processes in place, in line with the Grants Policy Framework and other whole of Government requirements, to assess and manage risk relating to grants programs across the grants lifecycle as set out below.

**Budget Process Operational Rules and New Policy Proposal requirements**

As required by the Budget Process Operational Rules, the Department's new policy proposals:

- clearly identify risks and mitigation strategies associated with the proposal.
- include a constitutional and legislative risk assessment as assessed by the Australia Government Solicitor (AGS).
- where required, include completion of a Risk Potential Assessment Tool.

**Ministerial approval to undertake a grant process in a particular way**

The department has a process in place to seek the Minister's agreement to the implementation details of a grant program. This includes, among other things:

- how the market will be approached (funding round type).
- who will make funding decisions.
- the legislative basis for the grant.

A specific briefing template has been developed for this process which ensures that the Minister is provided with all information required by the CGRGs. The template includes a section on constitutional risk and the legislative basis for the grant program, including mitigations to reduce risk, as well as a section which details any other sensitivities.

**Grant Opportunity Guidelines (GOGs)**

The CGRGs require GOGs to be developed for all new grant opportunities, including one-off or ad hoc grants. Complementary to the GOGs, the Department also (except for ad-hoc grants) completes a Self Assessment Risk Analysis (SARA).

- The SARA considers a range of risks including legal, governance, and implementation risks and details how these risks will be mitigated. Considerations also include complexity of the grant opportunity's design, the expected number of eligible applicants and constitutional and legislative risk.
- The SARA is provided to the Department of Finance to agree on a risk rating for the grant opportunity.
- Where the risk rating is High or Medium, the Finance Minister is required to approve the release of the grant opportunity.
- Where the risk rating is Low, the Portfolio Minister can approve the release of the grant opportunity.

## **Assessment and Selection of grant recipients**

As part of the grant selection process we complete the following documents which detail how risk is assessed and managed:

- An Assessment Plan, which specifies, among other things, how risk will be assessed as part of the application assessment process.
- An Assessment Report, which summarises the assessments of organisational risk relating to individual applicants recommended for funding and other issues identified during the assessment process, in line with the assessment plan.

## **Establishing grant funding agreements**

The Department of Health and Aged Care (the department) takes a risk-based approach to developing funding agreements which ensures that the terms and conditions in an agreement are tailored to the risk, complexity and size of the relevant grant. This ensures that where grant programs are high value, high complexity and/ or high risk, there are appropriate protections in the grant agreement for the Commonwealth.

## **Managing risk during the delivery of grants**

During the life of a grant agreement the Community Grants Hub (the Hub) are responsible for monitoring operational risks associated with the grant. The Hub undertake regular assessments of funded organisations using an organisational risk tool and notify the department where significant risks to the program are identified.

## **Evaluation**

Risks and issues identified during the grants administration process are used to inform the evaluation and continuous improvement of both grant programs and grant agreements.

## **Assurance**

The department undertakes a quarterly grants assurance program which undertakes sample testing to confirm compliance with the requirements of the CGRGs and the department's policies in relation to grants. The program provides assurance that policy areas delivering grants are following established processes, including those designed to identify and mitigate risk. A quarterly snapshot of grant activity is also provided to the Executive Committee, ensuring active visibility of planned and completed grant delivery, including risks to grant establishment or delays in planned payments.

## **Continuous Improvement**

The department continues to undertake action to strengthen compliance with the CGRGs, improve and clarify guidance materials and uplift the capability of officials undertaking grants administration, including in response to the Australian National Audit Office report on the *Administration of the Community Health and Hospitals Program*.

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**Inquiry into probity and ethics in the Australian public sector**

**PDR Number:** IQ23-000101

**Esther Foundation**

**Spoken**

**Hansard page number:** 25

**Senator:** Linda Reynolds

**Question:**

Senator REYNOLDS: Can I also ask you to take this on notice. I have some sketchy details here, but if you could confirm that the state government has also been a longer term funder of the Esther Foundation as well, both under the Liberal government, with at least two grants in 2010, and then the McGowan government, with one or two at the same time, around 2018-19? I think Ms Murphy is very interested in that project. I think that would be helpful for both of us.

Ms Pratt: Yes.

CHAIR: Not wanting to re-create our conflict entertaining moment. Maybe if we finish off on the Esther Foundation so we have all of the facts. Can you give us a chronology of how things transpired? My understanding of the so-called evaluation and advice was that happened a long time after the decision to fund?

Ms Pratt: Yes. I will quickly go to my brief. Essentially the project was announced I believe on 8 March 2019, after which the department received a proposal from the Esther Foundation that we then assessed in June. The funding agreement was executed on 25 June. Is that the extent of detail?

CHAIR: The ANAO report found there were less than 100 words commentary in support of the assessment, all of which were copied from an Esther Foundation media profile and activity plan provided by Esther Foundation on request from Health, and 'there was no financial viability assessment or audited financial statement'. As you said, it was announced on 8 March when the former Prime Minister announced it, saying that the foundation had 'completely captured his heart'?

Senator REYNOLDS: Can you also take this on notice. As to the quote the Chair has read out from that news article, was that assessment—

CHAIR: Purported to be quoting a report, but we could check that.

Senator REYNOLDS: Just so we have the facts, was that actually part of the consideration of the Health assessment that went to the minister to say that it was suitable and value for money?

Ms Pratt: Yes, that's correct. A financial viability assessment of the organisation itself was not done, which ANAO found, but the 100-word assessment was what went to—

Senator REYNOLDS: Given that the state government had been funding it for quite some time, it wasn't a new organisation?

CHAIR: They hoodwinked everyone, but that doesn't excuse the lack of proper analysis?

Senator REYNOLDS: I'm not excusing it. I'm just saying: what were the facts available at the time to the minister and the department?

**Answer:**

- The Esther Foundation was awarded \$4 million in March 2019, and was included in the 2019-20 Budget as part of the *Prioritising Mental Health – caring for our community* measure.
- The grant provided funding over seven years from 2018-19 for the Esther Foundation young women's residential health, development and leadership program to provide counselling to assist with issues such as domestic violence, substance use, mental health and self-harm.
- The Esther Foundation went into voluntary administration in April 2022.
- On 25 May 2022, the funding agreement between the Commonwealth and the Esther Foundation was terminated as the foundation went into liquidation. At that point a total of \$2 million had been paid.
- The WA State Government has previously funded the Esther Foundation, with funding provided preceding that of the Commonwealth's investment in 2018-19. This funding was not operational nor was there any remit or official relationship to the Foundation. All funding provided consisted of indirect support, grants and placement of individuals to the foundation. Specific details around funding amounts should be directed to the WA Government.

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**Inquiry into probity and ethics in the Australian public sector**

**PDR Number: IQ23-000103**

**Three issues of deliberate non-compliance**

**Spoken**

**Hansard page number: 30**

**Senator:** Linda Reynolds

**Question:**

Senator REYNOLDS: It's a real challenge, isn't it, in any organisation, whether departmental or not, that is, getting the balance right between making sure you don't end up with a risk averse culture where people just don't want to make any decisions or don't want to make any calls and things slow down—and we can think of a number of examples—versus making sure there's frank and fearless advice that ministers need; that they don't necessarily always want to hear but they need, and getting the balance right?

Mr Wann: That's exactly right, and it takes another form as well in terms of the frameworks that we establish have to be risk based, absolutely. I will say that on average it takes six to nine months to get a grant out the door because of the frameworks we have in place. It is a complicated process with many steps and many players within that. To run through a grant process requires working with the grant recipient, working with the minister's office, going through all of the internal processes, going to Finance and seeking approval there, and then moving over to the grants hub. And then the playback between the grants hub and the department. It is not a simple process. It does take six to nine months even to get the most basic low-level grant out.

Senator REYNOLDS: So, how do you then balance that with the purpose? Can I ask a question on notice: as to the three issues of deliberate noncompliance that you discussed, are you able, on notice or perhaps just tell us, which ones they are and where the reference to them is in the report?

Mr Wann: Yes.

**Answer:**

The Commonwealth Auditor-General conducted an independent performance audit of the Department of Health and Aged Care on the *Administration of the Community Health and Hospitals Program*. The subsequent ANAO report was provided to Parliament on 5 June 2023.

The references have been made in the ANAO report on instances assessed by the department as significant non-compliance with finance law during the performance audit process.

Chapter 2 of the ANAO report, *Administration of funding arrangements*, paragraphs 2.53 to 2.61 (pages 41 to 43) includes Case study 2 Failure to develop grant opportunity guidelines. Case study 2 outlines the circumstances around the instances of non-compliance with finance law. Paragraph 2.61 notes the department's assessment of the instances of non-compliance and subsequent reporting to both the Minister for Health and the Minister for Finance, in February 2023.

The ANAO report at Appendix 4 (page 95), Table A.1 *Key ethical requirements in the CGRGs* references Case study 2 and discussion at paragraph 2.54.

The department notes that the grants were directed toward essential mental health services for vulnerable children and, in the case of the Indigenous Suicide Prevention Leadership grant, to take urgent action to deliver a national plan to address unacceptably high rates of suicide. There was significant community expectation for these to be established as quickly as possible after announcement by the Government. Specifically:

- Funding for **Kids Helpline** to meet increased unmet service demand. Urgent funding was required to from 1 July 2019 to reduce wait times, and meet increased demand from children and teenagers, improve web services and expand engagement platforms (in response to the 2018-19 annual client survey).
- Funding for **Indigenous Suicide Prevention Leadership** to establish Gayaa Dhuwi (Proud Spirit) Australia, from 1 July 2019, to represent First Nations people and take urgent action to deliver a national plan to address unacceptably high suicide rates and improve mental health outcomes.
- **Child & Adolescent Wellness Centre of Excellence** – high community and stakeholder expectation to urgently establish the Centre, from 1 July 2019, to provide a safe, secure and confidential environment for disadvantaged children and adolescents affected by Childhood Trauma in the Illawarra region of New South Wales.

For all three grants the documented proposal assessments were prepared and organisational risk assessments undertaken which incorporated value for money and other due diligence assessments such as organisational performance.