Australian Government

Department of the Environment and Energy

Response to Question on Notice

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

**Commonwealth Grants Administration—Inquiry based on
Auditor-General's reports 25 (2015-16), 4 (2016-17), 12 (2016-17) and 35 (2016-17)**

DEPARTMENT OF THE ENVIRONMENT AND ENERGY

GENERAL COMMENTS

Nil

SPECIFIC QUESTIONS ON NOTICE

Question # 1

(p. 12) **Mr HART:** My question is to the department. The department accepted two late applications and, when queried by the ANAO, described it as an oversight. However both the assessment team and the probity adviser recommended the applications be rejected. Why was the advice of both the assessment team and the probity adviser ignored? What were the contents of those applications?

Mr Dadswell: Sorry, I was not part of that advice, so I cannot comment on the basis for that decision-making.

Mr HART: Can you take that on notice.

Ms Jonasson: We are happy to take that on notice.

Response

The assessment team recommended 33 late applications be excluded from the assessment process. Probity advisors agreed with this recommendation.

Due to an administrative error two of these late applications were included in the applications that were eligible for funding. Neither of these applications were successful in the competitive assessment process.

Question # 2

(p. 12) **Mr HART**: Seventeen applications that failed the published eligibility criteria were funded, including 12 applications awarded $58,241 in funding which was sent to ineligible activities or relocated to another activity, in particular administration. Why were these projects funded, and how was the $58,241 allocated to administration costs?

Mr Dadswell: I think there was an understanding at the time, and based on the advice from the then probity adviser, that the ineligible elements of those applications could be addressed in the contracting phase, after the project had been approved, and then, in the contracting phase of that project, negotiations would be held with the applicant to remove those ineligible activities. We recognised and we always did that follow-through. That was the approach at the time. I am not suggesting that that is a correct approach.

Mr HART: Was the advice reduced to writing?

Mr Dadswell: Sorry?

Mr HART: Was the advice that you received from the probity adviser reduced to writing?

Mr Dadswell: Produced in writing?

Mr HART: Reduced to writing. Did you receive written advice from the probity adviser?

Mr Dadswell: I would have to take that on notice.

Mr HART: If it has been reduced to writing, could you table it?

Mr Dadswell: Yes.

Response

The successful projects that included ineligible activities were funded because they were assessed as delivering the program objectives and represented value for money. The projects had a competitive 'cost per tree' (total funding requested divided by the number of trees delivered). Any funding requested for ineligible activities was reallocated to an eligible activity. This occurred in consultation with the project proponent, as part of the contracting process.

The ANAO identified that $58,241 of funding was reallocated from ineligible activities to eligible activities, including, for example, 'administration'. Other examples included reallocation to eligible activities such as weeding, site preparation or purchase of seed.

The Department's approach to eligibility was supported by written advice from the Probity advisor, Sparke Helmore (see attached).

Question # 3

(p. 14) **CHAIR:** On notice, could the department provide us with a little bit more detailed evidence around the chief risk officer, their roles and responsibilities and the enhanced governance committee that you chair?

Response

The Chief Risk Officer (CRO), appointed December 2015, is a specialist advisor to the Executive Board tasked with making sure the Department identifies and manages risk as well as possible. The CRO is responsible for ensuring all Departmental employees understand how to effectively manage risk and that risk can be taken within sensible boundaries. The CRO provides a mentoring service and works to identify the most significant risks facing the Department, ensuring the Department's leadership is aware of these risks.

Providing advice to the Department's leadership on the effectiveness of how risk is managed, the CRO provides independent advice to the Executive Board on current and future risks faced by the Department.

The CRO sits as an observer to the Department's Audit Committee and as a permanent adviser to the Department's Governance and Performance Committee.

The role of the Governance and Performance Committee is to identify, provide advice on, and promote opportunities to enhance governance, performance and effectively manage risk in the Department. The Committee is accountable to the Executive Board for:

- advice and oversight of governance and risk

- advice and oversight of evaluation and performance reporting

- advice on whole of APS initiatives

- advice and oversight of progress made to implement priority recommendations (as identified by the Executive Board) under the Review Consolidation project

- encouraging 'fit for purpose' governance systems

- improving connectivity with the other governance committees

- encouraging continued professional development for members

- other functions or tasks as directed or delegated by the Executive Board.

Question # 4

(p. 14) **CHAIR**: I am assuming that you have measured the number of people that are formally trained or coached in the Commonwealth Grants Rules and Guidelines framework?
Ms Jonasson: I would have to take that question on notice.

Response

The Department does not maintain a register of trained staff (therefore no metric is available).

The Department has a grants advisory function which is provided out of the Financial Services Branch (under the CFO's direction). This area maintains the Department's Grants Administration Framework – this includes the provision of policy guidance, advice and documentation to line areas in relation to the Commonwealth Grants Rules and Guidelines (CGRGs). The Department's Grants Administration Framework reflects the requirements of the CGRGs.

Representatives from this advisory area participate in Department of Finance administered whole of government forums (both informative and working group). Information garnered through these forums is distilled to line areas through a number of mediums including face-to-face, intranet updates (and documentation), and policy guidance.

The Financial Services Branch has recently commenced a review of its training program and requirements and anticipates refreshing training frequency and content across a range of subject matters including grants administration.

Question # 5

The ANAO audit found considerable shortcomings in the eligibility assessment process in particular. Can the department outline the reasons for those problems and specific action taken subsequently to improve processes in the future?

Response

The Department acknowledged issues with its approach to assessing eligibility for 20 Million Trees Grants Round One. In addition, due to administrative error, the eligibility guidelines were not consistently applied in some cases. The Department revised its approach to eligibility in the Round Two grant guidelines.

20 Million Trees Round Three is planned for launch in 2017 and improvements to eligibility processes are currently being designed. These improvements include:

- development of a new HTML application form which will be simpler for applicants to use, including design features to prevent applicants from nominating ineligible project dates and activities, or exceeding funding limits.

- Revision of documents, forms and training materials related to Grants Round Three to clarify and simplify eligibility processes.

- Revision of the applicant's 'declarations' to minimise the likelihood that applicants will inadvertently make false declarations.

- Training assessors in the eligibility requirements for the Round and ensuring all assessors understand that the inclusion of any ineligible activities will mean the entire application will be ineligible for funding.

- The Department has begun transitioning grant programs to the Department of Industry, Innovation and Science Business Grants Hub. By working with the Department of Industry, Innovation and Science, the Department will ensure future administration of portfolio grant programs is undertaken in a consistent and thorough way throughout the lifecycle of each grant program, including the design phase and the development of eligibility criteria.

A quality assurance process is also being included in Round Three to confirm that the scoring formula has been correctly applied. Assessment plans and record keeping processes are checked by a senior officer. Assessment panels are chaired by an independent officer and overseen by the Probity Advisor.

The Department also continuously updates the way it supports and ensures staff receive the appropriate training and information. A new internal web page called the Grant Manager Processes has recently been created to set out the specific steps officers must follow, consistent with the Commonwealth Grants Rules and Guidelines.

An internal audit program comprising program and systems audits provides further assurance.

Question # 6

The Department's submission to the Inquiry notes that a new 'robust application process' is being established, which will include 'improved assessment criteria and processes, which will simplify the assessment process and lead to more consistent assessment outcomes':

a. Can you expand on the particular processes and improvements being made in this regard, in light of the ANAO's findings regarding assessment process shortcomings?

b. What training do staff receive to ensure they fully understand the assessment process and criteria?

c. What assurance processes are in place to ensure that the correct processes and criteria are being applied by staff?

Response

Refer to the response to Question 5.

Commonwealth Grants Administration - Inquiry based on Auditor-General's reports 25 (2015-16), 4 (2016-17), 12 (2016-17) and 35 (2016-17)

Submission 2 - Supplementary Submission

Question # 7

a. What assurance processes are in place to ensure that the Minister receives accurate, complete and relevant advice on grant decisions?

b. Have any of these processes changed as a result of these audits? If so, in what ways?

c. What specific training is being provided to officers involved in assessing applications?

Response

Assurance processes include consultation on key advice documents both within the Division and with other relevant areas in the Department such as the Financial Services Branch. Key external parties such as the Moderation Panel and the Probity Advisor also assist in ensuring that the Minister receives accurate, complete and relevant advice on grant decisions. In addition, advice is approved by senior officers.

The Department follows the processes in the Commonwealth Grants Rules and Guidelines. For instance, notifying the Minister of mandatory obligations associated with approving grants presented by the Department.

A quality assurance process is being included in Round Three. A sample of application scores will be checked to make sure that the scoring formula has been correctly applied and therefore that the application rankings are correct. In addition, the roles and responsibilities of parties are being clarified in the Assessment Plan, which will strengthen the assurance processes.

All assessors must participate in training provided by the Department. The training includes ensuring that assessors:

- uphold the APS Values and Code of Conduct

- are aware of their roles and responsibilities and terms of engagement

- understand and agree to follow the Assessment Plan

- have a consistent understanding of the assessment criteria and the eligibility criteria

- are aware of and understand the supporting material available to them to undertake the assessments

- have a clear understanding of the Program Guidelines and Commonwealth Grants Rules and Guidelines

- have a clear understanding of probity principles and requirements, including as set out in the Probity Plan

- complete a Conflict of Interest declaration, and understand their obligation to alert the Department to any new conflicts that might arise

- understand how to assess Applications and allocate a score using the assessment scoring system and the Online Assessment Tool

- understand the roles and responsibilities of support staff and decision makers.

Question # 8

a. How are grants programs monitored during their existence and evaluated afterwards?

b. Once a program has been evaluated, what happens to the report?

c. Does the department have a process for ensuring that issues identified inform subsequent grants programs?

Response

Monitoring and evaluation are a key component of the successful management of grants programs in the Department. The Monitoring Evaluation Reporting and Improvement Tool (MERIT) is the Department's online reporting tool. It was developed for the project and program reporting requirements of Australian Government Natural Resource Management (NRM) Programs. MERIT was developed by the Biodiversity Conservation Division in collaboration with the Atlas of Living Australia to streamline and enhance existing monitoring, evaluation and reporting processes.

For program participants, reporting through MERIT can mean collecting project specific information about the natural resource management, biodiversity and natural heritage conservation activities delivered, spatial data, the impact of their project, as well as tracking and reporting on individual experiences, skills and professional development gained through the program. Participants may also upload case studies, project reports and videos to MERIT.

Evaluation is tailored to each grants program. For instance, a final 20 Million Trees evaluation will assess whether the program has achieved its objectives. To support this aim, a 20 Million Trees mid-program performance update is being prepared. The dissemination of evaluation reports is determined by the Government, but most reports are made public on the Department's website.

The Department has several methods and approaches in place to ensure lessons from previous grant programs inform subsequent programs at a program level (through lessons learnt registers and transfer of experienced staff) and more broadly through the Department's Review Consolidation Project.

The Department has consolidated recommendations from external reviews and audits thematically which assists the Department to address all outstanding external review and audit recommendations or proposals. More importantly, this approach ensures that improvements to business governance and performance are achieved in an integrated, streamlined and strategic manner. The Review Consolidation Project is an effective method of monitoring the implementation of review and audit recommendations. Strategic insights and learnings gained through analysis of recommendations for subsequent environmental programs and activities are provided through the Department's Governance Committees and the Portfolio Audit Committee.

In addition to the Review Consolidation Project, the Departmental Governance and Performance Committee referred to in Question (3) identifies and addresses opportunities to enhance governance, performance and effectively manage risk across the Portfolio.

Question # 9

a. Can you outline the process by which the evaluation plan was developed?

    i. How did you decide what to evaluate and how to evaluate it?

b. At what point in the grants process was evaluation design considered?

c. How was it budgeted?

    i. Was a specific proportion of the program funding allocated to evaluation activities?

Response

Project evaluation

Project monitoring, evaluation and reporting is an integral aspect of the successful management of competitive grants in the Department. Successful 20 Million Trees funding recipients are required to detail their project plans in the Monitoring Evaluation Reporting and Improvement Tool (MERIT). MERIT is an online reporting tool that was developed for the project and program reporting requirements of Australian Government NRM Programs. MERIT was developed by the Biodiversity Conservation Division in collaboration with the Atlas of Living Australia to streamline and enhance existing monitoring, evaluation and reporting processes.

For program participants, reporting through MERIT can mean collecting project specific information about the natural resource management, biodiversity and natural heritage conservation activities delivered, spatial data, the impact of their project, as well as tracking and reporting on individual experiences, skills and professional development gained through the program. Participants may also upload case studies, project reports and videos to MERIT.

Under the competitive grants rounds, applicants can request up to five per cent of the total requested funds for evaluation, monitoring and reporting activities. These activities must include:

- a Monitoring, Evaluation, Reporting and Improvement Plan, submitted in MERIT shortly after the Project Commencement Date;

- an online progress report in MERIT every six months during the term of the Funding Agreement, including evaluation requirements in each stage; and

- a final Project report, including a final survey, due within eight weeks of the agreed completion date for the Project. This final survey includes additional questions that will contribute to the Department's mid-term and end of term evaluations of the Program.

Program evaluation

A Monitoring, Evaluation and Reporting Plan was developed as part of the initial program design phase. This document is included within a framework that guides the monitoring, evaluation,

reporting and improvement requirements of Australian Government natural resource management programs and projects.

The 20 Million Trees Program Monitoring, Evaluation and Reporting Plan identifies the need for a mid-term and an end of term evaluation. To deliver on this commitment, the 20 Million Trees mid-program performance update is currently being developed. This update complements the 20 Million Trees Program Monitoring and Reporting Plan, identifies key reporting questions and provides a framework for assessment of the data collected.

The mid-program performance update is due to be released in 2017.

Question # 10

a. What is done to ensure that relevant staff understand the Commonwealth Grants Rules and Guidelines?

b. What assurance processes are in place to ensure that the Commonwealth Grants Rules and Guidelines are followed for each grants program?

Response

a)   Refer to the response to question 4.

b)   The Department operates a program of monitoring and review for 'finance law' compliance with this extending to Commonwealth Grants Rules and Guidelines (CGRGs) – compliance functionality is operated out of the Financial Services Branch (Frameworks section) and the Governance Branch (Internal Audit section). Compliance functionality involves a range of activities designed to detect instances of non-compliance (preferably prior to breaching) and to guide specific areas for increased training or guidance information.

The transition of grants administration activity to the Department of Industry, Innovation and Science Business Grants Hub has identified a number of compliance (assurance) issues for resolution or clarification – both entities are working through these.

Question # 11

What formal processes are in place to ensure that lessons learned on one program will be applied to the next one - not just future iterations of the same program, but other grants programs within the Department?

Response

The Department's Grants Administration Framework has a number of phases (Design, Select, Establish, Manage and Evaluate). The Evaluation phase includes a Lessons Learned Register which line areas are encouraged to populate with issues and guidance for future programs.

The continued operability of this register will need to be considered with reference to the transition of grants administration activity to the Department of Industry, Innovation and Science Business Grants Hub.

personal information

From:	personal information :@sparke.com.au]
Sent:	Thursday, 27 November 2014 12:20 PM
To:	personal information
Cc:	personal information
Subject:	RE: 20 Million Trees - Eligibility [SPARKE-MATT.FID3017316] [SEC=UNCLASSIFIED]

Hi

We have considered your proposed handling of applications identified as being potentially ineligible and have looked over the spread sheet attached to your email.

Part 5.4 of the Guidelines, under the sub-heading "Eligibility check," provides the Department with a discretion to accept applications that do not meet all of the eligibility criteria, or where there is doubt about an eligibility issue. Also relevant is section 3.4 (Eligibility and declaration checks) of the Application Assessment Plan, which allows reference to be had to the *substantial content* of an application when determining eligibility.

We note that there are some applications in the spread sheet with eligibility issues flagged that require resolution (for example, applications 20MT-9 and 20MT-44 regarding legal entity and ABN status). We assume that the Department will resolve those issues with the relevant applicants prior to entering into agreements with them for funding, such that no funding agreement is entered into on a basis not consistent with the eligibility requirements in the published Guidelines.

Assuming that to be the case, we consider your proposed eligibility treatment (as set out below) is appropriate and defensible from a probity perspective.

If you have any further queries, please let us know.

Kind regards,

personal information | Senior Associate | Government
Sparke Helmore Lawyers | Level 4 Childers Square, 14 Childers Street, Canberra ACT 2600
t: +61 2 6263 | m:
        @sparke.com.au www.sparke.com.au
Connect on LinkedIn: http://au.linkedin.com/in/

sparke
HELMORE
LAWYERS

From:	personal information @environment.gov.au]
Sent:	Thursday, 27 November 2014 9:20 AM
To:	personal information
Cc:	personal information
Subject:	20 Million Trees - Eligibility [SEC=UNCLASSIFIED]

Hi

In accordance with the 20 Million Trees Application Assessment Plan 2014-15, as Project Selection Manager, I am seeking your advice on decisions relating to application eligibility. Section 3.4 relates to Eligibility and declaration checks. Applications that do not meet all of the Eligibility Criteria may not be eligible for funding under the Programme. The Project Selection Team have conducted eligibility checks on Applications consistent with the Eligibility Criteria listed in the Guidelines and Application Form. Assessors were also be asked to consider whether any Applications that they assess are ineligible based on the substantial content of the Application (in addition to the self-determined Eligibility Criteria in the Application form). Eligibility concerns were flagged for the attention of the Moderation Panel, including any instances where the content of the Application may contradict the Declarations the Applicant made when submitting the Application, or where the project includes some activities which are not eligible. These Applications have been identified and recorded and this information will be conveyed to the Project Selection Owner pending your probity

advice. The Project Selection Owner, in consultation with the Project Selection Manager and Probity Adviser, will decide if any of the Applications identified are to be rendered ineligible. Any Applications identified in this process will also be made known to the Moderation Panel.

The final decision on eligibility rests with the Project Selection Owner, who will consult with the Project Selection Manager and Probity Adviser. A register of all ineligible projects, and projects excluded from the Assessment Process will be kept

by the Project Selection Team. The Project Selection Team will respond to any eligibility issues raised by Assessors during the Assessment Process.

As Project Selection Manager I propose eligibility treatments for 20 Million Trees Programme Round One 2014-15 applications that were identified as having potential eligibility issues (see Attachment), specifically that:

a. Project applications that were considered to not be tree planting projects be deemed ineligible.

b. Project applications that included an ineligible activity in the budget table will still be considered as eligible, noting that if the project is successful only those activities eligible for funding will be contracted, with project's total funding adjusted accordingly.

c. Project applications that did not provided written authority from the land holder and/or authority to act on behalf of another entity will be considered eligible, noting that if successful, the applicant will be required to provide this written authority prior to the project being contracted.

d. Project applications that proposed timeframes beyond those specified in the Programme Guidelines will be considered eligible, noting that if successful, the project timeframes will need to be adjusted during funding agreement negotiations.

e. Project applications that did not complete other mandatory fields will be considered eligible, noting that if successful, this information will need to be obtained prior the project being contracted.

Please let me know if you need any further information.

Kind regards

personal information

- Green Corridors and Urban Forests - 20 Million Trees Programme Delivery Branch - Biodiversity Conservation Division Department of the Environment
TEL +61 2 6274   MOB
www.environment.gov.au

National Landcare

Australian Government

Please consider the environment before printing this email