# Inquiry into Commonwealth grants administration Submission 17 - Supplementary Submission



### **Australian Government**

## Department of Infrastructure, Transport, Regional Development, Communications and the Arts

Mr Julian Hill MP Chair Joint Committee of Public Accounts and Audit Parliament House CANBERRA ACT 2600

#### Dear Chair

I refer to the appearance of the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (the Department) before the Joint Committee of Public Accounts and Audit public hearing on Friday 3 March 2023, relating to their Inquiry into Commonwealth grants administration. Following a review of the Hansard transcript for the hearing, I would like to provide corrections by way of a letter for the committee to table, to clarify some of the statements made by the Department in relation to several of the Committee's questions.

1. You asked a question relating to the Auditor-General's¹ observation about changes the Department had made to the Recommendation Review Template previously used in the National Stronger Regions Fund program. The relevant Hansard reference is on pages 37 and 38 of the 3 March 2023 transcript. The response provided by Mr Mackay and I was:

**CHAIR:** Let's deal with the issue and then I will go back to the broader policy issue. The audit report states that your briefing packages were initially based on the template described or highlighted as an example of better practice, which contained sections where the panel could document disagreement. Then it says that, over time, 'Infrastructure moved away from the better practice approach' and began altering instructions for the template and mysteriously deleting sections from the template. Why did the department decide to delete those sections?

Mr Mackay: I'll ask my colleagues to add specifically to that question. I note that the recommendation that we have accepted and agreed to is around improving record-keeping practices so that the basis for decisions is clear, including those circumstances where the decision-maker hasn't agreed with the assessment of candidates undertaken by officials, and to ensure that appropriate processes are in place around the role of a ministerial panel, for example, where that is performing the role of a grants decision-maker.

**CHAIR:** That's good to hear. With respect, that's really a lot of words to say: 'We've agreed that we'll follow the rules and go back to what we used to do, which we mysteriously stopped doing.' So why did you stop doing it?

<sup>&</sup>lt;sup>1</sup> Auditor-General Report No. 1 2022-23 Award of Funding under the Building Better Regions Fund, paragraphs 4.43 to 4.46 GPO Box 594, Canberra ACT 2601, Australia

<sup>•</sup> telephone • websites <u>infrastructure.gov.au</u> | <u>arts.gov.au</u>

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Mrs Hibbert: I can't recall the exact format of all of the templates that were given to the ANAO and formed part of our recommendations to ministerial panels. I can recall, though, that each recommendation template that was given required what's needed in the CGRGs, which is the fact that it was a grant. The audit report says that all of the information around why you should approve a grant and the assessment scores and the merit scores and so on was provided as part of the package. The template that we have provided to ministers, we accept, was not always completed by the chair or secretariat of that panel. Therefore, we accept the recommendation that a secretariat be given to those ministerial panels in the future so that they can be done better. We certainly did give the templates to the ministerial panels. As I've said, I cannot recall the exact format. They may have varied. They did ask for completion of the reasons why a decision was made.

I write to provide the following correction to this discussion:

Under the former National Stronger Regions Fund program, and in rounds one and two of the Building Better Regions Fund program, the Department provided the relevant ministerial panel with a recommendation review template which contained two sections:

- Section A was for recording where the panel disagreed with the departmental assessment against the merit criteria; and
- Section B was for recording where the panel's decision varied from the department's recommendation due to 'factors other than the assessment criteria'.

In rounds one and two of the Building Better Regions Fund, the department noted that in all instances where the relevant ministerial panel approved projects which were not specifically recommended by the department, it was because the ministerial panel disagreed with the departmental assessment against the assessment criteria. There were no instances of the ministerial panel decision varying from the department's recommendation due to factors other than the assessment criteria.

Given the issues raised by the ministerial panel about the departmental assessment of certain project applications against the assessment criteria, and in response to lessons the department was learning through an independent assurance review of the Regional Jobs and Investment Packages program, the department worked with the former Department of Industry, Science, Energy and Resources (DISER) to review and update documents which formed part of the Building Better Regions Fund Assessment Framework.

DISER used a separate team of experienced staff to undertake quality assurance checks of merit assessments in real time, with a view to achieving better quality of assessments. Our department conducted quality assurance checks on a sample of those assessments during the merit assessment process, to ensure the assessments complied with the agreed procedures.

Having addressed the previous ministerial panel concerns about the quality and consistency of the merit assessment process, the department deleted Section A from the Recommendation Review Template.

2. You asked a question relating to the Auditor-General's<sup>2</sup> observation about changes the department made to the way it presented its funding recommendations to the Building Better Regions Fund ministerial panel in rounds three and five. The relevant Hansard reference is on page 47 of the 3 March 2023 transcript. The response I provided was:

<sup>&</sup>lt;sup>2</sup> Auditor-General Report No. 1 2022-23 Award of Funding under the Building Better Regions Fund, paragraphs 3.31 to 3.33

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**CHAIR**: If you'd made a clear recommendation and said, 'We recommend the ones above the line,' and the ministers had exercised their right to use discretion and choose some from below the line and reject some from above the line, that would have needed to be publicly reports to the finance minister.

**Mrs Hibbert**: Yes, any decision that was made against our recommendation would have needed to be reported.

I write to provide the following correction to this discussion:

The mandatory reporting obligation set out in subsection 4.12 of the Commonwealth Grants Rules and Guidelines only requires Ministers to "report annually to the Finance Minister on all instances where they have decided to approve a particular grant which the relevant official has recommended be rejected." It does not require Ministers to report the approval of any application not specifically recommended for funding by the department.

3. You asked a question relating to the Auditor-General's<sup>3</sup> observation about changes the department made to the way it presented its funding recommendations to the Building Better Regions Fund ministerial panel in rounds three and five. The relevant Hansard reference is on page 48 of the 3 March 2023 transcript. The response I provided was:

CHAIR: Is there anything common about those two rounds?

Mr Boyd: Round 4, in between, was a round focussed on drought funding.

Mrs Hibbert: And round 3 was tourism. The others were generic.

I write to provide the following correction to this discussion:

The former Australian Government provided \$200 million in funding for round three of the Building Better Regions Fund. Up to \$45 million of this was earmarked to support tourism related infrastructure. In round five, the former Australian Government set out to provide \$200 million in funding, which was subsequently increased to \$300 million. Of this, \$100 million was earmarked to provide targeted support for tourism related infrastructure, with the remainder earmarked for broader community infrastructure and investment.

I would appreciate it if you could please note this for the information of the Committee.

Yours sincerely

Meghan Hibbert

Assistant Secretary, Regional Programs Branch
Department of Infrastructure, Transport, Regional Development, Communications and the Arts
28 March 2023

<sup>&</sup>lt;sup>3</sup> Auditor-General Report No. 1 2022-23 Award of Funding under the Building Better Regions Fund, paragraphs 3.31 to 3.33

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