



## Australian Government

### Department of the Environment and Energy

Finn Pratt AO PSM  
Secretary

Ref:

Senator Dean Smith  
Senator for Western Australia  
Chair of Joint Committee of Public Accounts and Audit  
PO Box 6021  
Parliament House  
CANBERRA ACT 2600

Email: [jcpaa@aph.gov.au](mailto:jcpaa@aph.gov.au)

Dear Senator

#### **Response to JCPAA Report No.464 – Recommendations No.1, No.2 and No.3 from the Department of the Environment and Energy**

Thank you for your letter of 6 September 2017 notifying the recommendations under *Report No.464: Commonwealth Grants Administration* directed to the Department of the Environment and Energy.

I am pleased to provide the Committee with an update on the Department's progress against the three recommendations.

#### ***Recommendation No. 1***

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:

- outline individual and shared responsibilities and corresponding expectations of each party
- 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 of subsidiary risk management plans, with the risks appropriately informed by the different level of service agreement

- clearly articulate overarching assurance processes that support the balance between better practice administration and the achievement of policy outcomes.

### ***Department's Response Agreed***

On 23 March 2017, the Department of the Environment and Energy entered into a Memorandum of Understanding (MoU) with the Department of Industry, Innovation and Science (DIIS), to deliver services on its behalf. The delivery of grants administration under the Streamlining Government Grants Administration (SGGA) Program is one such service.

Delivery of grants on behalf of the Department will primarily be through the Business Grants Hub (BGH) operated by DIIS. A Services Schedule, forming part of the MOU, will be entered into between both DIIS and the Department for each grant program which transitions to the BGH. The Services Schedule sets out the provision of services relating to delivery of each grant program including, period of services; performance measures, funding arrangements, delegation and responsibilities, reporting, and, governance.

Risk is addressed in a number of ways. Program risks are initially identified by the Department and described within a risk management workbook for each program. Each program obtains advice from the Australian Government Solicitor on constitutional risk and legislative authority. The overarching risk rating for the program is agreed to by the Department of Finance, and the Department of the Prime Minister and Cabinet, during the review and approval of the grant opportunity guidelines.

As part of the program transition, the DIIS BGH provide a *Program Risk and Compliance Plan* and draft a *Risk Appetite Statement* which details those risks that exceed an agreed risk appetite between the agencies. The risks that fall within this category are documented in the *Risk Appetite Statement* along with agreed mitigation treatments for managing those risks throughout delivery of the relevant program.

Assurance processes and frameworks are referenced in the Services Schedule(s) and are in accordance with DIIS's Assurance Framework which the Department has access to.

### ***Recommendation No. 2***

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:

- Measure the number of staff formally trained with regard to *Commonwealth Grants Rules and Guidelines* (CGRGs), including implementing where necessary, arrangements to conduct this activity.
- Quickly rectify skills gaps so that sufficient expertise is retained so as to ensure compliance with the *Commonwealth Grants Rules and Guidelines*, including but not limited to record keeping requirements within the guidelines.

### ***Department's Response Agreed***

The Department has a central grants policy area that:

- provides guidance and advice to assist grant managers to comply with the CGRGs
- coordinates all reporting requirements under the CGRGs
- provides a helpdesk function to support staff in administration of all aspects of grants best practice management.

The Department has a comprehensive Grants Administration Framework published on the intranet, accessible to all staff and is promoted to all staff via a monthly Grants Community of Practice and regular staff communiques.

The Department has established an internal training capability to focus on the provision of financial management, policy and framework staff development. This training capability is responsible for the provision of grants training across the Department including on the CGRGs. Training metrics will be captured and reported to the Department's Executive on a regular basis to help inform the number of staff trained and key areas for continued development or additional focus.

### ***Recommendation No. 3***

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:

- *Award of Funding under the 20 Million Trees Program (No.4 of 2016-17).*

- *The Design of, and Award of Funding under, the Living Safe Together Grants Program (No.12 of 2016-17).*
- *Indigenous Advancement Strategy (No.35 of 2016-17).*

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.

Note: The Auditor-General reports noted below are outside of the Department's scope to provide a response for:

- *The Design of, and Award of Funding under, the Living Safe Together Grants Programme (No.12 of 2016-17).*
- *Indigenous Advancement Strategy (No.35 of 2016-17).*

**Department's Response Agreed:**

The recommendations from the Australian National Audit Office (ANAO) report *Award of Funding under the 20 Million Trees Program (No.4 of 2016-17)* were as follows:

- The Department of the Environment and Energy should implement arrangements for eligibility assessment that clearly establish eligibility criteria and ensure that these criteria are consistently applied.
- The Department of the Environment and Energy should draw to the attention of decision-makers important issues relating to the assessment and selection process for grants programs and ensure that accurate information is provided in briefings for decision-makers.

The Department considered, accepted and has fully implemented the recommendations of the ANAO report. In the design and implementation of the third, and final, grant round of the *20 Million Trees Program*, the Department:

- simplified and adopted clearer grant eligibility criteria that assisted the determination of eligible applications before merit assessment
- clarified and strengthened eligibility requirements in the *20 Million Trees Program Grant Round Three Guidelines*
- developed a new HTML application form that prevented applicants from nominating ineligible project dates and activities
- revised the applicant's declarations to minimise instances where the applicants could inadvertently make false declarations

- improved the electronic mapping application to increase transparency in the application assessment process
- improved the assessment criteria and processes, which simplified the assessment process and led to more consistent assessment outcomes
- provided assessors with training in the eligibility requirements for the round, and ensured that all assessors understood that the inclusion of any ineligible activities meant the entire application was considered ineligible
- trained officers who were involved in assessing applications (including quality assurance processes) to ensure all information concerning grant assessments and funding recommendations was accurately recorded and appropriately managed
- ensured that probity advice was sought in a timely manner (including during drafting of key documents), and that any conflicts of interest were comprehensively recorded and managed in dedicated files in the Department's document management system.

The third grant round opened 19 June 2017 and closed 15 August 2017, with successful projects announced on 8 December 2017.

Should you wish to discuss the Department's responses, you can contact Linda Nitschke, Chief Finance Officer, on [redacted].

Yours sincerely

Finn Pratt

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