



Australian Government

Australian Research Council

**Submission to the Joint Committee of
Public Accounts and Audit**

Submission from the Australian Research Council on
*The Administration of Government Grants:
Inquiry into Auditor-General's Report 5 (2019-20)*

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Introduction

The Australian Research Council (ARC) is a Commonwealth entity within the Australian Government, established as an independent body under the *Australian Research Council Act 2001*. The ARC advises the Government on research matters, administers the National Competitive Grants Program (NCGP) and has responsibility for the Excellence in Research for Australia and Engagement and Impact Assessments. The ARC's purpose is to grow knowledge and innovation for the benefit of the Australian community through funding the highest quality research, assessing the quality, engagement and impact of research and providing advice on research matters.

The Australian National Audit Office's (ANAO) report No. 5 (2019-20) on the *Australian Research Council's Administration of the National Competitive Grants Program*, released on 1 August 2019, concluded that *"the ARC has mature and effective processes in place to assess grants, manage conflicts of interest and provides funding recommendations that comply with the NCGP guidelines"*. In support of this conclusion, the ANAO found that the NCGP guidelines align with the Commonwealth Grant Rules and Guidelines (CGRGs) and broadly align with the Government's research and innovation objectives. The ANAO also found that the NCGP guidelines are effectively communicated to stakeholders, using a variety of communication mechanisms. The audit also found that the ARC provides *"the Minister for Education clear advice and funding recommendations consistent with requirements of the ARC Act, the CGRGs and the NCGP guidelines"*.

The ANAO found that the performance management framework established for the NCGP, and monitoring and assurance arrangements are largely appropriate.

Additionally, the ANAO identified some instances of good practice at the ARC which may be relevant for the operations of other Australian Government entities.

Implementation status update on audit recommendations

The ARC is committed to ensuring its grants administration practices are efficient, streamlined and compliant with all Australian Government requirements.

In the report, the ANAO made three recommendations:

1. The Australian Research Council review the practice of issuing NCGP guidelines annually.
2. The Australian Research Council ensure that its Key Performance Indicators (KPIs) for the NCGP are reliable and include efficiency.
3. The Australian Research Council ensures that its monitoring and assurance activities, in particular institutional reviews, are risk-based and contribute to the Australian Research Council's assurance that NCGP objectives are being achieved.

The ARC accepts the report's recommendations and welcomes the opportunity to provide a submission to the Committee.

The ARC is well underway in implementing responses to the recommendations listed in the report with recommendation one having been implemented.

Recommendation 1: NCGP guidelines review

The ARC review the practice of issuing NCGP guidelines annually.

Implemented. At the time the audit was conducted by the ANAO, the ARC had commenced consultation and planning to implement multi-year NCGP guidelines. A review of the content of the grant guidelines

was undertaken in early 2019. The ARC considered feedback from universities and members of its College of Experts on the structure of the guidelines. The ARC also undertook consultation with the relevant stakeholders on moving to multi-year guidelines.

In September-October 2019, guidelines for the Discovery Programs schemes, the Linkage, Infrastructure, Equipment and Facilities (LIEF) scheme and the Linkage Projects schemes were issued as multi-year guidelines.

Recommendation 2: Key Performance Indicators

The Australian Research Council ensure that its KPIs for the NCGP are reliable and include efficiency.

In progress. Over a number of years, the ARC has sought to develop and refine its KPIs, which are published in its Corporate Plan, to provide a holistic narration about the ARC's activities. In particular, the ARC has sought, through its KPIs to provide information about a range of aspects of the NCGP.

The ANAO analysed the twenty NCGP KPI's contained in the 2018-19 Corporate Plan for relevance and reliability. Relevant refers to whether there is sufficient information to ensure the indicator is understandable. Reliable means that the KPI is measurable, uses information sources and methodologies that are fit for purpose documenting a target or benchmark and free from bias. The ANAO assessed that:

- seventeen of the KPIs were considered relevant
- seven of the KPIs were reliable
- eight of the KPIs were partly reliable and
- five of the KPIs were not reliable.

The ARC in developing its 2019-20 Corporate Plan addressed a number of issues raised by the ANAO to improve the reliability of the KPIs. All KPIs in the 2019-20 corporate plan now have targets. The ARC has sought to reduce bias through providing information on the targets and how it is complied.

A number of the measures the ANAO considered to be partly reliable was because methodological information was not published in the ARC Corporate Plan. The ARC accepts that it would be prudent to publish the source of the data and it will be included in the 2020-21 Corporate Plan.

The KPIs contained in the Corporate Plan seek to reflect the nature of the research environment and the role of the ARC in that environment. Devising relevant and reliable targets for the research environment is a complex undertaking. Noting each individual research project funded by the ARC is unique and has different needs. To predetermine the success rates or projects funded, may lead to a result that is at odds with the ARC's purpose, which is to fund the best quality projects that contribute to the growth of knowledge and innovation for the benefit of the Australian community. Noting the findings of the audit, the ARC is undertaking a review of its KPIs, as part of the preparation of the ARC Corporate Plan 2020-21 to ensure its KPIs are reliable.

The ARC will also continue to explore alternative ways to demonstrate the qualitative value of funding excellent research drawing on the experiences of overseas research funding agencies and the ARC's ability to collect information for any new KPIs.

The ANAO's finding in relation to an efficiency indicator was in relation to a KPI that is not included in the 2019-20 the Corporate Plan. The ARC will continue to explore where efficiency targets may be appropriate in relation to other activities.

Ensuring that the use of public funds achieves the best outcome for the community is a challenge for all research agencies worldwide. The ARC through its review will seek to ensure that its KPIs are reliable and provide targets that are appropriate in the context of the ARC's business and are free from bias. The ARC will review its performance measures for the 2020-21 Corporate Plan and continue to explore alternative ways to demonstrate the qualitative value of funding excellent research.

Recommendation 3: A risk-based approach

The Australian Research Council ensures that its monitoring and assurance activities, in particular institutional reviews, are risk-based and contribute to the Australian Research Council's assurance that NCGP objectives are being achieved.

In progress. The ANAO noted that the ARC has appropriate monitoring and assurance arrangements for the NCGP but also noted that implementation could be improved by ensuring that the arrangements are more risk-based. The ARC's monitoring and assurance arrangements has a number of components by which projects are monitored over their duration.

Following on from the ANAO audit, in October 2019, the ARC initiated an internal audit of the NCGP assurance framework to review current compliance and assurance mechanisms. The internal audit will assess the extent to which the ARC's monitoring and assurance framework is informed by an appropriate risk-based approach, and provide an indication of where the ARC's framework and its implementation could be improved. Once the internal audit has been finalised, the ARC will consider the best ways to ensure that its monitoring and assurance framework is more risk-based. This may include introducing new assurance activities or amending existing activities to include additional areas such as compliance with discrimination, child safety and work health and safety legislation as well as the Australian Code for the Responsible Conduct of Research and the underpinning guides.

In addition to the audit of the NCGP assurance framework the ARC has also recently modified the content of final grant reports, to continue assurance of compliance whilst at the same time ensuring a lesser burden on researchers and administrating institutions. This will also enable faster processing time by the ARC.

Other improvements that the ARC has introduced includes:

- Simplifying project contract variations which will reduce the burden on both researchers and administrating institutions
- Continually upgrading its ICT support systems (a recent upgrade enabled the automatic uploading of researchers' publications instead of manual entry, thus significantly decreasing the burden on researchers, and increasing accuracy of information).

The ARC has always been committed to continuously improving its systems. Improving the efficiency of the ARC systems enables researchers to spend the maximum amount of their time on critical research for the benefit of all Australians.

ARC: A Best Practice Leader

The ANAO audit found that the ARC-developed NCGP guidelines are consistent with the mandatory elements of the CGRGs, as well as incorporating better practice elements.

The ARC grant assessment process includes exemplars across a number of elements of best practice grant management, including:

- Administering the NCGP using a bespoke, end-to-end Research Management System that provides overall enhanced efficiency and assurance by validating a high volume of applications through a transparent process that embeds the ARC procedures for managing potential conflicts of interest.
- Harnessing expert advice on complex and highly specialised research topics by engaging subject matter experts throughout the NCGP assessment process.
- Standard Operating Procedures (SOPs) and detailed work instructions for identifying and managing inappropriate assessments. The SOPs provide definitions and guidelines on determining assessments that contain inappropriate elements such as evidence of assessor conflict of interest and biased, discriminatory or defamatory comments.
- Detailed work instructions for checking applications directing that all assessment text is vetted to seek out potential concerns with eligibility, plagiarism, conflict of interest, scores and ratings.
- Procedures in place for the grant assessment cycle that also include an appeals process. An indication that the ARC's assessment process is robust, thorough and fair is that very few appeals are received by the ARC, in fact less than one percent of all applications.

The ANAO also commended the ARC on the external communications strategies that it has in place, including tools and materials used for stakeholder engagement. The positive impact of these strategies was confirmed via feedback from university stakeholders, indicating their support of ARC engagement practices.

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