



Australian Government
Department of Finance

Jenny Wilkinson PSM
Secretary

Our Ref: EC22-000599

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

Dear Chair

**SUBMISSION TO THE JOINT COMMITTEE OF PUBLIC ACCOUNTS AND
AUDIT INQUIRY INTO COMMONWEALTH GRANTS ADMINISTRATION**

Thank you for your invitation to make a submission to the Joint Committee of Public Accounts and Audit's Inquiry into Commonwealth Grants Administration.

The Department of Finance welcomes the opportunity to provide information on Commonwealth grants administration, particularly in relation to the Auditor-General Reports on the *Operation of the Grants Hubs* and the *Award of Funding under the Building Better Regions Fund*, as well as other matters related to the terms of reference.

I provide the enclosed submission for the Committee's consideration.

Yours sincerely

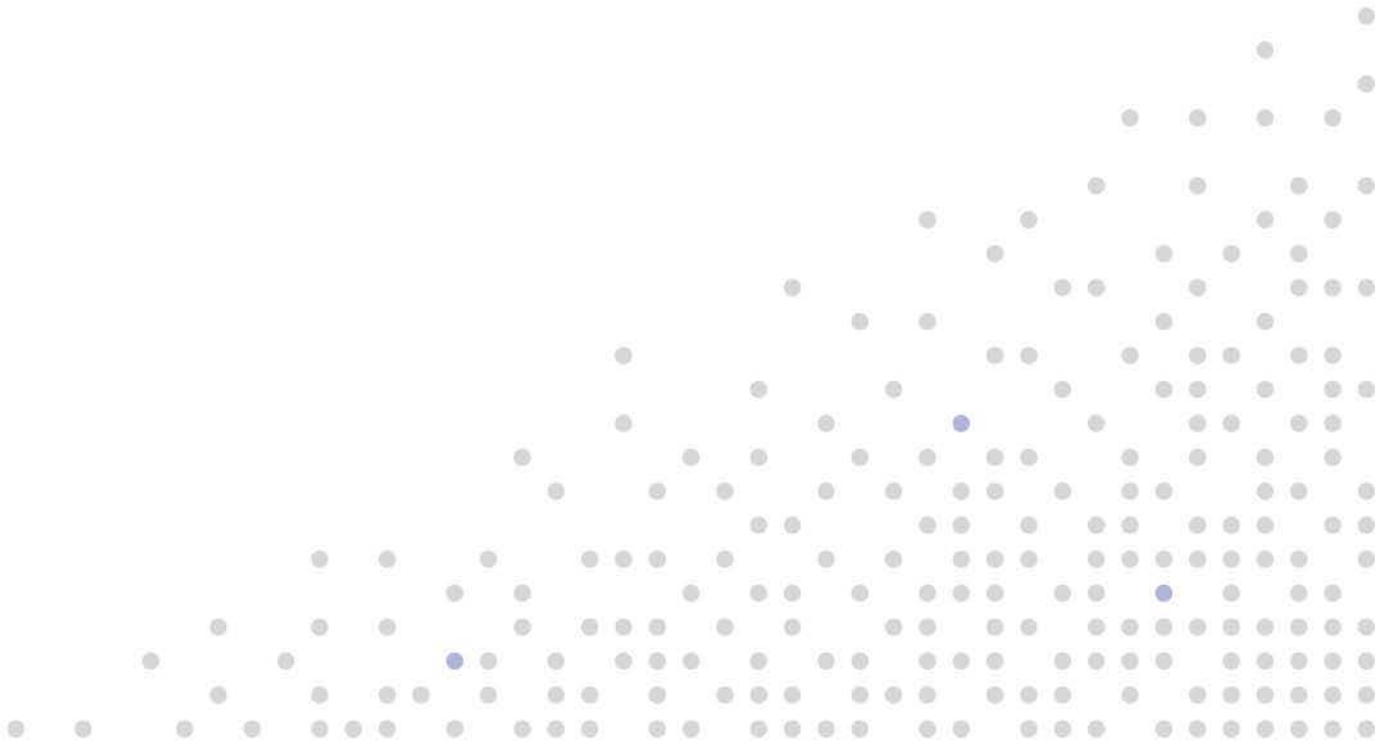


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14 November 2022



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**Submission to the Joint Committee of Public
Accounts and Audit
Commonwealth grants administration**

November 2022

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1. Introduction

The Department of Finance (Finance) welcomes the opportunity to contribute to the Joint Committee of Public Accounts and Audit's (JCPAA's) Inquiry into Commonwealth grants administration, including in relation to the:

- JCPAA Report 484 *The Administration of Government Grants, Inquiry into Auditor-General's Reports 5, 12 and 23*;
- Auditor-General Report No. 21 (2021-22) *Operation of Grants Hubs*; and
- Auditor-General Report No. 1 (2022-23) *Award of Funding under the Building Better Regions Fund*.

This submission provides information on a number of areas relevant to the Inquiry's terms of reference including:

- The Commonwealth Grants Policy Framework and the *Commonwealth Grants Rules and Guidelines* (CGRGs);
- The status of recommendations from the JCPAA and the ANAO; and
- Possible changes to the CGRGs.

2. A principles-based framework

Public Governance, Performance and Accountability Act 2013

The work of the Australian Government is large and diverse. The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) framework needs to accommodate the breadth of activity of the more than 189 entities and companies that make up the Australian Government and enable them to operate in a way that achieves their purposes, while meeting acceptable standards of governance, performance and accountability.

The PGPA Act signified a shift from a dual system of public sector management and accountability, where the focus was more on compliance and process, to a single, principles-based framework within which all Commonwealth entities have the flexibility to develop their own systems and processes to support their operations. This approach enables accountable authorities to set the internal control systems of their entity with regard to: the context and environment their entities operate within; their size; the complexity of the policy environment; and the proportionality of risks and capability of their officials.

A statutory review of the PGPA Act and Rule, the *Independent Review into the operation of the Public Governance, Performance and Accountability Act 2013 and Rule*, undertaken by Ms Elizabeth Alexander AM and Mr David Thodey AO, found that '...the PGPA Act and Rule established a coherent, principles-based system of governance and accountability, and a performance framework for the Commonwealth'.¹

Commonwealth Grants Rules and Guidelines

The Commonwealth grants policy framework is underpinned by the CGRGs, a legislative instrument issued by the Minister for Finance under section 105C of the PGPA Act.

¹ See the *Independent Review into the operation of the Public Governance, Performance and Accountability Act 2013 and Rule Report*, September 2018, p 1.

The CGRGs are applied after the decision for an expenditure proposal to be delivered via a grant is made. It also sets out at paragraph 2.6, financial arrangements that are taken not to be grants for the purposes of the CGRGs, such as a payment to a state or territory made for the purposes of the *Federal Financial Relations Act 2009*.

Part 1 of the CGRGs sets out the mandatory requirements relating to:

- developing grant guidelines;
- briefing ministers in their role as the approver of a grant;
- recording of decisions by decision-makers, including ministers; and
- publishing and reporting.

Part 2 of the CGRGs articulates seven key principles for better practice grants administration that officials must have regard to. These are:

- robust planning and design;
- collaboration and partnership;
- proportionality;
- an outcomes orientation;
- achieving value with relevant money;
- governance and accountability; and
- probity and transparency.

The CGRGs apply to grants administration performed by ministers, accountable authorities, officials and third parties that undertake grants administration on behalf of the Australian Government. They provide accountable authorities and officials with flexibility to develop and implement grant administration processes that are best suited and proportional to the specific granting activities, while maintaining accountability, probity and transparency.

The CGRGs do not apply to corporate Commonwealth entities where the grant is awarded under the authority of the entity itself. However, Division 6A of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule) applies to corporate Commonwealth entities when a minister is involved in making a corporate Commonwealth entity grant² and prescribes similar advising, decision-making and reporting requirements for ministers and corporate Commonwealth entities.

Need for flexibility

Each year billions of dollars of Australian Government grants are provided across a breadth of activities and can range in value from as low as \$50 up to \$1 billion. Types of grants include but are not limited to: research grants; grants that provide for the delivery of services such as health services and legal services; grants that help fund infrastructure; or grants that help build capacity.

The CGRGs is a principles-based framework designed to provide the necessary flexibility to accommodate this breadth and to meet the objective of grants administration:

... to promote the proper use and management of public resources through collaboration with the non-government sector to achieve government policy outcomes.³

² As defined in section 4 of the PGPA Rule, a 'CCE grant' means an arrangement for the provision of financial assistance by or on behalf of a corporate Commonwealth entity under which relevant money is to be paid to a person, or body, that is not a Commonwealth entity ... and identifies some arrangements that are not included.

³ CGRGs paragraph 2.1.

The improvements in grants administration since the introduction of the CGRGs (formerly *Commonwealth Grant Guidelines*) has been recognised by the Australian National Audit Office (ANAO). In particular, the *Auditor-General's mid-term report* noted that:

... the introduction of the CGRGs has led to some important improvements in the standard of grants administration. For example, it is now common for program guidelines to be in place and for those guidelines to include clear eligibility and merit assessment criteria. The establishment of the CGRGs has also meant that entities have clear minimum briefing standards they must meet when advising Ministers on the award of grant funding and (through the GrantConnect website) there is a consistent standard of public reporting on the award of grant funding once a funding agreement has been signed.⁴

Similarly, the CGRGs have been recognised as better practice in other jurisdictions and various industry experts have expressed broad support for the combination of mandatory requirements and better practice principles.

The NSW Department of Premier and Cabinet in partnership with the NSW Productivity Commissioner adopted the two-part structure of the CGRGs and noted in its final report on *Review of grants administration in NSW*, released April 2022, that '[v]arious stakeholders expressed a preference for the seven overarching principles of the [CGRGs] ... [which] have been adopted in [its recommended] draft Guide'.

While the CGRGs are often complimented, issues with grants administration are generally directed at the application of the CGRGs. Professor Anne Twomey indicated her support of the CGRGs at the Select Committee on the Administration of Sports Grants in March 2020, stating:

... You see that the CGRGs, the guidelines that the government has put in, quite appropriately say that when the minister departs from the recommendation of the public servants—and of course they can do that and that's legitimate—they need to explain why and they need to explain why relative to the various criteria. If you do that, that's perfectly fine. I don't have a problem with any of that. I think that the CDRGs (sic) and the way that they operate are well set up. Kudos to the government for actually putting them in because they do have good rules in them. It is just that we need better compliance with them, and this particular scheme fell down badly in the way it was managed.⁵

Finance's Role

The public resource management framework is a devolved framework. Accountable authorities, officials and ministers are responsible for understanding and complying with any requirements that apply under finance law (PGPA Act and Rules, including the CGRGs, and Appropriation Acts) and any other legal framework. In particular, section 16 of the PGPA Act imposes a duty on accountable authorities of entities to establish systems relating to risk and control for their entity. This includes implementing measures directed at ensuring officials of the entity comply with the finance law.

Finance provides support to the Government in Budget decision-making and financial framework, governance and accountability matters, to align with the PGPA Act. Finance has responsibility for the Commonwealth grants policy framework and whole-of-government grants administration arrangements (as established by the Streamlining Government Grants Administration program).

⁴ Paragraph 2.85 in Australian National Audit Office, *Auditor-General's mid-term report*, published 7 October 2020, p 27.

⁵ Professor Twomey in public hearing on 12 March 2020, *Committee Hansard*, Senate Select Committee on Administration of Sports Grants, Melbourne, p 27.

Finance maintains the CGRGs and Division 6A of the PGPA Rule and develops guidance material, tools and templates to help entities understand their responsibilities. Additionally, Finance administers the GrantConnect system and provides a range of public material to support entities and grant applicants.

Finance provides information sessions across entities and to individual entities as requested, for the purposes of upskilling new staff, improving knowledge of the CGRGs and consistency in their application to grants administration practices. While Finance provides considerable assistance and guidance to entities in implementing the CGRGs, compliance with the CGRGs remains the responsibility of individual PGPA Act entities. The *Independent Review into the operation of the Public Governance, Performance and Accountability Act 2013 and Rule* noted that:

In the Commonwealth, a well-articulated governance framework is critical for good performance and accountability. But of itself, the framework is not enough to bring about improvement and change. The key to success is leadership. Leadership at all levels must be actively involved. Ministers, secretaries and all accountable authorities need to set the tone at the top. A values-led culture of transparency, trust and aligned purpose underpins, and is essential for driving sustained improvement in governance, performance and accountability, and leads to improved performance and better quality of information being provided to the Parliament.

The Auditor-General and the Department of Finance play a role in sharing learnings and good practice, and the Joint Committee of Public Accounts and Audit has a constructive and influential engagement in scrutinising the implementation of PGPA Act related reforms. However, there needs to be action at the operational leadership level for the quality of governance, performance and accountability, and for achieving ongoing improvement of practice.⁶

Finance continually monitors and evaluates the Commonwealth grants policy framework and associated resources as part of its regular engagement with entities; with a view to improving support and guidance to entities where possible. This includes by maintaining awareness of external commentary and concerns, environmental influences and broader better practice arrangements nationally and internationally.

3. Assisting entities to apply the Commonwealth Grants Policy Framework

The breadth of requirements and responsibilities on accountable authorities and officials is broad and includes the PGPA framework, constitutional and legislative authority issues, related legal frameworks and achieving government policy outcomes. At times, the amount of information and knowledge required to deliver grants administration in accordance with the CGRGs and PGPA Rule can present a challenge for entities.

⁶ See the *Independent Review into the operation of the Public Governance, Performance and Accountability Act 2013 and Rule Report*, September 2018, pp 1 and 9.

The CGRGs were established in 2009 (previously called the *Commonwealth Grant Guidelines*) to improve the transparency and accountability of grants administration. They were updated in: 2013, to introduce minimum briefing requirements where a minister is an approver; 2014, to address the introduction of the PGPA Act (including a change in title); and 2017, to mandate the use of GrantConnect. The stability of the CGRGs has meant that an established suite of support resources and tools has been developed, which has assisted in embedding better practice grants administration in entities.

Since 2017, Finance has focused on developing supporting tools, templates, flow diagrams and other resources that are available on the Finance website (www.finance.gov.au/government/commonwealth-grants) as well as GrantConnect (www.grants.gov.au). In responding to feedback, Finance has improved usability through providing supporting materials under common themes/requirements/processes. On the website there are smaller digestible resources and tiles, so that entities can quickly find relevant information and undertake grants administration consistent with the CGRGs. Some of the supporting resources for entities produced by Finance in the recent years are outlined below.

Is it a Grant?

There are a range of mechanisms entities can use to achieve a policy outcome including: regulatory; information; or spending mechanisms. Spending mechanisms include grants, procurements, loans, legislated entitlement programs, tax concessions and rebates. The decision to use a grant or grant program to achieve a specific outcome should be part of a considered process around resource allocation at the policy development stage.

Finance provides guidance (RMG 411 – *Grants, Procurements and Other Financial Arrangements*) and decision-tree tools (www.finance.gov.au/government/commonwealth-grants/grants-getting-started) to help entities work through the different options and frameworks to determine the mechanism that best suits the policy objectives. Entities should be sure the financial assistance is a grant before applying the CGRGs.

Tools, templates and guidance

Finance, in consultation with granting entities and the non-government sector, developed whole-of-government grant opportunity guidelines templates to assist when developing grant opportunities; and grant agreement templates to assist when developing grant agreements. These templates guide users to meet the better practice administration requirements of the CGRGs and aim to provide more timely approval and publication of the grant opportunity and more efficiently establish grant agreements. The templates also aim to reduce the time spent by grant applicants reviewing guidelines and grant agreements by providing a common format and structure. This makes it easier for grant applicants to navigate and understand the requirements they will need to satisfy to apply for a grant and the expectations, terms and conditions if they are successful. These templates were launched in December 2018.

To help entities to identify the most appropriate selection process and grant guidelines template, a Grants Template Wizard has been created as well as flow diagrams of processes. These have been designed to simplify: the steps involved in the development and release of grant opportunity guidelines and when the Minister for Finance may need to agree release; the role of decision-makers and officials in approving grants; and briefing once applications have been received. Templates, frequently asked questions and guidance have also been produced in relation to ministerial reporting. These are further supported by guidance in RMG 412 – *Australian Government Grants - Briefing, Reporting, Evaluating and Election Commitments*.

GrantConnect

Finance developed GrantConnect (www.grants.gov.au), the whole of Australian Government grants information system. GrantConnect, became operational in 2017 and provides centralised publication and point in time transparency of forecast and current Australian Government grant opportunities, as well as grants awarded.

Accountable authorities and officials are responsible for complying with the conditions of use of GrantConnect and ensuring information they publish on GrantConnect is accurate.

GrantConnect is also a tool to connect individuals and organisations to grant opportunities, including by registering for 'push notifications' of different grant program types. That means that non-government stakeholders can register to be notified when a grant opportunity that suits their categories of interest becomes available. As at October 2022, there were 61,972 registered users on GrantConnect.

Transparency of grants has improved with grant awards data containing fields that, amongst other things, report on: the name of the grant program; the grant activity; the purpose; the category of grant; the selection process used; the recipient's name; the value of the grant; the duration; the recipient's location; and the delivery location for the grant.

GrantConnect was initially designed to improve the discovery and transparency of granting activities at a whole-of-government level, replacing the previous process of granting entities publishing limited details of their granting activities on their own websites. It is a recognised data source and regularly used by analysts and media outlets. As the Grattan Institute recently noted:

GrantConnect has increased the transparency of Commonwealth grant decisions since its inception on 31 December 2017. State governments should follow this model to set up their own central, publicly available, source of grants data.⁷

Finance is continually reviewing the capability of GrantConnect and improving upon the data collected for analysis. Finance also provides operational and technical support for the GrantConnect system.

Division 6A of the PGPA Rule

Following the Auditor-General's *Audit of the Award of Funding under the Community Sport Infrastructure Program*,⁸ the then Minister for Finance made an amendment to the PGPA Rule⁹ to introduce Division 6A which applies to corporate Commonwealth entities when a minister is involved in making a corporate Commonwealth entity grant. Division 6A of the PGPA Rule imposes the same advising, decision-making and reporting requirements on ministers and accountable authorities of corporate Commonwealth entities as if the CGRGs apply, when a minister is involved in making a corporate Commonwealth entity grant.

Finance has produced specific guidance material for corporate Commonwealth entities and ministers on the new requirements. This includes fact sheets, updates to the Finance website grants information, tools and templates, as well as engaging with corporate Commonwealth entities on the new requirements for grants administration.

⁷ Danielle Wood, Kate Griffiths, and Anika Stobart, *New Politics: Preventing pork-barrelling*, Grattan Institute, August 2022, p 34.

⁸ Auditor-General Report No. 23 (2019-20) *Award of Funding under the Community Sport Infrastructure Program*.

⁹ *Public Governance, Performance and Accountability Amendment (Grant Rules for Corporate Commonwealth Entities) Rules 2020*, made by the then Minister for Finance on 17 July 2020, took effect after the disallowance period. Due to the COVID-19 pandemic and restricted Parliamentary sittings, Division 6A of the PGPA Rule commenced on 1 December 2020.

Engagement with Entities and the Grants Administration Community

Finance conducts Commonwealth Grants Community of Practice Forums for grants practitioners to improve knowledge of emerging grants policy and administration matters. Finance uses the forum to disseminate information and fill knowledge gaps on the Commonwealth grants policy framework, to build relationships between granting entities and cultivate better practice delivery of grant programs through shared experience.

Finance produces *GrantsNews*, a periodic online newsletter for Australian Government officials working in grants administration. It is distributed broadly, published on the Finance website and provides opportunities for entities to share information and collaborate across portfolios. *GrantsNews* is designed to keep entities and the broader community of grants administrators informed of any recent developments and activities in the grants administration practices or Commonwealth grants policy framework.

4. Enhancements to the CGRGs and GrantConnect

Finance is always looking for opportunities to improve the CGRGs and the suite of supporting material.

Finance has been exploring strategic grants policy reform opportunities and updates to the CGRGs, which includes considering recommendations from the JCPAA Report No. 484 (JCPAA Recommendations), as well as the recent recommendations from the Auditor-General's *Audit of the Building Better Regions Fund* (BBRF Audit). Together, the JCPAA Report 484 and the BBRF Audit have made nine recommendations relating to the CGRGs and PGPA Rule.

Finance has consulted with key non-corporate Commonwealth entities involved in grants administration in relation to the JCPAA recommendations and is undertaking further consultation following the recommendations from the BBRF Audit.

As the CGRGs are a legislative instrument issued by the Minister for Finance, any amendments to the CGRGs are policy and legislative matters for consideration by Government. In accordance with the Government's commitment to strengthen integrity, accountability and transparency in grants decision-making, the Minister for Finance has asked Finance to develop options to further enhance the integrity, accountability and transparency elements of the CGRGs.

Finance is preparing options for Government consideration, with the benefit of: a maturing dataset in GrantConnect to inform changes; experience and feedback from granting entities, grant applicants and recipients; various audit reports, reviews and commentary; and drawing upon in-house expertise.

In proposing enhancements, Finance must ensure that the legislative framework underpinning the Commonwealth grants policy framework continues to accommodate the breadth of activity undertaken by the Australian Government via grant programs. Finance is continuing to take a consultative approach to potential changes to the CGRGs to balance any additional burden imposed by mandatory requirements with the benefit delivered, and to also identify any unintended consequences so that changes can be made or mitigation strategies developed.

A proportionate approach is needed when considering increased prescriptiveness in the framework to address issues of compliance with the intent of the CGRGs. Finance is considering the opportunity to further build capability in officials involved in the grants administration lifecycle through education and training, in addition to potential changes to the CGRGs.

The overarching issues being considered in the development of options include:

- grants selection processes, decision-making and the appropriate use of non-competitive processes;
- ensuring published grant guidelines contain appropriate content and that deviations from published guidelines are minimised;
- variations to existing grant agreements;
- application of the CGRGs to third parties;
- data analytics and GrantConnect; and
- education, training and improving capability of grants administrators.

The JCPAA inquiry into Commonwealth grants administration is timely and will support Finance in exploring with entities possible opportunities to enhance the CGRGs.

5. Operation of Grants Hubs

Prior to 2016, Commonwealth entities administered their own grants through separate ICT platforms and advertised grant opportunities on individual agency websites. As a result, grant opportunities were difficult to find, there was little consideration of grant applicants and recipients, and data was inaccessible and unorganised (at a grant recipient and whole-of-government level).

In the 2015-16 Budget, the then Government allocated funding to streamline grants administration through a shared services model. The approach sought to establish standard business processes; a common ICT platform; improved reporting arrangements; and a single portal to search and apply for grant opportunities.

Two grants hubs commenced on 1 July 2016: the Community Grants Hub (within the Department of Social Services) and the Business Grants Hub (within the Department of Industry, Science and Resources). Research grants were excluded and are administered through the National Health and Medical Research Council and the Australian Research Council.

Over time the grants hubs established their own operating models and service offers.

- Community Grants Hub provides a flexible service offer where entities can undertake phases of the grants management lifecycle.
- Business Grants Hub provides an 'end to end' service offer (from the pre-design 'engage' phase through to the 'evaluate and improve' program closure phase of the grants management lifecycle).

The grants hubs currently deliver more than 1,000 grant opportunities for 17 granting entities and house a significant proportion of the APS' grants management capability.

The shared services hub model has generated many tangible benefits for grant recipients, grant applicants and government. Grants recipients have reported a reduction in the time and complexity of applying for and receiving grants, streamlined application and reporting processes, and improvements as a result of the application of the 'tell-us-once' approach. There has been a reduction in costs associated with the consolidation of grants management systems, greater standardisation across Commonwealth grants administration and improved compliance with the CGRGs.

The Auditor-General Report No. 21 (2021-22) *Operation of Grants Hubs*, released 31 March 2022, made three recommendations:

Recommendation 1: Department of Finance and the hubs agree a methodology to capture and report performance information that demonstrates the efficiency and effectiveness of grants administration through the hubs.

Recommendation 2: Department of Finance develop and agree a future plan for the operation of grants hubs, and where this plan differs from the SGGA Program funding proposal, seek authority for changes from government.

Recommendation 3: To assist in the achievement of the intended benefits of the SGGA Program, Department of Finance and the hubs establish a whole-of-government grants administration and payments dataset and implement arrangements to assure the quality of the data.

Finance agreed to all recommendations and the lessons from the implementation of the former Streamlining Government Grants Administration program place Finance, the grants hubs and granting entities in a strong position to continue to improve Commonwealth grants administration going forward. Finance is currently considering options to improve Commonwealth grants administration, jointly with the grants hubs. In alignment with the Government's APS reform priority to put people and businesses at the centres of policy and services, the changes to the current model being considered are based on a user-centric approach.

6. Conclusion

Finance seeks to maintain a grants framework that encourages better practice grants administration. While the CGRGs contain a number of mandatory requirements, they are largely principles-based and provide flexibility in how accountable authorities and officials can work together with stakeholders to administer grants and achieve government policy outcomes.

Under the devolved framework, decisions regarding the classification of grants and ensuring compliance with the CGRGs rest with accountable authorities and entities.

Overtime, grants policy initiatives have involved the design, development, piloting and implementation of a range of whole-of-government tools and templates. These have been aimed at simplifying and streamlining grants administration to make it easier and more efficient for grant applicants and recipients to engage with the Commonwealth.

It is broadly recognised that the Commonwealth grants policy framework, the CGRGs and GrantConnect have improved the integrity, consistency and robustness of grant programs and standards of grants administration, and provide greater accountability and transparency in achieving government policy outcomes.

In accordance with the Government's commitment to strengthen integrity, accountability and transparency in grants decision-making, Finance is undertaking work on possible options to enhance the CGRGs and is consulting granting entities prior to providing options to the Minister for Finance for consideration.

In addition to amendments to the legislative framework, Finance will consider options to consolidate guidance on grants administration for all non-corporate and corporate Commonwealth entities with a focus on better practice models and key principles. To improve assurance around adherence to grant guidelines and quality of assessments, Finance will also work with entities to enhance the ongoing support and training provided to officials and decision-makers throughout the grants lifecycle.