

Senate Select Committee on Administration of Sports Grants

Questions on notice Public hearing, 23 July 2020 Canberra

Integrity Partners Australia P/L

Question 1

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Senator CANAVAN: Thank you for that. I have a final question. You mentioned the UK in your submission today. Are there any key features of what they're doing that we should add to our grants hubs and processes that we have at the Commonwealth level?

Mr Sellars: Just a week or two ago, the UK cabinet office published I think 10 standards for grant administration. I haven't had a chance to look at them in detail yet, so I can't tell you about the extent to which they might be useful. But, if it would assist the committee, I'll forward those to the secretariat.

Senator CANAVAN: That would be great. Thank you very much.

The answer to the honourable Senator's question is:

In many respects the grant-making arrangements of the Australian Government are performing efficiently and achieve their purpose with integrity. In general, this level of performance owes much to:

- (1) the strength of the overarching framework of the *Public, Governance and Performance Act 2013* (including the Commonwealth Grant Rules and Guidelines, and various Resource Management Guides)
- (2) the centralisation of grants policy (in this case, within the Department of Finance) which exercises control and consistency in grant administration processes (for instance via a mandatory consultation process on proposed Grant Opportunity Guidelines)
- (3) the development of Grants Hubs (in Industry Department and the Social Services Department) which have served to develop capability and expertise, and
- (4) the fostering by the Finance Department of grants administration capability more broadly, via communities of practice, newsletters, and related initiatives.

Notwithstanding these points of strength, the central point of our submission has been that:

- (1) grants make up a not insignificant proportion of the federal budget
- (2) grant making is rarely simple (despite the mechanisms in place to achieve consistency and efficiency) because each individual scheme is unique and:
 - a. deals with different topics and policy issues
 - b. can interact with an enormous range of skilled and unskilled applicants
 - c. involves factors that can change or evolve during a grant process
 - d. merit comprises subjective judgements using incomplete information in a risk-based decision model, which means decisions can be vulnerable to improper influence, reliance on irrelevant factors, misjudgement and error
- (3) grant rules are insufficient (as written) to respond to the probity risks frequently encountered in grant selection, and
- (4) a "live action" form of oversight is warranted to ensure probity of decisions—for which we have suggested the appointment of independent probity advisors, as the most cost-efficient means of providing impartial advice and trusted accountability (when warranted by complexity, value or sensitivity).

Recent developments in the UK have included:

- (1) the centralisation of the Grants Management Function¹ within the UK Cabinet Office (since 2017)
- (2) publication of the Functional Standard for Grants² (July 2018)
- (3) publication of a Code of Conduct for Grant Recipients³ (November 2018)
- (4) development of a fully revised Functional Standard for Grants⁴ (consultation draft released in January 2020)
- (5) establishment of the Grants Centre of Excellence (to develop and promulgate administrative resources and guidance; deliver the Grants Academy training function; and, operate the cross-government New Grants Advice Panel)
- (6) convening the Grants Best Practice Network, and
- (7) development of the Spotlight grants tool (which automates many aspects of fraud and due diligence checking for grants).

The UK model has many similarities to the Australian Government model, with differences that accommodate that country's system of governance—it is not necessarily better, but is an expression (if one were needed) of how seriously the issue of grants administration should be taken, and an emphasis of how vulnerable (in the absence of appropriate governance) grant schemes can be to manipulation, error, misjudgement, fraud and wastage.

Despite the apparatus in Australia (and the UK) put around grants administration to build capability and protect their integrity, the aspect most vulnerable to maladministration or improper practice (namely, the selection of successful applicants) remains the least protected. It is for this reason—based on our experience as practitioners—that we have recommended a model of probity advisors to observe and independently certify the selection process (as occurs routinely in major procurement).

¹ <https://www.gov.uk/government/collections/grants-management-function>

² <https://www.gov.uk/government/publications/grants-standards/grant-standards>

³ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/771152/2019-01-15_Code_of_Conduct_for_Grant_Recipients_v.1.01.pdf

⁴ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/896348/Government-Functional-Standard-GovS015-Grants-v1.0.pdf