



Joint Committee of Public Accounts and Audit

The Administration of Government Grants: Inquiry into Auditor-General's Reports 5 and 12 (2019-20)

7 February 2020

Opening Statement by the Auditor-General

1. Good morning Chair and Committee Members.
2. Thank you for the opportunity to appear before the committee today as part of the inquiry into the administration of government grants, specifically Auditor-General Report: –
 - [No. 5 2019–20](#) *Australian Research Council's Administration of the National Competitive Grants Program*; and
 - [No.12 2019–20](#) *Award of Funding Under the Regional Jobs and Investment Packages*.

Grants administration

3. Grants administration is an important activity for many Commonwealth entities, involving the payment of billions of public funds each year. The Commonwealth Grants Rules and Guidelines (CGRGs) establish the Commonwealth grants policy framework, setting out mandatory process requirements and better practice principles of grants administration. Entities are required to develop grants administration practices in accordance with the CGRGs.
4. The ANAO undertakes a number of grants audits each year and findings from audits reveal that grants administration by Commonwealth entities is on a continuum from good to poor. The audits being examined today demonstrate differences in practice. The Australian Research Council's (ARC's) grants administration practices have matured over time and key systems used in the National Competitive Grants Program (NCGP), such as those used to manage conflicts of interest, are overseen by ARC, fit-for-purpose and largely automated. The Regional Jobs and Investment Packages (RJIP) program administered by the Department of Infrastructure, Transport, Cities and Regional Development (Infrastructure) is a newer program, originating from a 2016 election commitment. Infrastructure engaged the Business Grants Hub to administer key aspects of the program and the assessment process was outsourced. Overall, [No. 5 2019–20](#) concluded that the

ARC's administration of the NCGP was effective, except that its performance indicators and monitoring and assurance arrangements should be strengthened. In contrast, [No.12 2019–20](#) concluded that advice provided by Infrastructure was largely appropriate, however the assessment processes were not to the standard required by the grants administration framework.

5. The conclusions from each report are expanded upon below.

[No. 5 2019–20](#) *Australian Research Council's Administration of the National Competitive Grants Program*

6. The objective of the audit was to assess the effectiveness of the ARC's administration of the NCGP. Against the audit criteria, the report concluded that:

- the NCGP guidelines: aligned with the CGRGs and the government's research and innovation objectives, and had recently increased the focus on government priorities; clearly outlined the elements of the NCGP; and were effectively communicated to stakeholders;
- mature and effective processes were in place to assess grants, manage conflicts of interest and provide funding recommendations that complied with the NCGP guidelines; and
- arrangements to measure the performance of the NCGP, monitor and evaluate the program and provide assurance that administering organisations complied with funding requirements were largely effective. However, not all of the ARC's key performance indicators reliable and assurance arrangements could be more risk-based to provide greater assurance that administering organisations complied with grant agreement requirements and the program is achieving its objectives.

7. The report made three recommendations addressing the annual issue of NCGP guidelines, the relevance of KPIs and monitoring and assurance activities.

[No.12 2019–20](#) *Award of Funding Under the Regional Jobs and Investment Packages.*

8. The objective of the audit was to assess whether the award of funding under the RJIP program was informed by appropriate departmental advice and that processes complied with the grants administration framework. Against the audit criteria, the report concluded that:

- assessment processes were not to an appropriate standard. This was the case in relation to requests from applicants to be exempted from the program's co-funding requirements; the application of the eligibility requirements set out in the program guidelines; and the assessment of the merits of competing applications against the published merit criteria.

- comprehensive written briefings were provided by the Department of Infrastructure, Transport, Cities and Regional Development to inform the decisions of the Ministerial Panel on award of grant funding in each of the 10 regions. The briefings included clear funding recommendations that were based on the results of the assessment of applications undertaken. A feature of the program was the high incidence with which the Ministerial Panel did not agree with the recommendations, with 28 per cent of recommended applications not approved. The recorded reasons for overturn decisions identified which criteria the Ministerial Panel considered had been scored incorrectly but the Panel records did not include a re-scoring of those applications. This adversely affected accountability as it meant there was not a clear line of sight between the departmental assessment results, the subsequent adjustments by the Ministerial Panel and the funding decisions.
9. The report made three recommendations addressing exemption requests, assessment practices and procedures, and processes for decision-makers to re-score grant applications in circumstances where they disagree with the scoring presented by the department.
 10. We would be happy to answer any questions the Committee may have.