



File Reference: F2010/939

24 April 2012

Mr Martin Bowles PSM
Acting Secretary
Department of Immigration and Citizenship
PO Box 25
BELCONNEN ACT 2616

Dear ~~Mr~~ ^{Martin} Bowles

**JCPAA INQUIRY INTO AUDIT REPORT NO.21 2011–12: ADMINISTRATION OF
GRANT REPORTING OBLIGATIONS**

Thank you for your letter of 16 April 2012 concerning the above audit and the Settlement Grants Program. From our perspective, your letter has drawn further attention to issues concerning the purpose and operation of the own-electorate reporting requirement, which I outline below.

As your correspondence noted, my letter of 27 March 2012 outlined the process by which the audit was conducted, as well as the ANAO's analysis of the decision-making arrangements. In particular, my letter outlined the consistent approach taken by the department in relation to advising the then Parliamentary Secretary that it would be appropriate for him to report to the Finance Minister grants awarded in his then electorate of Reid under both the 2009–10 and 2010–11 rounds of the Settlement Grants Program. As I further indicated, while a letter to the Finance Minister had been provided to, and signed by, the then Parliamentary Secretary in relation to the 2009–10 round, the briefing materials provided to us by DIAC had not included provision of a letter to the Finance Minister for the Parliamentary Secretary's signature in respect to grants awarded within the electorate of Reid for the 2010–11 round.

In that context, the Settlement Grants Program operated somewhat differently to most grant programs, with more than one Minister being involved in the making of funding decisions. Specifically, the portfolio Minister made the final funding decisions, but the Parliamentary Secretary played an important role in deciding the composition of the final funding recommendations.

In relation to the 2010–11 funding round (the subject of the instances of non-reporting identified in the supporting information provided to the JCPAA), after being advised on the results of the first tier assessment (in briefing LF2010/06042), the then Parliamentary Secretary asked for additional information in respect to two organisations and for departmental re-consideration of a further five organisations. In addition, a later briefing (LF2010/06434) outlined that the then Parliamentary Secretary also requested clarification and information on a range of issues over the course of the second tier assessment process. In this context, the subsequent briefing to the portfolio Secretary on the outcome of the 2010-11 round advised that 'some funding recommendations in the 2010-11 funding round have changed' as a result of the Parliamentary Secretary's input.

As outlined in my letter of 27 March 2012, the contemporaneous records show that advice provided to then Parliamentary Secretary by DIAC consistently reflected the important role the then Parliamentary Secretary played under both the 2009–10 and 2010–11 funding rounds in deciding which organisations would be recommended to the portfolio Minister, and those organisations that would not be recommended. In both cases the department advised the then Parliamentary Secretary that he should write to the Finance Minister outlining the grants awarded in the Parliamentary Secretary’s own electorate under each round. Accordingly, for the:

- 2009-10 funding round, DIAC prepared for Mr Ferguson’s signature a letter to the then Finance Minister outlining those grants awarded within his then electorate of Reid. That letter was signed by the then Parliamentary Secretary and received by the Finance Minister on 14 July 2009. The ten instances identified in that letter are included in the 77 own-electorate grants referred to at paragraph 3.14 of the audit report as having been reported to the Finance Minister; and
- 2010-11 funding round, and consistent with the approach that had been taken in respect to the 2009-10 funding round, the DIAC advice was that a report should be made to the Finance Minister in respect to grants in the then Parliamentary Secretary’s electorate. As reflected in the audit analysis set out in Audit Report No.21, no such letter was received by the Finance Minister. In this respect, it is clear that under cover of the brief referenced in your letter of 16 April 2012 (LF2010/06943—a copy of which has since been provided to us), DIAC again drafted such a letter for the then Parliamentary Secretary to sign. However, the brief and accompanying letter were not signed by the then Parliamentary Secretary prior to his leaving that position following the 2010 General Election. Our understanding is that there was some delay between decisions being made on the outcome of this round (7 June 2010) and the provision of a briefing and draft letter to the then Parliamentary Secretary (14 July 2010, only three days before the Caretaker Period commenced for the General Election).

As the then Parliamentary Secretary played an important role in the grant decisions made under the Settlement Grants Program, reporting to the Finance Minister (as had been proposed by DIAC) of grants awarded under the program in the then Parliamentary Secretary’s (then) electorate was, in our view, the prudent course to have been followed in respect to both rounds. Indeed, this was the clear advice from DIAC to the then Parliamentary Secretary outlined in brief LF2010/06943 referred to in your letter to me. Specifically, DIAC advised the then Parliamentary Secretary that:

While the Minister for Immigration and Citizenship provides final approval for the Settlement Grants Program funding decisions, your recommendations form the basis for these approvals.

To ensure compliance with the Commonwealth Grant Guidelines, the department recommends that you inform the Minister for Finance and Deregulation of those grants that have been awarded in your electorate.

The copy of the brief provided to us by the department does not include any annotation from the then Parliamentary Secretary declining to sign the letter on the basis that the reporting recommended by the department was not required.

It appears from your letter that DIAC has now come to the view that no reporting should have been made by the then Parliamentary Secretary in respect to the 2010-11 funding round. However, your letter did not identify the basis for this more recent conclusion, and how that departed from the basis for the department’s earlier clear advice to the then Parliamentary

Secretary that reporting own-electorate grants to the Finance Minister in respect to both relevant rounds of the Settlement Grants Program was the appropriate course.

As noted in my letter of 27 March 2012, during the course of this audit we raised with Finance the operation of the own-electorate reporting requirement. As reflected at paragraph 3.16 of the audit report, Finance advised us that it considered that there is merit in reviewing the reporting arrangements with a view to advising the Finance Minister of any opportunities for improvement. As I observed above, in our view, your letter has drawn further attention to issues concerning the purpose and operation of the own-electorate reporting requirement which could be considered in such a review.

In light of the matters raised, I have provided a copy of this letter to Mr Ferguson and to the Chair of the Joint Committee of Public Accounts and Audit.

Yours sincerely

Ian McPhee
Auditor-General