

## Audit Report No. 30, 1999-2000

# Examination of the Federation Cultural and Heritage Projects Program

## Introduction

- 3.1 The purpose of the Federation Cultural and Heritage Projects (FCHP) program is to fund medium sized cultural and heritage projects with individual grants up to \$5 million. In 1998, expenditure of \$70.4 million for a total of 60 projects was approved.<sup>1</sup>
- 3.2 The FCHP program was jointly administered by the Minister for Communications, Information Technology and the Arts and the Minister for the Environment and Heritage (the Ministers). A Federation Task Group (FTG), made up of officers from the Ministers' respective Departments, was established to administer the development and assessment phases of the program. The National Council for the Centenary of Federation (NCCOF) was the principal source of external advice.<sup>2</sup>
- 3.3 In view of the public and specific parliamentary interest in the program, the Auditor-General agreed to conduct a preliminary examination of the administration of the FCHP program to ascertain whether a full audit of this aspect of the Federation Fund was warranted at this time.<sup>3</sup>

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1 ANAO, *Audit Report No. 30, 1999-2000*, p. 9.

2 ANAO, *Audit Report No. 30, 1999-2000*, p. 10.

3 ANAO, *Audit Report No. 30, 1999-2000*, p. 9.

- 3.4 The Australian National Audit Office (ANAO) is currently undertaking an audit of the Federation Fund Major Projects Program and the management and monitoring of some FCHP projects to be tabled in May 2001. The *Better Practice Guide for the Administration of Grants* which the ANAO publishes to enhance grants administration will also be revised in the light of recent audits of grant programs, including the examination of the FCHP program which is the subject of this inquiry.<sup>4</sup>
- 3.5 The ANAO's Audit Report No. 30, *Examination of the Federation Cultural and Heritage Projects Program*, examined three main areas:
- the selection process;
  - the distribution pattern of the grants; and
  - the announcement process.<sup>5</sup>
- 3.6 The ANAO's report did not make any recommendations. However it concluded that there were some areas where improvements could be made, such as:
- the development of criteria to assess geographic distribution of grants;
  - greater adherence to the program guidelines relating to the acceptance of late applications; and
  - the documentation of reasons for changing decisions.
- 3.7 The Department of Communications, Information Technology and the Arts (DoCITA) explained to the Committee that
- the Department has made considerable progress toward addressing these areas in two significant ways. First, the recent drafting of departmental guidelines for the administration of grant programs is establishing an increasingly effective, ethical and broadly adopted standard for grant administration within the Department. Second, a continued Departmental emphasis on project management training is improving corporate knowledge required for professional and expert grant management practice.<sup>6</sup>
- 3.8 At the public hearing, the Committee pursued the following issues:
- importance of the achievement of a geographic spread of projects;

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4 ANAO, *Audit Report No. 30, 1999-2000*, p. 21.

5 ANAO, *Audit Report No. 30, 1999-2000*, p. 9.

6 DoCITA, Submission No. 2, p. 1.

- importance of a needs analysis to provide a basis for the allocation of funds to proposed projects as a means of dispelling any suggestions of party political bias;
- better practice in the assessment of applications, especially in relation to the transparency and rigour of the decision-making process; and
- better practice in the announcement of the results of grant applications.

## Importance of the achievement of a geographic spread of projects

3.9 One of the principles underlying the program guidelines was the achievement of a geographic spread of projects. According to the ANAO,

an assessment of the relative needs in a geographic area can provide an objective justification for the selection of one project over another or, at least, give some indication of the requirement for any apparent geographic weighting. This, in turn, can provide a measure of protection for decision-makers against allegations of political bias.<sup>7</sup>

3.10 The ANAO reported that there did not appear to be any criteria developed as part of the FCHP program design to assist the FTG on how to assess projects against the geographic distribution assessment criteria outlined in the program guidelines. Therefore, there was no specific advice provided to NCCOF when they sought it. On the other hand, unlike NCCOF, the FTG did not seek advice on this matter.<sup>8</sup>

3.11 DoCITA told the Committee that the Department's draft guidelines addressed the issue of equity of the geographic spread of grants to States and electorates by specifying the requirement to develop selection criteria for all program objectives.<sup>9</sup>

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7 ANAO, *Audit Report No. 30, 1999-2000*, p. 32.

8 ANAO, *Audit Report No. 30, 1999-2000*, p. 32.

9 DoCITA, Submission No. 2, p. 2.

## Needs analysis

- 3.12 Although the ANAO's Better Practice Guide recommends that departments consider and analyse all relevant factors and risks of the program by, for example, a needs analysis, there was no evidence of any needs analysis having been conducted by the FTG.<sup>10</sup>
- 3.13 The ANAO stated in its report:
- A needs analysis for grant program can be considered at two levels, that is at the macro and micro levels. The macro level is concerned with the overall need for the program in the first place; while the micro level is concerned with the need for specific projects at particular locations. Such an analysis could determine, for example, the priorities to be given to the specific mix of projects, the emphasis to be placed on urban, regional and/or rural outcomes or the level of government appropriate to deliver particular outputs and outcomes.<sup>11</sup>
- 3.14 Appreciating that there were time constraints, the ANAO noted that, at the very least, needs analysis at the micro level would have been valuable to determine the need for specific projects at particular locations.<sup>12</sup>
- 3.15 DoCITA explained to the Committee that:
- the reason for a needs analysis not being undertaken on this occasion was that both departments felt that the government had decided to institute a program of \$70 million as part of the \$1 billion Federation Fund, and our energies were devoted towards compiling guidelines which met what Cabinet had in mind.<sup>13</sup>
- 3.16 In the course of the public hearing, DoCITA acknowledged that it would have been desirable to have a more detailed needs analysis, although until now it has been very difficult for either Commonwealth or State to actually deliver one.<sup>14</sup>
- 3.17 The Department of Environment and Heritage (DOEH) informed the Committee that the Commonwealth was currently in the process of

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10 ANAO, *Audit Report No. 30, 1999-2000*, pp. 27-28.

11 ANAO, *Audit Report No. 30, 1999-2000*, p. 28.

12 ANAO, *Audit Report No. 30, 1999-2000*, p. 28.

13 R. Palfreyman, DoCITA, *Transcript*, 6 October 2000, p. 3.

14 B. Reville, DOEH, *Transcript*, 6 October 2000, p. 4.

appraising places of national heritage significance by means of a detailed needs analysis. DOEH advised that ‘that assessment will give us much better indication of the priority of places for investment, at least against heritage significance that the places contain.’<sup>15</sup>

- 3.18 The ANAO noted that the government could quite legitimately implement a program without a broad level needs analysis. However, a needs assessment might be desirable to determine, for instance, whether the government wished to give particular priority to cultural or heritage elements of particular submissions or regional or state priorities to make those broad assessments.<sup>16</sup> On the other hand, ‘a submission driven program is that a well informed constituency could be quite successful in seeking grant funds, and that may not necessarily equate to national priorities.’<sup>17</sup> Therefore, according to the ANAO and in line with the ANAO’s Better Practice Guide, ‘... the desirable model is to have a global needs analysis and a submission driven program and bring the two together.’<sup>18</sup>

### Committee comments

- 3.19 For programs focused on cultural and heritage projects, the Committee strongly supports a rigorous needs assessment process to ensure program funds are well targeted. This was also the Committee’s intention in commenting on Audit Report No. 36 (1996-97), *Commonwealth Natural Resource Management and Environmental Programs*.<sup>19</sup>

### Recommendation 2

- 3.20 **The Committee recommends that the Department of Communications, Information, Technology and the Arts implement its draft guidelines for the administration of grant programs.**

15 Reville, DOEH, *Transcript*, 6 October 2000, p. 4.

16 I. McPhee, ANAO, *Transcript*, 6 October 2000, p. 4.

17 McPhee, ANAO, *Transcript*, 6 October 2000, p. 4.

18 McPhee, ANAO, *Transcript*, 6 October 2000, p. 5.

19 JCPAA, *Report 359—Review of the Auditor-General’s Reports 1996-97 Fourth Quarter*, March 1998, p. 35.

## Assessment process

- 3.21 The ANAO was satisfied that the assessment process by the Federation Task Group and the National Council for the Centenary of Federation was generally well conducted and documented. However, the Ministers selected the successful projects and documented their reasons for decisions some two months after the projects were chosen. In ANAO's view, although this was not conducive to good administrative practice, all approved projects were eligible under the program guidelines.<sup>20</sup>
- 3.22 In the course of the audit it became clear that it was the Ministers who selected the projects to be recommended to the Prime Ministers for approval. The ANAO sought details of the selection process used by the Ministers and their staff. Because both DoCITA and DoEH were unable to provide these details, the ANAO asked Ministers for their cooperation. The Ministers advised that in considering the applications, they looked at the merits of the individual project, using the FTG ranking as their reference.
- 3.23 The selection process, especially in relation to the ministerial stage of the decision making process and not the departmental processes, was an issue explored at the public hearing. As the Committee noted,
- sixteen projects were chosen. All 16...complied with the criteria but did not score as highly as those that were put before the Ministers originally, and the determinations on those 16 were made at private decision meetings at which your Department was not present. The reasons for making those decisions were not advised to your satisfaction, in terms of due process, until several months after the event.
- 3.24 As pointed out by DoCITA, the Department had fulfilled its obligations in providing the Ministers with the information that the Department had and the final decision on the selected projects was one for the Ministers.<sup>21</sup>
- 3.25 The ANAO reiterated the view that better practice in grant administration would suggest the same standards of rigour and transparency applicable to departmental assessments should also apply to ministerial assessments. However, the ANAO did not suggest that

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20 ANAO, *Audit Report No. 30, 1999-2000*, p. 14.

21 Palfreyman, DoCITA, *Transcript*, 6 October 2000, p. 17.

Ministers should adopt the identical appraisal process, as this would duplicate the work of officials.<sup>22</sup>

### Committee comments

- 3.26 The Committee supports the ANAO's view that 'Ministers do not have to agree with what their departments say, but...if there is a variation, a difference, then reasons for that should be articulated so there is a clear trail of the decision making process.'<sup>23</sup>

### Announcement of applications

- 3.27 As the ANAO noted during the audit, one of the public interest issues raised in connection with the FCHP program concerned the timing of the announcement of 32 of the 60 successful applications during the lead up to the October 1998 election. Of the announcements prior to the election in marginal electorates, 78 per cent were in Coalition held electorates.<sup>24</sup>
- 3.28 Given that the decision to approve the grants was made prior to the start of the caretaker convention, their announcement during the lead up to the October 1998 election was not a breach of the convention.<sup>25</sup> However, the timing of the announcement provoked a deal of speculation and criticism that, as ANAO noted, 'could have been avoided'.<sup>26</sup>
- 3.29 In the course of the hearing, the Committee inquired whether DoCITA received any instruction from the Minister for Communication, Information Technology and the Arts or the Minister's office with respect to the timing of announcements or letters to applicants. From further examination, it became apparent that the timing of the announcement before and after the election was controlled by the Ministers. In the ANAO's view,

Ministers have the prerogative to determine the timing of the announcement of government decisions. However, if Ministers are to control the announcement process, it would seem

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22 McPhee, ANAO, *Transcript*, 6 October 2000, p. 19.

23 McPhee, ANAO, *Transcript*, 6 October 2000, p. 8.

24 ANAO, *Audit Report No. 30, 1999-2000*, p. 59.

25 ANAO, *Audit Report No. 30, 1999-2000*, p. 64.

26 ANAO, *Audit Report No. 30, 1999-2000*, p. 17.

important, from the perspective of sound public administration, that it is done in such a way that there is non-perception that the timing of the announcements is being used for party political purposes.<sup>27</sup>

- 3.30 DoCITA informed the Committee that its new departmental draft *Guidelines on the Administration of Grant Programs* addressed the issue of early announcement of successful grant applications.<sup>28</sup> In addition, DoCITA determined that 'the advice letter to applicants whose applications have been rejected should include information on how to appeal against the decision.'<sup>29</sup>

### Committee comments

- 3.31 In line with the ANAO's Better Practice Guide and the DoCITA's draft *Guidelines for the Administration of Grant Programs*, the Committee reiterates the requirement for applicants to be advised as soon as possible after the ministerial/ delegate decisions are made.

### Recommendation 3

- 3.32 **The Committee recommends that, after the making of grant decisions, all applicants, successful or otherwise, should be notified of the decision as soon as possible in writing, advised of relevant appeal processes and provided with guidance for improving subsequent applications.**

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27 ANAO, *Audit Report No. 30, 1999-2000*, p. 63.

28 Palfreyman, DoCITA, *Transcript*, 6 October 2000, p. 22.

29 DoCITA, Submission No. 2, p. 2.