JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

Inquiry into Auditor-General's Audit Reports

March 2012

Questions on Notice

AUSTRALIAN NATIONAL AUDIT OFFICE

Audit Report No. 21 2011-12, *Administration of Grant Reporting Obligations*

Responses are requested by 5pm Wednesday, 4 April 2012.

1. [The ANAO Audit Report] said that 37 per cent of the grant selection processes were competitive and 63 per cent were not. I am interested in an explanation for why that was so and whether that was unusual. (Mr Frydenberg, p. 6)

Answer:

The Commonwealth Grant Guidelines (CGGs) outline that, unless specifically agreed otherwise, competitive, merit-based selection processes should be used, based upon clearly defined selection criteria. In this respect, as reflected on page 55 of Audit Report No. 21 2011-12, whilst not mandatory under the CGGs, competitive, merit-based selection processes are recognised as representing best practice and agencies are encouraged by the Department of Finance and Deregulation (Finance) to employ such processes.

The major reason why a significant proportion of grant selection processes examined by ANAO in Audit Report No. 21 were not competitive is that there remain a significant proportion of program guidelines that do not require the grant program to be operated through a competitive, merits-based selection process. A related audit of the development and approval of grant program guidelines is nearing completion (expected to table in May or June 2012) and this issue will be further explored in that report. Through the conduct of that audit, Finance has been consulting with the ANAO to identify ways in which the grants administration framework could usefully be enhanced to increase the number of grant programs, and therefore grant selection processes, that operate through competitive, merit-based processes. Areas of particular interest have been additional guidance from Finance to agencies in respect to choosing the selection process for grant programs during the program design phase, together with agencies being required to document the reasons for any decision not to use a competitive, merit-based

selection process (such an obligation exists in respect to procurement activity under the Commonwealth Procurement Guidelines).

2. More than 30 per cent of the administered grants in the programs of agencies were not reported in their annual reports. I am interested in why that was the case. (Mr Frydenberg, p. 6)

Audit Report No. 21 noted that the requirement for the publication of information about grant programs in annual reports is longstanding. Providing agencies have a sound understanding of both their reporting obligation, and the existence of all grant programs they administer, meeting this obligation should not present difficulties. However, our experience through the audit survey instrument was that a number of agencies experienced difficulties in identifying and confirming to ANAO the grant programs that they administer. Sometimes this related to such information not being held centrally within the agency.

There were also instances where agencies experienced difficulties because their focus related to programs as defined in the budget context (which often related to appropriated amounts, which could include funding for a number of individual grant programs as well as other agency activities), rather than recognising each individual grant program. In this context, we reminded agencies that the CGGs refer to grant programs and that there are related reporting obligations to be met. Our approach through the audit was to view grant programs as discrete, identifiable activities aimed at achieving a specific policy objective. In this respect, our analysis was that, typically, grant programs have the following characteristics:

- specific objectives and desired outcomes;
- a defined selection and approval process;
- the use of funding agreements (or similar) to clearly specify the terms and conditions in relation to the grants that are awarded; and
- a set of associated guidelines (noting the requirement under the CGGs for agencies to develop grant guidelines for all new grant programs).