

Audit Report No.7 2011-12

Establishment, Implementation and Administration of the Infrastructure Employment Projects Stream of the Jobs Fund

Introduction

- 3.1 The Infrastructure Employment Projects (IEP) stream of the Jobs Fund was one of the fiscal measures implemented by the Australian Government to support employment and economic recovery in response to the Global Financial Crisis (GFC). Funding was to be made available for the construction of local infrastructure that would create immediate jobs in communities most affected by the GFC.¹
- 3.2 A total of \$650 million was committed to three integrated components of the Jobs Fund:
- \$300 million for the Local Jobs stream;
 - \$200 million for the Get Communities Working stream; and
 - \$150m for the IEP stream.²

1 ANAO Audit Report No.07 2011-12, *Establishment, Implementation and Administration of the Infrastructure Employments Projects Stream of the Jobs Fund*, p. 13.

2 ANAO Audit Report No.07 2011-12, p. 13.

- 3.3 In April 2009, the Department of Education, Employment and Workplace Relations (DEEWR) published a set of guidelines with a common set of criteria for all funding streams. The guidelines stated that projects were to be in areas of high unemployment or vulnerability, ready to start, and not need funding post 30 June 2011.³

Project establishment

- 3.4 As part of its response to the GFC, the Government agreed to measures related to identification of, and quick interventions in, regions of rising unemployment – Priority Employment Areas. DEEWR had proposed 20 areas that on the basis of analysis across a range of 25 indicators were likely to experience labour market disadvantage and deterioration as a result of the global recession.⁴
- 3.5 Subsequent Government announcements were made identifying the Priority Employment Areas and that Local Employment Coordinators (LECs) were to be engaged in these areas to 'ensure opportunities provided by government programs and the private sector were used to boost the local economy'.⁵
- 3.6 The Jobs Fund was established as a two-year executive grant scheme. Administration was to be shared between four agencies.⁶ While DEEWR was the lead agency for the administration of the Jobs Fund, the program guidelines indicated that the IEP stream would be principally administered by the then Department of Infrastructure, Transport, Regional Development and Local Government (DITRDLG).⁷
- 3.7 The IEP stream applications were to be initiated by the Australian Government, with the then DITRDLG responsible for assessing identified projects and providing advice to the then Minister for Infrastructure, Transport, Regional Development and Local Government.⁸

Project initiation

- 3.8 While the published program guidelines acknowledged that IEP stream projects would be initiated by Government, there were provisions for

3 ANAO Audit Report No.07 2011-12, pp. 13-14.

4 ANAO Audit Report No.07 2011-12, pp. 58-60.

5 ANAO Audit Report No.07 2011-12, p. 15.

6 ANAO Audit Report No.07 2011-12, pp. 42-45.

7 ANAO Audit Report No.07 2011-12, p. 15.

8 ANAO Audit Report No.07 2011-12, pp. 14-16.

LECs to submit projects for IEP funding consideration. The Australian National Audit Office (ANAO) sought input from LECs as to whether they had been engaged by the Government to assist in identifying suitable projects. Findings indicated that LECs had not been invited to submit projects, and on at least one occasion when a project was submitted, the LEC was provided with the pro forma text as follows:

There is no application process for IEP. Projects will be initiated by the Australian Government and jointly funded with state and territory and/or local governments.⁹

Project assessments and approvals

- 3.9 In accordance with the grants administration framework, agencies are required to provide advice to the Minister on the merits of proposed grants and a clear recommendation as to whether or not funding should be approved.¹⁰
- 3.10 The ANAO found that Infrastructure's procedure manual provided for a two-stage assessment process: an initial appraisal of a project concept; and a full assessment against the Jobs Fund Gateway criteria and target areas.¹¹

Program status

- 3.11 Over the two years between July 2009 and June 2011 (the original program timeframe), 19 projects were initiated for consideration of possible IEP stream funding. In July 2010, the end date for expenditure under the IEP stream was extended to 30 June 2012. When the program was closed to new projects on 30 June 2011, 12 of the 19 initiated projects had been approved by the Infrastructure Minister, with total approved funding of some \$82.7 million.¹²
- 3.12 As at 1 February 2012, according to the Infrastructure website seven projects had been completed, five projects were underway and two were still under consideration.¹³

9 Audit Report No.07 2011-12, pp. 91-93.

10 Audit Report No.07 2011-12, p. 141.

11 Audit Report No.07 2011-12, pp. 141-142.

12 Audit Report No.07 2011-12, pp. 16-18.

13 Department of Infrastructure and Transport (Infrastructure), *Infrastructure Employment Projects*, <http://www.infrastructure.gov.au/infrastructure/employment/index.aspx> accessed on 1 February 2012

Grant guidance and support for agencies

- 3.13 The Department of Finance and Deregulation (Finance) produces a range of guidance material to help agencies comply with financial management and accountability requirements. For grants, this includes the Commonwealth Grant Guidelines (CGGs). The CGGs establish the grants policy framework, within which agencies determine their own specific grants administration practices, and contain both mandatory and suggested best practice guidance.¹⁴
- 3.14 Complementing the CGGs, the ANAO produces a Better Practice Guide – Implementing Better Practice Grants Administration.¹⁵ The ANAO notes that:
- The primary objective is to implement a process by which projects most likely to contribute to the cost-effective achievement of the program objectives will be consistently and transparently selected for funding consideration. In this respect, the CGGs outline that, unless specifically agreed otherwise, competitive, merit based selection processes should be used, based upon clearly defined selection criteria.¹⁶
- 3.15 The ANAO noted that it remains quite common for grant programs to operate through non-competitive processes.¹⁷
- 3.16 Both Finance and ANAO emphasise the importance of probity and transparency in grants administration process, specifically in terms of articulating and documenting the process for identifying funding candidates prior to program commencement, and then ensuring consistent application.¹⁸ Chapter 4 of this report provides further scrutiny of Australian Government agency grant administration practices.

14 Department of Finance and Deregulation (Finance), *Commonwealth Grant Guidelines*, <http://www.finance.gov.au/financial-framework/financial-management-policy-guidance/grants.html>, accessed on 1 February 2012.

15 Available at http://www.anao.gov.au/~/_media/Uploads/Documents/implementing_better_practice_grants_administration_june2010.pdf.

16 ANAO Audit Report No.07 2011-12, pp. 82-82.

17 ANAO Audit Report No.07 2011-12, p. 23.

18 ANAO Audit Report No.07 2011-12, pp. 82-83.

JCPAA's previous scrutiny of the Infrastructure Portfolio

- 3.17 As part of the 2010-11 Review of Auditor-General's Reports, the JCPAA reviewed:
- Audit Report No. 02 2010-11, *Conduct by Infrastructure Australia of the First National Infrastructure Audit and Development of the Infrastructure Priority List*; and
 - Audit Report No. 03 2010-11, *The Establishment, Implementation and Administration of the Strategic Projects Component of the Regional and Local Community Infrastructure Program*.
- 3.18 The JCPAA's comments in its report on these audits raised significant concerns about transparency with the decision-making process for selection of projects. In the case of Audit Report No.03, the following comment was included:

...if the Committee finds similar failings in grants administration in the future, either in this Department or across the APS more broadly, it will not look on the findings favourably.

...

The Committee accepts the reassurance from the ANAO that the recommendations from this audit have been largely implemented but reiterates its ongoing concern with the recurring difficulties identified by the ANAO in grants administration more broadly.¹⁹

The ANAO Audit

Audit objectives and scope

- 3.19 The audit's objective was to assess the efficiency and effectiveness of the establishment, implementation and administration of the IEP stream of the Jobs Fund, focusing on the establishment of program objectives and the extent to which grants have demonstrably contributed to the cost-effective achievement of those objectives.²⁰

19 Joint Committee of Public Accounts and Audit, *Report 423 - Review of Auditor-General's Reports Nos 39 2009-10 to 15 2010-11*, pp. 47-49.

20 ANAO Audit Report No.07 2011-12, p. 48.

- 3.20 The Audit Report noted an emphasis was given to examining whether the IEP stream was achieving its stated objectives and providing value for public money. Areas of particular focus for the audit included:
- advice provided to government from relevant departments on the design and implementation of the program;
 - the business practices of Infrastructure and other relevant departments;
 - identification, assessment and approval for funding in accordance with the principles outlined in the CGGs, as well as the published program guidelines;
 - establishment of appropriate funding arrangements; and
 - arrangements for monitoring, delivery and reconciliation in accordance with the terms and conditions of funding.²¹

Overall audit conclusion

- 3.21 The ANAO concluded that the policy development for the Jobs Fund and aspects of the program design were undertaken effectively, with the necessary urgency required for the stimulus measure. However, there were shortcomings in designing and implementing a process for identifying and assessing proposed projects, which meant that overall the IEP stream did not achieve the economic stimulus objectives set for it in the allotted timeframe.²²
- 3.22 Noting that robust planning and design is one of the key principles set out in the CGGs, the ANAO found that there were some well-designed aspects of the IEP stream of the Jobs Fund. This included: the analysis undertaken by DEEWR, as the lead policy agency; and that program guidelines were developed by agencies and published.²³
- 3.23 However, the ANAO considered that the IEP guidelines were not sufficiently robust, particularly in terms of outlining the project initiation process and criteria against which proposals would be assessed, and critically there was no explicit statement of requirement that value for money was expected to underpin the assessment process.²⁴

21 ANAO Audit Report No.07 2011-12, pp. 51-52.

22 ANAO Audit Report No.07 2011-12, p. 19.

23 ANAO Audit Report No.07 2011-12, pp. 80-81.

24 ANAO Audit Report No.07 2011-12, p. 81.

- 3.24 A decision was taken that project identification under the IEP stream would operate through a non-competitive and closed process, and the published program guidelines stated that projects would be 'initiated' by the Australian Government. However, the guidelines did not outline how potential projects would be identified.²⁵
- 3.25 As the projects were to be initiated by the Government, Infrastructure considered it did not have a role in assisting the Government to identify potential projects for funding. Infrastructure's narrow view of its role was not consistent with the requirements of the grants administration framework set out in the CGGs.²⁶
- 3.26 In practice, the Department only responded to referrals from the Minister or his Office. Infrastructure did not analyse each proposal's overall quality for contributing to the program objectives. Rankings, comparative merits, and recommendations relative to the program guidelines were not provided by the Department.²⁷
- 3.27 The ANAO considers that the projects approved for funding and contracted for delivery will provide benefits through the delivery of community infrastructure. Infrastructure has implemented effective project monitoring procedures, and many of the projects have proceeded broadly in accordance with the projected timeframe and funding envelope. But delays in projects being initiated for funding and delays in the signing of funding agreements diminished the program's ability to provide timely economic stimulus.²⁸
- 3.28 The delays resulted in a decision being made in July 2010 to move the program end date out from 30 June 2011 to 30 June 2012.²⁹ The ANAO noted that by the program's original end date, 38 per cent of available funding remained uncontracted. Significant rephasings resulted, with the majority of the expenditure now budgeted to occur in the third year.³⁰
- 3.29 The ANAO concluded
- ...it was not until August 2010 that any project proponent reported to Infrastructure that an IEP stream project had created or retained any jobs. As none of the approved and contracted projects are
-

25 ANAO Audit Report No.07 2011-12, p. 136.

26 ANAO Audit Report No.07 2011-12, pp. 20-21.

27 ANAO Audit Report No.07 2011-12, p. 20.

28 ANAO Audit Report No.07 2011-12, pp. 204-205.

29 ANAO Audit Report No.07 2011-12, p. 178.

30 ANAO Audit Report No.07 2011-12, p. 205.

located in a Priority Employment Area, the IEP stream has made no contribution to addressing employment challenges in those areas identified by DEEWR as those regions with labour markets which were likely to experience labour market disadvantage and deterioration as a result of the global recession.³¹

ANAO recommendations

Table 2 ANAO recommendations, Audit Report No.07 2011-12

1.	<p>ANAO recommends that, in administering grant programs that do not involve an open call for applications, the Department of Infrastructure and Transport develop, for consideration by the responsible Minister, an implementation strategy that clearly identifies the avenues through which candidate projects are able to be identified, and the department's role in this process.</p> <p>Infrastructure response: <i>Agreed.</i></p>
2.	<p>ANAO recommends that the Department of Finance and Deregulation improve its existing guidance on grants administration so as to promote the effective application of the seven key principles outlined in the Commonwealth Grants Guidelines to all forms of granting, including where a grant program operates through a non-competitive and/or a non-applications based process.</p> <p>Finance response: <i>Agreed.</i></p>

The Committee's review

3.30 The Committee held a public hearing on Wednesday 8 February 2012, with the following witnesses:

- Australian National Audit Office
- Department of Infrastructure and Transport
- Department of Finance and Deregulation

3.31 The Committee took evidence on the following issues:

- Infrastructure's response history
- IEP stream of the Jobs Fund
 - ⇒ Local Employment Coordinators
 - ⇒ Priority Employment Areas
 - ⇒ job creation
 - ⇒ project delays

31 ANAO Audit Report No.07 2011-12, p. 206.

- ⇒ engagement with the Minister's Office
- ⇒ project assessment
- Commonwealth Grant Guidelines
- departmental guidance and training.

Infrastructure's response history

- 3.32 In an attempt to gain a more complete understanding of issues surrounding this audit and to seek administrative efficiencies, the Committee took note of responses to Questions on Notice, taken by the Department of Infrastructure and Transport at the October 2011 Supplementary Senate Estimates hearing, in relation to this audit report.
- 3.33 The Committee suggested that the responses appeared inadequate, and asked Infrastructure to comment as to whether it considered the questions had been responded to in a full and comprehensive way.
- 3.34 Department representatives were unable to recall providing responses to the Senate Estimates Questions on Notice, but took on notice to check and comment on the completeness of any responses.³²
- 3.35 The subsequent response from the Department acknowledged the Senate Estimates responses, but failed to include any additional commentary, thus leaving the original question largely unanswered.³³
- 3.36 Further, because the Department of Infrastructure and Transport provides support to Infrastructure Australia, the Committee took the opportunity to follow up on an outstanding Government Response to the infrastructure-related recommendations in JCPAA Report No. 423.
- 3.37 The Department took on notice to follow up with the Infrastructure Coordinator and remind him of his obligations to respond. To date, a response has not been received in regard to this matter from either the Department or the Infrastructure Coordinator.

IEP stream of the Jobs Fund

- 3.38 The overall objective of the Jobs Fund was to help support local jobs and training through community projects in regions hardest hit by the
-

32 Ms Lyn O'Connell, Infrastructure, *Committee Hansard*, Canberra, 8 February 2012, p. 3.

33 Infrastructure, *Submission 4*, (Review of Auditor-General's Reports Nos. 47 (2010-11) to 9 (2011-12)), p. 1.

economic downturn. In announcing the Fund, the Government stated that an Infrastructure Employment Projects component was to be established to fund local infrastructure projects 'that will create immediate jobs in communities affected by the global economic downturn'.³⁴

- 3.39 In the opening statements of both the Department of Infrastructure and Transport³⁵ and the Auditor-General, there was agreement that the projects selected were to provide both employment and infrastructure. However, the Auditor-General highlighted that 'the IEP stream did not achieve the program's economic stimulus objectives within the anticipated timeframe'.³⁶

Local Employment Coordinators

- 3.40 According to the ANAO report, despite the Jobs Fund guidelines envisaging such a role³⁷, no attempts were made to involve the LECs located in Priority Employment Areas in assisting with identification of candidate projects for the IEP stream.³⁸
- 3.41 The Department's response to the Committee's question as to why no attempt had been made to involve the valuable on-the-ground resource pool of LECs was that it was not a requirement under the guidelines. Instead, the Department noted that 'the Government wanted the flexibility to be able to identify projects'³⁹, and therefore it was 'important that the design of the program was not restricted to Priority Employment Areas'.⁴⁰

Priority Employment Areas

- 3.42 By way of further explanation, the Department advised that one of the three gateway criteria was that projects must be in areas 'experiencing

34 [then] Prime Minister, the Hon Kevin Rudd MP, the Hon Julia Gillard MP, [then] Deputy Prime Minister and Minister for Employment and Workplace Relations and the Hon Brendan O'Connor MP, [then] Minister for Employment Participation, 'Fund to support jobs, build skills and community infrastructure', Joint Media Release, 5 April 2009.

35 Ms O'Connell, *Committee Hansard*, Canberra, 8 February 2012, p. 1.

36 Mr Ian McPhee, Auditor-General, *Submission 1*, p. 1.

37 Jobs Fund Guidelines

http://www.regional.gov.au/regional/files/Jobs_Fund_Guidelines_Approved.pdf, accessed 2 April 2012.

38 ANAO Audit Report No.07 2011-12, pp. 139-140.

39 Mr Andrew Jagers, Infrastructure, *Committee Hansard*, Canberra, 8 February 2012, p. 6.

40 Ms O'Connell, *Committee Hansard*, Canberra, 8 February 2012, p. 9.

high unemployment, a significant rise in unemployment or vulnerability', and by their consideration the projects funded met this criterion.⁴¹

3.43 The Committee discussed the similarity between the definition of a Priority Employment Area and the gateway criterion, noting that none of the projects were located in any one of the 20 designated areas.

3.44 Infrastructure explained that the method of project selection, whereby projects were to be identified by the Government, was to provide the Government with flexibility to respond to events or representations. Examples provided include:

- Fitzgerald River National Park road upgrade and walking trail – approach by the Western Australian government, after a nickel mine closure in Ravensthorpe in Western Australia;⁴²
- Hobart Tennis Centre – at risk of losing an international tennis event unless the project was initiated and delivered;⁴³
- Wayside Chapel – representation 'directly sponsored from the Wayside Chapel' to improve community infrastructure.⁴⁴

3.45 While noting these are worthy projects, the Committee was left with the impression that flexibility was more important than maximising job outcomes in areas that had been previously identified as Priority Employment Areas. Further, the Committee noted that the Hobart Tennis Centre and the Fitzgerald River National Park projects may have retained jobs, but there was no evidence to indicate job creation.

Job creation

3.46 The Government announced the Jobs Fund as a mechanism to 'create immediate jobs in communities affected by the global economic downturn'.⁴⁵ Yet the ANAO reported that no jobs were reported as created or retained until August 2010. Further, the Department had not sought to undertake an evaluation and noted in response to the ANAO

41 Ms O'Connell, *Committee Hansard*, Canberra, 8 February 2012, p. 6.

42 Mr Jagers, *Committee Hansard*, Canberra, 8 February 2012, p. 7.

43 Ms O'Connell, *Committee Hansard*, Canberra, 8 February 2012, p. 8.

44 Ms O'Connell, *Committee Hansard*, Canberra, 8 February 2012, p. 7.

45 Joint Media Release with [then] Prime Minister Kevin Rudd and the Hon Brendan O'Connor MP, [then] Minister for Employment Participation, 5 April 2009, <http://ministers.deewr.gov.au/gillard/fund-support-jobs-build-skills-and-community-infrastructure>

that while employment outcomes were an important component, this was 'not of greater consideration than the construction of infrastructure...'⁴⁶

- 3.47 As this seemed in contrast to the stated objective of the program, the Committee sought clarification as to whether any jobs had been reported as created within the first twelve months of the program.
- 3.48 Infrastructure advised that for the 12 projects, 2,749 people were directly employed during the construction period. However the Department was unable to confirm whether this was during the first year of the program. In terms of the first year, the Department said it did not ask for job numbers to be reported, but that it was aware of jobs that were retained.
- 3.49 Noting it did not have on hand data to say when people were working, the Department took on notice to respond and also advise when a request was issued for job numbers to be provided by project funding recipients.
- 3.50 The response the Department provided to the Question on Notice was again inadequate. It did not include any details on numbers or dates, instead providing a broad statement

The Department received job estimates from all applicants as part of the assessment and decision making process. Reporting on jobs was required at the relevant milestones once funding agreements were signed.⁴⁷

Project delays

- 3.51 According to the ANAO Audit Report, 'timely stimulus was impeded by the considerable delays that occurred in developing a pool of candidate projects for funding consideration'.⁴⁸ Supporting this view, the Auditor-General highlighted the importance of well-targeted and timely implementation to achieve the maximum stimulus effect for communities most in need.⁴⁹
- 3.52 The Department acknowledged the delays, but did not address the impact on the objective of 'immediate job creation'.

46 ANAO Audit Report No.07 2011-12, pp. 202-203.

47 Infrastructure, *Submission 4*, (Review of Auditor-General's Reports Nos. 47 (2010-11) to 9 (2011-12)), p. 2.

48 ANAO Audit Report No.07 2011-12, p. 20.

49 Mr McPhee, Auditor-General, *Submission 1*, p. 1.

Engagement with the Minister's Office

- 3.53 The ANAO's report raised concerns that, in contrast to the requirements outlined in the grants administration framework, the Department took a 'quite narrow view of its role in the administration of this program'.⁵⁰
- 3.54 The Auditor-General reiterated the audit findings noting the importance of developing and agreeing an implementation strategy with the relevant minister's office.⁵¹
- 3.55 The Committee sought to explore this, asking why the Department did not advise or assist the Minister with the early identification and targeting of promising projects.
- 3.56 The Department attempted to refocus the discussion on the ANAO's recognition in the report that:
- once the relevant [funding] agreements were in place, the department implemented effective procedures to monitor project commencement and progress as reported to it by the funding recipient. In addition, the funding arrangements and agreements adopted by the department reflected the importance of balancing both the economic stimulus and job creation with that of protecting the Commonwealth's interest in ensuring infrastructure is delivered.⁵²
- 3.57 However, this statement did not address the Committee's question and further, it failed to encompass the ANAO's additional comment that 'overall, the IEP stream has not provided the planned level of stimulus in the timeframe that had been budgeted'.⁵³
- 3.58 The Committee drew the Department's attention back to the question asked in regard to identification of projects, and whether the Department considered a more proactive approach may have been preferable.
- 3.59 Infrastructure advised that once a project was identified, the Department assessed it against the targets set under the guidelines. Advice was provided to the Minister in relation to how the candidate project fitted within target areas and whether the project met the gateway criteria.

50 ANAO Audit Report No.07 2011-12, pp. 20-21.

51 Mr McPhee, Auditor-General, *Submission 1*, pp. 1-2.

52 Ms O'Connell, *Committee Hansard*, Canberra, 8 February 2012, p. 5.

53 ANAO Audit Report No.07 2011-12, p. 205.

In the case of all 12 projects that were approved by the Minister, the Department advised that they did meet the criteria and provided implementation advice to the Minister.⁵⁴

3.60 Infrastructure acknowledged the ANAO's findings and concurred with the Committee's view that:

- an implementation strategy that included how projects would be identified should have been developed and agreed with the Minister; and
- the Department should have taken a more proactive role in project identification.⁵⁵

3.61 Further, the Department undertook to ensure implementation plans are prepared for future programs.⁵⁶

Project assessment

3.62 The ANAO reported that the Department focused on a project meeting the minimum threshold of the Jobs Fund gateway criteria, rather than taking the opportunity to identify proposals 'that could be expected to best promote achievement of the Jobs Fund program outcomes'.⁵⁷

3.63 Further the ANAO identified that in the case of four projects, including the Wayside Chapel, the Department advised the Minister that the unemployment gateway criterion could be met by considering 'vulnerability in the construction industry more generally'.⁵⁸

3.64 The Committee questioned why the Wayside Chapel was selected, asking whether it won out over other projects based on an opportunity to maximise a jobs outcome.

3.65 Exemplifying the ANAO's findings that the Department did not use the initial assessment stage to identify proposals that appeared likely to meet the gateway criteria and the program's objectives to a high standard, the Department's advised that due to the non-competitive process, projects such as Wayside Chapel were only required to 'meet the gateway criteria'.⁵⁹

54 Mr Jagers, *Committee Hansard*, Canberra, 8 February 2012, p. 5.

55 Ms O'Connell, *Committee Hansard*, Canberra, 8 February 2012, p. 6.

56 Ms O'Connell, *Committee Hansard*, Canberra, 8 February 2012, p. 6.

57 ANAO Audit Report No.07 2011-12, p. 149.

58 ANAO Audit Report No.07 2011-12, p. 170.

59 Ms O'Connell, *Committee Hansard*, Canberra, 8 February 2012, p. 7.

Commonwealth Grant Guidelines

- 3.66 The Commonwealth Grant Guidelines state that ‘agencies are responsible for advising ministers on the requirements of the CGGs, and must take appropriate and timely steps to do so where a minister exercises the role of a financial approver in grants administration’.⁶⁰
- 3.67 The Committee asked why Infrastructure had not applied the principles outlined in the CGGs.
- 3.68 Infrastructure disputed the characterisation, instead suggesting the ANAO was referring only to the recommendation directed to Finance, regarding the expansion of requirements of the CGGs to include use of the best practice principles for all types of grants.⁶¹
- 3.69 Responding to this, Finance outlined the progress it has made in addressing the ANAO’s recommendation to improve its existing guidance on grants administration:
- ...there are some principles which include robust planning and design, an outcomes orientation; proportionality, collaboration and partnership, governance and accountability, probity and transparency, and achieving value of public money which the ANAO has recommended ought to underpin all granting activity in the government whether it is through competitive or non-competitive rounds.⁶²
- 3.70 Finance confirmed it plans to adjust the guidelines to extend the seven principles of good grants administration, which are currently included as best practice guidance, to all forms of granting activity.⁶³
- 3.71 The Committee asked the ANAO to comment as to whether the findings in the report included that Infrastructure failed to follow the CGGs. In response, the ANAO drew the Committee’s attention to their findings in regard to recording the basis on which a grant was approved, and confirmed that in their view, Infrastructure did not comply with the CGGs.⁶⁴

60 Finance, *Commonwealth Grant Guidelines*, July 2009, p. 11, http://www.finance.gov.au/publications/fmg-series/docs/FMG23_web.pdf, accessed 5 April 2012.

61 Ms O’Connell, *Committee Hansard*, Canberra, 8 February 2012, pp. 3-4.

62 Mr Lembit Suur, Finance, *Committee Hansard*, Canberra, 8 February 2012, p. 3.

63 Mr Suur, *Committee Hansard*, Canberra, 8 February 2012, p. 3.

64 Mr McPhee, *Committee Hansard*, Canberra, 8 February 2012, p. 4.

- 3.72 Referring the question back to Infrastructure, the Committee requested the Department confirm its view. Infrastructure accepted the ANAO's finding as an indentified shortcoming, but still contended that the Department had complied with the CGGs.⁶⁵

Departmental guidance and training

- 3.73 Infrastructure acknowledged the ANAO's recommendations and advised that work has been underway to strengthen its program management issues addressing the ANAO's audit commentary.⁶⁶

We have developed a program managers tool kit which is designed to improve consistency, quality and compliance in the delivery of administered programs. In practice, the program managers tool kit is a single point of access or a portal to information and tools and links that can assist in the design, implementation and delivery of administered funding programs. The tool kit links to Finance circulars about grant-reporting obligations, *Financial Management and Accountability Act* and regulation requirements and recently introduced risk assessment requirements for grant guidelines and the new policy proposals.

The tool kit organises its information around six phases of a program's life cycle: designing a program; implementing a program; selecting projects for funding; managing projects and their funding; closing a program; and evaluation.⁶⁷

- 3.74 Noting this advice regarding programs being rolled out within the department to improve administrative processes in relation to grants, the Committee was interested to hear more on the training and ongoing departmental support. Specifically, whether: it is mandatory and assessed to ensure understanding; there are any ongoing mechanisms to ensure currency of staff knowledge; and a dedicated unit has been established to oversee the administration of grant programs.
- 3.75 Infrastructure advised that the toolkit is available on the Department's intranet and has been promoted internally from the top down as the central information repository. There is continuous training to ensure both new and existing staff are up to date on the toolkit's elements, as well as a

65 Ms O'Connell, *Committee Hansard*, Canberra, 8 February 2012, p. 4.

66 Mr Jagers, *Committee Hansard*, Canberra, 8 February 2012, p. 2.

67 Mr Jagers, *Committee Hansard*, Canberra, 8 February 2012, p. 2.

dedicated team within the major infrastructure projects office that is looking constantly at strengthening practices and sharing information.⁶⁸

Committee comment

- 3.76 The Committee is very concerned over the Infrastructure Portfolio's numerous examples of poor program management, ministerial support and compliance with the Commonwealth Grant Guidelines (both mandatory and best practice).
- 3.77 Infrastructure has failed to provide timely and/or complete responses to previous report recommendations and questions on notice. This lack of responsiveness hinders the Committee's full consideration of the matters related to the Auditor-General's findings, and disrespects the 'Agreement for Better Parliament'.
- 3.78 In JCPAA Report 423 the Committee raised significant matters around transparency with the decision-making process for selection of infrastructure projects. The Committee has not yet received a response to this report, and has again heard evidence regarding poorly documented and questionable project selection processes.

IEP Stream of the Jobs Fund

- 3.79 In this case, the audit found the Infrastructure Employment Projects stream of the Jobs Fund did not meet its economic stimulus objective in the timeframe outlined by Government.
- 3.80 While the program may have been created with the noble goals of job creation and infrastructure for communities most in need, the program did not achieve these objectives. It was underspent, overtime and poorly targeted; and exemplified a range of significant public administration shortcomings.
- 3.81 The Committee is particularly concerned about the lack of initiative taken by the Department during the process of identification of projects, and that in providing advice to the Minister, it neglected to rank projects.
- 3.82 It appears that the Department has taken a 'bare minimum approach' in meeting guidelines rather than striving for best practice – disregarding

68 Mr Jagers, *Committee Hansard*, Canberra, 8 February 2012, pp. 4-5.

the intent of the Jobs Fund guidelines by not taking advantage of Local Employment Coordinators who had local knowledge in locations designated as Priority Employment Areas and failing to apply the principles of the CCGs.

- 3.83 The CCGs were established to improve the transparency and accountability of grants administration, yet departments still appear unsure of their responsibilities in relation to supporting ministers. Based on this, the Committee decided to review the Auditor-General's *Audit Report No.21 (2011-12) Administration of Grant Reporting Obligations*. The JCPAA's findings are available at Chapter 4 of this report.

Key Performance Indicators

- 3.84 As foreshadowed in the Chapter 2 of this report, another area of ongoing concern for the Committee is the effectiveness and appropriateness of performance indicators being developed by departments. The Committee notes that the issues raised in relation to KPIs are not confined to Infrastructure.
- 3.85 However, in this case the Committee considers that the Department did not put in place performance measurements that included the number of jobs created in the critical first twelve months of the project and was unable to provide confirmation as to whether any were actually created.
- 3.86 The Department's lack of detailed response to questions during hearings and subsequent questions on notice has left the Committee unclear as to whether the finding in relation to job creation was a matter of inadequate development of Key Performance Indicators and reporting, or poorly targeted projects.

Program Management

- 3.87 The Committee welcomes the work being done by Infrastructure to strengthen program management with the development of a toolkit and training to support the departmental guidance. The Committee considers it would be useful to make public the toolkit and training outlines, allowing other Australian Public Service agencies to leverage Infrastructure's work.
- 3.88 However, there have been a number of assurances provided by the Department that the Committee considers have been left unfulfilled. In light of this, the Committee recommends that the fullest scrutiny is applied to the Department to ensure the substantial infrastructure budget is being used to benefit areas most in need.

Recommendation 4

That the ANAO include the Department of Infrastructure and Transport in the performance audit currently underway ‘Agencies Implementation of ANAO Audit Recommendations’.

Subject to the Auditor-General accepting this JCPAA recommendation and any subsequent findings of the ANAO Audit Report, the Committee may consider recommending that a Capability Review of the Department of Infrastructure and Transport be commissioned to assess the Department’s ability to meet future objectives and challenges.

