



File Reference: F2010/939

27 March 2012

The Hon Laurie Ferguson MP
Member for Werriwa
Parliament House
CANBERRA ACT 2600

Dear Mr Ferguson

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

I am writing in relation to your personal explanation in the House of Representatives on Thursday 22 March 2012 concerning the above audit. In particular, I am writing to outline the process by which the audit was conducted in relation to the grants in question, as well as our analysis of the decision-making arrangements in relation to these grants.

The requirement for reporting to the Finance Minister in respect to grants awarded within the electorate of a House of Representatives Minister was introduced in January 2009. Accordingly, it has applied to the 2009-10 and later funding rounds of the Settlement Grants Program.

As outlined at paragraphs 1.19 and 1.20 of Audit Report No. 21 2011-12, the key input for our analysis of the administration of Ministerial reporting obligations involved a request to agencies to provide us with:

'all agency briefs provided to relevant Ministerial decision-makers between 1 January 2009 and 30 June 2010 in which the Minister was asked to make a decision about whether or not to approve a grant.'

The Department of Immigration and Citizenship (DIAC) responded to the audit survey and provided us with a series of briefings, including four briefings in respect to the 2009-10 round of the Settlement Grants Program, and three briefings in respect to the 2010-11 round of that program.

As you may be aware, the material received from DIAC and other agencies was used to inform our assessment of the quality of agency briefing practices, including the extent to which they assisted Ministers to meet their reporting obligations. The audit report did not canvass the specific details of grants in that respect. However, following a request from the Joint Committee of Public Accounts and Audit (JCPAA) I provided the supporting information to the Committee as it related to the expenditure of public money and there were no public interest grounds on which the information should not have been provided to the Committee. As you are aware, the grants that you referred to in your personal explanation were included in the information provided and which was publicly released by the Committee on Wednesday 21 March 2012.

2009-10 funding round reporting to the Finance Minister

Briefing LF2009/04105 sought your agreement as Parliamentary Secretary for Multicultural Affairs and Settlement Services to funding recommendations for the 2009-10 round of the Settlement Grants Program. Included in the briefing was advice from DIAC concerning the new framework for grants administration. In turn, this included advice that there were recommended grants located in your then electorate of Reid that should be reported to the Finance Minister.

Accordingly, after the portfolio Minister had given his agreement to the funding recommendations (having received agency advice through brief CE2009/4140), DIAC prepared for your signature a letter to the then Finance Minister outlining those grants awarded within your then electorate of Reid as part of the 2009-10 Settlement Grants Program (under cover of brief LF2009/4309). That letter was 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.

2010-11 funding round

Based on the briefing materials provided to us by DIAC, a similar decision-making process was followed for the 2010-11 round of the Settlement Grants Program as was adopted in respect to the 2009-10 round. Specifically, the department initially sought your agreement as Parliamentary Secretary to funding recommendations (LF2010/06434), with a subsequent briefing to the Minister (CE2010/06554) seeking approval for the final recommendations. In the briefing provided to you, DIAC identified the reporting requirement in respect to own-electorate grants and advised that there were recommended grants in your then electorate of Reid. Consistent with the approach that had been taken in respect to the 2009-10 funding round, the departmental advice was that a report should be made to the Finance Minister in respect to grants in your electorate and DIAC undertook to draft the necessary correspondence to the Finance Minister. Briefing LF2010/06434 stated that a draft letter to the Finance Minister would be included with the final submission to the Minister.

The briefing materials provided to us by DIAC also included the final funding recommendations brief in respect to the 2010-11 round of the Settlement Grants Program (CE2010/06554). However, the attachments to that brief did not include a letter to the Finance Minister in respect to those grants awarded within the electorate of Reid, and our examination of the records of the Department of Finance and Deregulation (Finance) confirmed that no such letter was received by the Finance Minister.

Against the above background, during the course of this audit we raised with Finance the operation of the own-electorate reporting requirement. In this respect, paragraph 3.15 of the audit report outlines that the awarding of grants within a Minister's own electorate is but one consideration in the political distribution of grant funding. Further, 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.

To provide further context to our suggestion for further work by Finance in respect to the own-electorate reporting obligation, we are currently auditing a grant program in another portfolio where the Parliamentary Secretary makes the final funding decision, but the portfolio Minister is provided a copy of the departmental briefing with the funding recommendations. For that program, the reporting to the Finance Minister has included grants awarded in the electorate of both the Parliamentary Secretary and the portfolio Minister.

In light of the matters raised, I have provided a copy of this letter to Mr Andrew Metcalfe, Secretary of DIAC. In addition, given the supporting information referencing the material relevant to this correspondence was provided to the JCPAA in the context of its current inquiry into Audit Report No.21 2011-12, I have also provided a copy of this letter to the Chair of that Committee.

Yours sincerely

Ian McPhee
Auditor-General