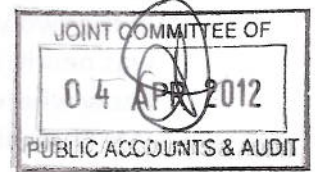


Joint Committee of Public Accounts and Audit  
Inquiry into Auditor-General's Audit Report  
Hearing: 14 March 2012  
Answers to Questions on Notice  
Department of Finance and Deregulation



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

**Type of Question: Written**

**Date set by the committee for the return of answers: 5pm Wednesday, 4 April 2012**

**Number of Pages: 6**

**Question 1:**

Were there any guidelines relating to administration of Commonwealth grants reporting prior to 2007?

**Answer:**

Prior to late, 2007, there was no official guidance for agencies specifically relating to the administration of grant programs (see ANAO Performance Audit Report No. 21 2011-12, *Administration of Grant Reporting Obligations*, p. 33, paragraph 1.2).

**Question 2:**

Have standards for reporting regarding administration of Commonwealth grants generally improved since the implementation of the Commonwealth Grants Guidelines?

**Answer:**

Agencies standards have improved in terms of complying with FMA regulation 7A, which requires agency staff performing duties in relation to grants administration to act in accordance with the Commonwealth Grant Guidelines (CGGs). Further details are provided in the answer to Question six below. Other than information provided through the Certificate of Compliance process or gathered through ANAO audits, Finance has no additional information on which to assess agency standards in regards to improvements in meeting the reporting requirements of the CGGs.

**Question 3:**

[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:**

This question has been directed to the ANAO for response.

**Question 4:**

In the two years of the operation of the Grants Framework Unit, the staffing level was nearly three-quarters lower than which was budgeted for. I am interested to know where the staffing level is at now and what the reason for the shortfall was (Mr Frydenberg, p. 6).

**Answer:**

The current staffing level for the Grants Framework Unit is five persons. For 2012-13, the average staffing level budgeted for the Grants Framework Unit is five. Staffing numbers in the Unit have fluctuated, as is often the case in small teams where movement takes place.

Parliament has delegated the management of departmental budgets to each agency Chief Executive. In this case, Finance directed some of this funding towards the examination of the overall financial framework, within which the grants framework sits. We are examining, as part of the Commonwealth Financial Accountability Review, issues like principles-based frameworks, the scheme of financial controls and accountability, and reporting and monitoring, all of which potentially impact on the operation of the grants framework and the design of the grants guidelines.

**Question 5:**

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).

**Answer:**

This question has been directed to the ANAO for response.

**Question 6:**

[Finance, in its appearance before the Committee] mentioned that [it] monitors and assesses trends in compliance with grant reporting guidelines: is compliance improving over time?

**Answer:**

The Certificate of Compliance process tracks compliance with FMA regulation 7A, which requires agency staff performing duties in relation to grants administration to act in accordance with the Commonwealth Grant Guidelines (CGGs). In 2009-10 there were 3,533 instances of reported non-compliance, whereas in 2010-11 there were 1,972 instances. Reported compliance with the CGGs has improved over time, as agency processes have bedded down (non-compliance with FMA Regulation 7A decreased by 44 per cent between 2009-10 and 2010-11).

**Questions 7:**

Has Finance considered whether it would be more effective in creating cultural change for the APSC to run a whole of government cultural change program, to ensure consistency across government agencies? If not, why not?

**Answer:**

Not all government agencies are involved in grants administration and the nature and capacity for grants administration differs across agencies.

Finance applies a risk based approach to compliance and consistency in grants administration across agencies. This involves a differentiated approach, based on the size of an agency and the identified risks more broadly. Rather than applying a one size fits all approach, Finance targets those agencies where issues have emerged, as well as improving agency staff's understanding of the Commonwealth Grant Guidelines across grant giving agencies. Improving compliance and consistency is not limited to cultural change as it also requires an improved understanding of the requirements of grants administration, and developing the necessary skills and capabilities of staff.

To assist agencies to improve compliance, Finance works actively with agencies to improve their understanding of roles and responsibilities under the *Financial Management and Accountability Act 1997* (FMA Act) and related Regulations. We do this through: the provision of guidance and education for agency staff; simplification of the financial framework; and promoting compliance via the Certificate of Compliance and other processes for FMA Act agencies. Finance will continue to build on this work and undertake similar activities in relation to grants administration.

**Question 8:**

Why is it still necessary for agencies to tailor their reporting guidelines individually through Chief Executive Instructions? Decision on and delivery of grants wouldn't appear to vary in material aspects between different agencies. Wouldn't it therefore be more effective and assist compliance if all agencies followed precisely the same guidelines?

**Answer:**

The Commonwealth Grant Guidelines (CGGs) contain mandatory reporting requirements for grants. These requirements are the same for all *Financial Management and Accountability Act 1997* agencies. The CGGs provide the framework within which Chief Executive Instructions (CEIs) can be issued on the specific agency processes and requirements. CEIs are a means by which a Chief Executive conveys the key requirements of the financial management framework and the specific requirements relating to their own agency, such as, record keeping or financial ICT requirements. Chief Executives are encouraged to use the Model CEIs, which cover eleven core topics, including grants (see Finance Circular No 2011/05: *Chief Executives Instructions – Part 2*).

**Question 9:**

Would removing some of the flexibility in the guidelines reduce the instances of agencies not making clear recommendations to approve or reject grant applications?

**Answer:**

The ANAO audit report discusses agency briefing practices and recommends that agencies review their briefing practices when briefing Ministers. Finance is considering the ANAO's recommendations and how to best address them in the context of the Commonwealth Grant Guidelines (CGGs) and other relevant guidance provided by Finance, including the option of clarifying the CGGs.

**Question 10:**

What does Finance do to monitor, evaluate, and report to the Minister on problems and potential improvements to grant guidelines? Why did it require an audit report for more serious action to be taken in improving the guidelines?

**Answer:**

Finance's Grants Framework Unit undertake a variety of roles, including promoting and improving the grants administration policy framework and providing an advisory service for agency staff who have queries relating to the application of the grants administration framework or grants programs more generally.

Finance monitors potential issues with grant guidelines through the Certificate of Compliance reports; through queries received from agencies to the grants inbox; and through meetings with agencies. Where Finance has identified issues, it has acted by initiating improvements to the *Financial Management and Accountability Act 1997* Regulations and through the release of revised guidance, such as the Finance Circular on Commitments to spend public money, which was released last year.

**Question 11:**

What steps has Finance taken to consider requirements that Ministers record reasons for refusing to fund a grant application that had been recommended for approval by an agency?

**Answer:**

Finance is considering the ANAO's recommendations, and how these might be best addressed.

**Question 12:**

Why are reports to the Finance Minister not publicly reported in an annual consolidated table as a matter of course? (for both grants provided to a Minister's own electorate and for approval of a grant recommended for rejection by a Department).

**Answer:**

The Commonwealth Grant Guidelines require that the details of all grants awarded are publicly available on agency websites, with a few limited exceptions that go to issues like privacy. Finance provides additional guidance through a Finance Circular on Grant Reporting Obligations which contains a template to assist agencies with respect to the information that should be published on the agency's website. This information includes the: portfolio; agency name; program title; program component; recipient; purpose; value; approval date; grant term; grant funding location; postcode. Electorate details are not specifically required, but these can be deduced from the grant funding location and postcode information.

**Question 13:**

The guidelines note the following:

- The CGGs are a subset of the financial management framework. Breaches of the financial management framework may attract a range of criminal, civil or administrative remedies (including under the FMA Act, the Public Service Act 1999 and the Crimes Act 1914). Agencies must also report instances of non-compliance with the financial management framework in their annual Certificate of Compliance.<sup>1</sup>
- Are there, for non-fraudulent cases, consequences of non-compliance with Commonwealth Grant Guidelines? What actually happens if an agency's grant management and reporting is inconsistent with the guidelines? If there are currently no clearly defined consequences, has or will Finance consider the adoption of measures to pursue non-compliant agencies, such as "naming and shaming"?

**Answer:**

The Certificate of Compliance process captures information on non-compliance with Financial Management and Accountability (FMA) Regulation 7A. The purpose of the Certificate is to improve compliance with the Australian Government's financial management framework and to ensure that Ministers, and the Presiding Officers in the case of Parliamentary Departments, are kept informed of compliance issues.

The Certificate process identifies and discloses instances of non-compliance with the financial management framework, as a basis for continuous improvement within agencies. The ANAO performance audit of the Certificates process, *Management of the Certificates of Compliance Process for FMA Act Agencies*, states that: "... overall the Certificate process has been effective notwithstanding the inherent limitations of the self assessment process employed... the Certificate process has helped improve compliance with the financial management framework". The annual report on the Certificate process was tabled in the Parliament on 25 January 2012.

Finance, in its role of collating and reporting the annual Certificate of Compliance results to Parliament and promoting compliance with the financial management

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<sup>1</sup> Commonwealth Grant Guidelines, p. 2.

framework, follows-up significant non-compliance issues identified by agencies to ensure that agency Chief Executives have implemented appropriate remediation strategies.

Of course, if a breach was identified by a Chief Executive that related to fraud or a criminal matter, he/she is expected to undertake an internal investigation and, based on the results, refer the matter to the Australian Federal Police where appropriate. Employees of the FMA Act agencies, subject to the *Public Service Act 1999*, must comply with the APS Code of Conduct which requires them to behave honestly and with integrity in the course of their employment, comply with the applicable Australian laws and use Commonwealth resources in a proper manner. Under the Public Service Act, a Chief Executive is required to establish procedures for determining whether an agency employee has breached the Code of Conduct and has the power to sanction an employee found to be in breach. Available sanctions range from a reprimand to termination of employment. Similar provisions exist in other Commonwealth employment frameworks, such as the *Australian Federal Police Act 1979* and the *Defence Act 1903*.

**Question 14:**

In its appearance before the Committee, Finance reported that “we expect over time to be rolling out a further range of information activities or support activities” to improve agency compliance with Commonwealth Grant Guidelines (Mr Helgeby, p. 2). Please advise the Committee of the nature of these planned activities. When will the updated Commonwealth Grant Guidelines be made available?

**Answer:**

Finance makes improvements to the financial framework, including the grants framework, through updates to the *Financial Management and Accountability Act 1997*, related Regulations, and other guidance material. Finance also assists agency staff to understand the key requirements of the Commonwealth Grant Guidelines (CGGs) by providing advice to agencies on grant guidelines for consideration, through discussions with agency staff on grants administration and via presentations at Finance and agency forums. Finance plans to run information sessions following the release of any updated CGGs.

<b>Date:</b>	<b>4 April 2012</b>
<b>Group/Branch:</b>	<b>Financial Management Group/Financial Framework Policy Branch</b>