

23 February 2018

Ms Susan Cardell
Committee Secretary
Joint Committee of Public Accounts and Audit

Dear Ms Cardell,

ANAO Report No. 7 (2017-18) Efficiency of the Australia Council's Administration of Grants (the Report)

I refer to your letter dated, 11 December 2017, and welcome the opportunity to respond to the Committee's follow-up questions in relation to the Report.

Measuring and comparing efficiency in grants administration.

Establishment of suitable measures of efficiency.

The Australia Council continues to monitor efficiency using the measures established during the performance audit, namely:

- the administration cost of providing \$1 of grants funding; and
- the average cost of administration per grant application received.

The Australia Council is also tracking complementary measures to help interpret the results from the above measures, including:

- the average cost of administration per grant application approved/funded;
- the average cost of administration per grant application fundable (i.e. if budget existed for all meritorious applications) and the impact that would have on cost efficiency;
- average size of grants applied for and grants funded; and
- aggregate levels of funding available for each program over time.

The Australia Council considers that the process of measurement is now an established one that we will continue to refine going forward.

Arrangements for benchmarking of efficiency

In its response to the Report, the Australia Council noted that it would seek to benchmark against what it considers to be a comparable organisation, namely a central arts funding and grant management organisation from another developed country, which operates a peer assessment process for grants.

In July 2017, the Australia Council requested that the International Federation of Arts Councils and Cultural Agencies (IFACCA) contact their international members to determine if any of them had developed efficiency and effectiveness measures, and benchmarks, for their grants programs. A number of agencies replied, however, none were able to provide detailed information on efficiency measures at this time.

The Australia Council is pursuing more in-depth discussions with the Canada Council and Creative New Zealand as they utilise similar peer assessment processes to the Australia Council. The process of scoping inter-agency collaborations has commenced, with a commitment to establishing strategic partnerships by mid-2018. The aim is to develop a shared benchmarking framework by the final quarter of 2018.

Promoting efficient grants administration.

Community Grants Hub

The Australia Council first engaged with the Community Grants Hub in July 2017 and have subsequently provided extensive information on Council's programs and processes, including through a range of meetings and discussions.

Council awaits a proposal from the Community Grants Hub to assess whether there is a viable arrangement that could contribute to the Council's grants programs, within the broader context of the Council's activities and legislative remit.

Risk based approach to assessment of grants and management of funding agreement.

The Australia Council applies risk assessment across all its activities, including a detailed risk register for the grants function which is updated and reviewed regularly, with oversight by the Board's Audit and Finance Committee.

As is the case for any arts funding agency, the Australia Council has two elements of risk to consider in the individual grant applications it receives, and which fall within our deliberative decision making process where industry experts (peers) assess the merit of each application.

Industry experts assess the artistic risk of the proposal which is often the positive driving element of innovation, artistic excellence and project viability.

The second area of risk relates to proportionality and resource allocation. We are finalising an evaluation framework based on risk proportionality principles relating to assessment resources utilised within the assessment framework for each grants category within the scope of the audit. This will include a more detailed risk based approach to the management of funding agreements for categories within the scope of the audit. We will initially focus on the Career Development Grants for Individuals and Groups category by analysing the February and June 2018 funding rounds. If there are any changes required those would go to our Board at its October 2018 meeting.

Organisational efficiency initiatives

A recent review of business systems needs identified the opportunity for Council to expand value add services, improve client service delivery and improve efficiency through customer relationship management systems and associated cloud based software and infrastructure. In line with the Australian Government Cloud Computing Policy, the Australia Council is

developing an outsourced, cloud based software as a service and cloud based infrastructure operating model. This program of initiatives is expected to deliver business efficiencies and will include an increase in automated monitoring of data provided by grantees, streamlined expense management, improved system reliability and reduced support costs associated with aging legacy systems. Costs associated with facilities management and disaster recovery are also expected to reduce over the medium term.

The Australia Council and its Board is committed to the continuous improvement of all activities including the efficiency of the organisation as a whole.

Yours sincerely,

Tony Grybowski
Chief Executive Officer