

Senate Finance and Public Administration Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
SUPPLEMENTARY BUDGET ESTIMATES 2011-2012

Finance and Deregulation Portfolio

Department/Agency: Department of Finance and Deregulation

Outcome/Program: 1/ 1.1

Topic: Reporting requirements of grants

Senator: Rhiannon

Question reference number: F4

Type of question: Written

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Number of pages: 2

Question: The DOFD report states that in 2009-10, 3,524 instances of non-compliance can be attributed to the new reporting requirements for grants. (p9)

- a) How do you account for this number of breaches in reporting of grants?
- b) What percentage of overall govt grants does this represent?
- c) Were you surprised by this number?
- d) Can you detail what the main problems are with this level of non-compliance?
- e) What action have you taken to address this level of non-compliance?

Answer:

- a) The instances of non-compliance referred to arise from new reporting requirements for grants, which were introduced in July 2009.

The 2009-10 Certificate of Compliance report noted that: “... *the introduction of revised financial framework requirements can give rise to additional instances of non-compliance as agencies seek to implement the new requirements. This is reflected in the results for 2009-10, which show a relatively small increase in reported non-compliance, as agencies work to implement the changed public reporting requirements introduced in 2009 and published in the Commonwealth Grant Guidelines (CGGs)*” (p.5).

- b) No information is available on non-compliance as a percentage of total government or agency grants.

The ANAO performance audit on the *Management of the Certificate of Compliance Process in FMA Act Agencies* (Performance Audit Report No. 38, 2010-11) concluded, with respect to the total number of reported instances of non-compliance through the Certificate of Compliance process (including those attributed to the new reporting requirements for grants), that: “... *while remaining significant, the level of reported non-compliance is low when compared to the substantial number of government financial activities which occur each year*”.

- c) No, see response to a) above.
- d) The Certificate of Compliance process identifies and discloses issues with the financial framework and affords a basis for improving financial and general management systems in government agencies. The 2009-10 Certificate of Compliance results show that agencies have adopted or will adopt a variety of strategies to address non-compliance, including education and training, system corrections, and the review of internal controls (*Certificate of Compliance Report*, 2009-10, p. 16).

Agencies have advised that about 60 per cent of non-compliance attributed to the reporting of grants involved grants information that, while not published within seven working days, was ultimately published within 20 working days of the grant agreement taking effect.

- e) Finance regularly conducts workshops and provides training, on the key risk areas of the financial management framework which account for the highest instances of non-compliance. These activities are conducted in Canberra and interstate.

Finance periodically reviews the guidance and tools available to FMA Act agencies to improve understanding of and compliance with the financial management framework. It has recently issued a revised finance circular dealing with the requirements for spending public money, and model Chief Executive's Instructions.