

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

Prime Minister and Cabinet

**Department/Agency:** Australian National Audit Office

**Outcome/Program:**

**Topic:** Non-compliance due to new reporting requirements for grants

**Senator:** Rhiannon

**Question reference number:** 121

**Type of question:** Written

**Date set by the committee for the return of answer:** December 2011

**Number of pages:** 2

**Question:**

What is your benchmark for agency compliance with the grants guidelines?

How do you rate the accountability systems in place to monitor the effectiveness of grants since the new grants guidelines were introduced?

What comparison or evaluation is carried out between agencies?

**Answer:**

The promulgation of advice to agencies on the administration of grants, culminating with the issuing of the Commonwealth Grant Guidelines (CGGs) in July 2009, was a significant advance in this aspect of public administration. For the first time, the Government's expectations for Ministers, agencies and officials when performing duties in relation to grants administration were clearly articulated.

The financial framework that applies to decisions to spend public money, in particular Part 4 of the *Financial Management and Accountability Regulations 1997*, and the CGGs provide key reference points against which the administration of grants is assessed through ANAO performance audit activity. Of note is that the Regulations:

- set out a hierarchy of requirements that must each be satisfied, in the appropriate sequence, in order for a commitment to spend public money to be lawfully entered into. This sequence includes the key requirement that the spending of public money only be approved where the approver, which may be a Minister or departmental official, has undertaken reasonable inquiries so as to be satisfied that the proposed expenditure would be efficient, effective, economical and ethical and is not inconsistent with the policies of the Commonwealth; and
- require that the basis for decisions to award a grant be recorded.

In turn, the CGGs (which are issued under the authority of the Regulations) include a number of mandatory requirements, as well as outlining various better practice principles. Together with associated Finance Circulars, the CGGs now represent the core policy guidance that agencies should have regard to throughout the grants administration process.

Better practice guidance to agencies is also provided through an Administration of Grants Better Practice Guide issued by ANAO. This Guide was updated in 2010 so as to complement the new framework for grants administration by providing a companion reference point to assist decision-makers and administering agencies to understand and comply with their obligations and implement the better practice principles, having regard to the particular circumstances of individual grant programs. The Better Practice Guide is also used to assist in forming criteria for ANAO performance audit activity.

The enhanced grants administration framework was, in part, a response to the findings of various ANAO performance audits tabled in the last five or so years. We have continued to include performance audits of grant programs in our work program, with these audits providing an opportunity to monitor the extent to which the enhanced framework is having the desired effect, as well as to identify any opportunities to further improve the framework. To date, these audits have shown that some agencies still have some work to do in understanding and applying in full the enhanced grants administration framework.

In addition to audits of individual grant programs, ANAO is undertaking two cross-portfolio performance audits examining implementation of key aspects of the enhanced grants administration framework. The first audit is focused on the administration of the various grant reporting obligations. It is expected to table in early 2012, and will examine:

- reporting to the Finance Minister on the awarding of grants within their own electorate by Ministers who are Members of the House of Representatives;
- reporting to the Finance Minister on instances where Ministers have decided to approve a particular grant which the relevant agency has recommended be rejected; and
- the website reporting of grants awarded.

The second cross-portfolio audit of the enhanced grants administration framework is examining the development and approval of grant program guidelines. It is expected to table by mid 2012.