

# Senate Finance and Public Administration Legislation Committee

## ANSWERS TO QUESTIONS ON NOTICE

Supplementary Budget Estimates 15-18 October 2012

Prime Minister and Cabinet Portfolio

**Department/Agency:** Department of the Prime Minister and Cabinet

**Outcome/Program:** 1.1.1 Domestic Policy

**Topic:** Government Contracting with the Office of the Not for Profit Sector

**Senator:** Senator Siewert

**Question reference number:** 33

**Type of Question:** Written

**Date set by the committee for the return of answer:** 30 November 2012

**Number of pages:** 5

**Question:**

A) What part does the assessment of risk play in the awarding of grants and or the compliance and reporting obligations placed on a NFP recipient?

**Answer:**

Individual Commonwealth agencies are responsible for determining the risk associated with organisations that receive grants. However, in administering grants, Commonwealth agencies are required to have regard to the Commonwealth Grant Guidelines (CGGs). The CGGs require Commonwealth agencies to apply the principle of proportionality when administering grants, including in the reporting and acquittal requirements for recipients.

**Question:**

B) What are the risks factors the Government uses to judge whether a grant should be awarded to a particular NFP recipient?

**Answer:**

The CGGs state that agencies should ensure that appropriate procedures are in place to identify and consider all relevant risks throughout the process of grants administration. The CGGs state that “specific risks to granting activity could include:

- fraud or misrepresentation;
- breaches of privacy or security of on-line application systems;
- grants being awarded to ineligible individuals or organisations, or to organisations which may not be able to complete a project effectively;

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- grants being awarded for projects or activities that are inconsistent with the objectives of the granting activity;
- use of grant funds for purposes contrary to the terms and conditions of the grant;
- changes in the status and/or competence of the recipient that could adversely affect their ability to carry out or complete relevant project work;
- individuals or organisations being treated inequitably in the appraisal of applications and awarding of grants;
- granting activity not contributing to the achievement of an agency's strategic directions, or to government outcomes;
- incremental and undocumented changes in the interpretation of grant program objectives or guidelines over time;
- actual or perceived conflicts of interest;
- unapproved variations to projects during the period of the grant;
- unclear or shared accountabilities;
- the possibility of 'double-dipping' (that is, grant recipients being able to obtain grant funding for the same project purpose from more than one source);
- the possibility of 'cost shifting' or 'substitution of effort' between different levels of government;
- the effect of partial or insufficient grant funding on the viability of projects;
- expectations of ongoing funding where a grant program provides recurrent funding and may give rise to an expectation by a recipient that it will receive funding in subsequent program rounds; and
- pressure to implement programs urgently."

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#### **Question:**

C) Where an NFP entity has been regularly awarded grants by the Commonwealth, do they receive any dispensation in terms of reporting and compliance obligations? If so what, and if not why not?

#### **Answer:**

Page 18 of the CGGs state that “subject to transparency considerations and risk management principles, it may be reasonable to give recipients with a consistent record of high performance and reliability a greater measure of day-to-day autonomy, relative to other recipients without an established record of performance.

For example, where grant funding is used to support the ongoing delivery of services from the same organisations over a period of years, agencies may wish to consider adjusting the detail of their accountability and reporting requirements in line with a recipient’s established record of compliance and performance.”

#### **Question:**

D) The Auditor General Act now authorises the Auditor General to do performance audits of grant recipients, has this new oversight function been factored in to a risk assessment framework? If so, how/ if not, why not?

#### **Answer:**

PM&C is not aware of any overarching, central risk assessment framework which incorporates the Auditor General’s new function. Agency specific risk assessment frameworks and guidelines may incorporate this new function but this is a matter for individual agencies.

#### **Question:**

E) Are you collecting data about Government funding agreements with NFP entities. If yes, can you provide details of that data, including; how many grants have been made in total? How many required the grants to be acquitted with an audited financial statement? In relation to these grants how much money is spent on audited financial

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statements? Does a grant that has been acquitted with an audited financial statement improve the quality of the outcomes sought from the grant? If so, how?

**Answer:**

The Office for the Not-for-Profit Sector does not collect data from agencies on these matters.

**Question:**

F) Are grant recipients expected to bear the cost of compliance and reporting obligations or are these provided for in the grant?

**Answer:**

The organisations are required to bear the cost of reporting and should factor this into their administration costs.

**Question:**

G) There are a range of compliance and reporting obligations stipulated in NFP funding agreements used to monitor the delivery of outcomes from a grant. Have you costed those obligations and if so what inputs are included in the calculation?

**Answer:**

The Office for the Not-for-Profit Sector has not undertaken work to specifically cost compliance and reporting obligations.

**Question:**

H) Is there an Act or regulation that the Government could cite that states the requirement to acquit a government grant using an audited financial statement?

**Answer:**

There is no single piece of legislation or regulation that requires all grants to be acquitted using an audited financial statement. Some grants programs are supported

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by specific pieces of legislation and those pieces of legislation may have requirements for acquittal.

**Question:**

I) Page 4 of the Explanatory Memorandum to the Australian Charities & Not-For-Profits Commission (ACNC) Bill 2012 states that the Bill establishes a new regulatory framework for the sector. It also states that the sectors' new regulatory system will establish a "report-once, use-often" reporting framework. What work has been done by your agency to enable sharing of corporate/governance information between Departments and the ACNC?

**Answer:**

The ACNC Implementation Taskforce is leading work with Commonwealth agencies on ways to minimise duplicative reporting and to ensure effective and secure information sharing. The Office for the Not-for-Profit Sector in PM&C supports this work as part of its role to co-ordinate the Government's NFP Reform Agenda.