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Subject Update on SGP proposed audit report [SEC=UNCLASSIFIED]

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Hi Kate: a quick note to say that the proposed report for the SGP audit has been approved and will be delivered today. Ian McPhee accepted most of the changes we discussed yesterday (in particular the ones relating to the by-election and the references to the Islamic/Christian community groups). He wasn't so happy about some of the other suggestions - we've tried to steer a middle path.

Tom

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SECRETARY

6 May 2009

Mr Ian McPhee PSM
Auditor-General
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Mr McPhee

Settlement Grants Program

Thank you for providing the Department with a copy of the proposed draft report on the Audit into the Department of Immigration and Citizenship's Administration of the Settlement Grants Program (SGP) for comment. Pursuant to sub-section 19(4) of the Auditor-General Act 1997, I am now providing formal comments on the proposed draft.

I have appreciated the opportunity to discuss the draft report and its findings with you over the past few weeks, and the way in which our respective agencies have worked with each other through the audit process. I ask that the ANAO consider the Department's response in the same spirit and make amendments to the final report as necessary. Officers from my Department are available for further discussions with your staff to provide assistance and clarification where the ANAO requires it. I look forward to receiving a copy of the final draft report.

A summary of the Department's general comments is at <u>Attachment A</u>. Formal agency comments in response to each recommendation are at <u>Attachment B</u>. I understand that these comments will be included in full as an appendix to the final report. The Department has also taken the opportunity to provide additional detailed commentary, including that of an editorial nature together with suggested amendments to the text of the document. This is provided at <u>Attachment C</u>.

I would also like to thank you for the offer to brief me on the final report. I would welcome the opportunity of a briefing prior to the report's release.

Yours sincerely

(Andrew Metcalfe)

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Summary of Department's Comments

The Department of Immigration and Citizenship (DIAC) notes the findings of the Audit of the Department's Administration of the Settlement Grants Program. DIAC further notes that the ANAO has concluded that, overall, DIAC has developed an effective framework for managing the SGP, implemented the program in a manner that is consistent with Government policy and its strategic objective, and clearly defined the program's parameters. In addition, DIAC notes the ANAO has concluded that its two-tier assessment is a sound approach.

With regard to some of the improvements this report suggests could be made to the SGP, DIAC continually explores ways in which grants administration and program management can be improved. DIAC notes the ANAO's positive comments concerning continuous improvement of the SGP in recent years. Recent initiatives enhance the guidance provided to staff through all stages of program development and delivery, and establish appropriate standards of accountability and monitoring. Staff are consistently reminded about the use of agreed templates and the need for acquitting grants at the end of the program year.

DIAC acknowledges the findings concerning the importance of documenting key actions and events when making funding decisions. DIAC has developed extensive training for its assessors which focuses on documenting the rationale for decision-making, including where information other than that which is contained in the application is used to support a decision. These measures have progressively been put in place since October 2008 and have been consistently applied while assessing applications for the 2009-10 funding round.

There are a range of measures that have been put in place which help evaluate the effectiveness of the SGP at the grant level. More broadly, there are a number of challenges which make evaluating a program like the SGP difficult when what constitutes 'successful settlement' is so often dependent upon a range of government programs, community support and individual factors. Notwithstanding these issues, DIAC is exploring how a more effective macro evaluation of the SGP can be achieved through targeted research and measurement, particularly focused on client feedback.

DIAC is currently exploring the option of an alternative grants management system which will address the concerns raised in the report.

The department accepts the recommendations of this report and notes that it has already put in place a number of measures which address the issues raised. Other initiatives will be progressively implemented.

Formal agency comments in response to each recommendation

Recommendation 1
To assist DIAC and grant recipients to more effectively target SGP projects, the ANAO recommends that DIAC:

- improve the quality of settlement needs information
- includes meaningful information about settlement needs in funding round guidance; and
- ensures that grant applicants address settlement needs when applying for grants.

Department's comments
DIAC agrees with the recommendation. We have implemented a range of initiatives to improve access to settlement information since the ANAO undertook its fieldwork. These initiatives include a web-based settlement service locator that enables organisations and individuals to find settlement services in their local area, and improvements to the Settlement Database to assist organisations to more easily access demographic information about the SGP client group in their area. We are also exploring options for better profiling of client service needs throughout the settlement period, which will in turn provide more guidance to applicants about matching service types to client group profiles.

In supporting this recommendation DIAC has some qualifications. We are concerned that the recommendation suggests that settlement needs information currently provided does not add significant value. We acknowledge there is scope for improvement but believe the information provided is useful to applicants in developing proposals, as well as supporting grants assessment and funding allocation processes. We note that being too prescriptive about the types of projects to be funded in specific areas may detract from the sector's capacity to develop innovative or flexible service responses to local issues.

Recommendation 2
The ANAO recommends that, in order to support transparent, accountable and equitable decision making, DIAC:
- Amends the SGP guidelines to outline the manner in which additional funding that becomes available after the initial assessment process will be allocated to SGP projects; and
- Ensures that key factors contributing to SGP grant allocation decisions are adequately documented.

Department's comments
DIAC agrees with the recommendation. We further agree that our documentation of key factors contributing to SGP grants allocation decisions relating to additional funding was not adequate for the 2008-09 round. While all funding decisions were evidence-based, it is clear that more explicit documentation was required in those instances. Steps have been taken to ensure that this element of documentation is improved in future funding rounds.

It is common in grant programs including the SGP to give weight to organisations' previous performance when assessing grant applications. We accept the importance of documenting such consideration as a measure to improve transparency around the decision-making process. Consequently guidance around this issue has been enhanced in the SGP Assessment Guide.

Recommendation 3
The ANAO recommends that DIAC implement an effective process for fully acquitting grants at the end of their funding period.

Department's comments
DIAC agrees with the recommendation. We acknowledge that acquittal of grants was in need of improvement at the time the ANAO undertook its fieldwork. Significant progress has since been made and, as at 23 April 2009 only 15 grants remain unacquitted as compared to 169 in October 2008 (when the ANAO undertook its fieldwork). Grant managers are working with funded agencies to acquit these grants as soon as possible.

DIAC's National Office (NatO) has committed to pursuing this issue with our State and Territory Offices (STOs) as a matter of priority and will continue to monitor the acquittal process closely.

Recommendation 4
The ANAO recommends that DIAC develop and implement a plan to periodically evaluate how effectively SGP is achieving its objective and identify improvements in program administration.

Department's comments
DIAC agrees with the recommendation and acknowledges the importance of evaluating how effectively the SGP is achieving its objectives.

While there are a number of challenges in evaluating a program such as the SGP, we acknowledge that research and evaluation could be used more effectively at the program level for the SGP, particularly with reference to qualitative client feedback.

Part of this effective evaluation relates to trialling service delivery models. In 2008-09, we funded a number of pilot projects which will be evaluated at the end of their funded terms. Through these projects, we will trial different methods of service delivery tailored to needs identified by clients themselves to determine what approaches are the most effective. The evaluation of these pilot projects will provide us with useful data and information on how to target funding to projects aimed at achieving specific outcomes.

Recommendation 5
The ANAO recommends that DIAC develops and implements an effective performance management framework, which includes collecting and analysing relevant data against useful SGP performance indicators, informs program evaluation, and assists DIAC to measure, monitor and assess the impact of the program and whether it is achieving its objectives.

Department's comments
DIAC agrees with the recommendation. We further agree that an improved performance management framework is required to effectively assess program outcomes.

While performance measures have been in place for the SGP, service providers have not been actively engaged in measurement of program outcomes. To this end, NatO will work closely with STOs to enhance reporting against agreed outcomes at the end of a project's funded term. We note that the ANAO has acknowledged that increased engagement with grants recipients in the setting and measurement of program outcomes could be effective.

Recommendation 6
The ANAO recommends that DIAC formally decides its Grant Management System's (GMS) future.

Department's comments
DIAC agrees with the recommendation. We are exploring the possibility of adopting an alternative grants management system subject to adequate resourcing being available. We will progress this work over the coming months.

GMS was built to manage a single grants program which met our business objective at that time. As the program has evolved and improvements have been introduced, the system has not had the capacity to deal with these changes.

Detailed Commentary on the Report (including editorial)

The following pages provide detailed commentary including that of an editorial nature and requested changes to text. These comments are provided as
Comments on Summary followed by Comments on Comments on Findings by Chapter.

Comments on Summary

Para 10
The Department notes that the ANAO has concluded that overall, DIAC has developed an effective framework for managing the SGP. The ANAO has found that the program is implemented in a manner consistent with Government policy and objectives and has sound procedures in place.

Para 12
In noting that DIAC has not developed or implemented effective performance indicators and a performance management framework that would assist it to assist performance as a whole, the ANAO has acknowledged the lack of a suitable grants management system. However, the ANAO has not acknowledged the complexity of delivering a program through a grants process which provides services to clients when the capacity to verify performance data is limited to system capability. Given the breadth of factors that constitute successful settlement, it is difficult to implement more definitive performance indicators that would assist DIAC to measure, monitor and assess the performance of individual projects and the program as a whole. DIAC has introduced measures to monitor outcomes of individual grants by analysing responses to questions asked in the End of Year report. Note also DIAC's response to Recommendation 5.

The paragraph states that "*Further, the department does not provide meaningful settlement needs information to potential applicants that would assist applicants to better target settlement needs.*" DIAC acknowledges there is scope to improve needs information but is concerned this statement implies the information DIAC currently provides is meaningless.

In each SGP funding round, DIAC has provided demographic data at the local level to assist applicants identify their potential client base. DIAC also invites applicants to identify changes in settlement patterns, including through internal migration which has not yet been captured by departmental systems.

DIAC provides accompanying information about the characteristics and experiences of different SGP client groups as well as a description of the settlement needs that SGP clients are likely to experience. In 2008-09, this included examples of SGP services and/or projects the Department would consider appropriate to address those needs. In addition, applicants are encouraged to demonstrate their local knowledge by identifying specific areas for focus through their project proposals.

DIAC requests the following amendment:

"Further, the department should ~~does not~~ provide <u>more</u> meaningful and targeted settlement needs information to ~~potential applicants that would~~ assist applicants to better address identified settlement needs."

Para 13
DIAC accepts that its documentation of key actions and decisions needs improvement. DIAC notes that there is no suggestion that funding decisions were not evidence-based, albeit more explicit documentation around decision-making was lacking. Steps have been taken to ensure that this element of documentation is improved in future funding rounds including the 2009-10 funding round. Guidance around this issue has been enhanced in the SGP Assessment Guide. DIAC will continue to make improvements based on lessons learnt from experiences.

Comments on Key Findings by Chapter

Policy and Planning (Chapter 2)

Para 18
As discussed by ANAO in later sections of the report, in the 2007-08 funding round DIAC published key identified needs for each geographic service region. This summary of needs was accompanied by more detailed information about the settlement difficulties that SGP clients were likely to encounter as well as examples of SGP services and/or projects the Department would consider appropriate to address these.

DIAC acknowledges that the regional needs information for the 2008-09 round did not provide specific guidance to applicants about the type of project required in each geographic area. However, providing more detailed guidance regarding projects to be undertaken in specific regions may be overly prescriptive and stifle the sector's capacity to identify local issues and develop innovative local responses. This may result in projects with a limited focus that ultimately do not provide funded organisations with the flexibility to address the range of issues that clients typically present with.

DIAC requests the addition of the following sentence at the end of the paragraph:

DIAC has noted that being too prescriptive about the types of projects to be funded in specific areas may detract from the sector's capacity to develop innovative or flexible service responses to local issues."

Para 19
DIAC agrees that the on-line system is unstable and is therefore exploring an alternative grants management system.

Para 21
As indicated previously, DIAC has put in place a range of measures to improve documentation of key actions and decisions. This has been adhered to during the assessment of the 2009-10 SGP round.

Para 23
The funding amount or the length of the grant does not change after the announcement. The only thing that could possibly change is the scope of the project given that the organisation may obtain less funds than it initially applied for. In such instances, the Department would discuss the scope of the project with the selected provider and where that is considered un-attainable, a revised scope will be negotiated between the two parties consistent with SGP priorities. Service locations are only negotiated where the original proposal covers a geographic region where a potential for overlap with another provider exists, in an attempt to avoid duplication.

Para 24

The timing of the outcome of the funding round has been an ongoing issue for the department. Since the 2006-07 round when the announcement was not made until 16 June 2006, the department has trialled a number of initiatives to minimise adverse impact of the timing of the announcement on the commencement of approved projects. These have included bringing forward the opening of the round, and provision of an earlier submission for Ministerial approval. Since 2007-08, the outcome of the round has been announced in May, allowing recommended organisations 14 days in which to accept or decline the offer. Given the announcement cannot be made prior to the delivery of the Commonwealth Budget, the only other option is to fund longer term grants. This raises some associated issues with commitment of funds which will be discussed later.

In the past the funding period commenced in October and concluded in September. As the funding period spanned across two financial years, funded organisations were required to prepare two audited financial statements which resulted in additional expense and anxiety for them. The funding cycle was therefore changed to coincide with the financial year.

The Department requests that the INTO acknowledge constraints imposed by the Budget process and the Department's efforts to expedite announcements to alleviate this situation.

Para 25

In 2007-08, the Department complied with Finance guidelines which limited the amount of forward commitments to a ratio of 40-60 where only 60% of funds could be committed to out years.

In December 2007, when Government announced a review of discretionary grants agencies and Ministers were requested to limit forward commitments when recommending grants so that any recommendations from the review could be easily implemented. The Department responded to this by only recommending 33% for multi-year grants.

The revised policy around multi-year funding established in 2008 has provided greater scope for assessors in recommending multi-year grants. However, the Department has found that most organisations submit applications for multi-year grants even if their projects or applications do not meet the criteria for multi-year funding. While the Department acknowledges the benefits of multi-year grants and the forward planning capability it provides to funded organisations, there is a need to balance expectations of the sector as well as retain flexibility to respond to new and emerging needs.

There are issues associated with profiling an organisation based on how well-established it is and how long it has been in receipt of funding as the basis on which to give them longer term grants. Even the most well-established organisations encounter difficulty delivering some projects when key personnel change. This has been the case with some very well-established organisations in NSW and Victoria in recent years. Often this is at the expense of service delivery to clients. Terminating

Funding Agreements can be quite a lengthy and difficult process and the Department often resorts to establishing remedial action plans and closer monitoring, which has proven extremely resource intensive.

Grants rounds will continue to be advertised on an annual basis. Multi-year grant recipients will continue to apply for funding in these annual rounds. If the pool of funds for new projects is smaller given the growth of multi-year grants, there will be more unsuccessful applicants each year.

In 2006, DIAC received 320 applications for multi year funding. Out of these 87 were recommended. In 2007, 119 applications for multi year funding were received from organisations already in receipt of multi-year funding from 2006. Of these 90 were recommended. In 2008, 170 applications for multi year funding were received from organisations receiving multi-year funding from 2006 and 2007 of which 112 were those who had applied in 2007 alone. Out of these 74 were recommended.

In 2009, DIAC has received 156 applications for multi year funding from organisations receiving multi-year grants from 2006, 2007 & 2008 of which 74 applications were from those receiving multi-year grants in 2008. Out of these 66 have been recommended. This confirms that organisations will continue to lodge applications in annual rounds regardless of being in receipt of ongoing funding.

Work programs for multi-year grants are negotiated to determine how the project will progress by building on the outcomes of the first year. The work program is not negotiated in its entirety to adapt to new and emerging needs of a new community.

The Department requests that the ANAO take into account the above and acknowledge amend the text to reflect the associated complexity.

Notwithstanding the above, the Department is agreeable to the concept of providing multi-year grants in future funding rounds.

Monitoring and Evaluating Grants (Chapter 5)

Para 27
OSCAR statistics capture client contacts under the Orientation to Australia Service Type. These statistics are used to determine performance of an organisation during the life of the grant and also when assessing applications from known organisation in future rounds.

The Department is keen to explore ways in which OSCAR statistics can be used more meaningfully to better identify needs and target projects in certain areas and for certain communities. This project commenced late in 2008 but was put on hold due to resource constraints and other priorities.

The Department is limited in the extent to which it can use OSCAR statistics given that this data is self-entered by organisations and difficult to verify. Nonetheless, the Department is attempting to find linkages between OSCAR statistics, needs identification and whether funded projects are meeting their objectives as far as the Orientation to Australia service type is concerned. NatO does run OSCAR reports

periodically and provides these to STOs to help with grants management. In addition, the Department uses OSCAR statistics to highlight program performance to service providers and STOs when discussing program directions.

Despite providing extensive training to organisations on OSCAR. DIAC recognises that data is not always entered correctly by service providers. Feedback from providers is often received that information held in OSCAR is not consistent with data recorded by organisations.

OSCAR does enable indicative analysis of activities undertaken by service providers. The top 10 casework related issues in 2007-08 were Document Help, Accommodation, Education and Training, Employment,
Income Support, Financial Support, Health, Migration Related Client Service, Tenancy, Other, and All Others Issues.

These activities comprised 84% of service providers' reported contacts. This demonstrates a clear need for Orientation services under the SGP through client casework.

Para 28
Significant progress has been made on grant acquittals since the ANAO fieldwork was completed.

The Department agrees that the ANAO amend the assertion in the paragraph to read with acquittals. Which the report notes 109 outstanding, this month, has been reduced to 75

Managing Relationships (Chapter 6)

Para 31
Protocols for referring clients from IHSS to SGP are built into the IHSS contract. Under Section 8 "Advocacy and Raising Community Awareness", the IHSS contract states: The Service Provider is also to consult with   post-IHSS agencies, including recipients of DIAC Settlement grants, to ensure that their activities are complimentary and do not overlap".

The Department holds regular forums with IHSS and SGP providers to highlight the importance of an effective referral system. The Department expects that SGP service providers refer clients to appropriate services under the program where appropriate.

Para 33
The Settlement Grants Section within NatO regularly requests from STOs any guidance material, templates etc which they have developed locally so that they can be reviewed for consistency and shared as better practice guides with other STOs. NatO accepts the importance of nationally consistent procedures and will develop a clear expectation and understanding with STOs to ensure that locally developed guidelines are complementary to national procedures.

Para 35

The Department notes that the ANAO has assessed its training as useful. The Department particularly acknowledges the feedback provided by service providers.

Comments on Audit Findings and Conclusions

Policy and Planning (Chapter 2)

Para 2.8
The Department requests that the text be amended to reflect the information provided at page 3 of this paper in relation to paragraph 18 of the Summary.

Para 2.12
The Department is concerned that the paragraph as it is currently drafted suggests that there are no issues with providing services to clients who fall outside the target group. Given the aim of the SGP is to promote self-reliance, where services continue to be provided to clients who are ineligible, DIAC periodically requests its service providers to assess its service model and why longer-term clients continue to access services. While DIAC acknowledges that there will be clients with ongoing needs beyond the five year period, it does not expect this to be the norm. With regard to services to temporary visa holders who do not receive employer support, DIAC continues to ask that feedback be provided to the relevant area in the Department so that the issue can be appropriately addressed with employers. SGP funding is limited and should be targeted to those eligible for services and most in need. DIAC is concerned that if services continue to be provided to ineligible clients to the extent that is indicated in this paragraph, this has the potential to impact on services to SGP eligible clients.

DIAC requests that the ANAO amend the text to reflect the above

Para 2.14
Notwithstanding the positive comments, the Department is looking to provide greater clarity about the type of projects that may be funded under the SGP through further refining the service types for the 2010-11 funding round.

Para 2.15
DIAC notes that the range of needs listed in this paragraph (homelessness, unemployment, debt) are not the responsibility of DIAC and that the SGP is neither designed nor intended to address these issues. A number of Commonwealth and state funded programs exist to address these needs which are better funded and targeted towards the specific issues. The Settlement Needs information provided for the 2008-09 funding round states that '*the SGP does not fund projects proposing to provide services that are the responsibility of federal, state or local government agencies, or specialist services ... Rather, the SGP aims to increase the capacity of new arrivals to access such services directly, through provision of information, casework and referral, development of life skills and greater familiarity with the Australian service environment, and strengthening links with mainstream service providers*".

DIAC acknowledges there is unmet need among the SGP target group for a wide range of mainstream services. However, the paragraph might be taken to suggest this is a shortcoming of the SGP. To avoid misinterpretation, DIAC proposes the paragraph be amended as follows:

Nevertheless, several providers expressed concern about the lack of basic settlement services and the type of projects that are successfully gaining funding under SGP. Some of the most pressing issues facing new migrants include homelessness, unemployment, debt and confusing bureaucracy. While some of these may be addressed in a limited way by SGP, providers claim there is unmet need among the SGP target group. ANAO acknowledges that services such as housing, employment and income support are not the responsibility of DIAC and that unmet need for these services in the SGP target group should not be taken as a shortcoming of the program. *In addition, some providers maintain that the focus on short-term projects does not assist communities to build long-term capacity and that clients' holistic settlement needs are not being met.*

Para 2.21

DIAC notes that the Settlement Needs Reporting Tool was not the Department's primary *source* of information on settlement needs but the primary tool for *summarising, collating and categorising* those needs, as reported by STOs, for the SGP. DIAC has a range of sources of information on settlement needs, including consultative fora such as settlement planning committees and other similar bodies, interactions with other commonwealth agencies, feedback from service providers through contract management, client feedback, consultations with NGOs and peak bodies as well as intergovernmental bodies such as SCIMA and MCIMA.

DIAC proposes the paragraph be amended for accuracy as follows:

2.21. At the time of ANAO's fieldwork, *DIAC's primary* mechanism for collating ~~source of~~ *information on settlement issues facing new arrivals* for the SGP *is reports from STOs using a Settlement Needs Reporting Tool. STOs provide monthly settlement needs reports to NatO detailing any SGP related incidents or issues that have arisen during the month. SGP grants managers, DIAC personnel working on other settlement programs (such as IHSS), and community liaison officers, source information from their engagement with stakeholders, attending providers events and interagency meetings.*

Para 2.22

DIAC acknowledges that reporting by STOs was variable and at the time of ANAO's fieldwork had commenced work on a review of the needs reporting process. Due to resourcing constraints this review has not yet been completed. However, initial findings suggest that aside from variability between STO reporting, the information provided through the Settlement Needs Reporting tool was highly repetitive and often lacking in contextual detail. Analysis of information collated in the Reporting Tool also indicates that there is little significant variation between different geographic regions in the needs being experienced by SGP clients.

To address this, DIAC is currently considering alternative methods of collecting such information, including through greater reliance on existing mechanisms such as settlement planning committee minutes, reports of field visits by STO staff to regional locations and formal annual consultations on the Humanitarian Program. DIAC believes this will provide greater contextual detail of settlement issues at the national, state and local level.

DIAC proposes the text be amended to reflect these developments as follows:

2.22. The ANAO found that the way in which STOs reported settlement needs varied. Some STOs provide detailed reports, while others are brief; some list every settlement related incident or issue, others specifically focus on needs. The ANAO also found a significant level of uncertainty among STO staff about what to report. For example, NatO informed the ANAO that an issue should be reported each time it arises, whereas one STO stated that once an issue has been reported it should not be included in subsequent monthly reports. DIAC agrees with the ANAO that the quality of monthly settlement needs reports is variable, and has indicated that it is currently reviewing the ~~reports, with a view to increasing their effectiveness~~ *effectiveness of processes for collecting settlement needs information. This will assist DIAC and grants recipients to more effectively target SGP projects.*

Para 2.26
DIAC acknowledges that formal in-depth risk assessment or monitoring is lacking and will prepare advice for STOs to ensure a formal risk assessment is continuously undertaken within the risk framework developed by NatO. .

Assessing and Allocating Grants (Chapter 3)

Para 3.11
In assessing applications for grant funding, DIAC takes into account a number of factors including the ability of an organisation to administer government funding. While DIAC acknowledges that some smaller service providers with limited business background may struggle with some of the concepts in the Booklet, all grants need to be assessed in an equitable manner and therefore the same information is provided to all applicants. All service providers have access to the same training in respect to governance and risk management. In providing such detailed information, the Department places the onus on potential applications to determine whether they have the capacity to meet accountability requirements.

That said, the Whole of Government Grants Working Group will be looking at ways in which the issue of reducing red-tape without compromising accountability can be addressed when developing Commonwealth Grants Guidelines.

Para 3.13
DIAC is concerned that this paragraph does not recognise the ongoing development and improvement of settlement needs information following each SGP funding round nor the value of the current settlement needs information in assisting applicants to develop their project proposals.

DIAC's presentation of the information has changed each year following consideration of its effectiveness in assisting applicants to develop targeted proposals. In each year, state- and territory-specific packages have been developed that include a discussion of the SGP target group which highlights their pre-arrival experiences and likely settlement challenges. In the 2006-07 funding round, this consisted of a National Priority Settlement Needs Report and state/territory-specific Settlement

Profiles as well as a regional and metropolitan demographic report for each state and territory.

In response to concerns about the amount of documentation applicants were required to read to apply for a grant, in 2007-08 this information was provided through a web-page that enabled to enter their postcode or suburb and receive a basic demographic report about target group arrivals in their local area. This was accompanied by web pages that provided background about the characteristics of SGP target group clients and their likely settlement needs.

In 2008-09, to further simplify the process for applicants, all demographic data, as well as information about the target group's experiences and likely settlement needs, was combined into a single report for each state and territory, meaning applicants had only to download one document for comprehensive information about their state and local region. As noted by ANAO, the department also trialled inclusion of a list of key reported settlement needs for each service region (nearly 100 statistical divisions and sub-divisions in all). The settlement needs report included an overview section that contained detailed discussion of each of these needs as well as possible SGP activities to address these needs. While not providing a detailed discussion of settlement needs at the local level, the package enabled applicants to identify the key reported needs in their local region and cross-reference these against more detailed information about those needs, as well as identifying what kinds of SGP services and/or projects the department considered appropriate to address those needs.

To reflect the development of the settlement needs information more accurately, DIAC proposes the following amendments to the paragraph:

3.13. DIAC's presentation of this information has changed each year following consideration of its effectiveness in assisting applicants to develop targeted proposals. *The number of arrivals is provided each year by migration stream and country of birth, sex, age group and key settlement location.* ~~The difference has been in the manner DIAC has presented the 'needs' information. Theoretically,~~*This information is provided to assist applicants to target their proposed projects.* ~~However,~~*In most years only the arrival data has been presented by specific geographical areas (*covering nearly 100 *statistical divisions and sub-*~~statistical~~*divisions). Needs information has been described in a general manner, not associated with specific geographical areas.* In t*he 2008-09 funding round* the Department trialled the inclusion of lists of ~~was the only one for which~~*key reported settlement needs* ~~were listed~~*for each area*~~s~~*. These lists were not detailed,* ~~merely listing the broad area of need. T~~*wo examples are provided in Figure 3.2)* but were accompanied by more detailed discussion of each settlement need in the report overview, including key indications a SGP client are likely to face as well as examples of SGP services and or projects the department would consider appropriate to address these needs.

Please see earlier comments about the dangers in being too prescriptive about the types of projects required (para 18)

Para 3.14
DIAC acknowledges the needs presented for each geographical area in the 2008-09 funding round were 'vague' as they simply listed an issue with no local context

provided. However, the local lists of needs were accompanied by more detailed explanation of settlement needs in another part of the report to enable applicants to cross-reference key identified local needs against more contextual information about these needs and the types of projects DIAC considered appropriate to address them.

DIAC also acknowledges the more detailed settlement needs information is not precise or exhaustive but rather provides a general description of the kinds of challenges faced by new arrivals. DIAC believes that providing an exhaustive account of settlement needs, particularly at the local level, would not be feasible due to the wide range of client experiences and capacities and the complex interplay with local services, infrastructure and community. Such an exercise would be highly resource intensive and would not provide a commensurate benefit to the targeting of the SGP.

Definition of 'settlement needs' is highly subjective and thus these needs are of necessity vaguely defined. Many in the migrant services sector would suggest that any challenge (including 'mainstream' issues such as accommodation) encountered by a migrant is a settlement need if it interferes with successful settlement. Further, many of the challenges encountered by new arrivals do not lend themselves to easy categorisation. For example, a migrant who can only afford to rent a house in an outlying suburb of a town may find it difficult to access employment opportunities due to limited public transport. The settlement need in this case could variously be categorised as accommodation, financial, transport, education or social participation.

DIAC agrees that applicants did not widely use the needs information provided for local areas in the 2008-09 funding round but questions whether provision of more extensive local needs information would rectify this. Most applicants either identified their own needs or indicated that clients in their area experienced all the needs listed by DIAC as well as identifying additional needs. DIAC does not believe this is a negative outcome as it indicates service providers are drawing on their knowledge of local issues to target their proposals. DIAC also believes this may indicate reluctance on the part of service providers to limit themselves to providing services that address a specific list of needs.

In any region, SGP clients typically encounter a range of different challenges, many of which are interlinked (for example, while accommodation may be identified as a key need in a specific region, accommodation issues can also impact on financial security, transport, access to education and employment opportunities). Given the variety of client needs, most SGP grants are 'generalist', that is, designed to service multiple client groups and address a variety of settlement issues.

Analysis of settlement needs information over past years also indicates that SGP clients tend to encounter similar challenges regardless of their settlement location. DIAC notes that providing more detailed settlement needs information at the local level is likely to result in highly repetitive information for each region.

DIAC acknowledges the inclusion of the key identified needs for each local area was not useful in targeting applicants' proposal and thus did not include this detail in the most recent funding round.

DIAC requests the following amendments to the paragraph:

3.14 DIAC acknowledges that 'need', as presented in the ~~Annual~~ Settlement Needs and Arrivals information, is vaguely defined but notes that definition of settlement needs is highly subjective and that many of the challenges encountered by new arrivals do not lend themselves to easy categorisation. The regional needs information does not provide any real guidance to applicants about the type of projects required in specific geographic areas to target specific sections of the SGP target group. However, greater detail about settlement needs, including types of services and/or projects to address specific needs, is contained elsewhere in the information package. DIAC ~~also~~ noted that the regional needs information in the 2008-09 round was ~~is~~ largely ignored by providers when applying for SGP funding, who tended instead to identify their own groups of needs or indicate that all the listed needs were relevant as well as identifying more. DIAC has indicated that given its limited use, the regional needs information was not included in the most recent funding round.

Para 3.15
DIAC generally agrees with this finding but is concerned the text as it stands suggests that the information currently provided is meaningless or of no use to applicants. DIAC believes the package of information is highly useful to applicants and also in assessing applications and allocating funds.

DIAC proposes the following amendment to the paragraph:

Nevertheless, DIAC recognises that including more meaningful information about settlement needs in funding round guidance would assist providers to better target those needs. Additionally, it would increase the transparency of decision making if decisions are made with reference to identified needs, and defending those decisions would be more straightforward. DIAC has informed the ANAO that this is an area that it will be focussing on in 2009.

Para 3.20
During the 2009-10 round, DIAC monitored system access and outages and found that the system remained stable during the application period.

While the Department acknowledges that there are issues with GOLF's stability, it believes that some of the difficulties encountered by service providers relate to their own systems and ISP.

*****Para 3.21*
See comments about the development of the CGGs.

Para 3.30, 3.40, 3.41, 3.42, 3.50

Negotiating Funding Agreements (Chapter 4)

Para 4.10
Letters of offer to successful grant recipients includes the following paragraph:

"It is important to note that my approval of funding is subject to your organisation's acceptance of terms and conditions of an appropriate funding agreement with the Department of Immigration and Citizenship. Accordingly, your organisation should not take this letter in any way as a representation that funding will be provided. That is subject to negotiations between your organisation and the Department.

Accordingly, please find enclosed a Funding Offer form. Upon receipt of your organisation's written confirmation, a representative of the Department will contact you to negotiate a Funding Agreement, including a Work Program and Project Budget".

The Department would be happy to add a paragraph which explicitly states that the funding offered is less than what was applied for and therefore the scope of the project is subject to negotiation and may change as a result.

Para 4.14
DIAC requests that the ANAO note the Department's efforts to make pre budget allocation enquiries.

Para 4.15
Please note earlier comments about the need to submit two audited financial statements and why the Department moved to this arrangement in the first place.

In light of this, the Department requests that the ANAO revisit this para.

Monitoring and Evaluating Grants (Chapter 5)

Para 5.10
DIAC has commissioned Ernst & Young, its internal auditors to help with developing a set of Administrative Guidelines which will address this issue.

The Department requests that the ANAO amend this para.

Para 5.19
The Administrative Guidelines to be developed by Ernst & Young, will also address this issue.

Para 5.29
NatO will consider progressing QA of grants management in the context of its budget. DIAC has commissioned Ernst & Young to develop a more robust QA mechanism.

Para 5.33
See earlier comments about evaluation

DIAC requests that the ANAO acknowledge the complexity and costs associated with evaluating the program and the steps DIAC is taking to monitor and measure program effectiveness.

Managing Relationships (Chapter 6)

Para 6.9
See earlier comments about referrals.

Para 6.15
The text suggests that there are systemic relationship management and communication issues within DIAC, which is not the case. The examples referred to in this paragraph relate to two isolated incidents which have been discussed with the ANAO as to relevance of the examples cited in their discussion paper. DIAC has in place Protocols for Working with State and Territory Offices which the Settlement Grants Section adheres to. Within NatO, all settlement areas (Policy, Planning and Grants) regularly liaise and communicate on ideas and policy changes.

The Department suggests the following amendment to para 6.15:
Insert after first sentence the proposed as replacement text.

"However, a few staff stated that their duties and the division of responsibility between NatO and STOs could be clearer. DIAC has noted that it is developing simpler Administrative Guidelines for SGP management which will include clarity around roles and responsibilities for NatO and STOs. While DIAC has noted that it liaises and communicates with internal stakeholders regularly, this could be further improved if a formal relationship management strategy is developed within the Settlement Grants Section *The ANAO found several examples that demonstrate this. The ANAO also observed several incidents that demonstrated a lack of communication and coordination within DIAC. These examples highlight the benefits of Settlement Grants Section developing an internal relationship management strategy.* DIAC has noted that it adheres to the established Protocols for Working with STOs. *Such a strategy ....."*

Para 6.18
Feedback from the STOs has indicated that while useful, the SGP Handbook is quite large and cumbersome. Consequently NatO has commissioned Ernst & Young to develop a more streamlined Administrative Guide which will be easier to use. STO managers will be asked to remind their staff about referring to the Guide for grants management issues.

Para 6.26
NatO has commissioned Ernst & Young to undertake a benchmarking project which will provide guidance to STO staff assessing project budgets. In order to make this a useful exercise, NatO had to wait until data on project budgets (proposed and actual, audited financial statements and work programs and End of Year reports were available for at least two years. In addition, NatO is providing training on reconciliation of grant funding to all STOs.

There is no further requirement for financial training given the nature of the work undertaken by STOs in administering grants. All program expenditure and monitoring is undertaken in NatO.

SGP Systems (Chapter 7)

Para 7.15
Reconciliation of grants has been conducted by NatO prior to the introduction of the SGP. A more rigorous reconciliation process which involved STOs was initiated by NatO during the 2006-07 program year and has evolved over time. During Financial and Performance Audits in 2006-07 and 2007-08, the ANAO indicated that a formal sign-off on reconciliations by STOs would strengthen the process. Consequently NatO developed a standard pro-forma for the sign-off and cleared that with the ANAO before implementing the revised process.

To Tom Clarke <Tom.Clarke@anao.gov.au>

cc andrew.metcalfe@immi.gov.au,
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peter.hughes@immi.gov.au,

bcc

Subject Re: ANAO performance audit of the
Settlement Grants Program
[SEC = IN-CONFIDENCE:AUDIT] ▯

Protective AUDIT-IN-CONFIDENCE
Mark

AUDIT-IN-CONFIDENCE

Hi Tom

Thank you for the opportunity to comment on the revised report on the performance audit of the Settlement Grants Program. We have reviewed the document and given the Summary of Agency Comments originally provided was quite generic, we don't believe that we need to make any changes to that. Likewise, our responses to all recommendations (Appendix 1) remain unchanged with the exception of Recommendation 1. We believe that our response to Recommendation 1 needs to be amended to reflect the ANAO's acceptance of our comments. Our revised response is attached (so that you can clearly see what changes have been made).

We would like to thank you for considering and incorporating our comments and look forward to receiving the final report before its tabling on 21 May. The Secretary would also welcome a briefing on the final report before it is tabled.

DIAC's Comments to Revised Rec 1.doc

Regards

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Settlement Grants Section
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Subject ANAO performance audit of the Settlement
Grants Program [SEC = IN-CONFIDENCE:AUDIT]

Protective
Mark

Dear Mr Metcalfe: we have prepared the report of the performance audit of the Settlement Grants Program for publication. As discussed at your meeting with Ian McPhee last week, we have made a number of changes to the proposed report, in light of your comments on it. I attach the final audit report, for your information, which has been cleared by the Auditor-General.

Changes from the proposed report, are highlighted (in grey). You will see that we have sought to substantially incorporate your feedback- in some cases we have modified the suggested changes to the text slightly (to be more 'audit-like'), or made judgements about the location of suggested additional text (i.e. in the Executive Summary or the body of the report). I should note that one request made in your feedback on the proposed report was for the ANAO to acknowledge the changes made to DIAC processes in relation to documentation of key decisions and the process for handling adjustments to the appropriation – these words are at paragraphs 3.50 and 3.52 of the attached document (pp52 and 53).

While this document is provided to you on a for-information basis, and has been approved by the Auditor-General for publication, there is still a <u>narrow</u> window for minor changes, for example, should you wish to modify your formal comments slightly or amend your department's response to individual recommendations. Our publications area advises that they will need the absolute final tomorrow morning, so we would need any last-minute adjustments before then.

The report should table in Parliament on 21 May (along with the MAL audit). As is our usual practice, you will get an advance copy of the final report (the 'A4s') around 48 hours in advance of tabling.

In your letter, you indicated that you wished to receive a briefing on the audit prior to tabling –I will get my staff to liaise with your office to confirm that this is still the case and, if so, to arrange a suitable time.

Kind regards

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This notice should not be removed.

[attachment "Settlement Grants Program draft final 11 May.docx" deleted by Agnes Kumar/ACT/IMMI/AU]

AUDIT-IN-CONFIDENCE

Recommendation 1
To assist DIAC and grant recipients to more effectively target SGP projects, the
ANAO recommends that DIAC:

- improve the quality of settlement needs information
- includes **more** meaningful information about settlement needs in funding round
  guidance; and
- ensures that grant applicants address settlement needs when applying for grants.

DIAC agrees with the recommendation. We have implemented a range of initiatives
to improve access to settlement information since the ANAO undertook its fieldwork.
These initiatives include a web-based settlement service locator that enables
organisations and individuals to find settlement services in their local area, and
improvements to the Settlement Database to assist organisations to more easily access
demographic information about the SGP client group in their area. We are also
exploring options for better profiling of client service needs throughout the settlement
period, which will in turn provide more guidance to applicants about matching service
types to client group profiles.

~~In supporting this recommendation DIAC has some qualifications. We are concerned
that the recommendation suggests that settlement needs information currently
provided does not add significant value.~~ ~~We~~ DIAC acknowledges there is scope for
improvement in providing information that ~~but believe the information provided~~ is
useful to applicants in developing proposals, as well as supporting grants assessment
and funding allocation processes. However, we note that being too prescriptive about
the types of projects to be funded in specific areas may detract from the sector's
capacity to develop innovative or flexible service responses to local issues.