

Administration of Grants by the National Health and Medical Research Council

Audit Report No.7 2009-10

Opening Statement by Mr Matt Cahill, Group Executive Director ANAO

JCPAA Review 10 March 2010

1. Thank you Chair. The subject of today's inquiry is Audit Report No. 7, *Administration of Grants by the National Health and Medical Research Council*, which was conducted within the National Health and Medical Research Council — a portfolio agency of the Department of Health and Ageing (DoHA). The audit was recently tabled on 20 October 2009.
2. Over the last decade, the ANAO's strategic audit approach to the administration of grants has resulted in the targeted examination of around 15 performance audits within the Australian Public Service, particularly assessing efficiency and administrative effectiveness.
3. The NHMRC grants are an important source of income for many health and medical researchers and constitute a substantial Government investment in innovation and research. Applying for the NHMRC grants is highly competitive and utilises a peer review process. During a review period almost 500 assessors assess approximately 3 000 applications, in which only around 26 per cent will be funded. The essence of a peer review process requires transparent and accountable conflict of interest provisions. Over the period 2000-2008, the NHMRC awarded more than 8000 grants, an investment in research exceeding \$3.2 billion.
4. In 2006, the NHMRC became a statutory agency and was an agency in transition, with a substantial change agenda at the time of the performance audit. Particularly

evident was the gradual transfer of administrative function from DoHA, adjusting to the new responsibilities and expectations.

5. Although the NHMRC had made significant progress and improvements, particularly in post award management, the ANAO concluded that several combined shortcomings significantly impacted on the effectiveness of the NHMRC's grant administration.
6. In particular, inconsistent application of guidelines and procedures for specific aspects of the NHMRC's grant selection process, including conflict of interest provisions, exposes the agency in terms of the transparency and defensibility of grant selection. Poor compliance in many aspects of post award management also diminishes the agency's ability to provide sufficient assurance that grant funds are used as intended. Further development of the agency's grant management system is required to adequately support the administration of grants and allow for sufficient collection of information to report against program outcomes.
7. The ANAO made five recommendations directed at:
 - developing and implementing compliance and assurance mechanism;
 - improving the documentation and monitoring of the probity of the peer review process recommending the allocation of grants;
 - improving the identification, management and monitoring of conflicts of interest;
 - implementing arrangement to increase the accountability of grant funds through post award management; and

- including compliance controls, interfacing with other NHMRC systems, data verification, and staff training in the new Research Grants Management System.

8. The agency agreed to all recommendations.
9. Finally, I have with me today the members of the audit team to assist the Committee in its inquiry, Mr Steven Lack, Executive Director, who oversaw this audit, and Ms Alexandra Geue, the Audit Manager.