

## Performance Audit Report No. 41 (2014-15)

# Award of Funding under Safer Streets Program

## Introduction

- 4.1 Chapter 4 focuses on the Joint Committee of Public Accounts and Audit (JCPAA) review of Australian National Audit Office (ANAO) Report No. 23 (2014-15), *Award of Funding under Safer Streets Program*, Attorney General's Department. The chapter comprises:
- an overview of the report, including the audit objective, scope and criteria; audit conclusion; and audit recommendation and agency response
  - Committee review
  - Committee comment

## Report overview

- 4.2 In the context of the 2014–15 Budget, the Government provided \$50 million from the Confiscated Assets Account<sup>1</sup> to establish the Safer Streets program, administered by the Attorney-General's Department

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1 The *Proceeds of Crime Act 2002* provides that money identified as the proceeds of crime and confiscated be accumulated in the Confiscated Assets Account and, with the approval of the relevant Minister, redirected to fund crime prevention measures. The Safer Streets program is a crime prevention program under s298 of the Act.

(AGD). The Safer Streets program, which delivered on an election commitment,<sup>2</sup> sought to ‘deliver effective solutions which target local crime hot spots and anti-social behaviour through grants focused on retail, entertainment and commercial precincts’.<sup>3</sup>

- 4.3 The guidelines for the Safer Streets program provided for ‘multiple funding rounds, with the first being a closed and non-competitive process aimed at delivering election commitments made by Coalition candidates “prior to October 2013”’.<sup>4</sup> In this regard, ‘only organisations and projects identified prior to October 2013 were eligible’, and a ‘list of organisations and projects that were to be invited to apply for funding was developed by the incoming government and provided to the department’.<sup>5</sup> The program guidelines identified that first round funding was focused on the installation of closed circuit television (CCTV) cameras and street lighting.<sup>6</sup>
- 4.4 The first funding round of the Safer Streets program opened for applications in May 2014, with funding decisions made in June 2014, July 2014, October 2014 and, January 2015.<sup>7</sup> Under the first funding round, as at 8 May 2015, \$19 million in program funding had been approved in respect of 85 applications (73 applicants<sup>8</sup>), involving 146 projects.<sup>9</sup>
- 4.5 The ANAO report noted that, as of May 2015, a second funding round for the program had not yet been undertaken.<sup>10</sup>

### **Audit objective, scope and criteria**

- 4.6 In July 2014, the Hon. David Feeney MP, the Shadow Minister for Justice, requested an ANAO audit of the Safer Streets program. After undertaking preliminary inquiries of the department in relation to the matters raised, the Auditor-General decided to undertake a performance audit of the Safer Streets program.<sup>11</sup>

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2 The Coalition released its *Plan for Safer Streets* policy in October 2012, and the Safer Streets program was also ‘included within the Coalition’s *Policy to Tackle Crime* that was released in August 2013, during the 2013 Federal election campaign’, ANAO, Audit Report No. 41 (2014-15), *The Award of Funding under the Safer Streets Programme*, p. 13.

3 ANAO, Audit Report No. 41 (2014-15), p. 14.

4 ANAO, Audit Report No. 41 (2014-15), p. 14.

5 ANAO, Audit Report No. 41 (2014-15), p. 25.

6 ANAO, Audit Report No. 41 (2014-15), p. 14.

7 ANAO, Audit Report No. 41 (2014-15), p. 45.

8 Some applications were provided for numerous projects – ANAO, Audit Report No. 41 (2014-15), p. 42.

9 ANAO, Audit Report No. 41 (2014-15), p. 16. AGD noted that ‘\$19.47 million was committed for specific projects’ in the first funding round, *Submission 2*, p. 3.

10 ANAO, Audit Report No. 41 (2014-15), p. 14.

11 ANAO, Audit Report No. 41 (2014-15), p. 17.

- 4.7 The objective of the audit was to ‘assess the effectiveness of the award of funding under the first round of the Safer Streets programme’.<sup>12</sup> The audit examined the key elements of the first funding round, including the ‘design of the program and the assessment and decision-making processes in respect to the 85 applications that had been received, assessed and approved for funding. The audit scope also included the announcement of funding decisions and the negotiation and signing of grant agreements’.<sup>13</sup>
- 4.8 The audit criteria reflected relevant policy and legislative requirements for the expenditure of public money and the grants administration framework, including the Commonwealth Grants Rules and Guidelines,<sup>14</sup> and ANAO’s administration of the better practice guide on *Implementing Better Practice Grants Administration*, December 2013.<sup>15</sup>
- 4.9 To form a conclusion against the audit objective, the ANAO adopted the following high-level criteria:
- the robustness of the processes by which projects were identified for funding consideration;
  - the effectiveness of the merit assessment process undertaken by the Attorney-General’s Department to satisfy itself that applicants meet the Safer Streets programme’s eligibility requirements and criteria;
  - the quality of the advice provided by the department to the Minister and funding decisions as to whether projects:
    - ⇒ met the identified programme objective, priorities, and criteria; and
    - ⇒ represented value with public money; and
  - the distribution of funding (including in electorate terms<sup>16</sup>) and the development of effective funding agreements with project proponents, that will allow the department to adequately

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12 ANAO, Audit Report No. 41 (2014-15), p. 17.

13 ANAO, Audit Report No. 41 (2014-15), p. 17.

14 In terms of the grants framework in place at the time the Safer Streets program operated, initially this involved the *Finance Management and Accountability Act 1997*, the Financial Management and Accountability Regulations 1997 and the Commonwealth Grant Guidelines, June 2013. The financial framework changed in July 2014, with the *Public Governance, Performance and Accountability Act 2013* and the *Commonwealth Grants Rules and Guidelines*, July 2014. The ANAO report notes that, in terms of grants administration, ‘similar arrangements exist under the current framework’, Audit Report No. 41 (2014-15), p. 46.

15 ANAO, Audit Report No. 41 (2014-15), p. 18. The June 2010 version of the better practice guide on grants administration was available at the time the program was implemented and was replaced in December 2013 with the updated guide, p. 44.

16 The ANAO report noted that ‘electoral analysis was unable to be completed by ANAO due to the lack of information on the project locations as specified in the application, the department’s assessment and in the executed funding agreements’, ANAO, Audit Report No. 41 (2014-15), p. 45.

oversight the delivery of funded projects and assess whether those projects have been successful in preventing, detecting and deterring crime.<sup>17</sup>

## Audit conclusion

4.10 The key points in the ANAO's overall conclusion were as follows:

- In the main, the [Safer Streets] programme guidelines provided a reasonable basis for the implementation of the first funding round. This included specifying eligibility criteria and other eligibility requirements that were consistent with the programme objectives, and setting out six selection criteria that were appropriate for the first round.
  - ⇒ However, there were a number of significant shortcomings in the Attorney-General's Department's implementation of processes for eligibility checking, application assessment and the subsequent provision of funding recommendations to the Minister for Justice.
  - ⇒ The administration of the merit assessment process is an aspect that was handled particularly poorly by the department.
- It was common for the department to complete its assessment of applications without fully addressing each criterion... the department made generous assumptions about the quality of many of the proposals that had been submitted for assessment.
- The department's assessment of applications and approach to advising the Minister were not sound having regard to the policy design for the Safer Streets programme, the requirements of the grants administration framework and, recognised better practice.
- There were also shortcomings in the terms of the funding agreements that have been signed by the department in relation to the approved projects. Of particular note is that it is common for agreements to not adequately set out what the proposed project would deliver and where.<sup>18</sup> This situation makes it difficult for the department to adequately oversight the delivery of the funded projects, or to assess whether those projects have been successful in preventing, detecting and deterring crime in crime 'hot spots'.<sup>19</sup>

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17 ANAO, Audit Report No. 41 (2014-15), pp. 44-45.

18 For example, the specific locations at which equipment (such as CCTV cameras and/or lights) were to be installed and the associated quantity. Including such information in grant agreements helps to clarify project deliverables and milestones, and enables the Australian Government to have confidence that grants will provide a value for money return for funding that has been provided, as well as contributing to the achievement of desired programme outcomes. (ANAO, Audit Report No. 41 (2014-15), p. 21, footnote 16.)

19 ANAO, Audit Report No. 41 (2014-15), pp. 18-22.

## Audit recommendations and agency response

4.11 Table 4.1 sets out the recommendations for ANAO Report No. 41 and AGD's response.<sup>20</sup>

**Table 4.1 ANAO recommendations, Report No. 41 (2014-15)**

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| 1 | <p>To underpin efficient, effective, economical and ethical grants administration across all granting activity it administers, ANAO recommends that AGD:</p> <ul style="list-style-type: none"> <li>• develop a standard suite of grant programme governance documentation that can be tailored to the individual circumstances of each granting activity, to promote a consistent high standard of grants administration across the department; and</li> <li>• advise the relevant Minister of any significant risks to programme implementation or outcomes in circumstances where key changes are proposed to grant guidelines.</li> </ul> <p><b>AGD response:</b> <i>Noted.</i></p>  |
| 2 | <p>To promote robust eligibility checking processes for all granting activities it administers, including those used to fund election commitments, ANAO recommends that AGD:</p> <ul style="list-style-type: none"> <li>• obtain relevant information from applicants in respect to each eligibility requirement so that assessments are well informed; and</li> <li>• require that assessments explicitly address each of the published eligibility requirements, with only those applications assessed to meet each requirement proceeding to the merit assessment stage.</li> </ul> <p><b>ADG response:</b> <i>Agreed.</i></p>  |
| 3 | <p>To promote the robust assessment of applications to all grant programmes it administers, including those that are used as a funding source for election commitments, ANAO recommends that AGD:</p> <ul style="list-style-type: none"> <li>• articulates benchmarks and/or standards to inform the judgment of assessors when considering the extent to which an application can reasonably be considered to have met the published assessment criteria; and</li> <li>• establish minimum scores for an application to achieve against each of the assessment criteria in order to progress in the assessment process as a possible candidate to be recommended for funding.</li> </ul> <p><b>ADG response:</b> <i>Agreed.</i></p> |
| 4 | <p>To ensure Ministers are provided with sound advice as to the merits of candidates for funding under all grant programmes it administers, including those used to fund election commitments, ANAO recommends that AGD clearly outline in briefing material:</p> <ul style="list-style-type: none"> <li>• which grant proposals had been assessed to fully meet each of the assessment criteria; and</li> <li>• those grant proposals assessed as only partially meeting, or not satisfactorily meeting, one or more of the assessment criteria, together with advice on the shortcomings that had been identified.</li> </ul>  |

<sup>20</sup> For details of AGD's response to the ANAO's recommendations, see ANAO, Audit Report No. 41 (2014-15), pp. 154-158.

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**ADG response:** *Agreed.*

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To promote the achievement of granting activity objectives, ANAO recommends that AGD ensure that the terms of funding agreements signed with successful applicants clearly identify the specific deliverables for which grant funding was awarded.

**ADG response:** *Agreed.*

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## Committee review

- 4.12 Representatives from the ANAO and AGD gave evidence at the Committee's public hearing on 17 September 2015 (see details of public hearings and submissions at Appendix A and B).
- 4.13 As discussed below, the Committee focused on the following matters regarding the ANAO report findings and evidence provided at the public hearing:
- Development of Program Guidelines
  - Identifying Election Commitment Projects
  - Application Assessment
  - Distribution of funds
  - Implementation of ANAO recommendations

## Development of Program Guidelines

- 4.14 Subsequent to the September 2013 election, guidelines for the Safer Streets program were developed by AGD. The guidelines were approved by the Minister for Justice on 2 May 2014.<sup>21</sup> A key obligation under the grants administration framework is for all grant programs, including those that fund election commitments, to have guidelines in place.<sup>22</sup> The grants administration framework was developed 'based on the recognition that a clear set of programme guidelines is essential for efficient, effective and consistent grants administration'.<sup>23</sup> In this context, the guidelines established for programs that fund election commitments provide the vehicle for informing project proponents:

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21 ANAO, Audit Report No. 41 (2014-15), p. 14, p. 41.

22 See *Commonwealth Grants Rules and Guidelines*, Department of Finance, July 2014, paragraph 4.4, p. 11. The grants administration framework recognises that the 'statutory obligations applying to the approval of spending proposals derived from election commitments are no different from those attached to the approval of any other spending proposal', ANAO Audit Report No. 24 (2010-11), p. 18.

23 ANAO, Audit Report No. 41 (2014-15), p. 20.

- that funding can only be approved where the project is an efficient and effective use of public money, and of the criteria that will be considered in undertaking this assessment; and
- where funding is approved, of the obligations that proponents will be expected to satisfy.<sup>24</sup>

4.15 The ANAO concluded that, '[i]n the main, the programme guidelines provided a reasonable basis for the implementation of the first funding round. This included specifying eligibility criteria and other eligibility requirements that were consistent with the programme objectives, and setting out six selection criteria that were appropriate for the first round'.<sup>25</sup>

4.16 However, the ANAO noted that the 'finalised guidelines were less robust than those initially drafted by the department':

In this respect, following a request by the Minister's office to simplify the guidelines, the department proposed various amendments. Of note was that a number of key statements were removed from the proposed programme guidelines, including statements that projects:

- must have clear benefits for the broad community and well-defined and achievable objectives;
- would not be eligible for funding if they did not meet the selection criteria; and
- must demonstrate need through high crime rates in the area where they were to be delivered, as evidenced by law enforcement or Australian Bureau of Statistics data.<sup>26</sup>

4.17 Further, the ANAO noted that AGD 'did not provide advice to the Minister's office on the adverse impact the changes to the programme guidelines would have on delivery of the programme, particularly in assessing the merits of applications, or the outcomes that could be expected from the award of funding':

the guidelines initially drafted by the department were more consistent with the announced policy parameters for the programme and the grants administration framework. In circumstances where suggested variations would have an adverse effect on the department's responsibilities and programme outcomes, this should be raised with the Minister.<sup>27</sup>

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24 ANAO Better Practice Guide, *Implementing Better Practice Grants Administration*, Canberra, December 2013, p. 43.

25 ANAO, Audit Report No. 41 (2014-15), p. 19.

26 ANAO, Audit Report No. 41 (2014-15), p. 23.

27 ANAO, Audit Report No. 41 (2014-15), pp. 23-24.

- 4.18 The ANAO also found that ‘there were aspects of the structure of the guidelines that could have been improved’ – for example, the guidelines were ‘not well structured’ in that eligibility requirements were not grouped together, an approach that ‘did not assist in ensuring applicants were aware of all mandatory requirements, or in ensuring that all such requirements were consistently applied in the assessment of applications’.<sup>28</sup>

### Identifying Election Commitment Projects

- 4.19 The Safer Streets program guidelines provided for ‘multiple funding rounds, with the first being a closed and non-competitive process aimed at delivering election commitments made by Coalition candidates “prior to October 2013”’.<sup>29</sup> The guidelines outlined:

- a closed process for invited applicants to apply for grant funding;
- priority funding for improved lighting and CCTV projects as well as the purposes for which project funding would not be provided;
- various eligibility and selection criteria to be used in assessing applications along with the weightings to be applied; and
- the assessment process.<sup>30</sup>

- 4.20 The guidelines also identified various eligibility requirements, including:

- eligible organisations were those identified before October 2013 to deliver specific commitments;
- organisations must be invited by the department to submit an application;
- grant applicants ‘must provide evidence to demonstrate the need for improved security due to crime and anti-social behaviour affecting local communities’; and
- the project/s must be consistent with the programme’s key objectives and principles, namely to:
  - ⇒ ensure that local infrastructure could be rolled out in crime ‘hot spots’ to prevent, deter and detect crime; and

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28 ANAO, Audit Report No. 41 (2014-15), p. 23.

29 ANAO, Audit Report No. 41 (2014-15), p. 14. The ANAO report noted that ‘it is generally accepted that election commitments involve political promises made prior to election day rather than the month following election day’ (the federal election was held on 7 September 2013), p. 14. The ANAO further noted that ‘[n]either the original October 2012 announcement nor the 2013 election policy document [regarding the Safer Streets program] foreshadowed that some of the \$50 million in programme funding would be quarantined for individual projects announced by candidates’, p. 13.

30 ANAO, Audit Report No. 41 (2014-15), p. 41.



- ⇒ enhance community safety, particularly around retail, entertainment and commercial precincts, leading to a reduction in the fear of crime in the Australian community and greater community resilience and well-being.<sup>31</sup>
- ⇒ The guidelines set out that ‘\$19.3 million would be allocated in the first funding round for projects relating to 150 separate locations (that is, specific election commitment projects)’.<sup>32</sup>

4.21 Accordingly, the commitments to be funded were to be ‘those made by the Coalition prior to and during the 2013 Federal election campaign, with identified organisations to be invited to submit applications for funding’:

The Programme will deliver specific election commitments for the installation of closed-circuit television (CCTV) in communities in 64 electorates.<sup>33</sup>

4.22 In this regard, ‘only organisations and projects identified prior to October 2013 were eligible’.<sup>34</sup> AGD, in consultation with the Minister’s office, was ‘responsible for contacting the identified organisations and inviting them to submit an application for funding under the programme, setting out how they would implement the commitment made by the Government during the 2013 election campaign’.<sup>35</sup>

A list of organisations and projects that were to be invited to apply for funding was developed by the incoming government and provided to the department. The list was then adjusted, consistent with advice from the Minister’s office, over various iterations, and was not verified by the department. In this respect, several projects were announced but no organisation was invited to apply for Safer Streets programme funding for those projects. In addition, another seven projects were included in the list although no public announcement of an election commitment had been made.<sup>36</sup>

4.23 Seven projects were funded even though no evidence exists that a pre-election commitment was available. This has been confirmed by the Minister for Justice’s office.<sup>37</sup> Six of the seven projects are located in Coalition held seats.

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31 ANAO, Audit Report No. 41 (2014-15), pp. 14-15.

32 ANAO, Audit Report No. 41 (2014-15), p. 14.

33 ANAO, Audit Report No. 41 (2014-15), p. 40.

34 ANAO, Audit Report No. 41 (2014-15), p. 25.

35 ANAO, Audit Report No. 41 (2014-15), pp. 41-42.

36 ANAO, Audit Report No. 41 (2014-15), p. 25.

37 ANAO, Audit Report No. 41 (2014-15), p. 78

4.24 When asked whether it was good practice to have projects added to a list where this is no publicly available information that they had commitments before the election, the ANAO replied:

The key point we were trying to make in this respect was that it was one of the eligibility requirements of this closed funding round that you actually need an election commitment. From our perspective, that needed to be established in order for the department to be able to satisfy itself that they were eligible to be proceeded with. We have audited a few election commitment programs of governments of different persuasions over the years, and that is not an unusual expectation and requirement. It is usually able to be satisfied by finding a public announcement. It may be a media release; it may be simply the reporting of a community forum or so forth. There is normally something, because – put it this way – if you are going to make a commitment in the course of an election campaign, there is not a lot of value to be had from it if no-one knows you have made it.<sup>38</sup>

4.25 When asked whether these projects that were added may not be eligible if they were not subject to public election commitments the ANAO stated:

Indeed. I guess then we looked at the other side of the coin where there were some added to the list. Some are in the list where you cannot see there is a commitment. Others, where there was a clear commitment, are not retained in the list. So in some ways, to us, it was working in both directions. It made it hard for us to be satisfied that the department's approach meant that we clearly had a list of projects that were fully eligible on all measures, including that there was actually a commitment made on or before the 7 September 2013 election.<sup>39</sup>

4.26 The Petrie project was of particular concern to the ANAO. Unlike the other six projects that were provided to the Department by the Minister's office in October 2013, the Petrie project was added in May 2014.

4.27 The Minister's office admits that it did not have a record of an announcement of the Petrie commitment. Instead it was added to

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38 Mr Brian Boyd, Executive Director, Performance Audit Services Group, Australian National Audit Office, *Committee Hansard*, 17 September 2015, p. 13.

39 Mr Brian Boyd, Executive Director, Performance Audit Services Group, Australian National Audit Office, *Committee Hansard*, 17 September 2015, p. 13.

the list because the Member for Petrie "...advised that the commitment had been made prior to the election."<sup>40</sup>

- 4.28 Both the Department and the ANAO were unable to find evidence of such a public commitment. When asked whether the process around the Petrie project was good grants practice, the ANAO replied:

No, which is part of the point we are trying to make with how the list came about. Whether it is election commitments or any other closed funding round, identifying who it is that is going to be able to request that funding actually flow is a key matter in how you sort through that. I guess one of the advantages of an election commitment is that it can usually be clearer if you are actually looking for some public evidence that there was an announcement made.<sup>41</sup>

- 4.29 The ANAO also drew attention to the fact that the Minister's office directed that six projects be removed from the list of election commitments on the basis that the office had been unable to confirm that a public commitment had been made. Of the six, two were subsequently reinstated because public commitments had been made.<sup>42</sup>

- 4.30 The six projects included two projects in the electorate of Rankin, two in Moreton, one in Eden-Monaro and one in Hughes. The ANAO confirmed that there was no evidence available to indicate that election commitments had been made relating to the projects in Eden-Monaro and Hughes so they were not funded.

- 4.31 However the ANAO identified clear commitments made in the remaining four projects.<sup>43</sup> The ANAO report stated that these four projects were located in two marginal Queensland electorates held and retained by the Australian Labor Party.<sup>44</sup> Two were reinstated and funded. When asked about this process, the ANAO replied:

I guess then we looked at the other side of the coin where there were some added to the list. Some are in the list where you cannot see there is a commitment. Others, where there was a clear commitment, are not retained in the list ... But I guess the corollary for us then is: in that case, when you go back to table 3.2, where there are others which were retained on the list where there

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40 ANAO, Audit Report No. 41 (2014-15), p. 79.

41 Mr Brian Boyd, Executive Director, Performance Audit Services Group, Australian National Audit Office, *Committee Hansard*, 17 September 2015, p. 15.

42 ANAO, Audit Report No. 41 (2014-15), pp 81 - 83.

43 ANAO, Audit Report No. 41 (2014-15), pp. 81-82.

44 ANAO, Audit Report No. 41 (2014-15), pp.81- 82.

is equally no commitment available, why aren't they similarly removed?<sup>45</sup>

## Application Assessment

4.32 Another requirement of the grants administration framework is that agencies should develop internal policies, procedures and operational guidance to support program implementation. However, the ANAO noted that AGD 'gave insufficient attention to developing such arrangements':

In particular, implementation risks (such as maintaining probity, consistency in assessment, meeting programme objectives and supporting future evaluation of outcomes) should have been mitigated through relevant planning documents, guidance material for staff undertaking grants administration tasks (such as assessing applications) and more active management oversight. In this regard, it is now recognised as sound practice for the departmental documentation that supports the delivery of a grants programme to include:

- application and assessment forms that address all of the requirements set out in the programme guidelines;
- a documented implementation plan or assessment methodology, so as to support the consistent application of programme guidelines (particularly where a range of staff assess applications, as was the case with the Safer Streets programme); and
- an evaluation strategy, developed during the design phase of the granting activity, that is consistent with the outcomes orientation principle included in the grants administration framework.<sup>46</sup>

4.33 The ANAO concluded that the 'absence of sound arrangements to guide and support the implementation of the Safer Streets programme contributed to significant shortcomings in the assessment of the applications that were received'.<sup>47</sup> The ANAO further noted that the 'administrative shortcomings' evident in AGD's approach did not reflect the benefits of the substantial work that has been undertaken by successive governments since 2007 to develop and improve the grants administration framework':

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45 Mr Brian Boyd, Executive Director, Performance Audit Services Group, Australian National Audit Office, *Committee Hansard*, 17 September 2015, p. 13-15.

46 ANAO, Audit Report No. 41 (2014-15), p. 24.

47 ANAO, Audit Report No. 41 (2014-15), p. 24.

Under this framework, a broad range of material was available to inform the design and implementation of grant programmes such as the Safer Streets programme, including: the Commonwealth Grant Guidelines (now the Commonwealth Grants Rules and Guidelines) and associated guidance issued by the Department of Finance; the ANAO's grants administration Better Practice Guide and various performance audit reports of individual grant programmes; and Parliamentary Committee reports (particularly those produced by the Joint Committee of Public Accounts and Audit).<sup>48</sup>

- 4.34 The ANAO concluded that AGD 'assessed each application it received as being eligible, notwithstanding the information available to the department not supporting such an assessment for a considerable proportion of the applications received':

To appropriately assess eligibility, two key areas in which the department needed to source information were that, firstly, applicants provided evidence to demonstrate the need for the project, and that, secondly, projects were the subject of an announcement before or during the 2013 federal election to deliver specific commitments. However, a significant proportion of applicants did not provide evidence to demonstrate need, and the department was only able to identify 30 announcements (such as media releases, media reports and internet-based material), issued prior to October 2013, which evidenced commitments made to fund projects included on the list of Safer Streets programme funding candidates. The ANAO analysed the eligibility of applications, based on the programme requirements as stated in the guidelines, identifying that 56 applications (66 per cent of applications received) did not meet these requirements.<sup>49</sup>

- 4.35 As the ANAO further noted, the 'majority of the 56 applications did not provide evidence to demonstrate the need for the project, while for around one-third the projects were not consistent with the election commitment':

For example, for some projects the location and/or the type of project cited in the commitment differed from the application. Further, for a small number of applications, no public announcement of an election commitment had been made and/or they were not consistent with the types of project to be funded under the first funding round (CCTV or lighting projects).

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48 ANAO, Audit Report No. 41 (2014-15), p. 21.

49 ANAO, Audit Report No. 41 (2014-15), p. 25.

Applications could be ineligible under one or more of these categories.<sup>50</sup>

- 4.36 The ANAO also noted that 'the department's eligibility checking process was poorly designed and implemented':

Of note was that departmental assessments of eligibility were undertaken in the context of insufficient information having been requested in the application form and a checklist that did not prompt consideration of all eligibility requirements specified in the programme guidelines. In this latter respect, in addition to specific sections identifying eligibility and threshold criteria, statements were included in other sections of the programme guidelines that also represented mandatory requirements to be satisfied in order to receive funding. This approach, as has previously been observed by the ANAO including in the grants administration Better Practice Guide, does not assist in ensuring applicants are aware of all mandatory requirements, or in ensuring that all such requirements are consistently applied in the assessment of applications.<sup>51</sup>

- 4.37 Scoring against the financial information criteria was identified as lacking in important respects. Twenty eight applications did not include a quotation for the crime prevention solution yet the Department scored these applications as 'Satisfactory' or better against the criteria relating to financial information for the project.<sup>52</sup> The department acknowledged that this was a deficiency.<sup>53</sup> The total amount funded under these projects is \$6,760,544.<sup>54</sup>
- 4.38 Grant applications were to be measured against value for money. Value with public money is promoted by considering the extent to which the funding being sought by an applicant will result in an outcome that is additional to those that are likely to occur regardless of whether the application is successful. This is referred to as 'additionality'.
- 4.39 However, the department's assessment of applications did not seek to address whether projects would proceed irrespective of programme funding, or had already proceeded. One example provided by the ANAO was the Liverpool City Council Project where the council had awarded a tender for CCTV installations eleven months before a funding agreement
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50 ANAO, Audit Report No. 41 (2014-15), p. 25.

51 ANAO, Audit Report No. 41 (2014-15), p. 26.

52 ANAO, Audit Report No. 41 (2014-15), p. 29.

53 Mr Iain Anderson Mr Iain, First Assistant Secretary, Criminal Justice Division, Attorney-General's Departments, *Committee Hansard*, 17 September 2015, p. 19.

54 ANAO *Submission 1.4*, p. 4.

was executed. In fact public announcements indicated that the project had been completed four months before the Department undertook an assessment of the council's \$300,000 application.<sup>55</sup> When asked about this, the Department stated that:

The guidelines that we had for this program stated that funding would not be provided where work had commenced before the funding agreement had been executed...They make it clear that you will not receive payment for work that commences before a grant agreement has been signed...They have received an initial payment.<sup>56</sup>

4.40 The hearing also explored issues of probity, the Department's poor management of conflict of interest and the risk identified by the ANAO that early announcements by Ministers and/or other Parliamentarians about whether project proposals will receive funding has the potential to influence, or be seen to influence, the assessment work and subsequent advice as to whether funding should be approved.<sup>57</sup>

4.41 On early announcement the ANAO commented that:

I guess the concern is that if it is clearly announced that the funding is going to flow, without it also being referenced that it is subject to an application and assessment process, the concern we have is that it might colour the assessment work which follows, to think that the result is already known.<sup>58</sup>

4.42 When asked at the public hearing how this programme ranked in terms of design and delivery compared to other Commonwealth government grants programs over the last 20 years, ANAO answered:

I think the concern we would have in relation to this particular program is the breadth of weaknesses and shortcomings that extend from the initial point of identifying eligibility through to merit assessment, including probity issues and the lack of documentation to guide the process, as the report points out... Some of these weaknesses then push through to the contracting arrangements as well, which we have pointed out are quite light on detail. That makes it very difficult for the government to determine whether contracted parties have delivered for what they have committed to deliver, and also the impacts of the program. In the scheme of things on a continuum, it would be on

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55 ANAO, Audit Report No. 41 (2014-15), p. 117.

56 Mr Iain Anderson Mr Iain, First Assistant Secretary, Criminal Justice Division, Attorney-General's Departments, *Committee Hansard*, 17 September 2015, p. 18.

57 ANAO, Audit Report No. 41 (2014-15), p. 30.

58 Mr Brian Boyd, Executive Director, Performance Audit Services Group, Australian National Audit Office, *Committee Hansard*, 17 September 2015, p. 19.

the lower end of the continuum and, as we have pointed out, it does not appear to have reflected the significant improvements that we have seen across the Commonwealth in relation to guidance and good practice grants administration.<sup>59</sup>

## Distribution of funds

4.43 Much of the public hearing held on 17 September 2015 was spent reviewing the distribution of funds approved under the programme.

4.44 The Committee heard that shortcomings in the funding agreements put in place by the Department meant that distribution of funds was difficult to identify. The ANAO stated 'that is has been common for agreements to not adequately set out what the proposed project would deliver and where' and that:

'such information in in grant agreements helps to clarify project deliverables and milestones, and enables the Australian Government to have confidence that grants will provide value for money in return for funding that has been provided, as well as contributing to the achievement of desired programme outcomes.<sup>60</sup>

4.45 As many questions about the distribution of funds were not able to be answered during the hearing, a number of Questions on Notice were put. The following was therefore established:

While there were 150 election commitments for Round One of the Safer Streets Programme, an organisation may elect to deliver multiple commitments as one project. Therefore, there are 84 projects in total arising from the 150 commitments.

[O]f the 84 projects, two organisations declined to apply for funding in Round One of the Programme and one project was found unsuccessful (Greater Toukley Vision).

Of the 81 projects that were awarded funding:

- 63 projects are to be delivered in electorates held by the Coalition (77.78% of projects);
- seven projects are to be delivered in multiple electorates that are held by different parties, which include both Coalition and non-Coalition seats (8.64% of projects); and
- 11 projects are to be delivered in electorates held by a party other than the Coalition (13.58%).

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59 Mr Mark Simpson, Acting Group Executive Director, Performance Audit Services Group, Australian National Audit Office, *Committee Hansard*, 17 September 2015, pp. 21-22.

60 ANAO, Audit Report No. 41 (2014-15), p. 21.



Of the 81 projects that the Minister for Justice has agreed to fund, four do not yet have a funding agreement in place. The total value of the projects where there is an executed funding agreement comes to \$18,692,666, with:

- \$12,500,279 allocated to projects to be delivered in Coalition held electorates (66.87%)
- \$3,293,776 allocated to projects to be delivered in electorates held by multiple parties (it is not possible to apportion the funding to each individual electorate) (17.62%), and
- \$2,898,611 allocated to projects to be delivered in electorates held by other parties other than the Coalition (15.51%).

For the four projects where no funding agreement is in place, the final value of the project is yet to be confirmed. Accordingly, the department did not include these values in the above calculations.<sup>61</sup>

4.46 The ANAO confirmed that there was nothing unusual for the government-of-the-day to ask that a broad range of election commitments be implemented after an election.<sup>62</sup> The ANAO's criticisms of the program were of the administration of those grants rather than specifically that of their distribution. Indeed:

For governments of each political persuasion, when they come in, that is part of the job. The key thing for us here was looking at how the department – and we do this with other departments with other similar election commitment programs – have gone about delivering upon that part of their job in a way which is consistent with the grants administration framework. Our overall conclusion is that we felt there were significant shortcomings in how the Attorney-General's Department went about that. We have spoken a lot about the eligibility aspects, but, in some ways, of at least equal import to us were shortcomings in how they actually did the assessment of those candidates who were invited to apply.<sup>63</sup>

4.47 It is important to note that the ANAO tempered this acceptance of the skewed funding due to election commitments by observing that the: implementation of the programme did not limit funding to only those organisations and projects that were a 2013 election commitment, or to the amount of funding that had been announced. Further, there were a number of instances where projects were announced but no organisation was invited to apply for Safer Streets

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61 Attorney-General's Department, *Submission 2.1*, p. 1.

62 Mr Brian Boyd, *Committee Hansard*, 17 September 2015, p. 16.

63 Mr Brian Boyd, *Committee Hansard*, 17 September 2015, p. 16.

programme funding for those projects. In addition, another seven projects were included in the list where no public announcement of an election commitment had been made.<sup>64</sup>

- 4.48 When asked whether the ANAO agreed that there were serious shortcomings in the information that was being passed on to the minister about the criteria that had been met by the various applications, the ANAO agreed there had been shortcomings ‘in the underlying assessment which informed the advice but also, yes, in terms of the advice itself’.<sup>65</sup>

## Implementation of ANAO recommendations

- 4.49 ADG has readily acknowledged its failings with regard to this program.
- ...looking at the findings of the ANAO report, and from our own assessment, that across a range of areas we did not adopt best practice in relation to this program. We accept the findings of the ANAO report. We have implemented a range of measures to ensure that the deficiencies that have been identified are rectified and are not repeated. We accept that there were flaws in our processes, and we have taken steps and are using the ANAO report as very clear guidance to us in terms of how we need to ensure that we do not make the same mistakes again.<sup>66</sup>
- 4.50 ADG has outlined procedures already undertaken to remedy the deficiencies exposed by the ANAO report. These included:
- A review and development of existing grants templates – including the Department’s *Guide to Grant Administration* – to accommodate the findings of this report, and the development and delivery of additional training for staff to assist in assessing grants. This includes ensuring staff are aware of the need to appropriately brief the relevant Minister on risks with proposed changes to the grant guidelines;<sup>67</sup>
  - the amendment of standard grant documentation to ensure minimum scores are required to be achieved against each criterion in order for the application to be considered as a possible candidate for funding;<sup>68</sup> and
  - ensure that the *Checklist for Officials Briefing Ministers on Proposed Grants*, produced by the Department of Finance is available to all staff so that

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64 ANAO, Audit Report No. 41 (2014-15), p. 96.

65 Mr Brian Boyd, *Committee Hansard*, 17 September 2015, p. 16.

66 Ms Katherine Jones, Deputy Secretary, National Security and Criminal Justice Group, Attorney-General's Department, *Committee Hansard*, 17 September 2015, p. 21.

67 ANAO, Audit Report No. 41 (2014-15), pp. 155-6.

68 ANAO, Audit Report No. 41 (2014-15), p. 157.

grant recommendations are clearly judged to be fully, partially or do not meet the selection criteria.<sup>69</sup>

## Committee comment

- 4.51 The Committee is strongly concerned by the serious deficiencies in this program's administration. Given that this is not the only grant program administered by AGD and that this program is not insignificant in its own right, it is unacceptable that such errors were made.
- 4.52 The Committee recognises the difficulties with administration of election commitment grants programs – however, grant administration basics still need to be followed. The Department fell short of these basics across a range of areas, including: not establishing high quality guidelines; problems with correctly identifying eligible projects; significant shortcomings in the assessment of applications; establishing substandard funding agreements; and failing to provide sound advice to Ministers.
- 4.53 AGD's responses to the ANAO recommendations and their statements during the public hearing are encouraging and updates to the grant guidelines welcomed. At this stage it seems that the Department has embraced the lessons learnt from round one of this program.
- 4.54 However, to ensure that grants programs run by the AGD are better administered in the future, the Committee suggests that a follow-up audit should be conducted. Such audits serve a useful purpose in ensuring that senior management follow through on good initial intentions and also assist the Committee to monitor improvements or otherwise over time.

### Recommendation 9

- 4.55 **To encourage better practice grants administration, the Committee recommends that the Australian National Audit Office consider including in its schedule of performance audits, priority follow-up audits of the grants program administration by the Attorney-General's Department.**
- 4.56 Projects subject to election commitments were arbitrarily cancelled and projects where there is no evidence that there were subject to election commitments were included in a funding round solely devoted to delivering election commitments. Both these actions were at the direction of the Minister's office.

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69 ANAO, Audit Report No. 41 (2014-15), p. 157.

**Recommendation 10**

- 4.57 **Recognising that the Commonwealth Grants Rules and Guidelines do not explicitly refer to election commitments, the Committee recommends that the Department of Finance should amend the guidelines to deal explicitly with Commonwealth Funding Rounds that deliver on election commitments. Specifically, that only projects publicly committed to as part of the program should be included.**

**The Hon Ian Macfarlane MP  
Chair  
Date: 7 December 2015**