

From: ag1
To: [Committee, JCPAA \(REPS\)](#)
Cc: [Brunoro, David \(REPS\)](#)
Subject: FW: Auditor-General_Response to JCPAA Report 454 recommendation [SEC=UNCLASSIFIED]
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Senator Dean Smith
Chair
Joint Committee of Public Accounts and Audit
By email: jcpaa@aph.gov.au

Dear Senator Smith

JCPAA Report 454 Recommendations

I am writing in relation to the four recommendations raised in the Joint Committee of Public Accounts and Audit's (JCPAA's) *Report 454 Review of Auditor-General Report Nos.23 (2014–15)* which are directed to the Australian National Audit Office (ANAO).

In response to recommendations 1 and 5 and as advised 6 April 2016, the ANAO is currently undertaking a review of our approach to our Better Practice Guides. This review is still underway. In the interim, the ANAO will work with the Department of Finance to ensure appropriate coverage of probity.

In relation to recommendation 3, the ANAO's Annual Work Program 2016 (available at www.anao.gov.au) includes a potential audit topic on the *Effectiveness of Grants Programs Administration – Follow-up Audit* which would examine the efficiency and effectiveness of the Department of Education and Training's administration of its grant programs. Subject to available resources and audit priorities, an audit with this focus may commence in this financial year.

In response to recommendation 6, I determine the scope of each audit on a case by case basis. My office will continue to investigate probity issues as a matter of course during all our audit work and will report probity matters based on the merit of available evidence. I will also consider the Committee's request in relation to audit scope where this is appropriate to do so.

Yours sincerely



Grant Hehir
Auditor-General

Recommendations:

Recommendation 1

The Committee recommends that:

- the Department of Finance amend references to demand-driven grant programs in the Commonwealth Grants Rules and Guidelines to explicitly refer to the implementation risks of a 'first-in first-served' approach, as outlined in ANAO Report No. 23 (2014-15) and the Committee's report
- the Australian National Audit Office also consider updating its guide on *Implementing Better Practice Grants Administration* to reflect this point.

Recommendation 3

The Committee recommends that the Australian National Audit Office consider including in its schedule of performance audits priority follow-up audits of the effectiveness of grants program administration by the Department of Education and Training.

Recommendation 5

The Committee recommends that the Department of Finance and the Australian National Audit Office (ANAO) work together to strengthen the Commonwealth Grants Rule and Guidelines (CGRGs) and update and expand the *Implementing Better Practice Grants Administration* guide to reflect the Committee's findings in this report, and also the ANAO findings in Report No. 23 (2014-15). In particular:

- the CGRGs should state that it is not advisable to include, as members on a grants program advisory board, prospective applicants for that grants program
- the *Implementing Better Practice Grants Administration* could:
 - more clearly set out Commonwealth probity principles for grants administration, particularly in terms of advisory boards and departments ensuring transparent, equitable and well-documented processes
 - contain a new section on 'Probity and transparency', which also includes best practice information relevant to advisory boards and proxy arrangements
 - outline how the ANAO approaches probity and transparency in conducting audits and defining its audit scope and approach

Recommendation 6

The Committee recommends that, where probity concerns have been raised about a matter in the lead-up to an audit (such as in review reports and/or parliamentary reports), the Australian National Audit Office consider:

- providing a clear statement on probity matters, outlining any probity findings and the Auditor-General's powers in such matters, in the introductory section of its audit reports
- clarifying its audit scope and approach in relation to:
 - stakeholders that have and have not been included in the 'Audit scope', such as advisory board members and program stakeholders, and how the

- Auditor-General's powers apply to these groups and individuals
- o what has and has not been included in the 'Audit approach'

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