



Australian Government
Department of Home Affairs



Department of Home Affairs Submission to the Inquiry into Commonwealth Grants Administration

Joint Committee of Public Accounts and Audit

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Department of Home Affairs Submission to the Inquiry into Commonwealth Grants Administration

Thank you for your invitation to make a submission to the Joint Committee of Public Accounts and Audit Inquiry into Commonwealth Grants Administration (the Inquiry).

The Department of Home Affairs (the Department) is committed to better grants administration practices, consistent with its obligations under the *Commonwealth Grants Rules and Guidelines 2017* (CGRGs) and the whole-of-government Streamlining Government Grants Administration Program (SGGA), which the Department has participated in since 2017.

The Department provides a wide range of grant programs, including programs that support community languages and amenities, multicultural engagement, refugee settlement, mental health, crime prevention and community safety, disaster recovery, and youth support. During the 2021-2022 financial year, the Department reported 237 grants, at a total value of \$270 million.

The Department welcomes the Inquiry.

Audit Findings

Auditor-General's Report No.16 (2021-22) - Award of Funding under the Safer Communities Fund

Background

The Safer Communities Fund (SCF) was established in 2016 to boost the efforts of local councils and community organisations to address crime and antisocial behaviour by funding crime prevention initiatives, and to protect schools, preschools and community organisations that are facing security risks associated with racial and/or religious intolerance. This included funding for prevention infrastructure solutions such as CCTV and lighting, funding to assist with the installation of security infrastructure, and funding for organisations to target, reach and engage at risk youth to divert them from the criminal justice system. Grantees report good outcomes from SCF grants including an increase in perceptions of safety within their respective communities. There is also broad agreement amongst stakeholders that primary crime prevention measures, such as CCTV, bollards, fencing and other situational crime prevention measures deliver significant benefits in terms of supporting local crime prevention activities.

Responsibility for the administration of the SCF moved from the Attorney-General's Department to the Department in late 2017 as a result of Machinery of Government (MoG) changes.

While at the time of the audit the Department had responsibility for the administration of the SCF, it moved back to the Attorney-General's Department as a result of MoG changes on 1 July 2022.

The Audit Report

The objective of this audit was to assess whether the award of funding under the SCF was effective and consistent with the CGRGs.

Overall, the Auditor-General's Report No.16 (2021-22) - Award of Funding under the Safer Communities Fund (the Report) tabled in Parliament on 14 February 2022, found that:

- the award of funding was partly effective and partly consistent with the CGRGs
- largely appropriate grant opportunity guidelines were in place
- there was room for improvement in the processes for assessing applications, the detail of departmental briefings and how funding decisions were recorded
- there were no funding decisions made without authority.

The Auditor-General made five recommendations, four for the Department of Home Affairs (the Department) and one for the then Department of Industry, Science, Energy and Resources. The recommendations addressed program design, the assessment of applications and advice to decision makers. All five recommendations were agreed to by both Departments.

Recommendations

Department of Home Affairs

1. The Department clearly identify in grant opportunity guidelines the entity that is responsible for making funding recommendations as well as the person responsible for making decisions about which grant applications will be approved.
2. The Department require that the assessment of grant applications identify any ineligible expenditure so that the amount recommended for funding reflects only proposed expenditure that has been assessed as eligible.
3. When advising Ministers on the award of grant funding, the Department provide information in its briefing that outlines the particular merits of eligible applications against the eligibility requirements, assessment criteria and any other factors relevant to decision making that were included in the grant opportunity guidelines.
4. The Department tailor the application approach and processes so that the full range of the target audience for each grant opportunity are aware of that funding is available and there are no perceived or actual barriers to entry. When there are multiple rounds of a program, the accessibility of the approach employed should be reviewed at the conclusion of each round.

The Department of Industry, Science, Energy and Resources

5. The Department of Industry, Science, Energy and Resources clearly identify in the grant opportunity guidelines for competitive selection processes how applications that achieve the same score will be ranked.

Department of Home Affairs Actions

Following the tabling of the Report in February 2022, the Department has diligently developed and implemented policies and procedures to address the audit findings. The Department has considered the recommendations and findings in the design and administration of the wider suite of departmental grant programs.

In particular, the following measures have been implemented to address the recommendations in the Report:

- The Department is continually working with the Business Grants Hub (BGH) within the Department of Industry, Science and Resources (DISR), and the Community Grants Hub (CGH) within the Department of Social Services (DSS), to ensure all the recommendations are implemented for future departmental grants programs.
 - The Department is continuing its regular communication and messaging with the Grants Hubs through various existing forums, including in the initial engagement with the Grants Hubs in relation to a new grant activity, to ensure that when the Grants Hubs are designing and assessing departmental grants, or assisting in the briefing of relevant decision-makers, that they ensure all recommendations in the report have been addressed.
 - Both Grants Hubs have committed to implement all recommendations where they have a broader applicability for departmental grants administration. They have also disseminated the findings to their other partner agencies so they can be considered for implementation more broadly across government grants.

- The Department is continually working with its business areas developing or implementing grants to ensure they are aware of all recommendations for consideration in the design and administration of future grant programs.
 - This awareness is provided through various forums, particularly in a business area's initial approach to seek advice on developing a grant and partnering with a Grants Hub.
 - Relevant guidance material, including the Department's Grants Procedural Instructions and grant guidance on the Department's intranet, have been reviewed and updated to reflect the recommendations in the Report.
 - Additional approval processes have been introduced in the review of grant guidelines, ministerial submissions and other documentation relating to a grant opportunity or program, to ensure that the recommendations have been implemented. This includes review by the Department's central grants area and the Chief Procurement Officer.
- As all SCF grants have been administered by the BGH, the Department engaged with the BGH and developed a strategy setting out the steps that will be implemented to address all recommendations in the report in the administration of any further rounds of the SCF.
 - The Department notes that responsibility for the administration of the SCF has now moved to the Attorney-General's Department as a result of MoG changes in July 2022.
- The Department continues to implement a number of reforms relating to the administration of grants to increase centralised, best practice oversight of whole-of-Department grant administration, and a broader reach of support to grant business areas. These include:
 - Grant Service Offering - The Department developed a service offering to help strengthen the internal grants processes. It highlights each of the key stages within the grants life cycle and provides guidance to business areas on when to engage with the Grants Hubs and the central grants area within the Department.
 - Grants Management Forum - The Department established a departmental Grants Forum which facilitates a collaborative and coordinated understanding of grant management and administration, including compliance with the CGRGs. The Forum is open to all departmental staff and is held on a bimonthly basis. This Forum is used to provide appropriate messaging to departmental business areas involved in grants administration, including addressing all recommendations in the Report.
 - Risk-Based Assurance and Monitoring Framework - The Department has developed a risk-based assurance and monitoring framework for grants that is consistent with the Department's overarching assurance framework. The assurance and monitoring framework outlines the roles and responsibilities for the assurance of grant programs, specific assurance activities to be undertaken by business areas, and governance and reporting arrangements for the assurance of grant programs in the Department.
 - While the recommendations in the Report did not directly relate to the assurance of the Department's grants programs, the framework outlines the Department's approach to the assurance of grant administration and provides confidence that the Department is delivering its grant programs effectively, efficiently and in accordance with the CGRGs.
 - Grants Management Framework - Through engagement with both Grants Hubs and business areas within the Department, the Department developed a framework outlining the roles and responsibilities of stakeholders.
 - The Grants Management Framework ensures greater consistency and efficiency in business areas engaging with the Grants Hubs, ensuring the Grants Hubs have the capacity to deliver, and that advice provided in designing and assessing grants assist in the implementation of the grants.
 - An increased understanding of roles and responsibilities, and enhanced engagement with the Hubs will assist in the ongoing implementation of all recommendations in the Report.

- Grants Fraud Guidance – The Department has developed guidance to assist business areas with grant programs on dealing with fraud and integrity matters.
 - o The Guidance details the process business areas with grant programs should follow if they suspect or receive complaints relating to fraud and integrity in relation to the grant programs they manage.
- Capability development - The Department is providing ongoing educational opportunities to staff on grants, including:
 - o Provision of information sessions by the Department of Finance relating to grants and grant administration.
 - o Inclusion of grants as a topic in a series of legal information sessions run internally in the Department.
 - o The development of a reference guide for staff on how to access resources on grants.

Auditor-General's Report No. 21 (2021-22) Operation of Grants Hubs

Background

The Department was included in the SGGA Program following approval from the Prime Minister in December 2017 and has collaborated with the CGH and the BGH (the Grants Hubs) under the SGGA program since its establishment.

The Audit Report

The Department supports the SGGA program and the operation of the Grants Hubs as it contributes to effecting the Government's vision for a smaller, smarter, more productive and sustainable public sector, and leads to improved policy outcomes, an improved experience for grant applicants and recipients, a reduction in red tape, efficiencies for government entities administering grant programs, and improved transparency of, and capability to analyse, whole-of-government grants administration and payment data.

The Department is supportive of recommendations in the Auditor-General's Report (Hubs Report) directed at the Department of Finance, DISR, and DSS and is of the view that they are important to build on the work of the SGGA, and to improve and strengthen effective and efficient whole-of-government grant administration arrangements.

Departmental Comments

The Department has a number of diverse grants which are administered across both Grants Hubs and is of the view that greater consistency in all areas and services delivered by the Grants Hubs would provide greater efficiencies for the Department and all government entities administering grant programs. In particular, the Department:

- Supports greater consistency in the type of assurance provided by the Hubs, with assurance statements and letters needing to be identical. The Hubs Report notes assurance letters are broadly the same, however details a number of differences (Table 3.3).
- Is of the view that grants administration services offered by the Grants Hubs need to be end-to-end across the whole grants lifecycle and be consistent with each other. Service schedules between entities and Grants Hubs, which form the basis of specifying the services to be delivered by the Grants Hub, should clearly state the services to be provided.
- Would like to see a greater emphasis on evaluation services from the Grants Hubs in order to evaluate grant opportunities, activities and grant outcomes. Evaluation services should be reinstated into the Grants Hubs standard service offers.

- Would like more visibility with regards to the costings of fees for services provided by the Grants Hubs, and a greater level of consistency in pricing structures with a common costing model preferred. Information provided to agencies needs to allow the agency to determine how the fees are calculated, and whether invoices reflect agreed prices. Service schedules must also detail fees for service.
 - Greater transparency and consistency between the Grants Hubs is also required with regards to annual fee increases. The Grants Hubs should be required to consult with centralised grants areas in each agency and seek agreement from the Department of Finance in relation to the proposed increases. Noting that increases to fees can impact an agency's ability to deliver programs efficiently and in line and with Government objectives, annual schedules of fees need to be provided to agencies in a timely manner.
 - The invoicing should also be consistent. Currently the CGH invoices the Department at the completion of each phase of a grant life cycle, while the costs for the Manage phase are invoiced to the Department monthly throughout the life of the program. The BGH however invoices the Department at the commencement of the service schedule and each financial year thereafter, for 100 per cent of the agreed annual fee. BGH then reviews the costing at the end of the year and provides the Department with a revised costing and updated service schedule as required.
- Would like greater consistency in reporting, as well as overall support provided by the Grants Hubs to client agencies, including access to information and clarity, accuracy and reliability of guidance.
 - Governance arrangements also vary with each Grants Hub with the CGH coordinating various regular meetings with the Department's central grant area, as well as grants policy areas, in order to provide grant administrative updates to the Department. Monthly reports are also provided by the CGH to summarise their provision of administration services, and to report on service level standards.
 - In comparison, the BGH prefers to meet with the grants policy area on an as required basis, while engagement with the Department's central grant areas is minimal, only meeting quarterly at a high (Senior Executive Service officer) level. No reporting is provided by the BGH to the Department's central grant area with regards to the service agreement, or to provide updates.
- As the centres of excellence for grants administration, the Grants Hubs should take a more proactive role during grants establishment and lead engagement with the Department of Finance on behalf of policy agencies, rather than agencies individually working directly with the Department of Finance. This would provide a more consistent and streamlined establishment process as the Grants Hubs have a greater understanding of Department of Finance requirements around grants.
 - In addition, the Grants Hubs should also be the key liaison area throughout the grant life cycle, in particular in liaison with the Department of Finance with regards to matters such as compliance with the CGRGs.
- While the operation of the Grants Hubs leads to overall Government efficiencies, at certain times greater significance needs to be put on timing of grants processes delivered through the Grants Hubs, particularly to ensure agencies can provide grants processes that are responsive and flexible, and provide Government support in a timely manner to meet circumstances at that particular time.

Other Recommendations

The Department supports a number of other recommendation outlined in the various reports. These include:

The Administration of Government Grants: Inquiry into Auditor-General's Reports 5, 12 and 23 (2019-20)

Australian Government Grants Framework

- Recommendation 2 - that the Department of Finance, in consultation with the Australian National Audit Office, revise its Resource Management Guides to:
 - provide a single consolidated authoritative guide to grants administration in the Australian Government for all corporate and non-corporate Commonwealth entities, including a focus on best practice models and principles
 - provide detailed information in relation to legislative requirements of administering officials, practical advice and best practice examples
 - provide clear guidance where advice is either mandatory or optional in administering grants programs.

The Department supports this recommendation, and agrees that a single guide to grants administration containing clear guidance, practical advice and best practice examples would assist entities to administer effective grants programs. There are currently five Department of Finance Resource Management Guides (RMGs) that are directly relevant to grants administration, four of which relate specifically to grants administration. The Department agrees that the current RMGs are limited in best practice examples, and departmental staff are at times uncertain which processes are mandatory.

- Recommendation 5 - that the Commonwealth Grants Rules and Guidelines 2017 be amended to:
 - emphasise the importance of ensuring that all relevant entities involved in grants administration receive and complete sufficient training, with documented processes to ensure the ongoing quality assurance of assessments.
 - ensure the timely announcement and communication to stakeholders of grant opportunities and outcomes of grant programs. This should provide for greater consistency in the timing of announcements and notifications, and the provision of appropriate feedback to applicants.
 - include an eighth key principle for grants administration of “Adherence to published guidelines”. This would uphold the expectations of the Parliament and other stakeholders and provide transparency to applicants when published criteria is amended.

The Department notes that at times, appropriate guidance and advice is not being provided to Commonwealth entities administering grants programs and is of the view that training regarding the management of grants programs to departmental officers needs to improve. The Department notes in particular the importance of ensuring that all staff involved in grants administration receive and complete sufficient training. The Department continually looks to provide ongoing educational opportunities to staff on grants. The Department will also continue to engage with the Department of Finance to ensure a whole-of-government approach to grants training and development. Grants administration is a significant component of the Department's work and appropriations, therefore it is critical that departmental officers are appropriately trained and advised in how best to carry out such work.

Auditor-General Report No. 1 (2022–23) - Award of Funding under the Building Better Regions Fund

The Department notes the four out of the five recommendations made to the Department of Finance with regards to amending the Commonwealth Grants Rules and Guidelines 2017, which are aimed at improving the grants administration framework, and provides the following comments.

- Recommendation 1 - The Australian Government amend the Commonwealth Grants Rules and Guidelines to require that, in circumstances where funding decisions may be made by reference to factors that are in addition to, or instead of, the published assessment criteria:
 - applicants be afforded the opportunity to address those other factors as part of their application for funding; and
 - records be made as part of the decision-making process as to how each competing applicant had been assessed to perform against each of those factors.

The Department is of the view that if other factors are considered in funding decisions, there needs to be an appropriate and proportional level of transparency to applicants, and that applicants are able to address these factors in their application. For accountability purposes, records need to be made as to how each applicant had been assessed against any other factors.

The Department is also of the view that other factors that may be used in the assessment process need to be made available to applicants alongside the Grant Opportunity Guidelines, and that the grant application approach and processes are designed to be user friendly and target the relevant audience.

- Recommendation 2 - The Australian Government amend the Commonwealth Grants Rules and Guidelines to strengthen the written advice prepared for approvers on the merits of a proposed grant or group of grants by requiring that advice to include a clear and unambiguous funding recommendation that:
 - identifies the recommended applications that have been assessed as eligible and the most meritorious against the published assessment criteria; and
 - does not recommend applications for an aggregate value of grant funding that exceeds the total amount available for the particular grant opportunity.

The Department is supportive of this recommendation, however is of the view that the size and scope of the grant opportunity and the proportionality principles outlined in the CGRGs need also to be a consideration. This is particularly important when considering advice that is additional to what is required under the CGRGs currently.

- Recommendation 3 - The Australian Government amend the Commonwealth Grants Rules and Guidelines to apply the principles for grants administration to situations where stakeholders, such as parliamentarians, play a role in the assessment and award of grant funding.

The Department is supportive of this recommendation and is of the view that the CGRG principles should apply to all stakeholders involved in the assessment and award of grant funding.

- Recommendation 5 - The Australian Government amend the Commonwealth Grants Rules and Guidelines to require that:
 - when advising on the award of grant funding, officials recommend that the decision-maker reject all applications not supported for the award of a grant within the available funding envelope; and
 - the basis for any decisions to not approve applications that were recommended for funding be recorded.

The Department agrees with this recommendation in order to ensure the intent of the CGRGs with regards to officials reporting to the Finance Minister where a minister approves a grant that the relevant agency had recommended be rejected.

Possible changes to the Commonwealth Grants Rules and Guidelines

In addition to the proposed changes specified above, which the Department supports, one additional change that the Department considers would be effective relates to evaluations of grant programs.

Part 2 of the CGRGs provides guidance on key principles relating to grants administration, with 10.8 of the CGRGs stating:

10.8 Officials should establish appropriate performance measures on which to evaluate grants. Officials should ensure that performance measures are flexible enough to take into account the risk profile of the grant opportunity, grantees, and the grant activities being funded. Officials should ensure that these measures are specified in: grant opportunity guidelines; agreements; other documentation; and each entity's broader performance management framework.

- *Officials should undertake an evaluation of a grant opportunity before initiating further grant opportunities or extending existing grant agreements, in order to determine whether existing grants administration processes, practices and requirements remain applicable.*
- *While conducting the evaluation, officials should consider the extent to which government outcomes and entity strategic directions remain appropriate as a result of the impact of the grant activities.*

The Department considers that the need to undertake evaluation of grants programs, particularly ensuring that government policy outcomes and directions remain appropriate and are being met as a result of the impact of the grant activities, could be strengthened to make evaluations mandatory. This would be particularly relevant when looking to extend existing grant agreements, but also in the initiation of further grant opportunities.