



Australian Government

**Department of Infrastructure, Transport,
Regional Development and Communications**

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

Joint Committee of Public Accounts and Audit

**Submission by the Department of
Infrastructure, Transport, Regional
Development and Communications**

February 2020

The Department of Infrastructure, Transport, Regional Development and Communications (DITRDC) Submission to the Administration of Government Grants: Inquiry into Auditor-General's Reports 5 and 12 (2019-20)

Introduction

The Department welcomes the findings of the ANAO's performance audit report on the Regional Jobs and Investment Packages (RJIP) and has accepted its recommendations.

The Department regularly reviews its regional program processes as part of a culture of continuous improvement. This includes reviewing the implementation, administration and delivery of each regional program. As part of this ongoing process, the majority of the issues raised in the subsequent report by the ANAO were identified as part of this regular process of review.

We have progressively been working through these issues with the Department of Industry, Science, Energy and Resources' AusIndustry Business Grants Hub (the Hub) and have:

- implemented clearer and more robust procedures for assessing and briefing on co-funding exemption requests and applied this to regional program funding rounds;
- in subsequent regional program rounds, managed by the Hub, we have implemented a quality assurance check on a sample of assessments during the process to ensure the assessments are complying with agreed procedures.
- improved the processes around identifying and managing Conflict of Interest in regional programs.

In consultation with the the Hub, the Department undertakes a review of assessment procedures at the completion of each round to ensure improvements are implemented in future rounds.

These improvements are outlined further below.

For the benefit of the Committee, the Department's full response to the ANAO is at Attachment A.

Co-funding Exemptions

Co-funding requirements are an important part of many regional programs. The capacity to leverage funding for projects from non-Australian Government sources helps secure additional investment in projects as well as demonstrate buy-in from applicants and their partners.

However, under some regional programs, it is recognised that some applicants may be experiencing exceptional circumstances that may limit their capacity to contribute to

worthwhile projects. Guidelines allow for applicants to apply for exemptions from having to provide co-funding.

As part of the approach outlined above to improve the delivery of regional programs, the Department has revised its processes for the handling of co-funding exemption requests. A decision brief with recommendations is provided to the decision maker for decision. The decision brief provides details of the co-funding request and clear recommendations from the Department to the Ministerial Panel.

Quality Assurance Checks

The Department has also instituted quality assurance checks for programs managed by the Hub.

This involves receiving a sample of applications and reviewing the assessments made by the Hub against the merit criteria. This provides assurance to the Department that the Hub is delivering its assessments to the quality required and contributes to the Hub's internal assurances processes.

In addition, prior to the assessment process being conducted by the Hub, the Department reviews and agrees the merit assessment criteria with the Hub.

Conflict of Interest

The Department has strengthened Conflict of Interest procedures, management and training for regional programs.

All staff (not just senior management) who work on regional programs are required to sign appropriate conflict of interest declarations, and training and education has been provided to branch staff.

Advice and procedures for managing conflict of interest of applicants and decision makers has been improved in program guidance material.

Assessment of Job Creation Claims

The Department has been addressing issues related to improved assessment of job creation claims from applicants for regional program funding.

The Department has worked with the Hub to review and improve guidance to applicants regarding the estimation of job creation figures for regional programs. This includes seeking more information and evidence about expected employment outcomes from applicants for regional program funding at the application stage; specific training of Hub staff in assessing job claims and improving project progress reporting documentation used by the Hub.

The Department has also refreshed its own Monitoring and Evaluation Frameworks to monitor job claims and creation within its programs. The Department has implemented the first round of monitoring of a sample of the RJIP projects, as projected in the Framework, in order to track the progress of this sample of projects

towards their intended outcomes. Responses are being analysed. Our analysis will be summarised and this is intended to assist in developing an evidence base for any future evaluation of whole-of-program outcomes.

Program Reviews

During the course of each regional program round delivered on the Department's behalf by the Hub, both the Department and the Hub keep an issues register.

At the end of each program round, both parties undertake a review of the round and work together to resolve issues encountered and deliver business improvements.

For example, this may include clarifying program guidelines where applicants appear to be confused about their requirements or improving aspects of the guidelines that result in better delivery of program outcomes.

Conclusion

The processes outlined above are supported by regular reporting and meetings between the Department and the Hub, with dedicated teams now well established within both agencies to manage the program relationships for those regional programs managed by the Hub.

Additionally, there is a formal Program Management Committee meeting held on a regular basis between senior executives of both agencies.

Both the Department and the Hub work together with a culture of continuous improvement as the key driver.

The lessons learnt from the Department's administration of the RJIP and the subsequent ANAO report have resulted in strengthened program arrangements. The Department will continue to review and improve the delivery of its regional programs.

Attachment A

Department's Response to the ANAO



Australian Government
Department of Infrastructure, Transport,
Cities and Regional Development

A/g Secretary
Pip Spence PSM

PDR ID: EC19-000956

Mr Grant Hehir
Auditor-General
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Mr Hehir

Auditor-General Proposed Audit Report on the Award of Funding under the Regional Jobs and Investment Packages

Thank you for providing the Department of Infrastructure, Transport, Cities and Regional Development (the Department) with the opportunity to comment on the Australian National Audit Office's (ANAO's) proposed audit report on the award of funding under the Regional Jobs and Investment Packages.

The Department acknowledges the ANAO's overall conclusions and welcomes the recommendations. The Department's summary response and response to each of the recommendations is attached.

Please contact Donna Wieland, General Manager, Regional Programs on [REDACTED] if you would like to discuss this response.

I would like to thank the ANAO for the cooperation of the audit team and the professional manner in which the audit was conducted.

Yours sincerely

A black rectangular box redacting the signature of Pip Spence PSM.

Pip Spence PSM, A/g Secretary

15 October, 2019

Department of Infrastructure, Transport, Cities and Regional Development response to proposed audit report on the award of funding under the Regional Jobs and Investment Packages

Department summary response

The Department of Infrastructure, Transport, Cities and Regional Development (the Department) welcomes the ANAO report and agrees with its recommendations.

The ANAO report reaches similar conclusions to the assurance review commissioned by the Department in May 2018.

Following announcement of the last of the successful projects under RJIP in April 2018, the Department engaged Yarrabee Consulting to assess and provide assurance on the extent to which the RJIP was conducted in accordance with the Commonwealth Grant Rules & Guidelines (CGRGs), and better practice. The review was also commissioned to consider the quality of the advice provided to the Government in light of the divergence of the Ministerial Panel's decisions from the Department's recommendations.

Yarrabee Consulting provided its report in July 2018. It identified a number of areas for consideration, including how ineligible applications are handled, how conflict of interest issues were managed across the various stages of the RJIP process, and the need to improve the assessment of applicants' economic benefit claims (employment claims). The report also included recommendations regarding achieving greater assurance of the Hub's merit assessments and better managing the department's recommendations process.

The Department has implemented the learnings from the assurance review into other funding programs, including the Building Better Regions Fund (BBRF) and the Regional Growth Fund (RGF) and, together with the findings from the ANAO's audit report, will continue to do so with future programs.

Response to recommendations

Recommendation 1

The Department of Infrastructure, Transport, Cities and Regional Development transparently assess and provide clear advice to decision-makers on whether any exemption requests permitted under grant program guidelines should be granted, and why.

Department response

Agreed.

Following the assurance review in 2018, the Department has implemented clearer and more robust procedures for assessing and briefing on co-funding exemption requests and applied this to regional program funding rounds.

Recommendation 2

In circumstances where there is a high incidence of grant decision-makers indicating disagreement with the assessment and scoring of applications against published criteria, the Department of Infrastructure, Transport, Cities and Regional Development require, in consultation with any service provider, that assessment practices and procedures be reviewed to identify whether there are any shortcomings and, if appropriate, make adjustments.

Department response

Agreed.

Following the assurance review in 2018, the Department has implemented a quality assurance check on a sample of assessments during the process to ensure the assessments are complying with agreed procedures. In consultation with the AusIndustry Business Grants Hub, the Department undertakes a review of assessment procedures at the completion of each round to ensure improvements are implemented in future rounds.

Recommendation 3

The Department of Infrastructure, Transport, Cities and Regional Development implement processes for decision-makers to re-score grants applications in circumstances where they disagree with the scoring presented by the Department.

Response

Agreed.

Following the assurance review in 2018, the Department has implemented a quality assurance check on a sample of assessments during the process to ensure the assessments are complying with agreed procedures. These assurance arrangements are likely to minimise the need to re-score applications.