



Commonwealth Grants Administration Inquiry by the Joint Committee of Public Accounts and Audit

Submission by the Australian National Audit Office

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1. Grants administration is an important activity for many Commonwealth entities, involving the payment of billions of public funds each year. Grant programs are a common approach used to achieve government policy objectives, working in partnership with recipient individuals and organisations.
2. The Commonwealth Grants Rules and Guidelines (CGRGs) establish the Commonwealth grants policy framework, setting out mandatory process requirements and better practice principles of grants administration. Entities are required to develop their own grants administration practices in accordance with the CGRGs.
3. The CGRGs advocate an outcomes orientation be adopted. ANAO audits typically find that entities are quite good at developing clearly defined operational objectives for each program and supporting the objectives with published eligibility and assessment criteria that focus on the program's policy underpinnings and its objectives.
4. However, it has also been common for the achievement of outcomes to be undermined by weaknesses in the assessment of applications received. This has been reflected in funding being awarded for unintended purposes (ineligible applicants or ineligible projects) as well as for projects/services that are not demonstrably the most meritorious.
5. ANAO audits have found that performance in entities with centralised grants functions has been no better than in entities with devolved approaches. ANAO analysis is that what is required is stronger governance and increased training of staff and recognising that grants administration, similar to procurement, requires particular knowledge and skills.
6. Expedited timeframes has been a contributing factor to shortcomings in grants program implementation. Tight timeframes require that entities provide realistic advice to Ministers on program delivery risks when new grant programmes are being designed, as well as improving the identification and management of risk.

7. A key message from ANAO grants audit work is that there are considerable benefits from entities learning from experience – their own and others'. This enables them to capitalise on proven approaches and avoid the cost and risks associated with repeating past mistakes. However, it has been quite common for the ANAO to find similar issues in different entities, as well as sometimes in different areas of the same entity.
8. The establishment of 'communities of practice' is proving to be one way by which entities are learning from sharing experience. Another has been the development of templates, model documents and checklists that are able to be tailored to individual program requirements.
9. Through ANAO audits, we have also observed that it is quite common for grant programs to not be reviewed at the conclusion of funding rounds to identify lessons that should be learned. Likewise, audits have observed that evaluation frameworks may be developed quite late in the program lifecycle (if at all). Even when an evaluation framework has been developed, ANAO audits have found that it may not be implemented. Our audits have also observed that it is important that there be a degree of independence between those responsible for conducting evaluation activities and those that designed and implemented the grant program.
10. A key message is that the success of a grant program is not guaranteed once successful applicants have been selected and announced, ongoing management attention is required. Agency management of grant funding agreements is an area where performance appears to have deteriorated in recent years. There has been patchy performance on basic matters such as obtaining progress reports and financial acquittals. In addition, the ANAO often sees grant funding being paid in advance of project needs. This latter approach exposes the Australian Government to increased risk, and masks any delays in program delivery.