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Joint Committee of Public Accounts and Audit
Inquiry into Commonwealth grants administration

3 March 2023

Auditor-General Report No. 47 2020–21: Administration of Commuter Car Park Projects within the Urban Congestion Fund

1. The audit assessed the effectiveness of the administration of the commuter car park projects component within the Urban Congestion Fund (UCF).
2. The audit examined the design of the overall \$4.8 billion UCF (Chapter 2 of the audit report) and, for the \$660 million car park component of the fund, examined the identification and selection of projects (Chapter 3), whether funding decisions were informed by appropriate advice (Chapter 4) and progress with the delivery of approved projects (Chapter 5).
3. National Partnership payments, including the UCF payments, are made to the states for the purposes of the *Federal Financial Relations Act 2009*. Such payments are not subject to the Commonwealth Grant Rules and Guidelines (CGRGs) and, as a result, the UCF does not meet the definition of a grant program and is not subject to the CGRGs. Nevertheless, as noted by the ANAO in its submission¹, consideration of the better practice outlined in the CGRGs may assist Commonwealth entities in the effective administration of such financial arrangements.
4. By 31 March 2021 (the audit tabled in June 2021), the Australian Government had identified and selected 44 commuter car park projects for funding commitment covering 47 identified sites. The audit concluded that:
 - the Department of Infrastructure's administration of the commuter car park projects within the UCF was not effective;
 - the design and implementation of the UCF relied on existing arrangements generic to infrastructure investment projects whereas the \$4.8 billion initiative, which included a car park component that was new for the Australian Government, warranted some customisation;

¹ Submission 13 to the Joint Committee of Public Accounts and Audit's *Inquiry into Commonwealth grants administration*, paragraph 16

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- the approach taken to identifying and selecting commuter car park projects for funding commitment was not appropriate. It was not designed to be open or transparent and the department did not engage with state governments and councils, which increased the risk that selected projects would not deliver the desired outcomes at the expected cost to the Australian Government. Departmental advice did not contain an assessment against the UCF investment principles or policy objectives and it was not demonstrated that projects were selected on merit;
 - the assessment work underlying the department's advice to award funding to the selected projects was not to an appropriate standard. Insufficient assessment work was undertaken by the department to satisfy itself that projects were eligible for funding under the *National Land Transport Act 2014*. In relation to the merits of projects, the department did not seek to establish assessment criteria, and the assessment work did not adequately demonstrate that approved projects would provide value for money²; and
 - by 31 March 2021 (nearly two years after project selection) construction had been completed at two of the 47 sites and had commenced at a further three sites.
5. The audit made six recommendations, all of which were agreed to by the Department of Infrastructure. The recommendations were:
- i. When establishing funding programs for inclusion in the Infrastructure Investment Program, the Department of Infrastructure develop an implementation plan, performance indicators and an evaluation strategy specific to the funding program.
 - ii. The Department of Infrastructure's improvements to Infrastructure Investment Program record keeping include ensuring good quality business information that is fit for purpose is created.
 - iii. The Department of Infrastructure document and apply assessment procedures that require it to undertake sufficient inquiries to demonstrate that candidates for funding under the *National Land Transport Act 2014* are eligible for approval before it makes a funding recommendation to the Minister.
 - iv. In designing programs for the delivery of funding through the *National Land Transport Act 2014*, the Department of Infrastructure propose for Ministerial consideration merit criteria that will be used to assess whether projects represent an efficient, effective, economical and ethical use of public money.

² Submission 13 to the Joint Committee of Public Accounts and Audit's *Inquiry into Commonwealth grants administration*, paragraph 32

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- v. When providing advice on whether funding should be approved for funding candidates under the *National Land Transport Act 2014* that have been identified through a non-competitive process, the Department of Infrastructure identify relevant benchmarks against which to assess whether the proposal represents value for money and is appropriate for approval.
 - vi. The Department of Infrastructure, Transport, Regional Development and Communications strengthen its controls over the establishment of delivery and payment milestones, including by setting out in the Ministerial approval briefing the department's proposed milestones or the parameters for negotiating those milestones.
6. We would be happy to answer any questions the Committee may have.

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

1. The audit assessed whether the award of funding under the Building Better Regions Fund (BBRF) was effective as well as being consistent with the Commonwealth Grants Rules and Guidelines (CGRGs).
2. At the time of the audit, the BBRF was the largest open, competitive and merits-based grants program administered by the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (Department of Infrastructure). Five funding rounds had been completed, with \$1.15 billion in grant funding awarded to 1293 projects with a sixth round underway at the time of the audit. The program operated through two funding streams (the infrastructure projects stream and the community investments stream). The Business Grants Hub was used to assess applications.
3. The audit concluded that the:
 - The award of funding under the first five rounds was partly effective and partly consistent with the CGRGs;
 - While the BBRF was well designed in a number of respects, there were also deficiencies in a number of important areas. Positive aspects included the guidelines clearly setting out: that an open competitive application process was being employed; relevant and appropriate eligibility requirements; and the process through which the merits of applications would be assessed against the four published criteria.
 - Key shortcomings in the design of the program related to membership of the decision-making ministerial panel not being transparently set out in the published program guidelines (the guidelines), and the guidelines stating that the ministerial panel may use at its discretion a non-exhaustive list of ‘other factors’ to override the results of the merit assessment process, with applicants not asked to specifically address those other factors in their applications for grant funding. This is one of the situations addressed at paragraphs 17 to 20 of the ANAO submission to the inquiry³.
 - The Department of Infrastructure provided appropriate funding recommendations based on merit assessment results for three of the five rounds examined by the ANAO. This was not the case for the third and fifth funding rounds where, rather than clearly identifying which applications should be successful up to the limit of the available funding, the department recommended the panel select from a ‘pool’ of projects. The pool was more

³ Submission 13 to the Joint Committee of Public Accounts and Audit’s *Inquiry into Commonwealth grants administration*

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than double the funding available in the third round, and more than triple the funding available in the fifth round.⁴

- Funding decisions were not appropriately informed by departmental advice, and the basis for the funding decisions had not been appropriately documented.⁵
- Overall, the award of funding was partly consistent with the grant opportunity guidelines. As the program has progressed through the first five rounds, there was an increasing disconnect between the assessment results against the published merit criteria and the applications approved for funding under the infrastructure projects stream (which comprised the majority of approved projects and funding).⁶

4. The audit made four recommendations to improve the grants administration framework and one recommendation to the Department of Infrastructure. The Department of Finance noted all four of the recommendations directed at improving the framework and Infrastructure agreed to its one recommendation. The recommendations were:

- i. The CGRGS be amended 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:
 - a. applicants be afforded the opportunity to address those other factors as part of their application for funding; and
 - b. 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.
- ii. The CGRGS be amended 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:
 - a. identifies the recommended applications that have been assessed as eligible and the most meritorious against the published assessment criteria; and
 - b. does not recommend applications for an aggregate value of grant funding that exceeds the total amount available for the particular grant opportunity.

⁴ See also Submission 13 to the Joint Committee of Public Accounts and Audit's *Inquiry into Commonwealth grants administration*, paragraph 13.

⁵ Record keeping was addressed in the ANAO submission. See Submission 13 to the Joint Committee of Public Accounts and Audit's *Inquiry into Commonwealth grants administration*, paragraphs 29 to 32

⁶ See also Submission 13 to the Joint Committee of Public Accounts and Audit's *Inquiry into Commonwealth grants administration*, paragraph 28.

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- iii. The CGRGs be amended 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.
 - iv. The Department of Infrastructure:
 - a. put appropriate processes in place to ensure that where more than one minister, such as a ministerial panel, performs the role of grants decision-maker its written advice on the merits of proposed grants is provided to all panel members prior to funding decisions being taken; and
 - b. improve record-keeping practices so that the basis for decisions is clear, including in circumstances where the decision-maker has not agreed with the assessment of candidates undertaken by officials.
 - v. The CGRGs be amended to require that:
 - a. 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
 - b. the basis for any decisions to not approve applications that were recommended for funding be recorded.
5. In the October 2022 Budget, the Australian Government announced that the BBRF would be discontinued. Contracted BBRF projects funded in Rounds 1 to 5 were to be completed in line with the terms of their grant agreement. Round 6, for which applications had closed in February 2022, did not proceed to have grant funding awarded. Round 6 applicants were to be able to re-apply under the new Growing Regions Program. The consultation draft of the ANAO's 2023–24 Annual Audit Work Program includes a potential audit of the effectiveness of the early design of the Growing Regions Program and the Regional Precincts and Partnerships Program.
6. We would be happy to answer any questions the Committee may have.

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Audit or-General Report No. 16 2021–22 Award of Funding under the Safer Communities Fund

1. The audit assessed whether the award of funding under the Safer Communities Fund (SCF) was effective and consistent with the Commonwealth Grants Rules and Guidelines (CGRGs).
2. The Safer Communities Fund was established in 2016. At the time the audit was completed, eight selection processes across five rounds had been completed, with \$184 million in grant funding awarded. A competitive approach to selecting the most meritorious applications was adopted for six of the eight selection processes. This involved a mix of open competitive approaches (four selection processes: Round 2, Round 3 Infrastructure stream, Round 5 Infrastructure stream and Round 5 Northern Territory stream) and targeted competitive approaches (two selection processes: Round 3 Early Intervention stream and Round 5 Early Intervention stream). The two Early Intervention streams targeted peak Police Citizen’s Youth Clubs and Bluelight organisations (or their nominees) in each state and territory, and Youth Off the Street Limited. Non-competitive approaches were implemented for Round 1 (established to fund identified election commitment projects) and Round 4 (where applications were to be assessed and recommended progressively in the order they were received). While a sixth Round was underway it had not been finalised until after audit work had been completed.
3. Responsibility for the administration of the SCF moved from the Attorney-General’s Department (AGD) to the Department of Home Affairs (Home Affairs) in late 2017 after Round 1 was completed. Responsibility for SCF returned to AGD in June 2022, after the completion of Round 6 and after the ANAO’s audit was completed. The Business Grants Hub within the Department of Industry, Science and Resources (Industry) was used to assess applications in all rounds.
4. The audit concluded that the:
 - The award of funding under the first five rounds was partly effective and partly consistent with the CGRGs.
 - Largely appropriate grant opportunity guidelines were in place for each of the eight selection processes. Over time the guidelines became less clear on which Minister would be making the grant funding decisions and, for three of the selection processes (being the two streams in the third round, and the fourth round), the Minister identified in the guidelines as the decision-maker did not make the decisions.
 - Grant applications received across the eight selection processes were not assessed fully in accordance with the relevant grant opportunity guidelines. While the published appraisal criteria were applied to assess the merits of candidate projects, the assessment work was not to a consistently appropriate standard. Further, ineligible applications were

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not being identified and removed before the merit assessment stage resulting in ineligible applications being assessed against the merit criteria and awarded funding.

- Funding decisions were not appropriately informed by departmental briefings.⁷ For 54 per cent of approved applications involving 60 per cent of approved funding, the basis for the funding decision was either not clearly recorded or did not address the eligibility requirements and merit criteria published in the grant opportunity guidelines.
- The recorded basis for the funding decisions did not adequately explain decision making around the award of partial funding to applications, the inclusion and ranking of applications on the reserve lists (list generated by the department of suitable applications not ranked sufficiently high enough to be recommended within the stream's available budget), or how information other than the results of the assessment process resulted in decisions to award funding.⁸
- While the infrastructure streams were established to protect community groups from security risks associated with racial or religious intolerance, relatively few applications were received from, and funding awarded to, community groups identifying as Muslim, Buddhist, Hindu or Sikh and identified cultural groups were also not well represented in terms of either applications received or grant funding awarded.

5. The audit made five recommendations, each of which was agreed. The recommendations were:
- i. Home Affairs 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.
 - ii. Home Affairs 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.
 - iii. Industry clearly identify in the grant opportunity guidelines for competitive selection processes how applications that achieve the same score will be ranked.
 - iv. When advising Ministers on the award of grant funding, Home Affairs 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.

⁷ See also Submission 13 to the Joint Committee of Public Accounts and Audit's *Inquiry into Commonwealth grants administration*, paragraph 28

⁸ See also Submission 13 to the Joint Committee of Public Accounts and Audit's *Inquiry into Commonwealth grants administration*, paragraphs 31 and 32. **OFFICIAL**

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- v. Home Affairs 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.
6. We would be happy to answer any questions the Committee may have.