

# Department of Finance

## Response to Question on Notice

### ENVIRONMENT AND COMMUNICATIONS REFERENCES COMMITTEE

#### *Inquiry into the Great Barrier Reef 2050 Partnership Program Friday, 21 September*

### ADDITIONAL QUESTIONS ON NOTICE

#### **Question 1**

In the guidance that Finance provides on grants, what process is usually required to award funds?

Would a tender or application process be required?

#### **Response**

The Commonwealth Grants Rules and Guidelines (CGRGs) state (paragraph 11.5):

Competitive, merit-based selection processes should be used to allocate grants, unless specifically agreed otherwise by a Minister, accountable authority or delegate. Where a method, other than a competitive merit-based selection process is planned to be used, officials should document why a different approach will be used.

The CGRGs further note (paragraph 13.11) that:

Officials should consider the options available for selection processes, including:

- open competitive funding rounds;
- target or restricted competitive funding rounds;
- a non-competitive, open process;
- a demand-driven or 'first-in-first-served' process;
- a closed non-competitive process; or
- one-off grants, to be determined on an ad hoc basis.

**Question 2**

Do the grant guidelines offer advice on assessing an organisation's capacity?

- a. What about probity?
- b. What about due diligence?

**Response**

The CGRGs provide that officials must have regard to the seven key principles for grants administration (paragraph 4.4). However, the CGRGs also provide (paragraph 6.1) that:

While the CGRGs contain a number of mandatory requirements, they provide flexibility in how accountable authorities and officials can work together with stakeholders to administer grants and achieve government policy outcomes.

The CGRGs note (paragraph 13.3) that:

Probity and transparency in grants administration is achieved by ensuring:

- that decisions relating to grant opportunities are impartial; appropriately documented and reported; publicly defensible; and lawful. The key relevant requirements are set out in Part 1 of the CGRGs (section 3, Resource Management Framework and section 4, Grants-specific Processes and Requirements);
- compliance with the public reporting requirements set out in Part 1 of the CGRGs (section 5, Public Reporting); and
- that grants administration by officials and grantees incorporates appropriate safeguards against fraud, unlawful activities and other inappropriate conduct.

**Question 3**

In the guidance Finance provides on grants, what due diligence is typically required?

a. Would an agency be expected to check:

- i. the number of staff that the receiving organisation employs?
- ii. whether they have capacity to receive the funding?
- iii. whether they have experience in receiving the quantum of the grant?
- iv. whether they have experience delivering this kind of project?

**Response**

Finance does not provide specific advice or conduct due diligence for individual grants unless they are grants made by Finance itself. The CGRGs provide the framework within which accountable authorities put in place internal controls and associated operational guidance related to grants administration within each entity.

Any specific due diligence conducted in relation to the Great Barrier Reef Foundation is a matter for the Department of the Environment and Energy.

**Question 4**

Is it common to outsource due diligence assessments to another agency or department?

- a. Specifically, does the Department often request the Australian Government Solicitor (AGS) to conduct due diligence on grant recipients?
- b. Was it the Department of Finance who requested the AGS conduct due diligence on the Foundation, or was it the Department of Environment?
- c. If Finance requested this assessment by AGS, why?

**Response**

Under the devolved financial framework, individual decisions and due diligence processes are the responsibility of the Commonwealth minister, department or entity making or administering the grant or grants in question.

Any specific due diligence conducted in relation to the Great Barrier Reef Foundation is a matter for the Department of the Environment and Energy.

**Question 5**

What sort of documentation would typically be requested by an agency before a grant was offered?

**Response**

Under the devolved financial framework, individual decisions and due diligence processes are the responsibility of the Commonwealth minister, department or entity making or administering the grant or grants in question.

**Question 6**

Are there guidelines around the use of milestone payments when creating grant agreements?

a. Does the grant agreement or funding deed template include milestones payments?

**Response**

The CGRGs state (paragraph 9.4):

Officials should apply the proportionality principle when determining the reporting and acquittal requirements for grants. There are no mandatory acquittal or reporting requirements for grantees in the CGRGs. Officials should determine the volume, detail and frequency of reporting requirements, proportional to the risks involved and policy outcomes being sought.

Finance is trialling whole-of-government grant agreement templates in consultation with entities. These templates provide for either single or multiple payment options based on the individual requirements of the grant.

Any specific questions around the use of milestone payments relating to the grant to the Great Barrier Reef Foundation is a matter for the Department of the Environment and Energy.

### **Question 7**

At the hearing, Senator Keneally asked:

*Mr Fredericks: I understand there was a discussion yesterday, at a more junior office level, between a number of departments in relation to this hearing today, and I understand it was largely about logistical arrangements about what statements people would be providing et cetera.*

*Senator Keneally: Et cetera? I'm sorry, Mr Fredericks, but I have to ask what 'et cetera' refers to.*

*Mr Fredericks: I'm happy to take it on notice. That's as much as I've got at the moment. Were there any discussions between Finance and Treasury or the Department of the Environment and Energy with regard to this hearing?*

- a. Did any of these discussions include attempts to coordinate answers between Departments?
- b. Did any of these discussions attempt to define which information would be covered under Cabinet-in-Confidence provisions?
- c. Can you table any minutes or notes from those meetings?

### **Response**

- a. No.
- b. Finance noted that, to the extent that it may field questions pertaining to advice provided as part of the Budget process, the information was Cabinet-in-Confidence.
- c. No. The Department of the Environment and Energy did not circulate any minutes.