



Australian Government
**Department of Industry,
Science and Resources**

Inquiry into Commonwealth grants administration

Department of Industry, Science and Resources
submission

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Introduction

The Department of Industry, Science and Resources (the Department) welcomes all opportunities to further strengthen the integrity and administration of Commonwealth grants.

This document provides an overview of the role of the grants hub and provides for information in relation to:

- No. 16 (2021-22) Awarding of Funding under the Safer Communities Program;
- No. 21 (2021-22) Operation of Grants Hubs;
- No. 1 (2022-23) Award of Funding under the Building Better Regions Fund; and,
- Equity, decision-making and matters relating to the allocation of funding under the Modern Manufacturing Initiative.

Department's role in grants

The Department plays an important role in the shaping and management of grants to Australia's industry and business community. This is reflective of not only the department's broad policy remit, but also through its ownership of the Business Grants Hub.

The Business Grants Hub designs, manages and delivers a significant number of granting programs on behalf of other Commonwealth agencies. The Business Grants Hub is one of two Grant delivery hubs established under the Streamlining Government Grants Administration (SGGA) Program. The SGGA was introduced in 2015/2016 to deliver simpler, more consistent and efficient grants administration across government under the government's Digital Transformation Agenda.

Since the establishment of the Business Grants Hub in 2016 it:

- has launched **568** grant opportunities
- is currently administering **416** active grant opportunities across all phases of the grant life cycle
- is currently managing **9,050** active grant agreements on behalf of **12** government agencies.

In the 2021-22 financial year the department made **\$1.80bn** in grants payments or approximately **12,602** individual payments.

Grants Management

To support streamlined and compliant delivery, the Department has policies and procedures in place to control the management of grants. The department's approach has been made possible through the hub model and achieving sufficient economies of scale. Controls include:

- All programs that go through the Business Grants Hub are loaded onto our business grants management system.
 - This creates a standard approach to the way grants are on-boarded and managed.
 - Key decisions and metrics in relation to the selection of a grantee and the establishment of a grant agreement are logged and found within the system, creating a single audit trail.
 - The system creates a single point of entry for our customers who can manage multiple grant opportunities on a single screen.
- The department operates a four lines of assurance approach to grants management.
 - Core compliance requirements are articulated to program teams and are monitored and managed through a dedicated assurance team, internal audit team and external independent assurance partner.

- Our current external assurance partner, Ernst & Young, undertakes a testing activity each financial year where programs are randomly sampled to identify areas of non-compliance. This culminates in the development of an annual compliance statement by the Chief Financial Officer, which is provided to other Commonwealth agencies.
- The department has appointed a dedicated independent grants probity advisor, to provide staff with an avenue to expedite advice and address probity concerns as they arise.
- The department has dedicated grant design teams who provide a consistent approach to compliance and standardisation when developing new grant opportunities.
- The department has a dedicated grants training team to support a common understanding and use of processes and systems in the discharge of their duties.

Auditor-General Report No.16 (2021-22)

Awarding of funding under the Safer Communities Program

The Safer Communities Program was established in 2016 and intended to address crime and anti-social behaviour by funding crime prevention initiatives (such as fixed and mobile CCTV and lighting) and to also protect schools, pre-schools and community organisations that are facing security risks associated with racial and/or religious intolerance.

The department administers this grant on behalf of the Department of Home Affairs.

The department noted the conclusion of the ANAO audit and accepted the specific recommendation relating to ranking applications that achieved the same overall score.

To implement this recommendation, our templates and guidance given to decision makers, such as merit committees or ministers, now include the requirement to consider value for money and other key factors (such as program objectives and geographical spread) to create a point of differentiation when ranking applicants.

Auditor-General Report No.21 (2021-22)

Operation of Grants Hubs

The Streamlining Government Grants Administration (SGGA) Program was introduced in 2015–16 to deliver simpler, more consistent and efficient grants administration across government.

The department is responsible for the management of the Business Grants Hub, one of two Grant delivery hubs established under the SGGA Program.

In March 2022, the ANAO report into the design and implementation of the SGGA Program in improving the effective and efficient delivery of grants administration. The audit found that the build and operation of the grants hubs was partly effective and made three recommendations.

The department agreed with two of these recommendations and noted one (which was not relevant to this department). DISR agreed:

- To work with Department of Finance (Finance) and Community Grants Hub (CGH) to develop better performance metrics; and,
- To work with Finance and CGH to investigate options to further streamline whole of government grants administration.

The department is currently engaging with Finance and the CGH to agree on a way forward to implement the recommendations.

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

The Building Better Regions Fund (BBRF) is a \$1.38 billion open and competitive grant program aimed at driving economic growth to build stronger regional communities into the future.

The department administers this grant on behalf of the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (DITRDCA).

The ANAO audit made five recommendations in total, none of which were for the department.

However, in response to the report, the department did commit to working with DITRDCA and other policy partners that engage the Business Grants Hub to ensure adequate transparency when co-designing future programs.

Equity, decision-making and matters relating to the allocation of funding under the Modern Manufacturing Initiative

The Modern Manufacturing Initiative (MMI) was a key element of the previous Government's Modern Manufacturing Strategy aimed at helping Australian manufacturers across six National Manufacturing Priority areas scale-up, become more competitive and create high value jobs. The \$1.28 billion initiative was an open and competitive grant program providing funding across three streams:

- Manufacturing Translation Stream (MTS): supported projects aiding the translation of research and good ideas into commercial outcomes
- Manufacturing Integration Stream (MIS): supported projects to integrate Australian businesses into domestic and global value chains, or support upgrading their existing position in a value chain
- Manufacturing Collaboration Stream (MCS): supported projects that had business to business and business to research collaboration, to achieve transformation of Australian manufacturing, for example a consortia of business and other organisations (such as research institutions, financiers, states and territories) to build economies of scale and create manufacturing ecosystems.

The department is responsible for the policy development, program design and delivery of the MMI.

The department is committed to conducting fair, transparent and equitable grant assessment and decision-making processes. The program delivery of the MMI Integration, Translation and Collaboration Streams was conducted thoroughly and in accordance with the published grant opportunity guidelines, the Commonwealth Grant Rules and Guidelines 2017 and where appropriate the *Public Governance Performance and Accountability Act 2013*.

Across the MMI program, submitted applications were assessed against the eligibility criteria as stated in the guidelines and applicants were notified of the outcome of the eligibility assessment. The department also carried out due diligence activities on applicants in accordance with the department's Grants Due Diligence Policy and Grant Opportunity Guidelines.

Independent Merit Assessment Committees were established by the department to assess all eligible applications against the merit assessment criteria outlined in the guidelines. The Committees comprised of industry experts and specialists in commercialisation, venture capital, business management, innovation and manufacturing, and included members with technical subject matter expertise across the six National Manufacturing Priority areas.

The Committees scored applications against the published merit assessment criteria.

In accordance with the guidelines, the relevant Minister decided which applications to approve for funding. For MMI Integration and Translation rounds it was the former Minister responsible for Industry and for the MMI Collaboration stream, the former Prime Minister was the decision maker. Each decision maker was presented with the outcomes of the merit assessment from the Assessment Committee together with strategic advice provided by Industry Innovation and Science Australia (IISA).

IISA provided advice to the decision maker on how supported applications addressed the objectives of the grant opportunity and aligned with the Modern Manufacturing Strategy, taking into account the broader economic, policy and operational context.

For the MMI Collaboration stream, supported applications were shared with relevant Commonwealth departments and former Portfolio Ministers through a cross-portfolio review process. The advice provided by the departments and former Ministers was provided to the former Minister responsible for Industry, to support his decision on which projects to recommend to the former Prime Minister for approval. Throughout all rounds and across all streams of the MMI program, the department and merit assessment committees were closely supported by an external probity advisor to ensure the approach to assessment was undertaken in a consistent and fair manner. Given the size and complexity of the MMI Collaboration stream, the Probity Advisors also supported the management of conflict of interest processes and oversaw the moderation of merit assessments to answer questions from Committee members and ensure the approach to assessment was undertaken in a consistent and defensible manner.