



Chair
Joint Committee of Public Accounts and Audit
jcpaa@aph.gov.au

EXECUTIVE MINUTE

on

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

REPORT No 454

Early Years Quality Fund:

Review of Auditor-General's Report No. 23 (2014-15)

The purpose of this Executive Minute is to provide a progress report from the Department of Education and Training (the department) to a recommendation made by the Joint Committee of Public Accounts and Audit (JCPAA) in its Report 454 following the Committee's review of the Early Years Quality Fund: Review of Auditor-General's Report No. 23 (2014-15).

The JCPAA's recommendation

Recommendation No. 4 paragraph 3.17

The Committee recommends that the Department of Education and Training report to the Committee, no later than six months after the tabling of this report, on its progress towards implementing the Auditor-General's recommendation in ANAO Report No. 23 (2014-15), including details of staff training in this area and planning for grants program implementation risks.

The Auditor-General's recommendations

The Auditor-General recommended¹ that, to enhance equity, transparency and accountability of future grant programs, the department:

- (a) reinforces the obligation to manage all aspects of the grant process in accordance with the approved program guidelines and the Commonwealth Grants Rules and Guidelines;

¹ Report No. 23 (2014-15)

- (b) when conducting granting activities, adopts eligibility criteria which reflect the core objective of the granting activity and are capable of appropriate scrutiny and objective validation;
- (c) adheres to documented eligibility criteria in line with program guidelines and closely considers the impacts of any proposed changes, any changes adopted should be documented and approved in a manner consistent with the Commonwealth Grants Rules and Guidelines and revisions communicated to applicants and potential applicants; and
- (d) maintains clear and complete records of all decisions and assessments relating to applications, including revisions to criteria.

The department supported the Auditor-General's recommendations.

Department's progress with the recommendations

The department is committed to adhering to the grants management processes as outlined in the Commonwealth Grants Rules and Guidelines. The department has accepted and implemented the Auditor-General's recommendations.

The department's progress with the ANAO recommendations is as follows:

ANAO recommendation (a) Reinforces the obligation to manage all aspects of the grant process in accordance with the approved program guidelines and the Commonwealth Grants Rules and Guidelines

In March 2015, shortly after the Auditor-General tabled his findings on the Early Years Quality Fund (EYQF), the department's Chief Internal Auditor wrote to the department's senior executive to ensure they were aware of audit findings and to reinforce the importance of considering the findings when implementing future grant programs. The recommendation was recorded in the department's audit database which is monitored by the department's Audit Committee.

The department has implemented a number of grants programs across its portfolio responsibilities, including under the National Innovation and Science Agenda, industry workforce training programs, and the Inclusion Support Programme component of the *Jobs for Families* Child Care Assistance Package, since March 2015. In implementing these new grants, the department has ensured adherence to the Commonwealth Grants Rules and Guidelines by taking measures such as engaging with the Department of Finance in drafting grants guidelines and robust recordkeeping on grants management systems as well as electronic documents management systems.

The EYQF was terminated in December 2013, and replaced with an alternative professional development program for child care educators in the long day care sector – the Long Day Care Professional Development Program (LDCPDP). The department has internally audited this

program, as well as undertaking two further internal audits of grants management as part of the department's 2015-16 and 2016-17 Internal Audit Work Programs:

- An internal audit of the LDCPDP² was undertaken as part of the 2016-17 audit program. The audit included a review of the grant application and assessment processes.
 - The audit found that lessons learned from the EYQF review had been applied in the establishment and administration of the LDCPDP including that the relevant conditions of the Commonwealth Grant Rules and Guidelines had been met for the grants reviewed. For example, the audit found:
 - A transparent assessment process had been undertaken with clear guidance and appropriately trained assessors.
 - Financial management was in line with both internal and external guidance and legislation.
 - Close monitoring of reporting activities and compliance activities ensured that service providers are compliant with the conditions of their funding agreements.
 - The audit team felt that structured training provided for staff involved in the LDCPDP supported a successful grant assessment process.
- The second internal audit, the Grants Management Audit Phase 1, concentrated on financial aspects of the department's management of grants for programs in our schools and youth; skills and training; and higher education, research and international areas. The audit found that the financial management of the 31 grant activities reviewed were of a good standard. The audit did not result in any recommendations.
- The third internal audit, the Grants Management Audit Phase 2, was a comprehensive review of the grant management processes for programs in the department's schools and youth and skills and training areas. The audit allowed the department to further refine our grant management activities to comply with the Commonwealth Grants Rules and Guidelines. Evidence provided by program managers confirms that the audited grant activities are now compliant with relevant sections of the Commonwealth Grants Rules and Guidelines.
- The department continues to remind staff of their responsibilities in grants management, communicating with staff and providing resources to support compliance, such as the Department of Finance's Grant Management site and the department's Secretary Instructions, financial delegations and the grant, contract and procurement intranet site.

The department has expanded the range of training opportunities for program managers to broaden and deepen their capability in grants management. To date these opportunities have included:

² Unallocated funding from the EYQF was redirected to this new professional development program in December 2013.

- A presentation by the Department of Finance in May 2015 on grants management and the Commonwealth Grants Rules and Guidelines to 160 staff³. We have invited the Department of Finance to provide further presentations in 2017 with a focus on:
 - lessons learned from grant programs;
 - risks associated with implementing grant programs; and
 - introducing new model grant program guideline templates.
- Five presentations by the Chief Internal Auditor focused on relevant lessons learned from the ANAO audits of the EYQF and ANAO audits of other agencies. Approximately 360 staff attended the presentations⁴.
- Eight grants management workshops have been delivered by the grants management team to help more than 250 staff⁵ administering or developing grant programs. The grants management team also provides:
 - Advice on request – grant managers usually seek this advice when they are designing grant programs or dealing with complex matters.
 - Fortnightly drop-in sessions that provide grant managers the opportunity to ask questions related to grant policy, processes, reporting and information technology systems.

The department's business areas also run targeted training activities to meet the specific needs of their program managers. Some of the activities undertaken to support our schools and youth program managers include the development of tailored grants management information and training, review of funding agreements at the SES Band 1 level, and regular reports on compliance and reviews of guidelines.

Looking to the future, the department has also joined the Community Grants Hub Advisory Board, chaired by the Department of Social Services. The Advisory Board is part of the governance arrangements for establishing the Community Grants Hub, a shared service for the administration of grants targeting communities and individuals, announced as part of the Streamlining Grants Administration Program in the 2015-16 Federal Budget.

Learning from our own and other agencies' experiences will continue to be an important focus of our grants management capability building.

In light of the ANAO's findings and recommendations from the Shergold Review⁶, the department has engaged external expertise to review our risk maturity and provide advice. The review will position the department to:

³ Excluding potentially hundreds of staff who may have participated at their desktops through the department's video-casting service.

⁴ Excluding those who participated through video-casting.

⁵ Again, excluding those who participated through video-casting.

⁶ Learning from failure: why large government policy initiatives have gone so badly wrong in the past and how the chances of success in the future can be improved. Report available at: <http://www.apsc.gov.au/publications-and-media/current-publications/learning-from-failure>

- ensure risks are considered throughout the life of grants programs; and
- clarify program managers' responsibilities for identifying and communicating risks throughout the grant lifecycle.

The department already requires that program managers:

- complete a risk assessment for all grant activities;
- treat and monitor risks; and
- escalate risks in line with the department's risk policy.

ANAO recommendation (b) When conducting granting activities, adopts eligibility criteria which reflect the core objective of the granting activity and are capable of appropriate scrutiny and objective validation

The audit of the LDCPDP, noted above, considered the relevance of grant program eligibility criteria, given the program's objectives and outcomes. The audit found that the eligibility criteria were relevant and that grant activities met eligibility criteria.

- The eligibility criteria developed for the LDCPDP were transparent and inclusive, published and accessible and reflected the core objectives of the program, ensuring that the assessment of eligibility was easily validated. The very large number of applications demonstrates the success of the program in this regard.
- The program's activity progress reports, compliance review processes and program evaluation have been designed around the program objectives including the design of questions to the funding recipients on grant activity to provide tangible data that will inform the success of the program in meeting its objectives.

In relation to the Community Support Program (CSP), the department has made amendments to adopt eligibility criteria, in the guidelines, that are capable of scrutiny and reflect the core objective of the program. The objective of the CSP is to support child care services in areas where they might be otherwise unviable, such as in disadvantaged or rural and remote areas. To ensure that the limited funding available under the program is targeted to services that need it most, the department amended the guidelines to:

- ensure Family Day Care (FDC) services are required to meet prescribed eligibility criteria to receive CSP funding and to demonstrate that there is demand for the child care in that area, bringing FDC services in line with other care types, such as long day care;
- introduce a cap of \$250,000 per financial year on the amount of operational support funding FDC services can receive; and
- include the latest geographical classification and socioeconomic indicators from the Australian Bureau of Statistics.

ANAO recommendation (c) Adheres to documented eligibility criteria in line with program guidelines and closely considers the impacts of any proposed changes, any changes adopted should be documented and approved in a manner consistent with the Commonwealth Grants Rules and Guidelines and revisions communicated to applicants and potential applicants

In response to the ANAO's recommendations, training provided for program managers has included relevant probity guidance to assist decision makers in considering and implementing changes to program guidelines, criteria and assessment documentation.

The LDCPDP assessment process rigorously reviewed all responses against the eligibility criteria. Additional rigour was applied to applications where information provided appeared inconsistent with baseline information for the applicant (such as licensed places at the child care service). This led to increased accuracy in determining grant amounts and minimised requirements for additional payments or recoveries of overpayments.

Due to an overwhelming response from long day care services, changes in the base level funding were required to ensure a fair and equitable distribution of program funding. These changes in the process were thoroughly documented, appropriately approved and then communicated to the applicants. The processes are consistent with the Commonwealth Grants Rules and Guidelines.

The department's legal services have been engaged to provide probity training for staff working on grants management as part of broader training in the schools and youth area.

ANAO recommendation (d) Maintains clear and complete records of all decisions and assessments relating to applications, including revisions to criteria

To support good recordkeeping practice the department provides:

- training sessions on our records management system, HP Records Manager;
- records management policies and guidelines; and
- a checklist of documentation typically produced during the development and implementation of grants programs. This supports program managers to ensure complete records are maintained.

In response to the ANAO findings, the department has also:

- reviewed the record keeping policy so that it is compliant with the Commonwealth Grants Rules and Guidelines;

- included the adequacy of recordkeeping in audits of grants management processes, as noted above; and
- published practical advice on record keeping within the grant management lifecycle on the department's intranet.

For example, the Inclusion Support Programme, implemented in July 2016 as part of the *Jobs for Families* Child Care Assistance Package, is supported by an enhanced IT system that facilitates consistent child care services' interaction with the program especially for funding applications and management. Key benefits to the new IT system include:

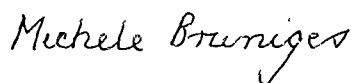
- improved accountability especially in terms of identifying individuals actioning items in the system;
- centralised recordkeeping that supports the ongoing administration of the program; and
- recordkeeping of all assessment considerations and decisions relating to applications for funding subsidy under the ISP.

Additionally, the internal audit of the LDCPDP found that 'recordkeeping practices for this program are admirable' and that 'recordkeeping practices for this program provide a positive example and set the bar for other program areas in the department'.

I am currently considering my requirements for future audits of the department's grants management to provide ongoing assurance that the department's grants management is consistent with the Commonwealth Grants Rules and Guidelines.

I thank the Committee for their work and interest in this matter.

Yours sincerely



Dr Michele Bruniges AM

13 December 2016