Joint Committee of Public Accounts and Audit

Inquiry into Grants Administration

Department of Finance

Response to Question on Notice

Hearing of 10 February 2023

Question on Notice 1 (Proof Hansard page 7)

Mr COLEMAN: I think it is a very important point. Finance is an institution, not an individual. Presumably, the institution of Finance had a rationale and must have had some numbers to come up with $400 million.

CHAIR: They didn't just make it up.

Mr Williamson: So the advice that went to government initially was by the Digital Transformation Office, not the Department of Finance.

CHAIR: Okay.

Mr Williamson: That is another reason why it is a little difficult for Finance to go to that.

Senator REYNOLDS: Did Finance offer any advice to say that they agreed with it?

Mr Williamson: I would have to take that on notice.

Senator REYNOLDS: Could you take that on notice?

Mr Williamson: Yes.

CHAIR: If you could. You are usually all over it with a sharp pen and the assumptions. I mean that as a great compliment, actually. There's a level of discipline and rigour that you bring to people, whether they like it or not, in ordinary cases, so it's not usual that we hear from the audit office that the underpinning evidence of something Finance has gone over just wasn't solid.

Mr Williamson: We'll take that on notice. As I said, the advice about this program was given by another organisation.

Response

The interim Digital Transformation Office led the policy design, including work on the evidence base. The interim Digital Transformation Office estimated savings through: reduced capital investment in multiple grants management systems; reduced red tape; and productivity efficiencies within government.

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Question on Notice 2 (Proof Hansard page 2)

Ms Frazer: In the research sector, there is the NHMRC. From an entity perspective, each entity sets up their business processes to suit their business. So some agencies that do a lot of grants work will have a centralised grants area. Other entities will have that spread across policy agencies, with grants expertise within the policy area.

Mr COLEMAN: Do we know how much that costs?

Ms Frazer: Not to hand.

Mr COLEMAN: Could you take that on notice? The issue we're trying to resolve here is the efficiency of the administration of grants. I think what we're saying is that we can have a discussion about the grants hubs. Obviously, there are a lot of issues in the audit report. It seems to me that is not entirely holistic because there's obviously stuff that still happens outside the grants hubs as well. If one of the lessons from before was that we didn't have enough insight into what is happening in grants administration, presumably someone within the Public Service would have turned their minds to the question of what is happening now outside the hubs.

Mr Williamson: We are looking at trying to establish that baseline data. One of the difficulties is that sometimes in organisations beyond the hub they will have people who are working on multiple functions. So being able to directly attribute cost just to a grants program is somewhat more difficult than it is in the case of the grants hubs because they are dedicated functions where their full costs are going towards the administration of grants. But in individual entities they can have people and resources working across a number of things, which could include grants but also the other programs or policy issues. Attributing costs is difficult.

Response

In accordance with recommendation 1 of the ANAO Audit of the Operation of Grants Hubs, the Department of Finance and the grants hubs have agreed a methodology to capture and report performance information. Baseline data collection against this agreed methodology is currently underway.

The full cost of the standalone hub operations are known and demonstrated through the charging model. There are challenges in capturing detailed grant administration cost information when an entity is self-administering a program. This is largely due to the complexity in accounting for the use of the shared corporate governance and staff costs within an entity. For example, costs are often shared across various areas within a granting entity and may not be fully visible at the program level.

Finance is developing a costing survey for major granting entities to assist them to better understand grants administration costs incurred at the entity level. Also, grant administration costs are highly variable depending on the program design and delivery approach. This makes comparative analysis difficult across programs and entities.

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Response to Question on Notice

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Question on Notice 3 (Proof Hansard page 7)

CHAIR: I have an instinct—that's all I can have, I suppose, from having worked in government and run numerous grants programs and played with similar things in the Victorian government—that this is a good idea. That is not because I think it probably saves that much money but because it improves the quality. You are actually centralising a capability that otherwise is distributed and is often done badly, particularly in small agencies that don't do it very often. That is an instinct. I did think that seemed to come through in the analysis. You get more consistency. You get better skills. You lower risk. Hopefully, you end up with fewer utterly egregious audit reports on grants programs. However, I'm deeply sceptical, from seeing the fetish of shared services pushed by treasuries and finance departments across the states, territories and the Commonwealth, that the savings promised ever really materialise. This seems to be another case study because no-one can prove it. Can you explain—you might need to take it on notice—to what extent the costs of what I would call managing the interface were taken into account in the business case? Are they being taken into account in your assessment of the ongoing friction? I will give you the example so we are clear. I worked in a department and some bright spark in Finance thought it was a great idea to centralise HR. We did that. All it meant was that each deputy secretary employed a couple of people to manage their relationship with the new centralised HR department. It basically didn't save any money. At some point, the client has to manage the relationship. I delved and read some academic studies. The CenITex disaster in the Victorian government has probably got a whole different range of things. The academic studies seem to say that the savings never really materialise because everyone employs more people to manage the interface, yet it just gets washed out in time. I would like to invite your comment and explain to me how I'm wrong.

Mr Williamson: Can you clarify the question you are actually asking us?

CHAIR: To what extent, in the case put forward by Finance around the work you are doing at the moment, when you're counting the cost, if you like, are you counting the cost of the people on the client's side who have to then manage the relationship, manage the deliverables and manage the interface?

Mr Williamson: In formulating the advice that we're currently undertaking to provide to government, we have been doing extensive consultation with departments and agencies that both use the hubs and don't use the hubs to understand the operations.

CHAIR: In those extensive consultations with the departments that do use the hubs, are you counting the cost of their staff who are managing the relationship with the hubs?

Mr Williamson: We are trying to look at all aspects of the interaction between client agencies and the hubs.

CHAIR: Do the hubs have anything to say? I am someone, as I said, who actually thinks it makes sense and it's a good idea overall, having read a lot of audit reports on pretty bad grants administration.

Response

The resourcing requirements of entities to engage with the grants hubs is being considered as part of the Department of Finance's work to continually improve Commonwealth grants administration. The Department is currently developing a costing survey for major granting entities to assist them to better understand grants administration costs incurred at the entity level. This will help to identify the administrative costs of interacting with the hubs.