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Report 430

Review of Auditor-General's Reports Nos. 47 (2010-11) to 9 (2011-12) and Reports Nos. 10 to 23 (2011-12)

Joint Committee of Public Accounts and Audit

May 2012
Canberra

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Foreword

The Joint Committee of Public Accounts and Audit, as prescribed by the *Public Accounts and Audit Committee Act 1951*, examines all of the reports of the Auditor-General tabled in Parliament. The report details the findings of the Committee's examination of the audit reports tabled between June 2011 and February 2012.

The Committee examined three reports in detail, focusing on transparency and accountability– particularly in terms of decision-making and performance measurement.

Following the Committee's recent policy inquiry into national funding agreements and an ongoing interest in performance measurement, the Committee decided to review the ANAO's report on the 'Development and Implementation of Key Performance Indicators to Support the Outcomes and Programs Framework'. Of significant concern to the Committee was that although the Outcomes and Programs Framework is in its third year, the audit showed the majority of agencies reviewed continued to find it challenging to develop Key Performance Indicators (KPIs) that provide measurable information on a program's progress. Only one third of 50 agencies reviewed by the ANAO had developed meaningful and measurable KPIs to evaluate their work.

After reviewing the report and hearing evidence from the ANAO and the Department of Finance and Deregulation (Finance), the Committee concluded that Finance needs to do more to support agencies by providing improved guidance with best practice models for developing KPIs and taking a proactive role in agency engagement during the development phase. Further, work needs to be done to improve the integration of KPIs into key accountability documents, such as portfolio budget statements and agency annual reports, to ensure a clear read on program performance at agency level, as well as for multi-agency or multi-jurisdiction programs.

Another area of ongoing concern for the Committee is grant administration. With the release of a further damning audit report into a key component of the

Government's economic stimulus package, the Committee felt it was necessary to look more closely at the Auditor-General's findings regarding the $150 million Infrastructure Employment Projects (IEP) stream of the Jobs Fund.

The IEP stream did not achieve the anticipated economic stimulus objectives within the designated timeframe. The ANAO audit highlighted that it took over a year before any jobs were reported as either created or retained. Alarmingly, of the approved contracted projects, none were located in the Government's designated Priority Employment Areas. Administrative deficiencies were also identified, including departure from the intent of the Commonwealth Grants Guidelines, absence of an agreed implementation strategy and program guidelines which did not clearly outline the processes for projects to be considered for funding.

In its appearance before the Committee, the Department of Infrastructure and Transport provided some indication that the Department was working to implement sound governance structures, with the development of a 'program management toolkit and training package'. However, the lack of acknowledgement of the problems found in this audit and the subsequent provision of incomplete responses to questions on notice provided little reassurance that adequate steps have been taken to ensure there would not be a repeat of identified problems with future programs.

As such, the Committee has recommended that the ANAO include the Department of Infrastructure and Transport in an audit that is currently underway into 'Agencies Implementation of Audit Recommendations'. The Committee will be looking closely at the results of this audit and any other relevant reports released in the meantime to assess Infrastructure's progress.

The IEP audit report raised questions more broadly as to the clarity of the Commonwealth Grant Guidelines, so the Committee took the opportunity to examine a subsequent report released by the Auditor-General into the 'Administration of Grant Reporting Obligations' by Australian Government agencies. This report found there were significant shortcomings in the practices adopted by agencies during grant selection processes.

Grants expenditure runs into the billions each year. Monies provided through grants require full transparency, accountability, and probity. The Commonwealth Grant Guidelines must be clear. Agencies should have sufficient ongoing support from the Finance Department to understand and implement the guidelines and other requirements. In turn, agencies need to support ministers to ensure decisions can stand up to full public scrutiny.

Similar to findings in the review of the KPI audit, agencies did not seem clear on the requirements or take advantage of best practice models - resulting in poor quality advice to ministers. The grants audit found that competitive grant

selection processes were significantly under-utilised, despite this being suggested as best practice in the Commonwealth Grant Guidelines. Further, there was evidence of inadequate departmental support of ministers with a lack of clear recommendations in briefs and failing to ensure ministers met reporting requirements.

The Committee acknowledges the work of Finance in developing the Guidelines, and the provision of useful updates for agencies by way of Finance Circulars, and most recently the release of model Chief Executive Instructions. Nevertheless, with continued levels of non-compliance and the refutations by ministers as to what was required to be reported, there are clearly still practical problems with the system. Not only do the guidelines need to be clarified, but agencies also need sufficient support.

The Department of Finance and Deregulation was provided ongoing funding to support agencies through the Grants Framework Unit, but chose to redirect the funding to areas reviewing the broader financial framework. While accepting that grants are a subset of the framework, Finance missed the opportunity to maximise the momentum following the introduction of the Commonwealth Grant Guidelines in 2009.

The advice that Finance is soon to release revised guidelines and has increased staffing in the Grants Framework Unit was good news. However, it is too early to say whether this will solve the problems of agencies non-compliance with the Commonwealth Grant Guidelines, both the mandatory and best practice components, or result in agencies improving their briefing practices.

The Committee will be looking closely at future audits to determine whether the Departments examined in this report have delivered on the range assurances given to the Committee at the recent hearings and responded in a full and timely manner to both the recommendations of the ANAO and the JCPAA.

Rob Oakeshott MP
Chair

Membership of the Committee

Chair	Mr Robert Oakeshott MP
Deputy Chair	Ms Yvette D'Ath MP

Members

Hon Dick Adams MP	Senator Mark Bishop
Mr Jamie Briggs MP	Senator Helen Kroger
Ms Gai Brodtmann MP	Senator Glenn Sterle until(7/02/12)
Mr Darren Cheeseman MP	Senator Nick Sherry from(8/02/12)
Mr Josh Frydenberg MP	Senator Matt Thistlethwaite
Ms Deborah O'Neill MP	
Ms Laura Smyth MP	
Hon Alex Somlyay MP	

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Inquiry Secretary	Ms Vikki Darrough
Senior Research Officers	Mr Shane Armstrong
	Ms Lynette Mollard (until 20/01/2012)
Office Manager	Mrs Dorota Cooley
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List of abbreviations

AAU	Agency Advice Unit
AG	Auditor-General
ANAO	Australian National Audit Office
APS	Australian Public Service
BFB	Budget Framework Branch
CEIs	Chief Executive Instructions
CGGs	Commonwealth Grant Guidelines
DEEWR	Department of Education, Employment and Workplace Relations
DIT	Department of Infrastructure and Transport
DITRDLG	Department of Infrastructure, Transport, Regional Development and Local Government
Finance	Department of Finance and Deregulation
FMA Act	*Financial Management and Accountability Act 1997*
GFC	Global Financial Crisis
GFU	Grants Framework Unit
IEP	Infrastructure Employment Projects
Infrastructure	Department of Infrastructure and Transport

JCPAA   Joint Committee of Public Accounts and Audit

KPI   Key Performance Indicator

LECs   Local Employment Coordinators

List of recommendations

2 Development and Implementation of Key Performance Indicators to Support the Outcomes and Programs Framework

Recommendation 1

That the Department of Finance and Deregulation include at least one recognised Key Performance Indicator methodology in its written guidance to government entities about the preparation of Key Performance Indicators.

Recommendation 2

The Joint Committee of Public Accounts and Audit recommends that:

- the Department of Finance and Deregulation provide advice to all government entities that when providing new or amended Key Performance Indicators (KPIs) to their relevant Agency Advice Unit, the methodology used in the preparation of the KPIs must also be available for review; and

- Finance consult with the Department of the Prime Minister and Cabinet to consider a requirement for agencies to state the 'KPI methodology used' in their annual reports.

Recommendation 3

That the Department of Finance and Deregulation, in consultation with the ANAO, report to the Joint Committee of Public Accounts and Audit in six months from the tabling of this report on:

- progress being made on guidance for agencies to improve the development and integration of effective Key Performance Indicators (KPIs) in program design, Portfolio Budget Statements, and annual reports;

■ improvements to the KPI guidance aimed to enhance cross-agency and cross-jurisdictional KPI development, use and reporting; and

■ how the ANAO's audit methodology is envisaged to fit within and support the overall KPI framework, and support ongoing policy enhancements.

3 Establishment, Implementation and Administration of the Infrastructure Employment Projects Stream of the Jobs Fund

Recommendation 4

That the ANAO include the Department of Infrastructure and Transport in the performance audit currently underway *'Agencies Implementation of ANAO Audit Recommendations'*.

4 Administration of Grant Reporting Obligations

Recommendation 5

That the Department of Finance and Deregulation strengthen the advice within the revised Commonwealth Grant Guidelines and related material to ensure that a clear recommendation to approve or reject a grant application is to be made on every Ministerial brief presented for consideration.

Recommendation 6

That the Department of Finance and Deregulation prioritise the revision and release of enhanced Commonwealth Grant Guidelines.

Recommendation 7

That the Department of Finance and Deregulation report in writing to the Joint Committee of Public Accounts and Audit within six months of the tabling of this report on the implementation of the ANAO's recommendations and improvements made to the Commonwealth Grant Guidelines (and related Finance initiatives) - specifically addressing: initiatives to improve the quality of Ministerial briefs; and mechanisms for reporting of non-compliance and reporting of own-electorate grants.

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Introduction

Background to the Review

1.1   The Joint Committee of Public Accounts and Audit (JCPAA) has a statutory duty to examine all reports of the Auditor-General that are presented to the Australian Parliament, and report the results of its deliberations to both Houses of Parliament. In selecting audit reports for review, the Committee considers:

- the significance of the program or issues raised in audit reports;

- the significance of the audit findings;

- the arguments advanced by the audited agencies; and

- the public interest of the report.

1.2   Upon consideration of the 34 audit reports presented to Parliament by the Auditor-General between June 2011 and February 2012, the Committee selected three reports for further scrutiny at public hearings.

1.3   The audit reports reviewed by the JCPAA are listed below:

- Audit Report No.5 2011-12, *Development and Implementation of Key Performance Indicators to Support the Outcomes and Programs Framework.*

- Audit Report No.7, 2011-12, *Establishment, Implementation and Administration of the Infrastructure Employment Projects Stream of the Jobs Fund.*

- Audit Report No.21, 2011-12, *Administration of Grant Reporting Obligations*

1.4   The public hearings for the reports were held on:

- 8 February 2012 (Audit Report No.7)

- 29 February 2012 (Audit Report No.5)

- 14 March 2012 (Audit Report No.21).

1.5   A list of witnesses who appeared at the public hearings is at Appendix A.

The Committee's report

1.6   This report of the Committee's examination draws attention to the main issues raised at the respective public hearings. Where appropriate, the Committee has commented on unresolved or contentious issues, and has made recommendations.

1.7   The Committee's report is structured as follows:

- Chapter 2 – Audit Report No.5, 2011-12, *Development and Implementation of Key Performance Indicators to Support the Outcomes and Programs Framework.*

- Chapter 3 – Audit Report No.7, 2011-12, *Establishment, Implementation and Administration of the Infrastructure Employment Projects Stream of the Jobs Fund.*

- Chapter 4 – Audit Report No.21, 2011-12, *Administration of Grant Reporting Obligations*

1.8   The following appendices provide additional information:

- Appendix A – List of public hearings and witnesses

- Appendix B – List of submissions.

1.9   A copy of this report, transcripts of hearings and submissions are available on the Committee's website: www.aph.gov.au/jcpaa.

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Audit Report No.5 2011-12

Development and Implementation of Key Performance Indicators to Support the Outcomes and Programs Framework

Introduction

2.1   Performance reporting mechanisms have enabled the Parliament and the public to better understand government operations and how public funds are spent to achieve the policy objectives of government. Over time, the focus has shifted from models which showed where funds were being sent, to models that gave a clearer picture of eventual outcomes resulting from the expenditure of public money.[1]

2.2   The first of these models was the Outcomes and Outputs Framework which was adopted from the 1999-2000 financial year until 2008-2009.[2]

Adoption of the Outcomes and Programs Framework

2.3   In 2005, the then Shadow Minister for Finance, Mr Lindsay Tanner MP, released a discussion paper, *Operation Sunlight: enhancing budgetary*

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1   ANAO Audit Report No. 5 2011-12, *Development and Implementation of Key Performance Indicators to Support the Outcomes and Programs Framework*, p. 13.

2   ANAO Audit Report No. 5 2011-12, p. 13.

transparency, which noted deficiencies in the Outcomes and Outputs Framework:

> The government's outcomes and outputs framework was intended to shift the focus of financial reporting from inputs (programs, expenses and recipients) to outputs and outcomes i.e. actual results. While this is worthy in theory, it has not worked. Basic information on inputs was lost in the changeover, and reporting of outcomes is seriously inadequate.[3]

2.4   Following a change of government in November 2007, the then Minister for Finance and Deregulation, the Hon Lindsay Tanner MP, requested that Australian Democrats Senator Andrew Murray undertake a review into the *Operation Sunlight* discussion paper. The subsequent report, known as the Murray Review, made 45 recommendations, including one which sought to improve reporting of government activity to the public by reporting expenditure at the program level. This recommendation was agreed to by the government, and the Outcomes and Programs Framework was developed. Amongst the key elements of this framework was the requirement for annual performance reporting on the delivery of programs and achievements against a set of Key Performance Indicators (KPIs).[4]

Key Performance Indicators

2.5   The purpose of KPIs within the Outcomes and Programs Framework is simple: to make available information that can provide an accurate but succinct performance story of the results of government actions. The Department of Finance and Deregulation (Finance) policy advises that this performance information should be able to be used by the public to ensure a government is living up to its commitments, used by the government to assess the performance of a program, and used by program investors to determine opportunities for program improvement or modification.[5]

2.6   To create a useful KPI, there are several methodologies that can be used. Ensuring KPIs fit the chosen methodology ensures they are of use to both the entity, and stakeholders who wish to use the KPIs to measure progress

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3   The Hon. Lindsay Tanner MP, *Operation Sunlight: enhancing budgetary transparency*, May 2007 (The discussion paper was revised and re-released several times between 2005 and 2008).

4   ANAO Audit Report No. 5 2011-12, pp. 36-37.

5   ANAO Audit Report No. 5 2011-12, p. 40.

through reporting mechanisms such as Portfolio Budget Statements (PBSs) and annual reports.

Linking KPIs to annual reports and PBSs

2.7   Under the Outcomes and Programs Framework, government entities are required to report against the approved list of programs for which they are responsible in PBSs and in their annual reports. Guidance to agencies for mandatory performance reporting notes that 'descriptions of processes and activities should be avoided. Rather, reporting should be aimed at providing an assessment of how far the agency has progressed towards outcomes.'[6]

2.8   KPIs should be drafted in a way that allows for direct comparison with data contained in PBSs and departmental annual reports. Providing the user with a 'clear read' through these documents constitutes best practice for government entities.

The ANAO Audit

Audit objectives and scope

2.9   The objective of this audit was to assess how effectively entities had developed and implemented appropriate KPIs to support stated program objectives. To address the audit objective, the Australian National Audit Office (ANAO):

- undertook a desktop review of the published effectiveness KPIs for 89 programs across 50 *Financial Management and Accountability Act* and *Commonwealth Authorities and Companies Act* entities within the General Government Sector;

- supplemented this desktop review with more detailed analysis of four entities—the Australian Customs and Border Protection Service (Customs); Fair Work Australia (FWA); the National Film and Sound Archive (NFSA); and the Department of Resources, Energy and

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6   Department of the Prime Minister and Cabinet, *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies*, 8 July 2011, p.6, http://www.dpmc.gov.au/guidelines/index.cfm (accessed 12 April 2012).

Tourism (RET)—including the reporting of performance in each entity's annual report; and

■ assessed the role of Finance in administering the Outcomes and Programs Framework, including the preparation of guidance material for entities.[7]

Overall audit conclusion

2.10   The ANAO concluded that many entities found it challenging to develop and implement KPIs that were effective in providing quantitative and measurable information to allow for an informed assessment and reporting of achievements against stated objectives.[8]

2.11   According to the audit report, entities tended to rely on qualitative effectiveness KPIs, which were difficult to measure. The ANAO suggested that qualitative indicators may be better used to supplement quantitative indicators, to provide insights into the factors responsible for the success or otherwise, of a program.[9]

2.12   The desktop review of 89 programs, across 50 entities in the General Government Sector, conducted by the ANAO found that many programs had KPIs that were one, several, or all of the following:

■ non-specific;

■ non measurable;

■ not clear as to whether they were achievable;

■ not relevant or not linked to program objectives; and

■ not timed.[10]

2.13   Overall, a third of the entities reviewed had effectiveness KPIs that were appropriate in terms of being specific, measurable, achievable, relevant and timed, a third were mixed (often differing significantly at the program level), and a third required much further development.[11]

2.14   Further, the ANAO found that performance information in many annual reports was not sufficient to allow external stakeholders to understand the

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7   ANAO Audit Report No. 5 2011-12, pp. 16-17.
8   ANAO Audit Report No. 5 2011-12, p. 17.
9   ANAO Audit Report No. 5 2011-12, p. 18.
10   ANAO Audit Report No. 5 2011-12, pp. 21-22.
11   ANAO Audit Report No. 5 2011-12, pp. 57-58.

progress being made by entities in meeting program objectives, and suggested that trend data would assist stakeholders in determining whether performance was better or worse than previous years.[12]

ANAO recommendations

Table 1   ANAO recommendations, Audit Report No.05 2011-12

1.	To develop more meaningful and measurable effectiveness Key Performance Indicators (KPIs), the ANAO recommends that entities build into their business planning processes the requirement to:
	• periodically review program objectives to provide assurance that they are clearly defined and well suited for their purpose; and
	• develop KPIs that have an appropriate emphasis on quantitative and measurable indicators, including targets.
	Customs, FWA, NFSA, RET response: *Agreed.*
2.	The collection and use of information on costs associated with the delivery of individual programs is an important component of the Government's Outcomes and Programs Framework. To support this reform the ANAO recommends that entities assess the extent that they currently use relevant costing information to identify program support costs, and take steps to allocate these costs to applicable programs.
	Customs, FWA, NFSA, RET response: *Agreed.*
3.	To ensure the ongoing currency and appropriateness of the Outcomes and Programs Framework, the ANAO recommends that the Department of Finance and Deregulation:
	• reviews the development and implementation of effectiveness KPIs to determine the extent to which expected improvements in the measurement and achievement of program objectives is being realised;
	• includes in its guidance to entities a suggested diagnostic tool and methodology, such as the SMART criteria, to further assist entities to review and evaluate the usefulness of their KPIs; and
	• develops more expansive policy guidance for entities on how to reference performance reporting for programs delivered through national agreements.
	Finance response: *Agreed-in-principle.*

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12   ANAO Audit Report No. 5 2011-12, p. 22.

The Committee's review

2.15   The Committee held a public hearing on Wednesday 29 February 2012
        with the following witnesses:

-   Australian National Audit Office

-   Department of Finance and Deregulation

2.16   The Committee took evidence on the following issues:

-   progress towards implementing ANAO recommendations

-   KPI methodologies

-   developing KPIs

-   linking KPIs in cross-agency projects

-   monitoring and review of KPIs, including the new role of the
    Auditor-General

-   KPI reporting of Federal-State agreements.

Progress towards implementing ANAO recommendations

2.17   The Committee asked Finance about progress being made towards
        implementing the recommendations made in the ANAO audit report.

2.18   Finance indicated that the findings of the audit were not a major surprise
        to the Department, as there had been conceptual and practical difficulties
        surrounding KPIs identified in the past.[13]

2.19   Finance advised that it had commenced a review of approximately 600 of
        the 5,500 KPIs reported in departmental Portfolio Budget Statements prior
        to the audit report, and that the findings of this review would enable
        further understanding of the issues identified by the ANAO in its report.
        Further, Finance advised that it planned to make recommendations to the
        Government to further improve the guidance it provided to entities in
        relation to KPIs.[14]

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13   Mr Stein Helgeby, Department of Finance and Deregulation, *Committee Hansard*, Canberra,
     29 February 2012, p. 2.
14   Mr Lembit Suur, Department of Finance and Deregulation, *Committee Hansard*, Canberra,
     29 February 2012, p. 2.

2.20   The ANAO noted that it was working with Finance to encourage the implementation of its recommendations and that Finance would receive full assistance in this matter from the ANAO.[15]

KPI methodologies

2.21   The purpose of KPIs within the Outcomes and Programs Framework is to provide information that can give an accurate but succinct performance story of the results of government actions. Policy provided by Finance advises that this performance information should be able to be used by the public to ensure a government is living up to its commitments, the government to assess the performance of a program, and program investors to determine opportunities for program improvement or modification.[16]

2.22   To ensure KPIs are able to allow for the measurement and assessment of the achievement of program objectives, it is important that they are drafted using a clear methodology. Drafting KPIs without using a clear methodology potentially leads to KPIs that do not enable comparison with a program's objectives, and its eventual outcomes.

2.23   Entities are required to report against the approved list of programs for which they are responsible in PBSs, and in their annual reports. Guidance to entities for mandatory performance reporting through annual reports notes that 'descriptions of processes and activities should be avoided. Rather, reporting should be aimed at providing an assessment of how far the agency has progressed towards outcomes.'[17]

2.24   There are several methodologies that can be used to create KPIs, with the ANAO referencing the use of the SMART criteria in its report.[18] The SMART criteria notes that KPIs must be:

- Specific – Clear and concise to avoid misinterpretation of what is to be achieved

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15   Mr Steve Chapman, Australian National Audit Office, *Committee Hansard*, Canberra, 29 February 2012, p. 3.

16   ANAO Audit Report No. 5 2011-12, p. 40.

17   Department of the Prime Minister and Cabinet, *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies*, 8 July 2011, p. 6. http://www.dpmc.gov.au/guidelines/docs/annual_report_requirements_2010-11_markedup.pdf (accessed 12 April 2012).

18   ANAO Audit Report No. 5 2011-12, p. 45.

- Measureable – Able to be quantified and compared to other data to show trends

- Achievable – Practical, reasonable and credible given expected conditions

- Relevant – Informative and useful to stakeholders

- Timed – Specifying a timeframe for achievement and measurement.

2.25   The audit found that Finance had removed references to the SMART criteria in its guidance to entities about the preparation of KPIs for the 2010-11 Budget and that guidance related to the development of KPIs was reduced in length and detail. The ANAO suggested, given responses by agencies in regard to the usefulness of guidance provided by Finance, that 'it would be beneficial if Finance revisited this previous guidance, and suggested a diagnostic tool and methodology'.[19]

2.26   Taking into consideration the audit report findings, the Committee enquired whether Finance had reintroduced the references to the SMART criteria in its latest advice to agencies, or if it had included alternative advice to assist agencies in the development of KPIs.

2.27   Finance replied that the removal of the SMART criteria had been part of an attempt to streamline the guidance provided to agencies. Finance agreed with the ANAO's finding that there was value in including a methodology in the guidance provided to entities and that the inclusion of a methodology or methodologies would form part of Finance's advice to entities in future.[20]

2.28   When pressed as to whether methodologies would form part of the advice provided by Finance to entities for the 2012-13 Budget, Finance noted that it would also take time for entities to familiarise themselves with the guidance provided, and that Finance planned to have guidance including methodologies for drafting KPIs out to agencies well in advance of the 2013-14 Budget.[21]

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19   ANAO Audit Report No. 5 2011-12, p. 80.

20   Mr Gareth Hall, Department of Finance and Deregulation, *Committee Hansard*, Canberra, 29 February 2012, p. 3.

21   Mr Gareth Hall, *Committee Hansard*, Canberra, 29 February 2012, p. 3.

Developing KPIs

2.29   Finance also provides support to entities in relation to Outcomes and
        Programs Framework reporting responsibilities through two key areas –
        the Budget Framework Branch (BFB) and Agency Advice Units (AAUs).

2.30   The Committee further examined the role played by Finance's BFB in the
        development of KPIs. The BFB develops and implements proposals to
        enhance and simplify aspects of financial frameworks, and provides
        guidance and advice on PBSs, performance measurement, and related
        reporting.

2.31   The Committee sought further clarification on the differences between the
        BFB and AAUs, with Finance advising:

>   [BFB] is responsible for the guidance that Finance produces on
>   how KPIs should be developed and how Portfolio Budget
>   Statements should be developed.

>   [AAUs] have a role in providing advice to government on costing
>   proposals but also on the opportunities related to new policy
>   proposals, costings and the like that present themselves at a
>   whole-of-government level.[22]

2.32   One of the roles of an AAU is to assist its related entities with the
        preparation of KPIs. A Finance memorandum circulated to all entities for
        the preparation of the 2010-11 PBSs advised:

>   Agencies need to advise their AAU in Finance if there are any
>   changes to their KPIs for information purposes so that trends can
>   be recorded. If a KPI changes from last year's budget of Portfolio
>   Additional Estimates Statements, agencies should footnote in the
>   KPI table, a summary of the change and whether they have met
>   the previous KPI at the program level.[23]

2.33   AAUs within Finance during the course of the audit advised that they
        often had not been contacted by entities planning to change or amend
        KPIs; and that AAUs did not review or otherwise assess the KPIs
        developed by entities.[24]

2.34   The Committee asked Finance whether AAUs should take more
        responsibility for reviewing and assessing KPIs developed by entities to

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22   Mr Gareth Hall, *Committee Hansard*, Canberra, 29 February 2012, p. 4.

23   ANAO Audit Report No. 5 2011-12, pp. 81-82

24   ANAO Audit Report No. 5 2011-12, p. 82.

ensure their appropriateness and whether they fit recognised methodologies.

2.35   Finance indicated that rather than identify a specific unit, it is preferable to look at the various issues and consider how the Department as a whole can contribute. Finance confirmed its commitment to improved agency interactions and support.[25]

2.36   Following the public hearing, the Committee sought additional advice from the ANAO and Finance as to how to ensure that the real world impact of Government programs is always judged.

2.37   Both the ANAO and Finance noted that some programs lend themselves to quantitative assessment; especially those with tangible products or that are quite specific and deal with only a single element of an issue. Examples include programs such as the provision of a specific training course to a set number of teachers or other products that focus on delivery of payments or grants.[26]

2.38   However, ANAO and Finance also noted it is much more challenging to measure performance where a program seeks to address less tangible areas, with complex and multi-factorial issues, such as homelessness or the decline of regional Australia.[27]

Linking KPIs in cross-agency projects

2.39   Finance guidance recommends that entities link program and budgetary reporting to programs in other Commonwealth entities that contribute to the same government objective. The audit found that linking of programs between entities was undertaken in different ways in different entities and no one common method of linking was evident.

2.40   The audit report notes:

> While responsibility for determining the most appropriate approach to coordinating programs rests with individual entities, more specific Finance guidance to entities on how to link similar programs that straddle a number of entities, but contribute to the same government objective, would be beneficial in promoting consistency.[28]

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25   Mr Stein Helgeby, *Committee Hansard*, Canberra, 29 February 2012, p. 4.
26   ANAO, Submission 2, p. 1; Department of Finance and Deregulation, Submission 3, p. 1.
27   ANAO, Submission 2, p. 1; Department of Finance and Deregulation, Submission 3, p. 1.
28   ANAO Audit Report No. 5 2011-12, p. 83.

2.41   Noting its ongoing interest in this area, the Committee asked whether
        Finance had made any decision to provide more specific guidance to
        entities on how to link similar programs that extend over a number of
        entities but contribute to the same government objective.

2.42   Finance noted the difficulties in linking KPIs in cross-agency projects,
        identifying it as a broader issue on how accountability works, and how
        reporting takes place. Finance indicated that there was a broader
        structural and framework dimension to the issue, as it also required
        connections across PBSs.[29]

Monitoring and review of KPIs

2.43   The ANAO emphasised the importance of agencies taking a strategic
        approach to the selection of KPIs that provide information that will assist
        in the evaluation of program performance over time. The ANAO also
        suggested a higher profile be given to the importance of agencies
        undertaking periodic program evaluation, as a way to encourage agencies
        to focus on KPI development in the program design phase.[30]

2.44   Finance summarised the way forward noting that:

>   To help ensure that we are in the best position to judge the
>   real-world impact of government programs we need to be able to
>   both (a) assess the performance and effectiveness of programs, and
>   (b) undertake effective whole-of-government coordination and
>   implementation.[31]

2.45   Finance also advised that several pieces of work are underway, including
        a review of the Key Performance Indicators of Commonwealth programs
        to inform the development of meaningful advice and ensure KPIs are
        incorporated within a 'coherent reporting framework'.[32]

2.46   In addition, recent amendments to the *Auditor-General Act 1997* have given
        the Auditor-General the power to undertake audits of KPIs as presented in
        an agency's Portfolio Budget Statements. In its appearance before the
        Committee, the ANAO noted that a project plan had been developed to
        undertake a pilot audit of a selection of agencies, with a view to the

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29   Mr Stein Helgeby, *Committee Hansard*, Canberra, 29 February 2012, p. 4.
30   ANAO, Submission 2, pp. 1-2.
31   Department of Finance and Deregulation, Submission 3, p. 1.
32   Department of Finance and Deregulation, Submission 3, p. 1.

findings informing the development of the ANAO's KPI audit
methodology. [33]

2.47   The ANAO also advised that it has been working with Finance to ensure
        the audit processes align with developments of the framework.

> It is envisaged that this relationship will provide some additional
> synergy in the enhancement of the performance information to the
> parliament and the public. [34]

KPI reporting of Federal-State agreements

2.48   The Committee has previously looked into the reporting of outcomes
        obtained from programs funded through COAG arrangements,
        recommending that the Department of the Prime Minister and Cabinet
        and other central agencies investigate steps to ensure PBSs and annual
        reports provide a more comprehensive picture of the performance and
        outcomes of projects funded under national partnerships across
        government. [35]

2.49   The audit report indicated that payments to State and Territory
        governments for the delivery of programs funded under COAG
        arrangements are included in the Treasury's PBSs, and Treasury does have
        some KPIs associated with these payments. However, the report also
        noted that Treasury KPIs relating to these payments were solely
        concerned with the process of providing payments, rather than measuring
        the objectives associated with the programs for which the payments are
        made.

2.50   Finance's guidelines indicate that Commonwealth entities affected by
        Federal Financial Relations should expand any non-financial information
        provided for the planned performance of the programs, and to link or
        cross-reference to programs where payments are made by Treasury. [36]

2.51   The audit found that there is currently only limited guidance for entities
        on how to incorporate the performance of programs funded under
        national agreements into PBSs and annual reports. Further, there was
        variability in the way entities included KPIs for those programs in their

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33   Mr Steve Chapman, *Committee Hansard*, Canberra, 29 February 2012, p. 1.

34   Mr Steve Chapman, *Committee Hansard*, Canberra, 29 February 2012, p. 1.

35   Joint Committee of Public Accounts and Audit, Report 427: *Inquiry Into National Funding
      Agreements* p.67.

36   ANAO Audit Report No. 5 2011-12, p. 86.

own PBS, with reporting either at a very high level or in some cases non-existent.[37]

2.52   Finance noted that it had commenced discussions with the Department of the Prime Minister and Cabinet, the department responsible for guidance related to annual reports, expressing optimism that there would be opportunities to improve reporting on the performance of national agreements through both PBSs and annual reports.[38]

2.53   In an answer to a question on notice, Finance noted it was still 'exploring options' to align performance reporting information in the National Agreements of the Intergovernmental Agreement on Federal Financial Relations Framework with the PBSs to assist in establishing a 'clear read' between documents.[39]

Committee comment

2.54   Taking into consideration the findings in the audit report and the evidence provided by the ANAO and Finance, the Committee raises the following issues for attention:

- guidance provided by Finance to entities to develop and report against KPIs has been reduced in detail over recent years;

- while Finance recommends that entities link program and budgetary reporting to programs in other Commonwealth entities that contribute to the same government objective, there is no common method of linking;

- current communication practices between agencies and their relevant AAUs in Finance has resulted in sub-optimal outcomes for both agencies and AAUs; and

- there is only limited guidance for entities on how to incorporate the performance of programs funded under national agreements into PBSs and annual reports.

2.55   The conclusions made by the ANAO through its audit report suggest that better information needs to be made available to entities by Finance to

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37   ANAO Audit Report No. 5 2011-12, p. 87.

38   Mr Gareth Hall, *Committee Hansard*, Canberra, 29 February 2012, p. 2.

39   Department of Finance and Deregulation, Submission 3, p. 1

improve the quality of KPIs developed by entities, and that entities need to more clearly consider that their KPIs should be measured against their annual reports and PBSs.

2.56   The Committee notes the comment made by Finance that the findings of the audit did not come as a surprise to the Department. However, if this is the case, Finance should have been able to provide advice to the ANAO that it was doing more to rectify the perceived problems prior to the ANAO concluding its audit.

Development of KPIs

2.57   The removal of detailed guidance that was previously provided by Finance to entities to assist them in the preparation of KPIs is an issue of some concern to the Committee. A reduction in guidance can be warranted if the guidance is no longer relevant, or creates ambiguity or confusion. However, this justification does not seem evident in the removal of a suggested methodology for the drafting of KPIs.

2.58   The Committee considers it prudent to reinstate KPI methodologies in the Finance guidance provided to agencies as soon as practicable to ensure that KPIs are fit for purpose. Based on the findings in the ANAO report and evidence heard, the Committee is of the view that clear methodologies presented to agencies would provide a tool to improve the quality and usefulness of KPIs.

2.59   The Committee notes Finance's comment that one methodology may not suit all circumstances.[40] However, providing at least an option for a structured starting point may be helpful to agencies.

Recommendation 1

That the Department of Finance and Deregulation include at least one recognised Key Performance Indicator methodology in its written guidance to government entities about the preparation of Key Performance Indicators.

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40   Mr Gareth Hall, *Committee Hansard*, Canberra, 29 February 2012, p. 3.

2.60   To ensure that appropriate methodologies are used, and to assist in a clear
        read over time, entities should explicitly state which methodology has
        been used for the drafting of each KPI.

Recommendation 2

The Joint Committee of Public Accounts and Audit recommends that:

- **the Department of Finance and Deregulation provide advice to
  all government entities that when providing new or amended
  Key Performance Indicators (KPIs) to their relevant Agency
  Advice Unit, the methodology used in the preparation of the
  KPIs must also be available for review; and**

- **Finance consult with the Department of the Prime Minister and
  Cabinet to consider a requirement for agencies to state the 'KPI
  methodology used' in their annual reports.**

Communication and engagement

2.61   Evidence contained in the audit report and discussed at the Committee's
        public hearing suggested the relationship between an entity and its
        relevant AAU generally relied upon the entity providing information to
        the AAU.

2.62   While the Committee agrees that Finance as a whole can help to improve
        entities performance through better interactions, it is clear that
        relationships between entities and their relevant AAUs requires improved
        communication and interaction, and a more proactive stance on the part of
        Finance. Given AAUs are often not contacted when an entity chooses to
        change or amend a KPI, it is clear that some entities are unaware of the
        assistance Finance can provide in this area.

2.63   While an AAU is primarily required to provide advice to an entity when
        advice is sought, it should also be looking to ensure that entities are
        meeting their requirements. That AAUs play no detailed role in reviewing
        and assessing KPIs is perhaps understandable given the autonomous
        nature of entities, however, there is a role here for Finance to play should
        an entity require advice. Further, AAUs should be examining KPIs when
        they are submitted, checking that they fit an agreed methodology, and
        that they enable clear comparison with an entity's PBS and annual report.

2.64   The Committee is somewhat heartened by evidence provided by Finance in the review of other audit reports that Finance is beginning to proactively engage agencies, but special attention needs to be paid to the role AAUs can play in ensuring agencies meet their obligations.

Progress

2.65   The Committee notes the review currently being undertaken into approximately 10 per cent of the total number of KPIs currently active in the Australian Public Service and believes the findings of this review will enable Finance to better engage entities that are currently not preparing KPIs that conform to best practice.

2.66   The opportunity this review presents for Finance also extends to an opportunity to improve interaction between Finance and entities. The Committee believes that once entities with KPIs that do not conform to best practice have been identified by Finance, they should be directly engaged by the relevant AAU to improve the quality of their KPIs. These agencies should then be reassessed by Finance in the following financial year to determine whether improvements have been made following assistance by Finance.

2.67   The Committee is encouraged that there will be improvements in the KPIs of entities, as it is clear that both the ANAO and Finance are committed to working together to improve outcomes in this area. Full support and implementation of the ANAO recommendations and the subsequent recommendations by this Committee will further enhance improvements.

2.68   Giving the Auditor-General the power to assess KPIs through the audit process should allow for detailed and targeted assessment of entities that have systemic difficulties in drafting KPIs that allow for clear comparison with PBSs and departmental annual reports.

2.69   The Committee believes the Auditor-General's first pilot audit into the KPIs of a selection of agencies will provide a 'real world' view of Finance's implementation of the recommendations. However, the Committee would like additional information detailing the integration of the development of KPIs for inclusion in PBSs, reporting in agency annual reports and KPI audits being undertaken by the ANAO.

2.70   The Committee notes work is being done to align performance reporting information in the National Agreements of the Intergovernmental Agreement on Federal Financial Relations Framework with the PBSs, although this appears to be in its early stages.

2.71   Further, the Committee wishes to re-emphasise the findings of its inquiry
        into national funding agreements, which found that development of KPIs
        had been poor, and that better quality data was needed to ensure the
        development of effective KPIs. The Committee notes that little progress
        has been made on this issue, as evidenced by the findings of several
        COAG Reform Council reports[41] and believes that more needs to be done
        by governments at all levels to address this issue.

2.72   While the Committee was pleased to hear about the work being done by
        Finance and ANAO to improve in this area, a lot of it is still conceptual,
        and the Committee wishes to see Finance take ownership of this issue
        with a sense of urgency. As such, the Committee would like to receive a
        progress report with detailed evidence of practical change.

Recommendation 3

**That the Department of Finance and Deregulation, in consultation with
the ANAO, report to the Joint Committee of Public Accounts and Audit
in six months from the tabling of this report on:**

- **progress being made on guidance for agencies to improve the
  development and integration of effective Key Performance
  Indicators (KPIs) in program design, Portfolio Budget
  Statements, and annual reports;**

- **improvements to the KPI guidance aimed to enhance
  cross-agency and cross-jurisdictional KPI development, use
  and reporting; and**

- **how the ANAO's audit methodology is envisaged to fit within
  and support the overall KPI framework, and support ongoing
  policy enhancements.**

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41   COAG Reform Council, COAG Reform Agenda: Report on Progress 2011, pp. 106-107,
     COAG Reform Council, COAG Reform Agenda: Report on Progress 2010, p. 62.

3

Audit Report No.7 2011-12

Establishment, Implementation and Administration of the Infrastructure Employment Projects Stream of the Jobs Fund

Introduction

3.1 The Infrastructure Employment Projects (IEP) stream of the Jobs Fund was one of the fiscal measures implemented by the Australian Government to support employment and economic recovery in response to the Global Financial Crisis (GFC). Funding was to be made available for the construction of local infrastructure that would create immediate jobs in communities most affected by the GFC.[1]

3.2 A total of $650 million was committed to three integrated components of the Jobs Fund:

- $300 million for the Local Jobs stream;

- $200 million for the Get Communities Working stream; and

- $150m for the IEP stream.[2]

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1 ANAO Audit Report No.07 2011-12, *Establishment, Implementation and Administration of the Infrastructure Employments Projects Stream of the Jobs Fund*, p. 13.

2 ANAO Audit Report No.07 2011-12, p. 13.

3.3   In April 2009, the Department of Education, Employment and Workplace
        Relations (DEEWR) published a set of guidelines with a common set of
        criteria for all funding steams. The guidelines stated that projects were to
        be in areas of high unemployment or vulnerability, ready to start, and not
        need funding post 30 June 2011.[3]

Project establishment

3.4   As part of its response to the GFC, the Government agreed to measures
        related to identification of, and quick interventions in, regions of rising
        unemployment – Priority Employment Areas. DEEWR had proposed 20
        areas that on the basis of analysis across a range of 25 indicators were
        likely to experience labour market disadvantage and deterioration as a
        result of the global recession.[4]

3.5   Subsequent Government announcements were made identifying the
        Priority Employment Areas and that Local Employment Coordinators
        (LECs) were to be engaged in these areas to 'ensure opportunities
        provided by government programs and the private sector were used to
        boost the local economy'.[5]

3.6   The Jobs Fund was established as a two-year executive grant scheme.
        Administration was to be shared between four agencies.[6] While DEEWR
        was the lead agency for the administration of the Jobs Fund, the program
        guidelines indicated that the IEP stream would be principally
        administered by the then Department of Infrastructure, Transport,
        Regional Development and Local Government (DITRDLG).[7]

3.7   The IEP stream applications were to be initiated by the Australian
        Government, with the then DITRDLG responsible for assessing identified
        projects and providing advice to the then Minister for Infrastructure,
        Transport, Regional Development and Local Government.[8]

Project initiation

3.8   While the published program guidelines acknowledged that IEP stream
        projects would be initiated by Government, there were provisions for

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3   ANAO Audit Report No.07 2011-12, pp. 13-14.
4   ANAO Audit Report No.07 2011-12, pp. 58-60.
5   ANAO Audit Report No.07 2011-12, p. 15.
6   ANAO Audit Report No.07 2011-12, pp. 42-45.
7   ANAO Audit Report No.07 2011-12, p. 15.
8   ANAO Audit Report No.07 2011-12, pp. 14-16.

LECs to submit projects for IEP funding consideration. The Australian National Audit Office (ANAO) sought input from LECs as to whether they had been engaged by the Government to assist in identifying suitable projects. Findings indicated that LECs had not been invited to submit projects, and on at least one occasional when a project was submitted, the LEC was provided with the pro forma text as follows:

> There is no application process for IEP. Projects will be initiated by the Australian Government and jointly funded with state and territory and/or local governments.[9]

Project assessments and approvals

3.9   In accordance with the grants administration framework, agencies are required to provide advice to the Minister on the merits of proposed grants and a clear recommendation as to whether or not funding should be approved.[10]

3.10   The ANAO found that Infrastructure's procedure manual provided for a two-stage assessment process: an initial appraisal of a project concept; and a full assessment against the Jobs Fund Gateway criteria and target areas.[11]

Program status

3.11   Over the two years between July 2009 and June 2011 (the original program timeframe), 19 projects were initiated for consideration of possible IEP stream funding. In July 2010, the end date for expenditure under the IEP stream was extended to 30 June 2012. When the program was closed to new projects on 30 June 2011, 12 of the 19 initiated projects had been approved by the Infrastructure Minister, with total approved funding of some $82.7 million.[12]

3.12   As at 1 February 2012, according to the Infrastructure website seven projects had been completed, five projects were underway and two were still under consideration.[13]

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9   Audit Report No.07 2011-12, pp. 91-93.

10   Audit Report No.07 2011-12, p. 141.

11   Audit Report No.07 2011-12, pp. 141-142.

12   Audit Report No.07 2011-12, pp. 16-18.

13   Department of Infrastructure and Transport (Infrastructure), *Infrastructure Employment Projects*, http://www.infrastructure.gov.au/infrastructure/employment/index.aspx accessed on 1 February 2012

Grant guidance and support for agencies

3.13   The Department of Finance and Deregulation (Finance) produces a range of guidance material to help agencies comply with financial management and accountability requirements. For grants, this includes the Commonwealth Grant Guidelines (CGGs). The CGGs establish the grants policy framework, within which agencies determine their own specific grants administration practices, and contain both mandatory and suggested best practice guidance.[14]

3.14   Complementing the CGGs, the ANAO produces a Better Practice Guide – Implementing Better Practice Grants Administration.[15] The ANAO notes that:

> The primary objective is to implement a process by which projects most likely to contribute to the cost-effective achievement of the program objectives will be consistently and transparently selected for funding consideration. In this respect, the CGGs outline that, unless specifically agreed otherwise, competitive, merit based selection processes should be used, based upon clearly defined selection criteria.[16]

3.15   The ANAO noted that it remains quite common for grant programs to operate through non-competitive processes.[17]

3.16   Both Finance and ANAO emphasise the importance of probity and transparency in grants administration process, specifically in terms of articulating and documenting the process for identifying funding candidates prior to program commencement, and then ensuring consistent application.[18] Chapter 4 of this report provides further scrutiny of Australian Government agency grant administration practices.

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14   Department of Finance and Deregulation (Finance), *Commonwealth Grant Guidelines*, http://www.finance.gov.au/financial-framework/financial-management-policy-guidance/grants.html, accessed on 1 February 2012.

15   Available at http://www.anao.gov.au/~/media/Uploads/Documents/implementing_better_practice_grants_administration_june2010.pdf.

16   ANAO Audit Report No.07 2011-12, pp. 82-82.

17   ANAO Audit Report No.07 2011-12, p. 23.

18   ANAO Audit Report No.07 2011-12, pp. 82-83.

JCPAA's previous scrutiny of the Infrastructure Portfolio

3.17   As part of the 2010-11 Review of Auditor-General's Reports, the JCPAA
        reviewed:

        ■ Audit Report No. 02 2010-11, *Conduct by Infrastructure Australia of the
          First National Infrastructure Audit and Development of the Infrastructure
          Priority List*; and

        ■ Audit Report No. 03 2010-11, *The Establishment, Implementation and
          Administration of the Strategic Projects Component of the Regional and Local
          Community Infrastructure Program.*

3.18   The JCPAA's comments in its report on these audits raised significant
        concerns about transparency with the decision-making process for
        selection of projects. In the case of Audit Report No.03, the following
        comment was included:

> …if the Committee finds similar failings in grants administration
> in the future, either in this Department or across the APS more
> broadly, it will not look on the findings favourably.
>
> …
>
> The Committee accepts the reassurance from the ANAO that the
> recommendations from this audit have been largely implemented
> but reiterates its ongoing concern with the recurring difficulties
> identified by the ANAO in grants administration more broadly.[19]

The ANAO Audit

Audit objectives and scope

3.19   The audit's objective was to assess the efficiency and effectiveness of the
        establishment, implementation and administration of the IEP stream of the
        Jobs Fund, focusing on the establishment of program objectives and the
        extent to which grants have demonstrably contributed to the cost-effective
        achievement of those objectives.[20]

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19   Joint Committee of Public Accounts and Audit, *Report 423 - Review of Auditor-General's Reports
     Nos 39 2009-10 to 15 2010-11*, pp. 47-49.
20   ANAO Audit Report No.07 2011-12, p. 48.

3.20   The Audit Report noted an emphasis was given to examining whether the
        IEP stream was achieving its stated objectives and providing value for
        public money. Areas of particular focus for the audit included:

- advice provided to government from relevant departments on the
  design and implementation of the program;

- the business practices of Infrastructure and other relevant departments;

- identification, assessment and approval for funding in accordance with
  the principles outlined in the CGGs, as well as the published program
  guidelines;

- establishment of appropriate funding arrangements; and

- arrangements for monitoring, delivery and reconciliation in accordance
  with the terms and conditions of funding.[21]

Overall audit conclusion

3.21   The ANAO concluded that the policy development for the Jobs Fund and
        aspects of the program design were undertaken effectively, with the
        necessary urgency required for the stimulus measure. However, there
        were shortcomings in designing and implementing a process for
        identifying and assessing proposed projects, which meant that overall the
        IEP stream did not achieve the economic stimulus objectives set for it in
        the allotted timeframe.[22]

3.22   Noting that robust planning and design is one of the key principles set out
        in the CGGs, the ANAO found that there were some well-designed
        aspects of the IEP stream of the Jobs Fund. This included: the analysis
        undertaken by DEEWR, as the lead policy agency; and that program
        guidelines were developed by agencies and published.[23]

3.23   However, the ANAO considered that the IEP guidelines were not
        sufficiently robust, particularly in terms of outlining the project initiation
        process and criteria against which proposals would be assessed, and
        critically there was no explicit statement of requirement that value for
        money was expected to underpin the assessment process.[24]

21   ANAO Audit Report No.07 2011-12, pp. 51-52.
22   ANAO Audit Report No.07 2011-12, p. 19.
23   ANAO Audit Report No.07 2011-12, pp. 80-81.
24   ANAO Audit Report No.07 2011-12, p. 81.

3.24   A decision was taken that project identification under the IEP stream
        would operate through a non-competitive and closed process, and the
        published program guidelines stated that projects would be 'initiated' by
        the Australian Government. However, the guidelines did not outline how
        potential projects would be identified.[25]

3.25   As the projects were to be initiated by the Government, Infrastructure
        considered it did not have a role in assisting the Government to identify
        potential projects for funding. Infrastructure's narrow view of its role was
        not consistent with the requirements of the grants administration
        framework set out in the CGGs.[26]

3.26   In practice, the Department only responded to referrals from the Minister
        or his Office. Infrastructure did not analyse each proposal's overall quality
        for contributing to the program objectives. Rankings, comparative merits,
        and recommendations relative to the program guidelines were not
        provided by the Department.[27]

3.27   The ANAO considers that the projects approved for funding and
        contracted for delivery will provide benefits through the delivery of
        community infrastructure. Infrastructure has implemented effective
        project monitoring procedures, and many of the projects have proceeded
        broadly in accordance with the projected timeframe and funding
        envelope. But delays in projects being initiated for funding and delays in
        the signing of funding agreements diminished the program's ability to
        provide timely economic stimulus.[28]

3.28   The delays resulted in a decision being made in July 2010 to move the
        program end date out from 30 June 2011 to 30 June 2012.[29] The ANAO
        noted that by the program's original end date, 38 per cent of available
        funding remained uncontracted. Significant rephasings resulted, with the
        majority of the expenditure now budgeted to occur in the third year.[30]

3.29   The ANAO concluded

        …it was not until August 2010 that any project proponent reported
        to Infrastructure that an IEP stream project had created or retained
        any jobs. As none of the approved and contracted projects are

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25   ANAO Audit Report No.07 2011-12, p. 136.
26   ANAO Audit Report No.07 2011-12, pp. 20-21.
27   ANAO Audit Report No.07 2011-12, p. 20.
28   ANAO Audit Report No.07 2011-12, pp. 204-205.
29   ANAO Audit Report No.07 2011-12, p. 178.
30   ANAO Audit Report No.07 2011-12, p. 205.

located in a Priority Employment Area, the IEP stream has made
no contribution to addressing employment challenges in those
areas identified by DEEWR as those regions with labour markets
which were likely to experience labour market disadvantage and
deterioration as a result of the global recession.[31]

ANAO recommendations

Table 2   ANAO recommendations, Audit Report No.07 2011-12

1.	ANAO recommends that, in administering grant programs that do not involve an open call for applications, the Department of Infrastructure and Transport develop, for consideration by the responsible Minister, an implementation strategy that clearly identifies the avenues through which candidate projects are able to be identified, and the department's role in this process. **Infrastructure response:** *Agreed.*
2.	ANAO recommends that the Department of Finance and Deregulation improve its existing guidance on grants administration so as to promote the effective application of the seven key principles outlined in the Commonwealth Grants Guidelines to all forms of granting, including where a grant program operates through a non-competitive and/or a non-applications based process. **Finance response:** *Agreed.*

The Committee's review

3.30   The Committee held a public hearing on Wednesday 8 February 2012,
        with the following witnesses:

- Australian National Audit Office

- Department of Infrastructure and Transport

- Department of Finance and Deregulation

3.31   The Committee took evidence on the following issues:

- Infrastructure's response history

- IEP stream of the Jobs Fund

  ⇒ Local Employment Coordinators

  ⇒ Priority Employment Areas

  ⇒ job creation

  ⇒ project delays

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31   ANAO Audit Report No.07 2011-12, p. 206.

> ⇒ engagement with the Minister's Office

> ⇒ project assessment

- Commonwealth Grant Guidelines

- departmental guidance and training.

Infrastructure's response history

3.32   In an attempt to gain a more complete understanding of issues
        surrounding this audit and to seek administrative efficiencies, the
        Committee took note of responses to Questions on Notice, taken by the
        Department of Infrastructure and Transport at the October 2011
        Supplementary Senate Estimates hearing, in relation to this audit report.

3.33   The Committee suggested that the responses appeared inadequate, and
        asked Infrastructure to comment as to whether it considered the questions
        had been responded to in a full and comprehensive way.

3.34   Department representatives were unable to recall providing responses to
        the Senate Estimates Questions on Notice, but took on notice to check and
        comment on the completeness of any responses.[32]

3.35   The subsequent response from the Department acknowledged the Senate
        Estimates responses, but failed to include any additional commentary,
        thus leaving the original question largely unanswered.[33]

3.36   Further, because the Department of Infrastructure and Transport provides
        support to Infrastructure Australia, the Committee took the opportunity to
        follow up on an outstanding Government Response to the
        infrastructure-related recommendations in JCPAA Report No. 423.

3.37   The Department took on notice to follow up with the Infrastructure
        Coordinator and remind him of his obligations to respond. To date, a
        response has not been received in regard to this matter from either the
        Department or the Infrastructure Coordinator.

IEP stream of the Jobs Fund

3.38   The overall objective of the Jobs Fund was to help support local jobs and
        training through community projects in regions hardest hit by the

32   Ms Lyn O'Connell, Infrastructure, *Committee Hansard*, Canberra, 8 February 2012, p. 3.
33   Infrastructure, *Submission 4*, (Review of Auditor-General's Reports Nos. 47 (2010-11) to 9
     (2011-12)), p. 1.

economic downturn. In announcing the Fund, the Government stated that an Infrastructure Employment Projects component was to be established to fund local infrastructure projects 'that will create immediate jobs in communities affected by the global economic downturn'.[34]

3.39   In the opening statements of both the Department of Infrastructure and Transport[35] and the Auditor-General, there was agreement that the projects selected were to provide both employment and infrastructure. However, the Auditor-General highlighted that 'the IEP stream did not achieve the program's economic stimulus objectives within the anticipated timeframe'.[36]

Local Employment Coordinators

3.40   According to the ANAO report, despite the Jobs Fund guidelines envisaging such a role[37], no attempts were made to involve the LECs located in Priority Employment Areas in assisting with identification of candidate projects for the IEP stream.[38]

3.41   The Department's response to the Committee's question as to why no attempt had been made to involve the valuable on-the-ground resource pool of LECs was that it was not a requirement under the guidelines. Instead, the Department noted that 'the Government wanted the flexibility to be able to identify projects'[39], and therefore it was 'important that the design of the program was not restricted to Priority Employment Areas'.[40]

Priority Employment Areas

3.42   By way of further explanation, the Department advised that one of the three gateway criteria was that projects must be in areas 'experiencing

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34   [then] Prime Minister, the Hon Kevin Rudd MP, the Hon Julia Gillard MP, [then] Deputy Prime Minister and Minister for Employment and Workplace Relations and the Hon Brendan O'Connor MP, [then] Minister for Employment Participation, 'Fund to support jobs, build skills and community infrastructure', Joint Media Release, 5 April 2009.

35   Ms O'Connell, *Committee Hansard*, Canberra, 8 February 2012, p. 1.

36   Mr Ian McPhee, Auditor-General, *Submission 1*, p. 1.

37   Jobs Fund Guidelines http://www.regional.gov.au/regional/files/Jobs_Fund_Guidelines_Approved.pdf, accessed 2 April 2012.

38   ANAO Audit Report No.07 2011-12, pp. 139-140.

39   Mr Andrew Jaggers, Infrastructure, *Committee Hansard*, Canberra, 8 February 2012, p. 6.

40   Ms O'Connell, *Committee Hansard*, Canberra, 8 February 2012, p. 9.

high unemployment, a significant rise in unemployment or vulnerability',
and by their consideration the projects funded met this criterion.[41]

3.43   The Committee discussed the similarity between the definition of a
       Priority Employment Area and the gateway criterion, noting that none of
       the projects were located in any one of the 20 designated areas.

3.44   Infrastructure explained that the method of project selection, whereby
       projects were to be identified by the Government, was to provide the
       Government with flexibility to respond to events or representations.
       Examples provided include:

       ■ Fitzgerald River National Park road upgrade and walking trail –
         approach by the Western Australian government, after a nickel mine
         closure in Ravensthorpe in Western Australia;[42]

       ■ Hobart Tennis Centre – at risk of losing an international tennis event
         unless the project was initiated and delivered;[43]

       ■ Wayside Chapel – representation 'directly sponsored from the
         Wayside Chapel' to improve community infrastructure.[44]

3.45   While noting these are worthy projects, the Committee was left with the
       impression that flexibility was more important than maximising job
       outcomes in areas that had been previously identified as Priority
       Employment Areas. Further, the Committee noted that the Hobart Tennis
       Centre and the Fitzgerald River National Park projects may have retained
       jobs, but there was no evidence to indicate job creation.

Job creation

3.46   The Government announced the Jobs Fund as a mechanism to 'create
       immediate jobs in communities affected by the global economic
       downturn'.[45] Yet the ANAO reported that no jobs were reported as
       created or retained until August 2010. Further, the Department had not
       sought to undertake an evaluation and noted in response to the ANAO

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41   Ms O'Connell, *Committee Hansard*, Canberra, 8 February 2012, p. 6.

42   Mr Jaggers, *Committee Hansard*, Canberra, 8 February 2012, p. 7.

43   Ms O'Connell, *Committee Hansard*, Canberra, 8 February 2012, p. 8.

44   Ms O'Connell, *Committee Hansard*, Canberra, 8 February 2012, p. 7.

45   Joint Media Release with [then] Prime Minister Kevin Rudd and the Hon Brendan O'Connor
     MP, [then] Minister for Employment Participation, 5 April 2009,
     http://ministers.deewr.gov.au/gillard/fund-support-jobs-build-skills-and-community-
     infrastructure

that while employment outcomes were an important component, this was 'not of greater consideration than the construction of infrastructure…'[46]

3.47   As this seemed in contrast to the stated objective of the program, the Committee sought clarification as to whether any jobs had been reported as created within the first twelve months of the program.

3.48   Infrastructure advised that for the 12 projects, 2,749 people were directly employed during the construction period. However the Department was unable to confirm whether this was during the first year of the program. In terms of the first year, the Department said it did not ask for job numbers to be reported, but that it was aware of jobs that were retained.

3.49   Noting it did not have on hand data to say when people were working, the Department took on notice to respond and also advise when a request was issued for job numbers to be provided by project funding recipients.

3.50   The response the Department provided to the Question on Notice was again inadequate. It did not include any details on numbers or dates, instead providing a broad statement

> The Department received job estimates from all applicants as part of the assessment and decision making process. Reporting on jobs was required at the relevant milestones once funding agreements were signed.[47]

Project delays

3.51   According to the ANAO Audit Report, 'timely stimulus was impeded by the considerable delays that occurred in developing a pool of candidate projects for funding consideration'.[48] Supporting this view, the Auditor-General highlighted the importance of well-targeted and timely implementation to achieve the maximum stimulus effect for communities most in need.[49]

3.52   The Department acknowledged the delays, but did not address the impact on the objective of 'immediate job creation'.

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46   ANAO Audit Report No.07 2011-12, pp. 202-203.
47   Infrastructure, *Submission 4*, (Review of Auditor-General's Reports Nos. 47 (2010-11) to 9 (2011-12)), p. 2.
48   ANAO Audit Report No.07 2011-12, p. 20.
49   Mr McPhee, Auditor-General, *Submission 1*, p. 1.

Engagement with the Minister's Office

3.53   The ANAO's report raised concerns that, in contrast to the requirements outlined in the grants administration framework, the Department took a 'quite narrow view of its role in the administration of this program'.[50]

3.54   The Auditor-General reiterated the audit findings noting the importance of developing and agreeing an implementation strategy with the relevant minister's office.[51]

3.55   The Committee sought to explore this, asking why the Department did not advise or assist the Minister with the early identification and targeting of promising projects.

3.56   The Department attempted to refocus the discussion on the ANAO's recognition in the report that:

> once the relevant [funding] agreements were in place, the department implemented effective procedures to monitor project commencement and progress as reported to it by the funding recipient. In addition, the funding arrangements and agreements adopted by the department reflected the importance of balancing both the economic stimulus and job creation with that of protecting the Commonwealth's interest in ensuring infrastructure is delivered.[52]

3.57   However, this statement did not address the Committee's question and further, it failed to encompass the ANAO's additional comment that 'overall, the IEP stream has not provided the planned level of stimulus in the timeframe that had been budgeted'.[53]

3.58   The Committee drew the Department's attention back to the question asked in regard to identification of projects, and whether the Department considered a more proactive approach may have been preferable.

3.59   Infrastructure advised that once a project was identified, the Department assessed it against the targets set under the guidelines. Advice was provided to the Minister in relation to how the candidate project fitted within target areas and whether the project met the gateway criteria.

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50   ANAO Audit Report No.07 2011-12, pp. 20-21.
51   Mr McPhee, Auditor-General, *Submission 1*, pp. 1-2.
52   Ms O'Connell, *Committee Hansard*, Canberra, 8 February 2012, p. 5.
53   ANAO Audit Report No.07 2011-12, p. 205.

> In the case of all 12 projects that were approved by the Minister, the Department advised that they did meet the criteria and provided implementation advice to the Minister.[54]

3.60   Infrastructure acknowledged the ANAO's findings and concurred with the Committee's view that:

  ■ an implementation strategy that included how projects would be identified should have been developed and agreed with the Minister; and

  ■ the Department should have taken a more proactive role in project identification.[55]

3.61   Further, the Department undertook to ensure implementation plans are prepared for future programs.[56]

Project assessment

3.62   The ANAO reported that the Department focused on a project meeting the minimum threshold of the Jobs Fund gateway criteria, rather than taking the opportunity to identify proposals 'that could be expected to best promote achievement of the Jobs Fund program outcomes'.[57]

3.63   Further the ANAO identified that in the case of four projects, including the Wayside Chapel, the Department advised the Minister that the unemployment gateway criterion could be met by considering 'vulnerability in the construction industry more generally'.[58]

3.64   The Committee questioned why the Wayside Chapel was selected, asking whether it won out over other projects based on an opportunity to maximise a jobs outcome.

3.65   Exemplifying the ANAO's findings that the Department did not use the initial assessment stage to identify proposals that appeared likely to meet the gateway criteria and the program's objectives to a high standard, the Department's advised that due to the non-competitive process, projects such as Wayside Chapel were only required to 'meet the gateway criteria'.[59]

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54   Mr Jaggers, *Committee Hansard*, Canberra, 8 February 2012, p. 5.
55   Ms O'Connell, *Committee Hansard*, Canberra, 8 February 2012, p. 6.
56   Ms O'Connell, *Committee Hansard*, Canberra, 8 February 2012, p. 6.
57   ANAO Audit Report No.07 2011-12, p. 149.
58   ANAO Audit Report No.07 2011-12, p. 170.
59   Ms O'Connell, *Committee Hansard*, Canberra, 8 February 2012, p. 7.

Commonwealth Grant Guidelines

3.66   The Commonwealth Grant Guidelines state that 'agencies are responsible
        for advising ministers on the requirements of the CGGs, and must take
        appropriate and timely steps to do so where a minister exercises the role
        of a financial approver in grants administration'.[60]

3.67   The Committee asked why Infrastructure had not applied the principles
        outlined in the CGGs.

3.68   Infrastructure disputed the characterisation, instead suggesting the ANAO
        was referring only to the recommendation directed to Finance, regarding
        the expansion of requirements of the CGGs to include use of the best
        practice principles for all types of grants.[61]

3.69   Responding to this, Finance outlined the progress it has made in
        addressing the ANAO's recommendation to improve its existing guidance
        on grants administration:

> …there are some principles which include robust planning and
> design, an outcomes orientation; proportionality, collaboration
> and partnership, governance and accountability, probity and
> transparency, and achieving value of public money which the
> ANAO has recommended ought to underpin all granting activity
> in the government whether it is through competitive or
> non-competitive rounds.[62]

3.70   Finance confirmed it plans to adjust the guidelines to extend the seven
        principles of good grants administration, which are currently included as
        best practice guidance, to all forms of granting activity.[63]

3.71   The Committee asked the ANAO to comment as to whether the findings
        in the report included that Infrastructure failed to follow the CGGs. In
        response, the ANAO drew the Committee's attention to their findings in
        regard to recording the basis on which a grant was approved, and
        confirmed that in their view, Infrastructure did not comply with the
        CGGs.[64]

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60   Finance, *Commonwealth Grant Guidelines*, July 2009, p. 11,
      http://www.finance.gov.au/publications/fmg-series/docs/FMG23_web.pdf, accessed
      5 April 2012.

61   Ms O'Connell, *Committee Hansard*, Canberra, 8 February 2012, pp. 3-4.

62   Mr Lembit Suur, Finance, *Committee Hansard*, Canberra, 8 February 2012, p. 3.

63   Mr Suur, *Committee Hansard*, Canberra, 8 February 2012, p. 3.

64   Mr McPhee, *Committee Hansard*, Canberra, 8 February 2012, p. 4.

3.72   Referring the question back to Infrastructure, the Committee requested the
        Department confirm its view. Infrastructure accepted the ANAO's finding
        as an indentified shortcoming, but still contended that the Department
        had complied with the CGGs.[65]

Departmental guidance and training

3.73   Infrastructure acknowledged the ANAO's recommendations and advised
        that work has been underway to strengthen its program management
        issues addressing the ANAO's audit commentary.[66]

> We have developed a program managers tool kit which is
> designed to improve consistency, quality and compliance in the
> delivery of administered programs. In practice, the program
> managers tool kit is a single point of access or a portal to
> information and tools and links that can assist in the design,
> implementation and delivery of administered funding programs.
> The tool kit links to Finance circulars about grant-reporting
> obligations, *Financial Management and Accountability Act* and
> regulation requirements and recently introduced risk assessment
> requirements for grant guidelines and the new policy proposals.
>
> The tool kit organises its information around six phases of a
> program's life cycle: designing a program; implementing a
> program; selecting projects for funding; managing projects and
> their funding; closing a program; and evaluation.[67]

3.74   Noting this advice regarding programs being rolled out within the
        department to improve administrative processes in relation to grants, the
        Committee was interested to hear more on the training and ongoing
        departmental support. Specifically, whether: it is mandatory and assessed
        to ensure understanding; there are any ongoing mechanisms to ensure
        currency of staff knowledge; and a dedicated unit has been established to
        oversee the administration of grant programs.

3.75   Infrastructure advised that the toolkit is available on the Department's
        intranet and has been promoted internally from the top down as the
        central information repository. There is continuous training to ensure both
        new and existing staff are up to date on the toolkit's elements, as well as a

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65   Ms O'Connell, *Committee Hansard*, Canberra, 8 February 2012, p. 4.

66   Mr Jaggers, *Committee Hansard*, Canberra, 8 February 2012, p. 2.

67   Mr Jaggers, *Committee Hansard*, Canberra, 8 February 2012, p. 2.

dedicated team within the major infrastructure projects office that is
looking constantly at strengthening practices and sharing information.[68]

Committee comment

3.76   The Committee is very concerned over the Infrastructure Portfolio's
        numerous examples of poor program management, ministerial support
        and compliance with the Commonwealth Grant Guidelines (both
        mandatory and best practice).

3.77   Infrastructure has failed to provide timely and/or complete responses to
        previous report recommendations and questions on notice. This lack of
        responsiveness hinders the Committee's full consideration of the matters
        related to the Auditor-General's findings, and disrespects the 'Agreement
        for Better Parliament'.

3.78   In JCPAA Report 423 the Committee raised significant matters around
        transparency with the decision-making process for selection of
        infrastructure projects. The Committee has not yet received a response to
        this report, and has again heard evidence regarding poorly documented
        and questionable project selection processes.

IEP Stream of the Jobs Fund

3.79   In this case, the audit found the Infrastructure Employment Projects
        stream of the Jobs Fund did not meet its economic stimulus objective in
        the timeframe outlined by Government.

3.80   While the program may have been created with the noble goals of job
        creation and infrastructure for communities most in need, the program
        did not achieve these objectives. It was underspent, overtime and poorly
        targeted; and exemplified a range of significant public administration
        shortcomings.

3.81   The Committee is particularly concerned about the lack of initiative taken
        by the Department during the process of identification of projects, and
        that in providing advice to the Minister, it neglected to rank projects.

3.82   It appears that the Department has taken a 'bare minimum approach' in
        meeting guidelines rather than striving for best practice – disregarding

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68   Mr Jaggers, *Committee Hansard*, Canberra, 8 February 2012, pp. 4-5.

the intent of the Jobs Fund guidelines by not taking advantage of Local Employment Coordinators who had local knowledge in locations designated as Priority Employment Areas and failing to apply the principles of the CGGs.

3.83   The CGGs were established to improve the transparency and accountability of grants administration, yet departments still appear unsure of their responsibilities in relation to supporting ministers. Based on this, the Committee decided to review the Auditor-General's *Audit Report No.21 (2011-12) Administration of Grant Reporting* Obligations. The JCPAA's findings are available at Chapter 4 of this report.

Key Performance Indicators

3.84   As foreshadowed in the Chapter 2 of this report, another area of ongoing concern for the Committee is the effectiveness and appropriateness of performance indicators being developed by departments. The Committee notes that the issues raised in relation to KPIs are not confined to Infrastructure.

3.85   However, in this case the Committee considers that the Department did not put in place performance measurements that included the number of jobs created in the critical first twelve months of the project and was unable to provide confirmation as to whether any were actually created.

3.86   The Department's lack of detailed response to questions during hearings and subsequent questions on notice has left the Committee unclear as to whether the finding in relation to job creation was a matter of inadequate development of Key Performance Indicators and reporting, or poorly targeted projects.

Program Management

3.87   The Committee welcomes the work being done by Infrastructure to strengthen program management with the development of a toolkit and training to support the departmental guidance. The Committee considers it would be useful to make public the toolkit and training outlines, allowing other Australian Public Service agencies to leverage Infrastructure's work.

3.88   However, there have been a number of assurances provided by the Department that the Committee considers have been left unfulfilled. In light of this, the Committee recommends that the fullest scrutiny is applied to the Department to ensure the substantial infrastructure budget is being used to benefit areas most in need.

Recommendation 4

> **That the ANAO include the Department of Infrastructure and Transport in the performance audit currently underway *'Agencies Implementation of ANAO Audit Recommendations'*.**

Subject to the Auditor-General accepting this JCPAA recommendation and any subsequent findings of the ANAO Audit Report, the Committee may consider recommending that a Capability Review of the Department of Infrastructure and Transport be commissioned to assess the Department's ability to meet future objectives and challenges.

4

Audit Report No.21 2011-12

Administration of Grant Reporting Obligations

Introduction

4.1   Prior to 2007, there was no official guidance to agencies relating specifically to the administration of grant programs.[1] In late 2007, Finance Minister's Instructions were issued providing information detailing reporting requirements for grant programs. In early 2008, a Strategic Review was undertaken, making recommendations to improve the grants process. The Government then revised the guidelines, with the new Commonwealth Grant Guidelines (CGGs) taking effect on 1 July 2009.[2]

4.2   The CGGs has two parts, one outlining the legislative and policy framework for grants administration including mandatory requirements, and the other providing guidance on sound practice in grants administration. The second part of the CGGs and the Australian National Audit Office's Better Practice Guide *Implementing Better Practice Grants Administration* are largely aligned.[3]

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1   Department of Finance and Deregulation (Finance), *Submission 3*, (Review of Auditor-General's Reports Nos. 10 to 23 (2011-12)), p. 1.

2   Finance, *Commonwealth Grant Guidelines*, July 2009, http://www.finance.gov.au/financial-framework/financial-management-policy-guidance/grants.html

3   ANAO, *Implementing Better Grants Administration,* June 2010, http://www.anao.gov.au/bpg-grantsadmin2010/index.html.

4.3   The Joint Committee of Public Accounts and Audit's Report 423, included
        the review of Audit Report No. 03 2010-11, *The Establishment,
        Implementation and Administration of the Strategic Projects Component of the
        Regional and Local Community Infrastructure Program.* The Committee raised
        significant concerns about transparency with the decision-making process
        for selection of projects and commented that:

> The Committee …reiterates its ongoing concern with the recurring
> difficulties identified by the ANAO in grants administration more
> broadly.[4]

4.4   In Report 423, the Chair's Foreword noted the importance of agencies
        providing advice on the merits of proposed grants before any funding
        decisions are taken, and found in a previous inquiry that in circumstances
        where agencies have not met their obligation to provide such advice that
        Ministers should take the initiative to secure adequate advice.[5]

The ANAO Audit

Audit objectives and scope

4.5   The objective of the audit was to assess the implementation and
        effectiveness of the enhanced grants administration requirements for:

- reporting to the Finance Minister on the awarding of grants within their
  own electorate by Ministers who are Members of the House of
  Representatives;

- reporting to the Finance Minister on instances where Ministers have
  decided to approve a particular grant which the relevant agency has
  recommended be rejected; and

- the website reporting of grants awarded.[6]

4.6   As part of the audit, a survey was conducted by ANAO of all agencies
        subject to the *Financial Management and Accountability Act 1997* (FMA Act)
        to identify the grant programs that had been in operation since
        December 2007, when the first enhancements were made to the grants

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4   Joint Committee of Public Accounts and Audit (JCPAA), *Report 423: Review of Auditor-General's
    Reports Nos 39 2009-10 to 15 2010-11*, p.49.
5   JCPAA, *Report 423: Review of Auditor-General's Reports Nos 39 2009-10 to 15 2010-11*, p. viii.
6   ANAO Audit Report No. 21 2011-12, *Administration of Grant Reporting Obligations*, pp. 13-14.

administration framework. Copies of all advice provided to relevant Ministerial decision-makers by agencies between 1 January 2009 and 30 June 2010 in which the Minister was asked to make a decision about whether or not to approve a grant were also requested. Based on the survey responses, ANAO examined some 800 Ministerial briefs relating to around 220 programs across 20 agencies. Examination of the quality of the agency assessments of individual proposed grants (in terms of the relevant program objectives and guidelines) undertaken to support the advice included in each brief was not within the scope of this audit.[7]

Overall audit conclusion

4.7 The ANAO noted that the grants administration framework progressively rolled out between December 2007 and July 2009 had the stated aim of improving public administration and ensuring taxpayers received the best possible outcomes for expenditure on Commonwealth grants. The framework focused on the establishment of transparent and accountable decision-making processes.[8]

4.8 The key underpinnings of the arrangements are that Ministers receive advice from agencies on the merits of a proposed grant before its approval by the relevant Minister, and that the Minister report to the Finance Minister when they approve grants that the agency recommends be rejected.[9]

4.9 The audit found that a significant portion of Ministerial briefs reviewed did not clearly identify that proposed grants be approved or rejected, with a clear recommendation not being provided in approximately 20 per cent of the programs reviewed. Further, in more than a third of the briefs examined, agencies failed to outline the Minister's decision-making and record keeping obligations.[10]

4.10 As a consequence, shortcomings in reporting to the Finance Minister have included that:

- while the incidence of Ministers approving grants within their own electorates is quite low, there were 33 instances in the briefs examined by ANAO where grants approved in a Minister's own electorate were

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7 ANAO Audit Report No. 21 2011-12, p. 14.
8 ANAO Audit Report No. 21 2011-12, p. 19.
9 ANAO Audit Report No. 21 2011-12, p. 15.
10 ANAO Audit Report No. 21 2011-12, p. 15.

not reported to the Finance Minister (indicating an underreporting in the relevant period of some 38 per cent); and

- there have only been a very small number of instances reported to the Finance Minister as involving a Minister approving a grant that the relevant agency had 'recommended be rejected'. A key factor in this outcome has been the practice of agency briefings not clearly identifying the grants the agency recommends be approved, and those that it recommends be rejected (including where more applications are assessed as being meritorious than can be accommodated within the available funding).[11]

4.11   The ANAO found that Finance could:

- better engage agencies to promote improvements in grants administration, including reiterating agency obligations and minimum standards expected when advising ministers; and

- improve and streamline public reporting of grants by agencies, aligning the three separate grant reporting regimes (where practical) to promote more accurate, timely and complete reporting.[12]

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11   ANAO Audit Report No. 21 2011-12, p. 16.
12   ANAO Audit Report No. 21 2011-12, pp. 16-18.

ANAO recommendations

Table 3   ANAO recommendations, Audit Report No. 21 2011-12

1.	ANAO recommends that agencies review the Ministerial briefing practices used in the administration of grant programs to ensure that Ministers are provided with comprehensive advice on: • the policy and statutory framework that applies to such decisions; and • the merits of individual proposed grants, including a clear recommendation as to whether each grant should be approved or rejected having regard to the program objectives and available funding. **All responding agencies:** *Agreed.*
2.	To further improve the grants administration framework, ANAO recommends that the Department of Finance and Deregulation pursue opportunities to: a) improve the clarity and utility of the requirements set out in the Commonwealth Grant Guidelines and associated guidance relating to agencies advising Ministers on proposed grants, and the recording of reasons in circumstances where agency recommendations are not accepted by Ministers; and b) actively encourage improvements in agency practices in respect to important aspects of grants administration. **All responding agencies:** *Agreed.*
3.	• ANAO recommends that the Department of Finance and Deregulation, in consultation with agencies and other key stakeholders, examine opportunities for improving the accuracy, completeness and cost-effectiveness of public reporting on grant programs and the awarding of individual grants, including by seeking to align reporting requirements (where this is practical) in a way that will not diminish the quality of the reported information. **All responding agencies:** *Agreed.*

The Committee's review

4.12   The Committee held a public hearing on Wednesday 14 March 2012, with the following witnesses:

- Australian National Audit Office

- Department of Finance and Deregulation.

4.13   The Committee took evidence on the following issues:

- progress towards the implementation of ANAO recommendations

- advice provided by agencies to Ministers

- competitive grants processes

- the role of Finance's Grants Framework Unit

- non-compliance with guidelines

- reporting deficiencies.

Progress towards the implementation of ANAO recommendations

4.14   In its appearance before the Committee, Finance advised that it had already begun to act on the recommendations of the ANAO and had also taken other proactive steps to address the deficiencies in agency practice identified in the audit report. Finance stated that the Secretary of the Department wrote to all portfolio Secretaries in January 2012 drawing their attention to the findings of the audit, and noting their obligations. Finance also reported that they had commenced briefings of Chief Financial Officers and expected to roll out further information activities over time.[13]

4.15   When asked whether Finance expected to see cultural change in agencies in regard to compliance with grant reporting obligations, the Department replied that agency decision-makers ultimately drove change from within. However, Finance sought to inform agencies of their obligations and to support agency skill development, articulating its role as follows:

> …we can be active upfront in terms of specifying what people should do; we can be active in terms of helping build skills and practice, and we will do that; and we can and do monitor trends over time in terms of being able to identify compliance levels and

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13   Mr Stein Helgeby, Finance, *Committee Hansard,* Canberra, 14 March 2012, p. 2.

> whether breaches are tracking down over a period of time, which
> we do through a public document [Certificate of Compliance] each
> year.[14]

4.16   The Committee noted the Certificate of Compliance reporting, and
        enquired whether the non-compliance reported by the ANAO had been
        picked up through Finance's internal review and reporting systems.
        Finance replied that the compliance certificate process tracked
        non-compliance with the FMA Act and this system generally reported on
        decisions being made by people without the appropriate authority, and
        failure to report grants on agency websites within the required timeframe.
        Finance also acknowledged the ANAO findings relating to best practice
        issues between departments and Ministers, noting that this information
        was not readily available to the Department.[15]

4.17   When asked about trends in compliance with grant reporting guidelines
        identified in the Certificate of Compliance process over the course of time,
        Finance advised that in 2009-10 there were 3,533 identified instances of
        reported non-compliance reducing to 1,972 instances in 2010-11, a
        decrease of 44 per cent.[16]

4.18   The Committee asked Finance about actions taken to monitor, evaluate
        and improve grant guidelines when problems were identified by the
        Department. Finance advised that the Certificate of Compliance process
        and queries from agencies were the main drivers, and that where the
        Department had identified issues, they sought to improve the regulations
        of the FMA Act and release revised guidance.[17]

4.19   In its appearance before the Committee, Finance gave an example of steps
        it had undertaken to reach out to agencies to ensure they better met their
        obligations:

> Back in July last year, we released a whole series of model CEIs,
> which are chief executive instructions, to try and make it easier for
> agencies to better comply with and better meet their obligations.
> One of those CEIs in our model set was on grants. It summarises,
> if you like, the core requirements of the grants guidelines. Our
> goal there was really to try and reach out to agencies in a way that
> they could rapidly take into their internal processes, simplify their
> processes of compliance and spread best practice. That is

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14   Mr Helgeby, *Committee Hansard,* Canberra, 14 March 2012, p. 2.
15   Mr Lembit Suur, Finance, *Committee Hansard,* Canberra, 14 March 2012, p. 4.
16   Finance, *Submission 3*, (Review of Auditor-General's Reports Nos. 10 to 23 (2011-12)), p. 2.
17   Finance, *Submission 3*, (Review of Auditor-General's Reports Nos. 10 to 23 (2011-12)), p. 4.

something that we have done over and above this and in advance
of an eventual government response to this report. We have also
done at least one finance circular, in March 2011, which went to
further explain people's obligations here.

So it does take a little while for these sorts of pieces of advice or
information or reinforcement to work their way through the
system, but we think that in particular the model CEIs approach is
one which gets sooner to practice, because it is really practice that
you have to try to influence. If we can get that practice across
departments to be a little more robust and a little easier for people
to undertake, we will get traction sooner.[18]

4.20   Finance reported to the Committee that they were targeting their support
        to agencies:

It is probably only in the last 12 or 18 months or so where we have
actually looked at differentiating a lot more in our response. We
are undertaking work with small agencies, for example. For an
agency that has three staff or 100 staff, the way you would
respond is quite different to an agency that has 7,000 staff. We
have a small agency forum where we target small agencies. We are
building more of a community of practice so that agencies that
might have, say, one person who does all of their financial
management, all of their grants management and all of their
procurement has a lot more support more broadly from Finance
and also from people who have similar roles in other agencies. We
are differentiating based upon the size of the agency and we have
been targeting some workshops based upon some areas we have
identified in the certificate of compliance and some feedback from
those agencies. So we have differentiated in that way.

Similarly, when we receive grants guidelines we work more
closely with those agencies where we have identified significant
problems or where there are a lot of new programs occurring. We
work more closely with agencies where there might be higher
risks, for example, and we often go and visit them. … we do have
a kind of differentiated approach based on size of agency and also
the risks involved more broadly.[19]

18   Mr Helgeby, *Committee Hansard,* Canberra, 14 March 2012, p. 3.
19   Ms Kerri Markoulli, Finance, *Committee Hansard,* Canberra, 14 March 2012, p. 8.

4.21   Finance also noted that once the CGGs had been revised they would run information sessions for agencies to advise them of revisions to the guidelines.[20]

Advice provided by agencies to Ministers

4.22   The audit found that a significant issue was agencies departing from the public guidance made available by Finance to accurately assess and recommend grants for approval and rejection. As noted above, the Committee has previously examined this issue, and has encouraged Ministers to seek better quality briefs before making decisions relating to grants when briefs do not conform with the CGGs; specifically where briefs do not contain a clear recommendation as to whether or not the grant should be approved under the relevant program guidelines.[21]

4.23   The ANAO found in some cases that the advice provided to Ministers was insufficient to allow a Minister to make a fully informed decision. There could be several reasons for this to occur, from oversight and inexperience in preparing briefs, to departments being reluctant to make a clear recommendation to a Minister to avoid providing a recommendation the Minister may not necessarily agree with. This point was explored further by the ANAO at its appearance before the Committee:

> [Agency briefings] are not giving Ministers recommendations for Ministers to disagree with. This is the inherent flaw in the arrangement.

> ...the agencies job is to say, 'Here are the best ones'. If the Minister disagrees for whatever reason – and it is the Minister's right to disagree – then they should record why they are overruling their department...[22]

4.24   The ANAO expressed concern that departments may be unwilling to make recommendations to avoid their recommendation being overruled by a Minister, or that agencies might seek to amend the recommendation following a Ministerial decision:

> From our perspective, it is much better for a Minister if he or she reaches a different view to clearly record that rather than have the

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20   Finance, *Submission 3*, (Review of Auditor-General's Reports Nos. 10 to 23 (2011-12)), p. 6.

21   ANAO Audit Report No. 21 2011-12, pp. 51-53.

22   Mr Brian Boyd, ANAO, *Committee Hansard,* Canberra, 14 March 2012, p. 6.

> department change its advice to give the Minister what he or she
> might be looking for.[23]

Competitive grants processes

4.25   The CGGs outline that, unless specifically agreed otherwise, competitive,
        merit-based selection processes where all proposals are assessed against
        the same criteria should be used in the grant assessment process. Finance
        agrees that this process represents best practice. However, the ANAO
        found that only 37 per cent of grant selection processes were competitive,
        against 63 per cent which were not.[24]

4.26   When asked to explain why the number of grant programs being assessed
        through a competitive, merit-based process was so low, the ANAO
        advised that a significant proportion of program guidelines did not
        require competitive processes, and that a related audit on the
        development and approval of grant program guidelines was scheduled for
        tabling during the 2012 Budget sittings.[25]

4.27   The ANAO advised that through the course of the audit currently being
        conducted, Finance had been working with the ANAO to determine ways
        in which the grants administration framework could be enhanced to
        increase the number of grant programs that are conducted using
        competitive processes.[26]

The role of Finance's Grants Framework Unit

4.28   Following the Strategic Review in 2008, an appropriation was made to
        establish a Grants Framework Unit (GFU) within Finance as part of the
        Financial Framework Division. The unit was expected to play an active
        and ongoing role in assisting agencies to understand and implement the
        new framework, and to act as a single point of contact.[27]

4.29   Over the course of the audit, Finance advised the ANAO that the actual
        resources made available to the GFU were less than had been provided for
        by appropriation and the level of activity for the unit had therefore been
        less than that envisaged. In the first two years of the operation of the

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23   Mr Boyd, *Committee Hansard,* Canberra, 14 March 2012, p. 6.
24   ANAO Audit Report No. 21 2011-12, pp. 54-55.
25   Mr Boyd, *Committee Hansard,* Canberra, 14 March 2012, pp.2-3.
26   ANAO, *Submission 2*, (Review of Auditor-General's Reports Nos. 10 to 23 (2011-12)), p. 1.
27   ANAO Audit Report No. 21 2011-12, pp. 69-70.

CGGs the staffing level of the unit was nearly three quarters lower than budgeted.[28]

4.30   When asked about this at its appearance before the Committee, Finance replied:

> The allocation in a sense is still applied to the issues and applied in different places and in different ways. For example, we have people who work on the framework more generally and the framework more generally impacts on grants in a quite significant way.
>
> ...the broader picture is not simply how many people are working in a designated unit; the broader picture is what is the level of activity the department has applied and continues to apply to things that relate to grants.[29]

4.31   Looking forward, Finance noted that in light of the audit's findings more resources had been put at the disposal of GFU to follow up on the issues raised by the ANAO, and to implement the ANAO's recommendations.[30]

4.32   The ANAO agreed that when agencies foreshadow resource requirements to take on additional functions, that they are necessarily estimates, and it is not unusual that some variation between estimates and actual resourcing or expenditure may occur.[31]

4.33   Finance further explained its situation in an answer to a question on notice, noting the Parliament had delegated the management of departmental budgets to each agency Chief Executive. Some of the funding initially made available to GFU was directed towards examination of the overall financial framework within which the grants framework sits.[32]

Non-compliance with guidelines

4.34   Finance was asked whether mechanisms existed to address non-compliance with the CGGs, including systemic non-compliance. The Department indicated that while agencies were ultimately responsible for ensuring their own compliance, it was important to improve compliance

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28   ANAO Audit Report No. 21 2011-12, *Administration of Grant Reporting Obligations*, p. 70.
29   Mr Helgeby, *Committee Hansard,* Canberra, 14 March 2012, p. 7.
30   Mr Suur, *Committee Hansard,* Canberra, 14 March 2012, p. 7.
31   Mr McPhee, *Committee Hansard,* Canberra, 14 March 2012, p. 7.
32   Finance, *Submission 3*, (Review of Auditor-General's Reports Nos. 10 to 23 (2011-12)), p. 2.

and general practice by improving the set of rules presented to agencies through the CGGs.[33]

4.35   Finance highlighted the need to support the development of the skills of staff within agencies to ensure they fully understood their obligations. In addition, the Department identified communication mechanisms, such as Chief Executive Instructions and the correspondence between the Secretary and portfolio Secretaries, to improve compliance rather than punishing non-compliance.[34]

4.36   The Committee asked Finance why it was necessary to tailor reporting guidelines through Chief Executive Instructions, inquiring as to whether it would be more effective to apply the same guidelines to all agencies.

4.37   Finance explained that the CGGs contain mandatory reporting requirements for all agencies, and provide the framework through which Chief Executive Instructions can be issued on specific agency requirements and processes, such as record keeping. The Department also noted that agencies were encouraged to use the model set of Chief Executive Instructions developed by Finance.[35]

4.38   The Committee sought further information on consequences for non-fraudulent non-compliance with the guidelines. In an answer to a question on notice, Finance stated:

> Finance, in its role of collating and reporting the annual Certificate of Compliance results to Parliament and promoting compliance with the financial management framework, follows up significant non-compliance issues identified by agencies to ensure that agency Chief Executives have implemented appropriate remediation strategies.[36]

Reporting deficiencies

4.39   The CGGs require a Minister who is a Member of the House of Representatives to advise the Finance Minister if they are approving funding for a grant application based in their own electorate. The audit found that there had been underreporting of own-electorate grant approval during the audit period, with Finance noting that there was

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33   Mr Helgeby, *Committee Hansard,* Canberra, 14 March 2012, pp.4-5.
34   Mr Helgeby, *Committee Hansard,* Canberra, 14 March 2012, pp. 4-5.
35   Finance, *Submission 3,* (Review of Auditor-General's Reports Nos. 10 to 23 (2011-12)), p. 3.
36   Finance, *Submission 3,* (Review of Auditor-General's Reports Nos. 1to 23 (2011-12)), pp. 5-6.

merit in reviewing these arrangements to advise the Finance Minister of any opportunities for improvement.[37]

4.40   The audit found that there were 77 instances in which a Minister awarded a grant in their own electorate, 33 of which were not correctly reported to the Finance Minister, an underreporting of 38 per cent.[38]

4.41   In its appearance before the Committee, the ANAO noted this underreporting of grants was across a range of agencies or decision-makers.[39] A document detailing the specific grants was made publicly available following the Committee's public hearing.

4.42   The audit also determined that there were 11 instances in which Ministers acted contrary to the recommendation provided by an agency. The ANAO noted that this number appeared to be surprisingly small, attributing the problem to the quality of briefings provided by agencies (an issue explored above):

> It was around one in 2,000 grant decisions. We looked at that sceptically, saying that it cannot be right if the system is working correctly. If a Minister is simply agreeing every time with the recommendation, why have a Minister making the decision? Let the agency make it. That is our point. It gets back to the quality of the agency briefings. They are not giving Ministers recommendations for Ministers to disagree with.[40]

4.43   The ANAO noted that the website reporting arrangements for grants was intended to play an important role in promoting a 'pro-disclosure culture' in Commonwealth granting activity. However, the audit found that public reporting of grants was inconsistent across agencies. For example more than 30 per cent of agencies that had administered one or more grants in 2009-10 didn't include a list of grant programs in their annual reports.[41]

4.44   The ANAO noted in a response to a question on notice that through the course of the audit a number of agencies experienced difficulties in identifying and confirming the grant programs they administered, and on occasion this was because such information was not held centrally within the agency. The ANAO also identified instances in which agency focuses

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37   ANAO Audit Report No. 21 2011-12, pp. 81-82.
38   ANAO Audit Report No. 21 2011-12, p. 81.
39   Mr Boyd, *Committee Hansard,* Canberra, 14 March 2012, p. 5.
40   Mr Boyd, *Committee Hansard,* Canberra, 14 March 2012, pp. 5-6.
41   ANAO Audit Report No. 21 2011-12, pp. 101-106.

were on programs as defined in the context of the budget, rather than recognising each individual grant program.[42]

4.45   The Committee asked why reports to the Finance Minister were not publicly reported in a consolidated table annually. Finance replied that the CGGs required that all grants be publicly reported on agency websites, detailing the portfolio, agency name, program title, program component, recipient, purpose, value, approval date, grant term, grant funding location, and postcode. Electorate details were not specifically required, but were able to be determined using the grant location and postcode details.[43]

Committee comment

4.46   Grants administration continues to be a high priority for the JCPAA. Noting the billions of dollars of public money involved with grant funding, transparent and accountable decisions are to be rightly expected. The Committee welcomes the ANAO's focus on this issue both in the audit of individual programs and, as in the case of this audit, the broader grants framework.

4.47   In the review of this overarching grants audit, the Committee was primarily concerned that:

- agencies have been providing insufficient advice on the merits of grant proposals to Ministers;

- there have been a range of issues related to non-compliance with the CGGs, as well as a lack of adhesion to best practice principles outlined in the guidelines; and

- Finance's Grants Framework Unit has not been adequately resourced despite funding being available.

4.48   Finance's opening statement and subsequent evidence provided the Committee with the 'bigger picture' of progress in addressing the ANAO recommendations, but there was a lack of concrete information – for example there was no firm date provided for the expected revision and release of the updated Commonwealth Grants Guidelines.

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42   ANAO, *Submission 2*, (Review of Auditor-General's Reports Nos. 10 to 23 (2011-12)), p. 2.
43   ANAO, *Submission 2*, (Review of Auditor-General's Reports Nos. 10 to 23 (2011-12)), p. 5.

Ministerial advice

4.49   From a public administration standpoint, the Committee was concerned to hear that Ministerial briefs in relation to funding for grant proposals were, in many cases, inadequate or incomplete. It is the role of agencies to provide full and considered briefs to Ministers, and to provide 'frank and fearless' advice to enable Ministers to make decisions with a clear understanding of all competing factors.

4.50   Further, that briefs were provided to Ministers without a clear recommendation fails one of the basic requirements of grant administration. The Committee does not speculate as to the reasons why this has occurred, but it will be interested to see if this improves over time.

4.51   As the ultimate decision-maker, a Minister has every right to approve a grant contrary to departmental advice if the Minister sees fit. Ministers should be encouraged to refuse to consider any brief that does not contain clear recommendations.

Recommendation 5

That the Department of Finance and Deregulation strengthen the advice within the revised Commonwealth Grant Guidelines and related material to ensure that a clear recommendation to approve or reject a grant application is to be made on every Ministerial brief presented for consideration.

Commonwealth Grant Guidelines – best practice

4.52   The Committee was surprised to see that only 37 per cent of grants examined over the course of the audit used competitive processes. While the desktop review conducted by the ANAO didn't examine every grant program administered by the federal government, the finding from the audit sample that only one third of grants schemes were conducted on a competitive basis is of significant concern.

4.53   As assessing grants on a competitive basis constitutes best practice, more should be done by Finance to promote this approach, including: encouraging agencies to develop a culture of competitive, merit-based assessment; and to familiarise agencies with the content of the CGGs and related guidance.

4.54   The Committee welcomes advice from Finance and the ANAO foreshadowing several potential changes, including the provision of

additional guidance to agencies, and potentially requiring agencies to explain why they have not chosen to use a competitive, merit-based process for the grant assessment process (as already exists under the Commonwealth Procurement Guidelines).[44]

4.55   In this light the Committee hopes that Finance's response to the upcoming audit report examining the development and approval of grant program guidelines is pro-active along the lines foreshadowed above.

Commonwealth Grant Guidelines – non-compliance

4.56   The Committee notes and endorses the mechanisms to punish fraudulent non-compliance, but was interested to discover that there seemed to be no significant consequences for non-fraudulent non-compliance within the CGGs. While encouraged to hear that Finance followed up any significant identified non-compliance with agency chief executives, the Committee is of the view that more needs to be done to expose agencies that are not complying with the guidelines.

4.57   The failure of Ministers to advise the Finance Minister of the approval of own-electorate grants, in accordance with the CGGs, is another issue requiring attention.

4.58   It is clear to the Committee that the system may not be fully effective, partly due to the practical difficulties some Ministers faced in determining what should and should not be reported to the Finance Minister. This is evident from several Ministers making personal explanations in the House of Representatives detailing their reasons why such grants were not reported to the Finance Minister.

4.59   Claims included that: the grants being approved were to nation-wide bodies;[45] a Parliamentary Secretary was not the ultimate decision-maker;[46] a Minister was not the ultimate decision-maker in the grants process as responsibility had been delegated;[47] as well as an instance where the non-reporting had been an oversight which was later rectified.[48]

4.60   The Auditor-General responded in writing to the Ministers and Parliamentary Secretaries who had made personal explanations. These

44   ANAO, *Submission 2*, (Review of Auditor-General's Reports Nos. 10 to 23 (2011-12)), p. 2.
45   The Hon Anthony Albanese MP, H. R. Deb 21 March 2012, p. 57, the Hon Tony Burke MP, H. R. Deb 23 March 2012, pp. 61-62.
46   The Hon Laurie Ferguson MP, H. R. Deb 23 March 2012, pp. 62-63.
47   The Hon Jenny Macklin MP, H. R. Deb 23 March 2012, p. 61.
48   The Hon Jenny Macklin MP, H. R. Deb 23 March 2012, p. 61.

responses have been made public by the Committee in support of the principle of transparency.

4.61   In both the original audit report and in providing documents detailing the under-reporting to the Committee, the Auditor-General noted that these instances represented administrative oversights on the part of agencies:

> Clearly there is an important role for agencies to play in respect to being vigilant in accurately identifying all such instances, and preparing for their Minister the relevant report to the Finance Minister.[49]

Revision of the CGGs and active engagement from Finance

4.62   The Committee believes the revision of the CGGs recommended by the ANAO presents an important opportunity to rectify issues that have been identified with the guidelines. The CGGs are a valuable piece of the governance framework and the Committee strongly encourages any improvements that can be made. Robust revision should ensure that the guidelines continue to improve the quality of agency reporting as well as public administration more broadly.

4.63   However, the need for an ongoing commitment to agency support beyond preparing the updated guidelines cannot be overstated.

4.64   It is acknowledged that there may be variation between the planning stage and the actual implementation of a new responsibility. However, the ANAO finding that over the first two years of the GFU's operation it was understaffed by almost 75 per cent of what was initially planned[50] constitutes a management redirection decision of some magnitude.

4.65   The Committee accepts Finance's view that a department may within reason reallocate resources to the areas of most need, but it is unfortunate that Finance did not maintain the momentum of the GFU beyond the initial policy development. The Department missed an opportunity to play a pivotal role in providing ongoing support to agencies to ensure compliance with the mandatory requirements of the CGGs, as well as promoting best practices.

4.66   The Committee welcomes advice from Finance that work is underway to support agencies. Notably, model Chief Executive Instructions have been developed to assist agencies in preparing agency-specific grants guidance and meet their obligations under the FMA Act; and resourcing for the

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49   ANAO, *Submission No. 1*, (Review of Auditor-General's Reports Nos. 10 to 23 (2011-12)), p. 2.
50   ANAO Audit Report No. 21 2011-12, p. 70.

GFU has been resumed to the levels originally anticipated in the Budget appropriation.

4.67   The Committee also welcomes advice that Finance is now targeting their support to other agencies and differentiating between small and large agency needs. It is also welcome that Finance is running associated workshops and that training plans have been considered to support the release of the revised CGGs. To ensure greater interaction between Finance and agencies, the Committee suggests the engagement of Finance's Agency Advice Units to promulgate advice and refer agencies to the GFU if needed.

4.68   The Committee notes the following comment made by Finance in its public hearing when asked if substantial change could be expected to be seen within a year:

> I think there would be significant improvements in terms of how the expectations are articulated and significant improvements in terms of the level of understanding of what all of those things are.[51]

4.69   The Committee looks forward to the tabling of the next ANAO audit examining the development and approval of grant program guidelines. For the future, the Committee hopes to see improvements in the administration of grant reporting obligations through the implementation of both the JCPAA and the ANAO's recommendations.

Recommendation 6
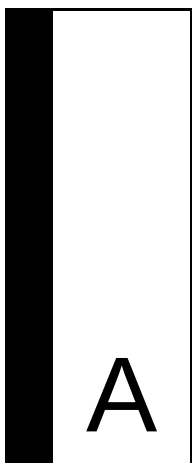
That the Department of Finance and Deregulation prioritise the revision and release of enhanced Commonwealth Grant Guidelines.

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51   Mr Helgeby, *Committee Hansard,* Canberra, 14 March 2012, p. 3.

Recommendation 7

That the Department of Finance and Deregulation report in writing to the Joint Committee of Public Accounts and Audit within six months of the tabling of this report on the implementation of the ANAO's recommendations and improvements made to the Commonwealth Grant Guidelines (and related Finance initiatives) - specifically addressing: initiatives to improve the quality of Ministerial briefs; and mechanisms for reporting of non-compliance and reporting of own-electorate grants.

Robert Oakeshott MP
Committee Chair
May 2012

Appendix A — Public Hearings

Review of Auditor-General's Reports Nos. 47 (2010-11) to 9 (2011-12)

Wednesday, 8 February 2012 - Canberra

Australian National Audit Office

> Mr Ian McPhee, Auditor-General

> Mr Brian Boyd, Executive Director, Performance Audit Services Group

> Ms Tina Long, Senior Director, Performance Audit Services Group

Department of Finance and Deregulation

> Mr Lembit Suur, First Assistant Secretary

> Mr Tim Youngberry, First Assistant Secretary

> Ms Kerry Markoulli, Assistant Secretary

> Mrs Radmila Ristic, Director

Department of Infrastructure and Transport

> Ms Lyn O'Connell, Deputy Secretary

> Mr Andrew Jaggers, Executive Director

Wednesday, 29 February 2012 – Canberra

Australian National Audit Office

Mr Steve Chapman, Deputy Auditor-General

Mr Michael White, Executive Director, Assurance Audit Services Group

Ms Louise Wallace, Director, Assurance Audit Services Group

Department of Finance and Deregulation

Mr Stein Helgeby, Deputy Secretary, Financial Management Group

Mr Lembit Suur, First Assistant Secretary

Mr Gareth Hall, Assistant Secretary

Review of Auditor-General's Reports Nos. 10 to 23 (2011-12)

Wednesday, 14 March 2020 - Canberra

Australian National Audit Office

Mr Ian McPhee, Auditor-General

Mr Brian Boyd, Executive Director

Department of Finance and Deregulation

Mr Stein Helgeby, Deputy Secretary, Financial Management Group

Mr Lembit Suur, First Assistant Secretary

Ms Kerry Markoulli, Assistant Secretary

Mrs Radmila Ristic, Director

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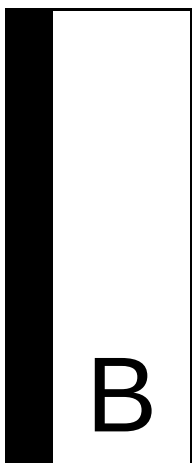
Appendix B - Submissions

Review of Auditor-General's Reports Nos. 47 (2010-11) to 9 (2011-12)

1   Australian National Audit Office

2   Australian National Audit Office

3   Department of Finance and Deregulation

4   Department of Infrastructure and Transport

Review of Auditor-General's Reports Nos. 10 to 23 (2011-12)

1   Australian National Audit Office

2   Australian National Audit Office

3   Department of Finance and Deregulation