



Australian Government
Department of Finance

RULES

Commonwealth Grants Rules and Guidelines

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Department of Finance
(Governance and Resource Management)

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Content

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Foreword

I am pleased to issue the *Commonwealth Grants Rules and Guidelines* under section 105C of the *Public Governance, Performance and Accountability Act 2013*.

Grants are widely used to achieve government policy objectives, involving the payment of billions of dollars each year to the non-government sector. Grants provide significant benefits to many Australians, through the Government working in partnership with individuals and organisations to deliver outcomes for the Australian public.

The *Commonwealth Grants Rules and Guidelines* establish the government's policy framework under which government entities undertake their own grants administration activities. These guidelines articulate the government's expectations for government entities involved in grants administration.

The *Commonwealth Grants Rules and Guidelines* establish the requirements and key principles that apply to all Commonwealth grants, whether one-off, low value grants or long-term, high-value activities. Significantly, these guidelines provide flexibility for Ministers and government entities to develop and implement grants administration processes, in consultation with stakeholders that are best suited and proportional to the specific granting activities.

The Government is committed to simplifying and improving grants processes both for government entities and grant recipients. The application of proportionality principles and appropriate risk management in grants administration, as reflected in these guidelines, is vital to ensuring that officials do not overburden grants applicants or recipients. In particular, these guidelines seek to reduce inappropriate and duplicative reporting and encourage the use of longer term grant agreements, where appropriate.

I commend the *Commonwealth Grants Rules and Guidelines* to all those in the Australian Government involved in grants administration.

Mathias Cormann

Minister for Finance

Contents

Contents	2
Part 1 Mandatory Requirements	5
1 Purpose	5
2 Objectives and Scope	6
3 Resource Management Framework	9
4 Grants-specific Processes and Requirements	11
5 Public Reporting	14
Part 2 Guidance on Key Principles	15
6 Key Principles for Grants Administration	15
7 Robust Planning and Design	16
8 Collaboration and Partnership	19
9 Proportionality	22
10 An Outcomes Orientation	25
11 Achieving Value with Relevant Money	28
12 Governance and Accountability	31
13 Probity and Transparency	34
Acronyms	38
Glossary	39

Part 1 Mandatory Requirements

1 Purpose

- 1.1 The *Commonwealth Grants Rules and Guidelines* (CGRGs) are issued by the Finance Minister under section 105C of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).
- 1.2 The CGRGs establish the overarching Commonwealth grants policy framework and articulate the expectations for all non-corporate Commonwealth entities¹ in relation to grants administration. Under this overarching framework, non-corporate Commonwealth entities develop their own specific grants administration practices based on the mandatory requirements and principles of grants administration in the CGRGs.
- 1.3 The CGRGs contain a small number of requirements that apply to Ministers.² These include grants-specific decision-making and reporting requirements, in addition to the legislative requirements that apply where a Minister approves proposed expenditure.
- 1.4 The CGRGs are divided into two parts. Part 1 contains mandatory requirements. Part 2 further explains how entities should apply the seven principles of grants administration. Obligations that must be complied with are denoted by the use of the term *must* in the CGRGs. The use of the term *should* in the CGRGs denotes better practice.
- 1.5 The combination of mandatory requirements and better practice guidance in the CGRGs provides accountable authorities³ and officials with the flexibility to design and administer granting activities (including grant programmes) to meet a range of government outcomes and to work together with stakeholders, such as industry, small business and the not-for-profit sector, to achieve government policy objectives.

1 Corporate Commonwealth entities are generally not subject to the CGRGs. However, the CGRGs apply to third parties, including members of advisory committees, non-government organisations and corporate Commonwealth entities, where they undertake grants administration on behalf of the Commonwealth.

2 Ministers include Parliamentary Secretaries, consistent with the *Ministers of State Act 1952*.

3 Every Commonwealth entity has an accountable authority. See subsection 12(2) of the PGPA Act.

2 Objectives and Scope

Objectives of grants administration

- 2.1** The objective of grants administration is to promote proper use and management of public resources through collaboration with the non-government sector to achieve government policy outcomes.
- 2.2** This objective is supported by:
- a. the legislative, policy and reporting framework for grants administration set out in Part 1 of the CGRGs;
 - b. the seven key principles for better practice grants administration, discussed in Part 2 of the CGRGs: robust planning and design; collaboration and partnership; proportionality; an outcomes orientation; achieving value with relevant money; governance and accountability; and probity and transparency; and
 - c. the entity's specific grants administration practices.

Scope of the CGRGs

- 2.3** For the purposes of the CGRGs, a 'grant' is an arrangement for the provision of financial assistance by the Commonwealth or on behalf of the Commonwealth:
- a. under which relevant money⁴ or other CRF money⁵ is to be paid to a recipient⁶ other than the Commonwealth; and
 - b. which is intended to assist the recipient achieve its goals; and
 - c. which is intended to help address one or more of the Australian Government's policy objectives⁷; and
 - d. under which the recipient may be required to act in accordance with specified terms or conditions.
- 2.4** Granting activities can take a variety of forms, including payments made: as a result of competitive or non-competitive selection processes; where particular criteria are satisfied; or on a one-off or ad hoc basis.⁸ The CGRGs apply to all forms of granting activity.
- 2.5** For the purposes of the CGRGs the following financial arrangements are taken not to be grants:⁹
- a. the procurement of property or services by an entity, including the procurement of the delivery of a service by a third party on behalf of an entity, these arrangements are covered by the *Commonwealth Procurement Rules (CPRs)*;¹⁰
 - b. an act of grace payment approved under section 65 of the PGPA Act;
 - c. a payment of compensation made under:
 - i) an arrangement relating to defective administration; or

4 Relevant money is defined in section 8 of the PGPA Act.

5 Other CRF money is defined in section 105 of the PGPA Act.

6 Notional payments and receipts by entities within the meaning of section 76 of the PGPA Act are not grants.

7 In an accounting sense, a grant is a non-exchange transaction, as government does not directly receive approximately equal economic value directly in return.

8 A one-off or ad hoc grant generally does not involve planned selection processes, but is instead designed to meet a specific need, often due to urgency or other circumstances. These grants are generally not available to a range of applicants or on an ongoing basis.

9 A gift of public property is not a grant as described in the CGRGs. See section 66 of the PGPA Act.

10 The CPRs provides that, in addition to the acquisition of property or services by an entity for its own use, procurement also encompasses a situation where an entity is responsible for the procurement of property or services for other entities, or for third parties.

- ii) an arrangement relating to employment conditions; or
 - iii) an arrangement established by legislation;¹¹
- d. a payment to a person of a benefit or an entitlement established by legislation;
- e. a tax concession or offset;
- f. an investment or loan;¹²
- g. financial assistance provided to a State in accordance with section 96 of the Australian Constitution;
- h. a payment to a State or a Territory that is made for the purposes of the *Federal Financial Relations Act 2009*;¹³
- i. a payment that is made for the purposes of the *Local Government (Financial Assistance) Act 1995*;¹⁴
- j. a payment that is made for the purposes of the *Schools Assistance Act 2008*;¹⁵
- k. a payment that is made for the purposes of the *Higher Education Support Act 2003*;¹⁶ and
- l. a payment of assistance for the purposes of Australia's international development assistance programme, which is treated by the Commonwealth as official development assistance.¹⁷

2.6 Additional guidance on the range of financial arrangements referred to in paragraph 2.5 is available on the Finance website.¹⁸

2.7 Grants administration encompasses all processes involved in granting activities, and includes:

- a. planning and design;
- b. selection and decision-making;
- c. the making of a grant;
- d. the management of grant agreements;
- e. the ongoing relationship with grants recipients;
- f. reporting; and
- g. review and evaluation.

11 A payment of compensation includes, but is not limited to: payments under the Scheme for Compensation for Detriment caused by Defective Administration; payments under section 73 (Payments in special circumstances) of the *Public Service Act 1999*; payments under the *Remuneration Tribunal Act 1973*; and settlements made in accordance with the *Legal Services Directions 2005*.

12 Some forms of financial assistance provided by way of concessional loans may be subject to the CGRGs.

13 These payments include General Revenue Assistance, Other General Revenue Assistance, National Specific Purpose Payments, and National Partnership Payments. Other forms of financial assistance made to States and Territories may be subject to the CGRGs. For further information on the Federal Financial Relations Framework see www.federalfinancialrelations.gov.au.

14 Other forms of financial assistance made to local government may be subject to the CGRGs.

15 Other forms of financial assistance made to educational institutions may be subject to the CGRGs.

16 *ibid.*

17 The Commonwealth has regard to the definition of official development assistance that the OECD has set out in its Development Assistance Committee Statistical Reporting Directives, available on the OECD's website.

18 See www.finance.gov.au.

- 2.8** The CGRGs apply to grants administration performed by:
- a. Ministers;
 - b. accountable authorities;
 - c. officials; and
 - d. third parties who undertake grants administration on behalf of the Commonwealth.¹⁹

Entity guidance

- 2.9** Several types of documents establish and support the overarching Commonwealth grants policy framework:
- a. the CGRGs;
 - b. finance guidance, which provide more detailed better practice information on how to apply the resource management framework, including the grants policy framework;
 - c. guidance documents developed by Finance or other entities, such as relevant Australian National Audit Office (ANAO) better practice guides;
 - d. tools and templates issued by Finance to assist entities to implement the grants policy framework, such as the low-risk grant agreement template²⁰; and
 - e. overarching whole-of-government documents that are relevant to grants administration.

¹⁹ Third parties, including advisory committees, non-government organisations and corporate Commonwealth entities, are required to adhere to applicable requirements of the CGRGs, where they undertake grants administration on behalf of the Commonwealth. Where a committee assesses applicants against particular criteria, or recommends supporting particular projects or distributing relevant money to particular applicants, committee or panel members should be treated as officials for the purposes of the CGRGs.

²⁰ See the finance website for the low-risk grant agreement template at www.finance.gov.au.

3 Resource Management Framework

- 3.1** Ministers, accountable authorities and officials operate within an environment of legislation and government policy. Within this broad context, the resource management framework consists of the legislation, policy and guidance governing the management of public resources.
- 3.2** The resource management framework contains an overarching requirement that accountable authorities *must* govern entities in a way that promotes proper use and management of public resources. In managing the affairs of the entity, accountable authorities *must* comply with the Constitution, the PGPA Act, rules and any other relevant law. In addition, accountable authorities of non-corporate Commonwealth entities *must* govern the entity in a way that is not inconsistent with the policies of the Australian Government.²¹
- 3.3** Ministers *must* also comply with the relevant legislative requirements in the PGPA Act and the CGRGs. Officials *must* advise their Ministers on these requirements.²²

Key resource management legislative requirements

- 3.4** The PGPA Act and rules provide the overarching accountability framework for grants administration. Accountable authorities and officials *must* consider their obligations under the PGPA Act when undertaking grants administration.²³ Internal guidelines, operational guidance and grant guidelines *must* be consistent with these requirements, while including any additional entity specific processes.²⁴
- 3.5** Section 15 of the PGPA Act provides that an accountable authority *must* govern the affairs of the entity in a way that promotes proper use and management of public resources for which the accountable authority is responsible. When used in relation to the use or management of public resources ‘proper’ means efficient, effective, economical and ethical.
- Section 15 is an overarching requirement applying to all aspects of an entity’s resource management, including grants administration.
 - Accountable authorities mainly discharge their responsibility under section 15 by ensuring that their entity has appropriate policies, procedures, guidelines and internal controls in place. Entities determine their specific practices and procedures for grants administration, proportionate to the activity and provided they are consistent with the resource management framework and CGRGs.
 - Accountable authorities of non-corporate Commonwealth entities are required to manage within the context of the Australian Government’s policy framework. The CGRGs are the core policy of the Australian Government relating to grants administration. Other policies which may be relevant for grants administration are discussed later in the CGRGs.
- 3.6** Before entering into an arrangement²⁵ for the proposed commitment of relevant money there *must* be legal authority to support the arrangement.

21 See section 21 of the PGPA Act.

22 In addition to the requirements of the CGRGs, accountable authorities have a duty to keep their responsible Minister informed under section 19 of the PGPA Act.

23 Section 16 of the PGPA Act requires that the accountable authority of a Commonwealth entity must establish and maintain an appropriate system of risk oversight and management and an appropriate system of internal control for the entity. This includes by implementing measures directed at ensuring officials of the entity comply with finance law.

24 See www.finance.gov.au for the most recent guidance.

25 Section 23(2) of the PGPA Act defines an ‘arrangement’ and includes a contract, agreement, deed or understanding.

- 3.7** The authority to enter into, vary or administer an arrangement can come from section 23 of the PGPA Act, section 32B of the *Financial Framework (Supplementary Powers) Act 1997* (FFA Act) or other specific legislation. This authority may be delegated to officials to enable them to enter into, vary or administer an arrangement.
- 3.8** Where a commitment expenditure of relevant money relates to the ordinary services and functions of government²⁶, the authority to enter into, vary or administer an arrangement comes from section 23 of the PGPA Act.
- 3.9** Where the authority to enter into an arrangement is not contained in specific legislation and the arrangement does not relate to the ordinary services and functions of government, the authority to enter into the arrangement will need to come from section 32B of the FFA Act or through new or amended specific legislation. Section 32B provides the Commonwealth with the power to enter into, vary or administer an arrangement or a grant of financial assistance only if it is specified in Schedule 1AA or Schedule 1AB to the FMA Regulations. Schedule 1AA or Schedule 1AB may list a specific arrangement or grant of financial assistance, a class of arrangements or grants, or a programme under which an arrangement or grant is made.
- 3.10** In addition to the requirement for legal authority, accountable authorities and officials *must* also act in accordance with the PGPA Act and rules, including the CGRGs, in relation to the proposed expenditure of relevant money.
- 3.11** The PGPA rules require that where accountable authorities or officials approve a proposed commitment of relevant money, the approval *must* be recorded in writing as soon as practicable after the approval is given.²⁷
- 3.12** The PGPA Act and rules, including the CGRGs, include requirements that apply to Ministers. Officials *must* advise the relevant Minister on these requirements.
- 3.13** The PGPA Act requires that a Minister *must* not approve proposed expenditure of relevant money unless satisfied, after reasonable inquiries, that the expenditure would be a 'proper' use of relevant money.²⁸ The terms of the approval *must* be recorded in writing as soon as practicable after the approval is given. 'Proper' when used in relation to the use or management of public resources means efficient, effective, economical and ethical.

²⁶ 'Ordinary services and functions of government' means spending relating to the running costs of an entity, such as the payment of staff salaries or building rental. Generally, payments relating to the ordinary services and functions of government will come from departmental appropriations, however there can be situations where they are paid from administered appropriations. If you are unsure about whether an activity relates to the ordinary services or functions of government you should seek legal advice.

²⁷ See rule 18 'Approving commitments of relevant money'.

²⁸ See section 71 of the PGPA Act.

4 Grants-specific Processes and Requirements

4.1 The grants policy framework is an important part of the resource management framework which provides for non-corporate Commonwealth entities to work together with the non-government sector to develop and deliver government policy outcomes. In addition to the requirements in the PGPA Act and rules, other grants-specific requirements apply to Ministers, accountable authorities and officials.

Requirements for Accountable Authorities and Officials

- 4.2** Officials *must* establish and document whether a proposed activity is a grant prior to applying the CGRGs.²⁹
- 4.3** Accountable authorities and officials involved in grants administration *must* comply with government policies and legislation relevant to grants administration.
- 4.4** Officials *must*:
- develop grant guidelines for all new granting activities (including grant programmes), and revised guidelines where significant changes have been made to the current granting activity;³⁰
 - have regard to the seven key principles for grants administration;
 - ensure that grant guidelines and related internal guidance are consistent with the CGRGs; and
 - advise the relevant Minister on the relevant requirements of the PGPA Act and rules and the CGRGs, where a Minister is considering a proposed expenditure of relevant money for a grant.
- 4.5** Where an accountable authority or an official approves the proposed commitment of relevant money in relation to a grant, the accountable authority or official who approves it *must* record, in writing, the basis for the approval relative to the grant guidelines and key considerations of value with relevant money.
- 4.6** Officials *must* provide written advice to Ministers, where Ministers exercise the role of an approver. This advice *must*, at a minimum:
- explicitly state that the spending proposal being considered for approval is a ‘grant’;
 - provide information on the applicable requirements of the PGPA Act and rules and the CGRGs (particularly any ministerial reporting obligations), including the legal authority for the grant;
 - outline the application and selection process, including the selection criteria, that were used to select potential grant recipients; and
 - include the merits of the proposed grant or grants relative to the grant guidelines³¹ and the key consideration of achieving value with relevant money.³²

²⁹ Officials should consider the substantive purposes and characteristics of a financial arrangement to determine the nature of the financial arrangement.

³⁰ Grant guidelines are required for all grants, including one-off or ad hoc grants. The format and complexity should be proportionate to the activity. A risk-based approach is in place for consideration of new or revised programme guidelines (including guidelines for granting activities). Officials involved in the development or revision of programme guidelines are required to complete a risk assessment of the granting activities and associated guidelines, in consultation with the Department of Finance and the Department of the Prime Minister and Cabinet.

³¹ This includes the requirement that a proposed grant be consistent with the policies of the Commonwealth, noting that these policies include the guidelines issued in respect to the relevant granting activity. In this context, the basis for recommending or rejecting each proposed grant should be set out in the assessment material for each grant and should reflect the particular merits of each project in terms of the grant guidelines (including assessment against the eligibility and assessment criteria).

³² It is better practice to include this information for any delegate exercising the role of an approver.

- 4.7** While officials do not have to rank all grants when briefing ministers on the merits of a specific grant or group of grants, officials should, at a minimum, indicate: which grant applications fully meet the selection criteria; which applications partially meet the criteria; and which applications do not meet any of the criteria. Any specific recommendations regarding grant applications for approval can be in addition to this information.
- 4.8** Where a third party administers grants on behalf of the Commonwealth, the relevant accountable authority *must* ensure the arrangement is in writing and promotes the proper use and management of other CRF money.³³ In addition, the accountable authority *must* ensure the arrangement requires the third party to apply the CGRGs.
- 4.9** An overarching principle of the CGRGs is that accountable authorities and officials work together across government and with the non-government sector when undertaking grants administration. When determining what the acquittal or reporting requirements are, officials *must* have regard to information collected by Australian Government regulators and available to officials.

Requirements for Ministers

- 4.10** Where a Minister approves proposed expenditure under section 71 of the PGPA Act, in relation to a grant or group of grants, the Minister *must* not approve the grant without first receiving written advice from officials on the merits of the proposed grant or group of grants. That advice *must* meet the requirements of the CGRGs (see paragraph 4.6).
- 4.11** In addition, where the proposed expenditure of relevant money relates to a grant, the Minister who approves it *must* also record, in writing, the basis for the approval relative to the grant guidelines and key considerations of value with relevant money.
- 4.12** Ministers may approve grants within their own electorate.
- Where a Minister³⁴ (including a Parliamentary Secretary) approves a proposed grant in his/her own electorate, the Minister *must* write to the Finance Minister advising of the details.
 - Where there is correspondence to the relevant grant recipient, a copy of this letter is sufficient, except in the circumstances outlined in paragraph 4.13(b). If there is no correspondence, Ministers *must* write to the Finance Minister advising of the decision as soon as practicable after it is made.
 - There are two circumstances where grants awarded in a Minister's own electorate do not need to be reported.
 - Senators do not need to report on grants they decide to award in their own state or territory; or
 - Where grants are awarded Australia-wide, state-wide, or across a region on the basis of a formula³⁵ by a Minister, and any of these grants falls in the relevant Minister's electorate, the Minister does not need to report to the Finance Minister.
- 4.13** Ministers may approve grants that are not recommended by the relevant officials.
- Ministers³⁶ (including Senators) *must* report annually to the Finance Minister on all instances where they have decided to approve a particular grant which the relevant

³³ See rule 29 'other CRF money'.

³⁴ Presiding officers of the Departments of the Parliament are not required to report to the Finance Minister.

³⁵ For example, a targeted grants programme could provide that, subject to specific eligibility criteria being met, particular organisations across a region will be awarded a grant.

³⁶ Presiding officers of the Departments of the Parliament are not required to report to the Finance Minister.

official has recommended be rejected. The report *must* include a brief statement of reasons (i.e. the basis of the approval for each grant). The report *must* be provided to the Finance Minister by 31 March each year for the preceding calendar year.³⁷

- b. If a decision relates to a Minister's own electorate (House of Representatives members only), the Minister *must* also include this information when writing to the Finance Minister in the context of the process outlined in paragraph 4.12.

Grant-connected policies

- 4.14** Grant-connected policies are whole-of-government policies of the Commonwealth for which grants have been identified as a means of assisting delivery. These policies have been explicitly approved by the Cabinet as applying to all Commonwealth grants. Additional guidance on the process to obtain approval for a grants-connected policy is available on the Finance website.³⁸
- 4.15** Many grant-connected policies are the responsibility of entities other than Finance. The policy entity is responsible for actively managing the policy, including providing advice on the application of the policy.

³⁷ Additional guidance on the form of the report is available from the Finance website at www.finance.gov.au.

³⁸ See www.finance.gov.au.

5 Public Reporting

5.1 Effective disclosure and reporting arrangements for grants administration is essential for reasons of transparency and public accountability. Reliable and timely information on grants awarded is a precondition for public and parliamentary confidence in the quality and integrity of grants administration.

Web-based reporting requirements

- 5.2 Grant guidelines *must* be made publicly available (including on entity or whole-of-government websites), except where there is a specific policy reason to not publicise the grant guidelines or grants are provided on a one-off or ad hoc basis.
- 5.3 An entity *must* publish, on its website, information on individual grants (as defined in paragraph 2.3) no later than fourteen working days after the grant agreement for the grant takes effect.³⁹
- 5.4 Entities *must* report all grants⁴⁰ awarded on their website. Once operational, entities *must* report on the whole-of-Australian government register instead.⁴¹
- 5.5 Officials *must* identify whether a grant agreement contains confidentiality provisions.
- 5.6 There may be circumstances where officials determine that public reporting of grants in accordance with the CGRGs is contrary to the *Privacy Act 1988* (Privacy Act), other statutory requirements, or the specific terms of a grant agreement.
- In these circumstances, the relevant officials *must* publish as much information as legally possible. For example, it may be possible to omit the name of the grant recipient and other personal information that may contravene the Privacy Act, but report other grant details.
 - The reasons for not reporting fully *must* be documented by officials.
 - Officials should also take all reasonable steps to ensure that future grant agreements contain provisions that do not prevent the disclosure of information.
- 5.7 Where officials assess that publishing grant information in accordance with the CGRGs could adversely affect the achievement of government policy outcomes, the responsible Minister may seek an exemption from the Finance Minister. The responsible Minister *must* write to the Finance Minister detailing the rationale for exemption. Officials should consult with Finance before commencing this process.
- 5.8 Information on individual grants *must* be retained on an entity's website for at least two financial years. Once operational, entities *must* retain grants information on the whole-of-Australian government register instead. Where it is not practicable to do so (for example, due to the exceptional volume of grants needing to be maintained on the website) entities *must* retain appropriate records, consistent with their accountability obligations, and ensure the records are available on request.

39 The date of effect will depend on the particular arrangement. It can be the date on which a grant agreement is signed or a specified starting date. Where there is no grant agreement entities *must* publish information on individual grants as soon as practicable.

40 This includes grant variations, where those variations involve additional payments of relevant money or significant extensions.

41 See the Finance website for further guidance on grants reporting at www.finance.gov.au.

Part 2 Guidance on Key Principles

6 Key Principles for Grants Administration

- 6.1** This part of the CGRGs sets out how to apply the key principles of grants administration. While the CGRGs contain a number of mandatory requirements, they provide flexibility in how accountable authorities and officials can work together with stakeholders to design and undertake granting activities; identify and engage with risk; and achieve government policy outcomes.
- 6.2** The seven key principles for grants administration that apply to all forms of granting activity⁴² and all processes and phases of grants administration are:
- robust planning and design;
 - collaboration and partnership;
 - proportionality;
 - an outcomes orientation;
 - achieving value with relevant money;
 - governance and accountability; and
 - probity and transparency.
- 6.3** Accountable authorities and officials *must* put in place practices and procedures to ensure that grants administration is conducted in a manner that is consistent with these seven key principles.⁴³ Ensuring that the requirements of the CGRGs are well understood and effectively incorporated into the design and administration of any granting activity is important to ensure that the potential grant recipients best suited to undertake grant funded activities apply for and receive a grant.
- 6.4** The CGRGs provide the framework within which accountable authorities put in place internal controls and associated operational guidance related to grants administration within the specific entity. Accountable authorities are encouraged to use any Finance issued guidance⁴⁴ as the basis for their own internal controls, as this will reduce the risk of misinterpreting the requirements of the resource management framework and promote consistency across entities.
- 6.5** Officials should work together with key stakeholders, both within government and outside of government, through all phases of grants administration, such as the design and development of grant guidelines and application processes.⁴⁵ Officials should build productive relationships with grant applicants and recipients to collaboratively achieve government policy outcomes.

42 Examples include grant programmes as well as one-off or ad hoc grants, grants awarded through competitive, non-competitive and/or targeted selection processes.

43 See paragraph 4.3 and 4.4 of Part 1 of the CGRGs.

44 See the Finance website for guidance material at www.finance.gov.au.

45 Officials should balance this requirement for consultation against any issues that may arise in respect to probity, conflict of interest and the potential for competitive advantage.

7 Robust Planning and Design

- 7.1** High quality planning underpins efficient, effective, economical and ethical grants administration.
- 7.2** Officials should work together with stakeholders to plan, design and undertake granting activities, particularly grants programmes.
- Potential grant recipients and beneficiaries will likely have valuable insights into how best to design and implement the proposed granting activity and will assist to ensure outcomes are appropriately aligned to public needs.
- 7.3** Grants administration processes should be proportional to the scale and risk profile of the granting activity. Officials should consider that granting activities affect not only the Commonwealth and grant recipients, but may also impact on other beneficiaries of a grant as well.
- 7.4** Officials should address all relevant planning issues before granting activities commence. These issues should be built into the design of any granting activities.
- The specific issues to be addressed will depend on the nature of the granting activities. A complex granting activity may, for example, require a different approach to a grant made on a one-off or ad hoc basis.
- 7.5** Officials should have regard to all relevant planning issues, including the need to:⁴⁶
- establish a rationale for the granting activity, particularly what outcomes are expected and how these will be measured;
 - define the operational objectives for the granting activity;
 - communicate effectively with potential recipients and key stakeholders;
 - undertake risk identification and engagement;
 - design the granting activity to achieve value with relevant money;
 - ensure that eligibility criteria reflect the policy intent;
 - clearly identify decision makers and their roles;
 - design the granting activity for accountability, probity and transparency;
 - carefully consider the application and selection process to be used;
 - establish performance and evaluation measures;
 - select an appropriate funding strategy and grant agreement;
 - consider taxation matters and seek advice where appropriate;
 - consider the Australian Government's accounting treatment;
 - develop appropriate documentation, such as grant guidelines and application information;
 - consider legal and policy matters; and
 - implement robust governance arrangements.
- 7.6** Risk is part of the environment in which government operates. Understanding, accepting and managing risk is part of everyday decision making within government. Accountable authorities have a duty to establish and maintain systems relating to risk and control.⁴⁷

⁴⁶ Entities may identify other matters requiring consideration at the planning phase, depending on their specific circumstances.

⁴⁷ See section 16 of the PGPA Act.

They should develop a positive risk culture within their entities, supported by appropriate frameworks and processes. A key element of planning and designing a granting activity is to identify and engage with risk. Officials should be conscious of the risks of a granting activity, make informed decisions in managing these risks and identify and harness potential opportunities.

- 7.7** Officials should ensure that the party best placed to manage a specific risk is identified, the risks are assigned to that party, and that they manage those risks. Identifying the party best able to manage a risk and assigning that risk is an active process that should occur through all phases of grants administration.
- 7.8** Risk identification and engagement should be built into an entity's grants administration processes. Risk identification and engagement activities will vary depending on the entity, granting activity, grant, and grant recipient. Some risks can appropriately be mitigated or managed through the grant agreement, while other risks are better managed through other phases of grants administration, such as planning and design, the application and selection process and the ongoing relationship between officials and grant recipients.
- 7.9** Risk can be categorised a number of ways. The CGRGs use three broad categories: granting activity or grant programme risk; grantee risk; and project risk.
- 7.10** Risks involving the *granting activity or grant programme* relate to the planning, development and implementation of the granting activity by the relevant entity, such as:
- the nature of the granting activity (i.e. scope, complexity, uniqueness, quantum of funds, etc);
 - design of the activity (i.e. a new or novel approach, having clearly defined outcomes, a unique allocation mechanism, timeframes, cost shifting, etc);
 - entity capacity to administer the granting activity (i.e. resourcing, infrastructure requirements, staff experience and skills, etc); and
 - implementation issues (i.e. communications with grant recipients and other stakeholders, clear accountabilities, ongoing grant administration, etc).
- 7.11** Risks involving the *grantee/recipient* relate to the industry or sector, the grant recipient and the entity's relationship with the grant recipient, such as:
- the nature of a particular industry (i.e. emerging industries, highly volatile sectors, controversial providers, industry capacity and regulation, etc);
 - the relationship between the parties to the grant agreement (i.e. contractual relationships, collaboration, stakeholder expectations, multiple funding bodies, etc);
 - experience, capacity and past history of grant recipients; and
 - accountability procedures (i.e. performance management, fraud, conflict of interest, 'double dipping', etc).
- 7.12** Risks involving the *project/task /services* relate to the specific activities that are funded by the grant, such as:
- the nature of grant funded activities (i.e. scope and range of activities, number of activities, geographic coverage, location, beneficiaries involved, etc);
 - stakeholder capabilities (i.e. governance and experience, co-funding arrangements, clear roles and responsibilities, competing outcomes, etc);
 - project design (i.e. value and duration of specific projects, specific objectives, timeframe for projects, etc); and
 - project standards (i.e. service standards, specific accountabilities, etc).

7.13 Officials should ensure that risk identification and engagement is supported by performance information, procedures and systems that continuously identify and treat emerging risks throughout the grants administration processes.

8 Collaboration and Partnership

- 8.1** Accountable authorities have a duty to encourage officials to co-operate with others to achieve common objectives.⁴⁸ Officials should work collaboratively with stakeholders, including other government entities, grant recipients and beneficiaries. It is important to consider the needs and interests of grant recipients and beneficiaries. It should not be assumed that the same approach will suit all grants activities and circumstances. Through effective collaboration, shared understanding of expectations and positive working relationships, government policy outcomes can be achieved.
- 8.2** Officials are encouraged to seek input from potential grant applicants, beneficiaries, relevant industry and community sectors, and other key stakeholders when developing or modifying granting activities. Officials, working together with stakeholders, will:
- improve the design and delivery of granting activities;
 - help identify and reduce fragmentation and unnecessary overlaps in granting activities;
 - improve the responsiveness, flexibility and relevance of granting activities;
 - reduce administration and compliance costs for potential applicants and government;
 - aid in the development of appropriate outputs, outcomes, impact measures, accountability requirements, governance structures and grants documentation; and
 - encourage potential grant applicants to understand their legal rights and obligations.
- 8.3** Consultation and co-operation with other stakeholders can help reduce fragmentation and unnecessary overlaps, improving outcomes for grant recipients, beneficiaries, the Commonwealth and other funding organisations. Officials should consider what interaction a particular granting activity may have on other government or non-government funded activities, particularly where there are similar policy outcomes.
- Granting activities could be funded by Commonwealth, state or territory and local government bodies, private trusts and foundations or national or state coordinating organisations.
 - Officials should develop effective liaison with other funding organisations, particularly where policy responsibility or grants administration is shared between different entities or levels of government, or where an entity or third party is responsible for the grants administration of another entity.
- 8.4** Officials should seek to minimise red-tape and duplication. In particular, they should not seek information from grant applicants and/or grant recipients that is collected by other parts of the entity or other Commonwealth entities and is available to them.
- 8.5** Officials should choose methods that will promote open, transparent and equitable access to grants.
- Officials should ensure that publicly available grant opportunities are notified in ways that provide all potential grant applicants with reasonable opportunity to apply.

⁴⁸ See section 17 of the PGPA Act.

- Careful consideration should be given to the use of appropriate and effective promotion, to increase awareness of grant opportunities in key target groups. Appropriate and effective promotion of grant opportunities can include print and broadcast media, news features and editorials, newsletters and direct mail, workshops or other special events, public launches or announcements, the internet, social media and the use of outposted officers.
- 8.6** It is important that officials develop clear, consistent and well-documented grant guidelines and other related documentation. Officials should consider that a single reference source for policy guidance and other documentation (for example, administrative procedures, eligibility and assessment criteria appraisal processes, monitoring requirements, evaluation strategies and standard forms) helps to ensure consistent and efficient grants administration.
- 8.7** Grant guidelines may consist of a suite of documents that relate to one or more granting activities, such as overarching guidelines, specific application or expression of interest documentation and/or documentation covering the ongoing operation of the grant.
- 8.8** Officials *must* ensure that any suite of documents that form the grant guidelines for any granting activity are consistent with the CGRGs.⁴⁹
- Officials should ensure that the rules of granting activities are simply expressed, are clear in their intent and are effectively communicated to stakeholders. Officials should consider testing the clarity of grant guidelines with stakeholders prior to their release.
 - Potential grant applicants need access to adequate information to enable them to submit a grant application. Application documentation should contain clear eligibility and assessment criteria to enable the selection of applications in a consistent, transparent and accountable manner. The design of the application form should assist applicants to provide information in respect of all selection criteria.
 - Application forms and associated information should be easy to understand and provide all necessary information. Guidance should include contact points and details for further information, application forms and other information. Prompt action should be taken to update websites and other sources of public information following changes to granting activities (including grant programmes).
 - Eligibility criteria should be straightforward, easily understood and effectively communicated to potential applicants. This helps avoid frustration and potential costs to applicants associated with developing and submitting applications that are not eligible or that have little chance of success.
 - The information supplied with application forms should include: a statement of the granting activity objectives; the information required to assess the application; the appraisal criteria to be used when assessing applications for approval and their relative importance; and information about the approval process itself (including the closing date for applications and likely decision dates, if applicable; an outline of the selection process including who will be responsible for making the final recommendations and approval decisions; requirements to ensure the provision of performance information; a description of complaint handling, appeal, review and/or FOI mechanisms; and reporting and acquittal requirements).
 - Officials should ensure that grant guidelines clearly inform potential grant recipients of terms and conditions that recipients will need to meet during the life of the grant, such as financial and performance reporting. The proposed grant agreement should be included with the grant guidelines so that grant applicants can consider this at the time that they are considering applying for a grant.

⁴⁹ See paragraph 4.4 of Part 1 of the CGRGs.

- Timely appraisal avoids possible inequities and waste that may arise through unnecessary delay.

8.9 A well-designed grant agreement will help establish the basis for effective working relationships based on collaboration and respect between the grant recipient and the granting entity, and a shared understanding of objectives and expectations.

- Longer term grant agreements are conducive to improved partnerships between grant recipients and officials. Where appropriate, officials should consider longer term grant agreements.

9 Proportionality

- 9.1** Proportionality in grants administration involves striking an appropriate balance between the complexity of a granting activity, including the ongoing requirements for the grant recipients, and managing the risks for beneficiaries and the Commonwealth. Accountable authorities have a duty in relation to requirements imposed on others and when imposing requirements on others *must* take into account the risks associated with the use or management of public resources and the effect of requirements imposed.⁵⁰ Officials should ensure that grant processes appropriately reflect the capabilities of grant recipients and accommodate the Australian Government's need for robust and accountable processes, consistent with the risks involved. Officials should apply the proportionality principle to suit the specific circumstances of their particular granting activities.
- 9.2** Granting activities vary widely in nature, scale and degree of complexity.
- Some granting activities may involve grant recipients, such as individuals, small business or the not-for-profit sector, while others involve large corporations, primary producers or whole industry sectors. Some potential grant recipients may have prior experience in applying for and delivering grants, while others may not.
 - Some granting activities support the ongoing delivery of services, with grants provided to the same or similar organisations over a period of years. Other granting activities may support new policy, with the associated risks of doing something for the first time, due to social, business or strategic changes.
 - Some granting activities provide short-term, one-off assistance to grant recipients, while others may be for a longer duration with multiple application rounds.
 - Some granting activities require only a broad specification of purposes and relatively simple accountability requirements, while others may require tight specifications and complex accountability.
- 9.3** Officials should use the proportionality principle to inform the choice of the application and selection process, the grant agreement to be used and the reporting and acquittal requirements. Officials should tailor grant guidelines, application processes, grant agreements accountability, and reporting requirements based on the potential risks and specific circumstances. In doing this, officials should consider: an assessment of the capability of grant recipients; the policy outcomes being sought; the purpose, value and duration of a grant; the nature and type of deliverables; governance; accountability requirements; and the nature and level of the risks involved.
- Grant guidelines are required for all grants, including one-off or ad hoc grants. The format and complexity may vary, depending on the activity.⁵¹ At a minimum, guidelines for one-off or ad hoc grants should include the purpose or description of the granting activity, the objectives, the selection process, any reporting and acquittal requirements and the proposed evaluation mechanisms.
 - Grant agreements for a small-scale one-off grant should take the form of a simple letter of offer or exchange of letters.

⁵⁰ See section 18 of the PGPA Act.

⁵¹ For example, if an entity provides a sponsorship grant, and this sponsorship doesn't fall within an existing grant programme, then officials may either develop overarching guidelines that would cover all sponsorships, or develop specific guidelines attached or incorporated into a brief to the decision-maker. These guidelines will greatly differ from those prepared for grant programmes, as the proportionality principle would suggest that they should be simpler and shorter.

- For low-risk grants, where the likelihood of identified risks occurring is remote or the impact of the identified risk is minimal, the grant agreement should cover those risks that can be appropriately managed through the agreement and ensure that the grant recipient is not overburdened.⁵²
- More complex grants may require tailored grant agreements. For complex grants, involving high levels of conditionality and multiple funding partners, grant agreements may need to be individually structured to reflect the role, responsibilities and level of control which each of the parties is expected to assume.

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

- Where a grant is used to support the ongoing delivery of services from the same organisations over a period of years, officials should consider reducing the detail of their accountability and reporting requirements, given a grant recipient's established record of compliance and performance.
- Subject to transparency considerations and risk assessment, it may be appropriate for officials to provide grant recipients that have a consistent record of high performance and reliability, more streamlined reporting requirements and evaluation measures, for example, allowing for aggregation of reports and less frequent reporting milestones.
- When determining what acquittal or reporting requirements are required, officials should have regard to information collected by Australian Government regulators and available to officials. If an organisation provides an annual audited financial statement, then an audited financial acquittal should not be required, unless the grant is higher risk.
- Where possible and appropriate, officials should consider aligning grant reporting requirements with a recipient's internal reporting, such as the annual reporting cycle and/or other substantive reporting requirements.
- Officials should not impose obligations on recipients to provide information which is available from other sources, such as regulatory bodies, the Australian Bureau of Statistics, peak bodies or publicly available material.

9.5 A further consideration is the entity's reporting requirements. Inappropriately or inflexibly applied entity standards and accountability frameworks could deter potential grant applicants. For example, requiring small businesses or not-for-profit entities to report in the same manner as large corporate organisations may not be appropriate. Similarly, poorly formulated reporting requirements which focus on outputs rather than outcomes, can be overly burdensome, while stifling innovation by grant recipients.

- Officials should use better practice tools⁵³ and templates⁵⁴.

⁵² See the finance website for the low-risk grant agreement template at www.finance.gov.au.

⁵³ The Standard Business Reporting (SBR) initiative may also be relevant for financial reporting, see www.sbr.gov.au. For financial reporting by not-for-profit organisations, entities must accept information according to the National Standard Chart of Accounts (NSCOA) accounting categories where a not-for-profit organisation chooses to use them.

⁵⁴ See the finance website for the low-risk grant agreement template at www.finance.gov.au.

- Officials should balance the stringency of acquittal procedures against the level of risk, based on consideration of the risks involved with the granting activity or grant programme, the grantee/recipient and the project/task/services being funded, and the costs of compliance. Officials should consider that independently audited financial statements, may be expensive and difficult to source in rural and remote areas, or may comprise a large proportion of a low value grant.

9.6 Officials should explain in granting activity documentation, such as grant guidelines and operational procedures, how the proportionality principle is to be applied. Proportionality decisions should also be recorded. Officials should periodically review these decisions, so that accountability and reporting requirements remain aligned to considerations of performance and risk through all phases of grants administration.

10 An Outcomes Orientation

10.1 Granting activities should be designed and implemented so that grant recipients focus on outcomes and outputs for beneficiaries, while seeking the most efficient and effective use of inputs. Accountable authorities and officials should focus on achieving government policy outcomes.⁵⁵

10.2 Granting activities should have a performance framework that is linked to an entity's strategic direction and key performance indicators. Officials should determine operational objectives that can be used to evaluate a granting activity. Specifically, officials should determine what change is expected as a result of a granting activity (the intended outcomes) and then measure the actual outcome.

- An entity's strategic direction outlines at a high level what it seeks to achieve. It is recorded in an entity's Portfolio Budget Statements.
- The operational objective is a statement of what the granting activity is intended to achieve. Granting activities should be based on clearly defined and documented objectives. The objectives should be a concise, unambiguous, realistic statement of what the granting activity is intended to achieve.

10.3 Officials should ensure that the objectives of particular granting activities are clear and specific. This will make it easier to develop supporting documentation, such as selection criteria, limit wasted applications and aid in the development of an appropriate performance framework, based on proportionality considerations. Officials should develop operational objectives which:

- are clearly linked to the outcomes set by government;
- are linked to an entity's strategic goals and/or directions and stated in such a way that clearly communicates what is to be achieved, measured, evaluated, and/or assessed;
- include quantitative, qualitative and milestone information or are phrased in such a way that it is clear when these objectives have been achieved;
- are authorised or endorsed by Ministers, the entity's accountable authority or senior officials, whichever is appropriate;
- are shared with potential applicants, grants recipients, and where appropriate beneficiaries; and
- are reviewed regularly, and whenever changes are made to the granting activity.

10.4 In adopting an outcomes orientation, officials should ensure that outcome, output and input measures are clearly specified, as this will facilitate effective and efficient evaluation of granting activities and the services and activities funded by the grant.

- Outcome measures assess the extent to which the granting activity is meeting both the strategic directions and operational objectives of the entity. Outcome measures relate to changes effected in the community and may include: the level of usage of facilities built with the grant; the level of community involvement resulting from projects; and levels of service delivery.
- Output measures show the extent to which the granting activity's operational targets or milestones have been achieved. Output measures may include: the numbers of completed projects; the numbers of new applicants; and the numbers and/or value of grants awarded.

⁵⁵ Under section 15 of the PGPA Act, accountable authorities have a duty to govern Commonwealth entities in a way that, amongst other things, promotes the achievement of the purposes of the entity.

- Input measures show the inputs, such as cash and resources, consumed by grants administration and may include: the costs of administering a granting activity; the number of staff employed and the costs of processing applications.

10.5 In adopting an outcomes orientation, officials should consider common traps identified by the ANAO.⁵⁶ These can include:

- assuming that the award of a grant automatically secures the desired outcome;
- assuming that the consumption of inputs results in the delivery of desired outputs and outcomes; and
- framing performance indicators that are reliant upon data provided by the grant recipient, without validating the recipient's capacity to produce accurate, reliable and complete data.

10.6 In adopting an outcomes orientation, officials should consider the use of longer term grant agreements, where appropriate, in order to achieve outcomes. For example, where funding of projects or the delivery of services is likely to occur over a number of years, it may be more appropriate to provide successful applicants with longer term grant agreements rather than conducting multiple grant rounds and offering grants for one to two years duration.

10.7 Performance reporting requirements and other information sought from grant recipients are key inputs used by officials in evaluating whether outcomes have been achieved and whether a particular grant achieved value with relevant money. In developing the performance reporting and information requirements for particular granting activities and grant recipients, officials should balance the amount of information sought and the associated costs to grant recipients of collecting and collating such information, against the obligation to perform due diligence in relation to grant evaluation processes.

- Officials, in close consultation with stakeholders, should design performance information to show the extent to which the grant is contributing to government objectives, as well as producing outputs.

10.8 Officials should establish appropriate performance measures on which to evaluate granting activities. Officials should ensure that performance measures are flexible enough to take into account the risk profile of the granting activities, grant recipients, and the project/task/services being funded. Officials should ensure that these measures are specified in: grant guidelines; agreements and other grants administration documentation; and the entities broader performance management framework.

- Officials should undertake an evaluation of a grants round before initiating further grant rounds or extending existing grant agreements, in order to determine whether existing grants administration processes, practices and requirements remain applicable.
- While conducting the evaluation, officials should consider the extent to which government outcomes and entity strategic directions remain appropriate as a result of the impact of the grant.

10.9 Requesting appropriate targeted performance information will assist grant recipients and officials to draw well-informed conclusions. It therefore contributes to timely and effective decision-making in managing granting activities. It can provide useful information on which to base future decisions for designing, continuing or concluding granting activities, and can contribute to the accountability of entities for their performance.

⁵⁸ Check the ANAO website for relevant Australian National Audit Office Better Practice Guides at www.anao.gov.au.

- Officials should apply proportionality principles⁵⁷ to their grants administration. The proportionality principles along with risk identification and engagement, allows officials to consider their information needs and tailor or adjust the information requirements based on the granting activity or grant programme risks, grantee or recipient risks, and project/task/services risks.

⁵⁷ See section 9 of Part 2 of the CGRGs.

11 Achieving Value with Relevant Money

11.1 Achieving value with relevant money should be a prime consideration in all phases of grants administration.⁵⁸ Grants administration should provide value, as should the grant recipients in delivering projects/tasks/services funded by the grant. This requires the careful comparison of the costs and benefits of feasible options in all phases of grants administration, particularly when planning and designing grants processes and when selecting grants recipients. It is also a means by which officials can assure the entity's accountable authority, Ministers and the Parliament that resources are deployed in an efficient, effective, economical and ethical manner, while not imposing overly burdensome requirements on grants recipients.

11.2 Officials achieve value with relevant money in grants administration by:

- considering and promoting proper use and management of public resources (proper means efficient, effective, economical and ethical);
- working with stakeholders when appropriate to develop or modify granting activities. Stakeholder input can aid in improving the efficiency of the design and delivery of granting activities;
- using processes, procedures and requirements that are proportional to the risks and nature of granting activities. For intellectual property rights resulting from activities undertaken with grant money, entities should not generally assert ownership, but should consider a licence for Commonwealth purposes, such as reporting to Ministers;
- adopting an active risk identification and engagement approach focused on minimising potential adverse impacts and maximising opportunities, through identifying and treating risks;
- responding to change. Officials should establish flexible processes so as to be able to respond quickly to changing government priorities;
- effective programme design and selection processes. The objective of the appraisal process is to select projects/activities that best represent value with relevant money in the context of the objectives and outcomes of the granting activity (including grant programmes). A fundamental appraisal criterion is that a grant should add value by achieving something worthwhile that would not occur without the grant; and
- ongoing monitoring and management. The establishment of on-going monitoring and management arrangements throughout the life of the grant should enable the granting entity to assure that granting activities are proceeding as planned and that grant money is being appropriately applied.

11.3 Grant recipients contribute to achieving value with relevant money by:

- considering how best to deliver the goods or services to target groups or individuals. This may involve using existing processes and technologies or professional standards, or it may involve innovation and performance improvement by the grant recipient or officials;
- having in place an effective risk management approach that will minimise potential waste of grant money;
- ongoing monitoring and management of the project/task/services funded by the grant, as appropriate. This may involve the effective use of organisational processes, procedures and systems to produce the required reporting information;

⁵⁸ Under section 15 of the PGPA Act, accountable authorities have a duty to govern Commonwealth entities in a way that, amongst other things, promotes the proper use and management of public resources and the financial stability of the entity.

- contributing to government policy objectives through collaborative delivery of projects/tasks/services funded by the grant; and
- participating in evaluation processes.

11.4 The planning and design phase of grants administration is important to address questions of how best to achieve value with relevant money. Whilst the list is not exhaustive, officials should consider the following points as they may reveal less costly or more effective means of achieving government policy outcomes.

- It is important that officials determine that a grant is the most appropriate mechanism. There may be alternative means to realise a desired outcome, such as the use of statutory powers or the purchase of services.
- Where government makes a specific decision regarding the establishment of a granting activity, officials should still consider whether a needs analysis in the selection process would assist in identifying the highest priority projects, services or activities, consistent with the intended government policy outcomes.
- Officials should determine whether an existing granting activity or grant programme may be expanded or modified to meet an identified need, rather than establishing an additional granting activity. Relevant considerations include: the possible duplication of grant guidelines; advertising budgets; application and selection processes; grant agreements and payment arrangements; systems and support; and monitoring and performance assessment procedures. Officials should consider that duplication will generally add to an entity's administrative costs and may increase compliance cost for recipients.
- Officials should consider other sources of funding that may be available. Consideration should be given to the possibility of 'double-dipping' by a grant recipient. Double-dipping occurs where a grant recipient is able to obtain a grant for the same project or activity from more than one source.
- Officials should be alert to the possibility of 'cost shifting' to the Commonwealth by another level of government, or 'substitution of effort' by another level of government. Cost shifting occurs where, for example, the Commonwealth provides a grant for an activity that should be paid for by a state, territory or local government. Officials should put in place a range of procedures to minimise opportunities for cost shifting and substitution of effort. These include seeking assurances that the grant will not be used for activities that would normally be paid for by a state, territory or local government. A further measure is to specify the types of payments or projects excluded from Commonwealth grants in any relevant grant documentation such as grant guidelines and operational guidance.
- Officials should consider the use of longer term grant agreements, where circumstances permit. When considering the appropriate length of term of grant agreements, officials should consider the administrative costs involved for the entity and recipients. Longer term grant agreements may better achieve value with relevant money and government policy objectives, than conducting multiple grant rounds with grant agreements of shorter term duration.

11.5 Competitive, merit-based selection processes can achieve better outcomes and value with relevant money. Competitive, merit based selection processes should be used to allocate grants⁵⁹, unless specifically agreed otherwise by a Minister, accountable authority or delegate.⁶⁰ Where a method, other than a competitive merit-based selection process is planned to be used, officials should document why this approach will be used.

⁵⁹ It may be appropriate in some circumstances to use non-competitive or targeted processes, such as, when the number of service providers is very limited and these providers have a well established record of delivering the grant funded activities.

⁶⁰ This delegate would normally be a section 23 delegate.

12 Governance and Accountability

- 12.1** Granting activities (including grant programmes) should be underpinned by solid governance structures and clear accountability for all parties involved in grants administration.
- 12.2** Accountability involves ensuring individuals and organisations are answerable for their plans, decisions, actions and results. Accountability arrangements in grants administration relate to both the process of grants administration, including the grants allocation processes and ongoing grants management, and the achievement of government objectives. Ministers, accountable authorities, officials and grant recipients all have their respective roles to play in achieving the applicable government objectives and should be held accountable for the ways in which they fulfill their roles.
- 12.3** Officials should clearly define the roles and responsibilities of all parties involved in grants administration. Officials are encouraged to develop a robust governance framework, which clearly defines the roles and responsibilities of the various parties, as this will facilitate accountability.
- Any grants governance framework must be underpinned by the mandatory requirements in Part 1 of the CGRGs, such as the need for accountable authorities and officials to ensure that grants administration, including decision-making is consistent with the requirements of the PGPA Act and rules and that Ministers are advised of their requirements under the CGRGs.
 - Any grants governance framework should also clearly outline the role of grant recipients in the administration of a grant and the role of third parties, such as, advisory panels or entities that may manage grants on behalf of the Commonwealth.
- 12.4** Officials should develop policies, procedures and documentation necessary for the effective and efficient governance and accountability of granting activities. This should include the development of grant guidelines and associated operational guidance for administering the grants on an ongoing basis. It is particularly important that such guidance clearly sets out who are the decision-makers for different activities involving grants administration. Officials *must* ensure the development of such guidance is consistent with the CGRGs.⁶¹
- 12.5** Officials involved in developing and/or managing granting activities should have the necessary grants management, stakeholder liaison and financial management skills. Officials involved in assessing applications should be appropriately skilled and have access to procedural instructions and/or training before processing grant applications.
- These safeguards are particularly important if grants administration is devolved to regional offices or across multiple entities, or involves different levels of government or individuals and organisations external to the Commonwealth.
 - Care should be exercised to ensure that the competing demands on staff time and scarcity of expertise do not lead to variations in the standards of appraisal and administration.
- 12.6** Accountability is dependent on the proper maintenance, awareness and availability of appropriate grants administration documentation and processes. Record keeping is therefore a key component of good grants governance and accountability. Good record keeping by officials will assist in meeting accountability obligations, demonstrate compliance with the CGRGs and the financial management framework, and show that due process has been followed in actions and decisions.

⁶¹ See paragraph 4.4 of Part 1 of the CGRGs.

- Officials should have regard to grants-specific record keeping requirements and the implications for record keeping of the grants-specific mandatory requirements in Part 1 relating to requirements for Ministers and officials and web-based reporting obligations.

12.7 Good record keeping assists entity performance by better informing decision-making. For example:

- where officials can identify previous and current grant recipients and their performance they will be better able to assess risks;
- decision-makers should document the reasons for decisions in awarding grants⁶² (and where appropriate not awarding grants) as this will assist equitable application of the assessment criteria, in particular, when selection processes are conducted over an extended period of time. This helps to ensure that grant money is awarded to those projects or activities that best satisfy the objectives of the granting activity; and
- where it is proposed to use a method other than a competitive, merit-based selection process, officials should document why this approach has been used.⁶³

12.8 Officials should ensure that grant agreements are well drafted and are fit-for-purpose, as this will contribute to good governance and accountability. Grant agreements are an opportunity to clearly document the expectations of all parties in relation to the grant. Both officials and grant recipients should clearly understand conditions in the grant agreement. The use of plain English facilitates this. A well-drafted grant agreement is one that provides for:

- a clear understanding between the parties on required outcomes, prior to commencing payment of the grant;
- appropriate accountability for relevant money, which is informed by risk analysis;
- agreed terms and conditions in regards to the use of the grant, including any access requirements; and
- the performance information and other data that the recipient may be required to collect as well as the criteria that will be used to evaluate the grant, the grant recipient's compliance and performance.

12.9 There is no form of grant agreement that is right for all grants. Unless legislation or policy mandates the form of an agreement, officials should choose the appropriate form of agreement, based on:

- an analysis of the risks;
- consideration of proportionality;
- the context in which the grant is made (for example, the nature of the recipient, relevant applicable legislation, and relevant policy directions);
- guidance material, templates and tools provided by Finance;
- government policy, such as those relating to risk;
- officials and the recipient working collaboratively;
- the best way to resolve issues that may arise;
- entity templates and guidance; and
- legal advice, where appropriate.

⁶² Note the requirements of paragraph 4.5 and 4.10 of Part 1 of the CGRGs.

⁶³ See paragraph 11.5 of Part 2 of the CGRGs.

12.10 Officials should ensure that the chosen form of grant agreement supports relevant money being used for the intended purpose. The grant agreement should, at a minimum, define project deliverables, schedule payments (according to progress), specify reporting requirements and acquittal procedures (if required) which are proportional to the risks involved.

- A grant recipient's own policies and procedures should support the grant agreement and ensure the effective and efficient governance and accountability for the grant.

12.11 Where legislation, regulation, rules, government policy or Ministerial direction imposes specific requirements such as how, to whom and in what form a grant is made and specifies particular terms and conditions, officials should meet those requirements.

- An Australian Industry Participation (AIP) Plan may be required where a grant is \$20 million or more and use of grant money may involve the acquisition of goods or services that can be purchased internationally.⁶⁴

12.12 A well-drafted grant agreement alone is not sufficient to ensure the objectives of the grant are met. Officials should ensure that grant agreements are supported by ongoing communication, active grants management and performance monitoring requirements, which are proportional to the risks involved.

- Performance and financial monitoring provide useful information on which to assess the extent that objectives have been achieved.
- The monitoring of payments and progress are integral to good governance and risk management and provide a measure of assurance that relevant money allocated to grant recipients has been spent for its intended purposes.
- Adequate and well-documented arrangements to ensure financial accountability are the basis of effective grant acquittal. Reliable, timely and adequate evidence is required to demonstrate that the grant has been expended in accordance with the terms and conditions of the grant agreement. The stringency of acquittal procedures should be balanced against the level of risk and take into account the cost of compliance. Active risk engagement and management strategies will help achieve this balance.

⁶⁴ Officials are required to consult with the Department of Industry to confirm if an AIP plan is likely to be needed for a particular grant. See www.innovation.gov.au/Industry/AustralianIndustryParticipation/Pages/AIPPlansforCommonwealthGovernmentGrants.aspx.

13 Probity and Transparency

13.1 Probity relates to ethical behaviour. Establishing and maintaining probity involves applying and complying with public sector values and duties such as honesty, integrity, impartiality and accountability.⁶⁵

13.2 Transparency refers to the preparedness of those involved in grants administration, including officials and grant recipients, to being open and prepared to be subject to scrutiny about grant processes and granting activities (including grant programmes). This involves providing reasons for decisions and the provision of two-way information to government, the Parliament, grants recipients, beneficiaries and the community. Transparency provides assurance that grants administration is appropriate and that legislative obligations and policy commitments are being met.

13.3 Probity and transparency in grants administration is achieved by ensuring:

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

13.4 Accountable authorities *must* ensure that entity fraud procedures and practices comply with the fraud risk management and controls for Commonwealth entities rule⁶⁶, including as it relates to grants administration. The rule places obligations on accountable authorities in relation to: fraud risk assessments; control plans; awareness and training; and case handling and reporting.

- Under section 16 of the PGPA Act, an entity's accountable authority must implement a fraud control plan for the entity.
- Under section 45 of the PGPA Act, accountable authorities must establish and maintain an audit committee.

13.5 Accountable authorities should:

- establish appropriate internal control mechanisms for grants. For example, the separation of duties can be a key internal control. Generally, no single officer should appraise an application for a grant, give financial approval for the expenditure and make the offer to the applicant; and
- guard against fraudulent use of grant payments. For example, reported information should be assessed not only against objectives but appropriate benchmarks to indicate appropriate use of funds. Officials should be aware of the procedures to follow when fraud or misappropriation is suspected.

⁶⁵ The PGPA Act contains a number of duties in relation to officials including duties of care and diligence, duties to act in good faith and for a proper purpose, duties in relation to use of position, duties in relation to the use of information and duties to disclose interests. See Division 3 of the PGPA Act.

⁶⁶ See rule 10 'Preventing, detecting and dealing with fraud'.

- 13.6** Actual or perceived conflicts of interest can be damaging to government, the grant applicant, the grant recipient, the entity and its staff. A conflict of interest arises where a person makes a decision or exercises a power in a way that may be, or may be perceived to be, influenced by either material personal interests (financial or non-financial) or material personal associations. A conflict of interest may arise:
- where decision makers or officials involved in grants administration have a direct or indirect interest, which may influence the selection of a particular project or activity;
 - where members of expert or advisory panels or committees have a direct or indirect interest in informing a decision about expenditure or providing advice on grants; and
 - where a grant recipient has a direct or indirect interest, which may influence the selection of their particular project or activity during the application process. Conflicts may also arise when undertaking the grant project.
- 13.7** Officials should establish transparent processes which help manage misconceptions and the potential for personal or related party gain. Accountable authorities should ensure that entity policy and management processes for conflict of interest are published to support probity and transparency.
- 13.8** Accountable authorities should put in place appropriate mechanisms for identifying and managing potential conflicts of interest for granting activities. These mechanisms may include:
- establishing procedures for officials and potential grant recipients to declare their interests;
 - developing procedures to manage potential conflicts of interest in all phases of grant administration;
 - maintaining a register of staff interests; and
 - ensuring that grant guidelines clearly outline what constitutes a conflict of interest.
- 13.9** Officials should conduct granting activities in a manner that minimises concerns about equitable treatment.⁶⁷ This can provide assurance to the various stakeholders that relevant money has been spent for the approved purposes and is achieving the best possible outcomes.
- Officials should ensure that decisions in relation to the approval of applications for grants are transparent, well documented and consistent with the legislative and policy requirements set out in Part 1, sections 3 and 4 of the CGRGs.
 - Officials should put in place a transparent and systematic application and selection process. Such processes assist in informing decisions and enhancing confidence in the granting activity outcomes and grants administration processes, for both stakeholders and the public.
 - The ANAO has observed that, in its performance audits of grant programmes, it has put an emphasis on the geographic distribution of certain grant programmes as a measure of equitable distribution and as an indicator of party-political bias in the distribution of grants. The ANAO has emphasised that those involved in grants administration should therefore be aware that the geographic and political distribution of grants may be seen as indicators of the general equity of a programme.⁶⁸

⁶⁷ All parties involved in grants administration may be vulnerable to complaints of inequitable treatment, political and other forms of patronage or bias.

⁶⁸ Check the ANAO website for relevant Australian National Audit Office Better Practice Guides www.anao.gov.au.

- A key consideration is whether decision-makers have equitably and transparently selected activities or projects that best represent value with relevant money in the context of the objectives and outcomes of the granting activity, as set out in grant application guidelines.

13.10 Competitive merit based processes should be used to allocate grants based upon clearly defined criteria, unless specifically agreed otherwise by a Minister, accountable authority or delegate. Key factors to be considered by officials in deciding the most appropriate allocation process include: the objective of the granting activity; the likely number and type of applications; the nature of the grant; the value of the grants; and the need for timeliness and cost-effectiveness in the decision-making process while maintaining rigour, equity and accountability.

13.11 Officials should consider the options available for selection processes, including:⁶⁹

- open competitive funding rounds which have open and closed nominated dates, with eligible applications being assessed against the nominated selection criteria;
- targeted or restricted competitive funding rounds which are open to a small number of potential grant recipients based on the specialised requirements of the granting activity or project under consideration;
- a non-competitive, open process under which applications may be submitted at any time over the life of the granting activity and are assessed individually against the selection criteria, with funding decisions in relation to each application being determined without reference to the comparative merits of other applications;
- a demand-driven process where applications that satisfy stated eligibility criteria receive funding, up to the limit of available appropriations and subject to revision, suspension or abolition of the granting activity;
- a closed non-competitive processes. For example, where applicants are invited by the entity to submit applications for a particular grant and the applications or proposals are not assessed against other applicants' submissions but assessed individually against other criteria; or
- one-off grants to be determined on an ad-hoc basis, usually by Ministerial decision.

13.12 In determining the most appropriate application and selection process for a granting activity, officials should consider and document a range of issues associated with the available options, such as nature and needs of grant recipients, maximising access to grants and policy outcome concerns against the advantages and disadvantages, risk analysis, timeliness and cost-effectiveness of the proposed process.

13.13 In some circumstances, it may be appropriate to use a non-competitive and/or a non-application based process. For example, it may be important to strike a balance between the desire to maximise access to a grant and the need for a timely and cost-effective decision making process. It may also be appropriate to target particular individuals, organisations, regions, or industry sectors, depending upon the government policy outcomes to be achieved. Where it is proposed to use a method other than a competitive, merit-based selection process, officials should document why this approach has been used.⁷⁰

13.14 There may be instances where it is considered necessary to waive or amend the eligibility and assessment criteria established for a granting activity, in whole or in part. Where eligibility and assessment criteria are waived, decisions to approve grants should still be consistent with the policy authority for the granting activity and/or the applicable

⁶⁹ See *Implementing Better Practice Grants Administration: Better Practice Guide* (Australian National Audit Office, June 2010) for further guidance.

⁷⁰ See paragraph 11.5 of Part 2 of the CGRGs.

published objectives. Officials should document these decisions.

- Officials should ensure that grant guidelines document the circumstances in which the eligibility and assessment criteria set out in grant guidelines may be waived or amended.
- Officials should seek Ministerial or other appropriate authority before invoking provisions for waiving or amending eligibility and assessment criteria and keep appropriate records.
- The ANAO has observed that it is important that appraisal and selection processes be transparent and free from the risk of political or other bias.⁷¹ It is better practice for all like applications to be assessed using a common appraisal process, and where there is a departure from the common approved process, the reasons should be documented. Similarly, grant assessors should document when referring to, or relying on, knowledge or documentation other than the application form.

13.15 Accountability and transparency are related concepts. Accountability involves grant recipients, officials and decision-makers being able to demonstrate and justify the use of public resources to government, the Parliament and the community. This necessarily involves all parties keeping appropriate and accessible records to evidence the above.

71 Check the ANAO website for relevant Australian National Audit Office Better Practice Guides at www.anao.gov.au

Acronyms

AAO	Administrative Arrangements Order
ANAO	Australian National Audit Office
CFO	Chief Financial Officer
CGRGs	<i>Commonwealth Grants Rules and Guidelines</i>
CPRs	<i>Commonwealth Procurement Rules</i>
FFR Act	<i>Federal Financial Relations Act 2009</i>
Finance	Department of Finance
FFA Act	<i>Financial Framework (Supplementary Powers) Act 1997</i>
FMA Regulations	<i>Financial Management and Accountability Regulations 1997</i>
FOI	Freedom of Information
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>

Glossary

For the purposes of the CGRGs, terms have the meanings defined below.

accountable authority see subsection 12(2) of the PGPA Act.

application process refers to the steps that must be followed by individuals/organisations to be considered for a grant. It includes the forms, written documentation and the eligibility and assessment criteria to be satisfied.

assessment criteria are the specified principles or standards, against which applications will be judged. These criteria are also used to assess the merits of proposals and, in the case of a competitive granting activity, to determine applicant rankings.

beneficiaries include the individuals and organisations which directly or indirectly receive a gain or benefit from activities funded by a grant.

eligibility criteria refer to the mandatory criteria which must be met for a grant application to qualify for a grant. Eligibility criteria may apply in addition to assessment criteria.

entity means a Commonwealth entity and includes a Department of State, a Parliamentary Department, a listed entity or a body corporate established by a law of the Commonwealth (see section 8 of the PGPA Act).

finance law means the PGPA Act, the rules, an instrument made under the PGPA Act, or an Appropriation Act (see section 8 of the PGPA Act).

granting activity(ies) refers to the process of providing relevant money to potential grant recipients, whether through a grant programme or other grant giving exercise.

grant administration includes the whole process of granting activity and includes: planning and design; selection and decision-making; the making of a grant; the management of grant agreements; the ongoing relationship with grants recipients; reporting; and review and evaluation.

grant agreement sets out the relationship between the parties to the agreement, and specifies the details of the grant.

grant guidelines can consist of a suite of documents and may include programme guidelines; application guidelines; application forms; invitations to apply; supporting documentation; FAQs; draft grant agreements; and any templates for reporting or acquittals.

grant project refers to a combination of activities undertaken by grant recipients funded by the grant money.

officials means officials of a Commonwealth entity. An official of a Commonwealth entity is an individual who is in, or forms part of the entity (see section 8 of the PGPA Act).

one-off or ad hoc grants generally do not involve planned selection processes, but are instead designed to meet a specific need, often due to urgency or other circumstances. These grants are generally not available to a range of applicants or on an ongoing basis.

other CRF money is money that forms part of the CRF other than relevant money or any other money of a kind prescribed by the rules (see section 105 of the PGPA Act).

relevant money means money standing to the credit of any bank account of the Commonwealth or a corporate Commonwealth entity or money that is held by the Commonwealth or a corporate Commonwealth entity (see section 8 of the PGPA Act).

rules means the rules made under section 101 of the PGPA Act (see section 8 of the PGPA Act).

selection criteria comprise eligibility criteria and assessment criteria.

selection process is the method used to select potential grant recipients. This process may involve comparative assessment of applications or the assessment of applications against the eligibility criteria and/or the assessment criteria.