



Australian Government

Australian Government response to the
Joint Committee of Public Accounts and Audit Report
No. 454

*Early Years Quality Fund
Review of Auditor-General Reports No. 23 (2014-15)*

FEBRUARY 2017

Response to the recommendation(s)

Recommendation No. 1

The Committee recommends that the Department of Finance amend references to demand-driven grant programs in the Commonwealth Grants Rules and Guidelines to explicitly refer to the implementation risks of a 'first-in first-served' approach, as outlined in ANAO Report No. 23 (2014-15) and the Committee's report.

Agree

The *Commonwealth Grants Rules and Guidelines* (CGRGs) are largely principles-based with limited specific requirements. They already provide that: '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 a delegate' (CGRGs, paragraph 13.10). It is consistent with this principle to note that 'first in first-served' grant programs are associated with higher risks, and to refer to explicit guidance on the risks of demand-driven programs as part of complementary guidance and tools.

The Department of Finance (Finance) is currently developing a suite of grant guidelines templates to improve grants administration and to assist entities and non-government stakeholders. One of these templates is designed to be used for demand driven, or 'first-in first-served' processes. Once piloted, Finance will use this template, the related user guidance and information sessions to draw attention to the implementation risks associated with demand driven grants processes.

Recommendation No. 2

To encourage more effective departmental advice to ministers on program implementation risks, the Committee recommends the Department of Finance amend the Commonwealth Grants Rules and Guidelines to specify that, where a method other than a competitive merit-based selection process is planned to be used, officials also document, in the policy design phase:

- how the approach has been developed
- how implementation considerations have been taken into account in the policy design
- that a risk management plan has been completed for the proposed process, including on program implementation risks and opportunities to mitigate those risks where possible.

The above matters should also be included in departmental ministerial advice.

Agree

The *Commonwealth Grants Rules and Guidelines* (CGRGs) already provide that: '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 a delegate' (CGRGs, paragraph 13.10). Where an alternative method is proposed, the CGRGs provide that officials should document why this approach has been used. The CGRGs will also be updated to indicate that, where demand-driven methods are used, officials should advise Ministers on how the grant allocation method was developed, explain how implementation issues were considered,

and outline risk mitigation strategies. It is expected that the CGRGs will be updated for a 1 July 2017 implementation.

Officials are also required to have regard to the key principles, which include robust planning and design. The CGRGs note that '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 process. In addition, the mandatory provisions in the CGRGs require that officials must provide written advice to Minister, where Ministers exercise the role of an approver, and provide for minimum briefing requirements (CGRGs, paragraph 4.6).

Recommendation No. 5

The Committee recommends that the Department of Finance and the Australian National Audit Office (ANAO) work together to strengthen the Commonwealth Grants Rule and Guidelines (CGRGs) and update and expand the *Implementing Better Practice Grants Administration* guide to reflect the Committee's findings in this report, and also the ANAO findings in Report No. 23 (2014-15). In particular:

- the CGRGs should state that it is not advisable to include, as members on a grants program advisory board, prospective applicants for that grants program

Agree

One of the principles of grants administration in the CGRGs is probity and transparency. The CGRGs note that accountable authorities should put in place appropriate mechanisms for identifying and managing potential conflicts of interest for granting activities. This includes, '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'. The CGRGs will be updated to indicate that it is not advisable to include prospective applicants for a grants program on bodies, which directly input into the grant selection process. It is expected that the CGRGs will be updated for a 1 July 2017 implementation.