

# AUDITING GRANTS DECISION-MAKING

*Institute of Internal Auditors –  
Public Sector Assurance Forum  
17 September 2020*



# SESSION OUTLINE

*My intention in the design of this presentation is for participants to leave with a reasonably comprehensive picture of one part of the grants management lifecycle, and to understand some lessons learned from previous audits of grant programs.*

- The link between good decision-making processes and achieving grant program objectives
- Design principles in developing grant program guidelines
- The importance of a high-quality assessment process
- What does robust advice to decision makers look like
- Using lessons learned from approved grants to feed into the design and administration of future programs







# GOOD DECISION MAKING

*What are the  
requirements of good  
decision making in  
Government*




# THE QUESTIONS YOU NEED TO ANSWER WHEN MAKING A DECISION IN GOVERNMENT

*A decision on a grant application is ultimately like any substantive decision made in Government – it needs to be made fairly, based on evidence, consistent with authority and supportive of the policies of the Government of the day.*

- Where does the power to make the decision come from?
- Does the underpinning legislation give you discretion in making your decision?
- Are you authorised to make the decision?
- Have you acted fairly in making your decision?
- Are there requirements that need to be met before you can take action?
- Have you considered all relevant matters in making your decision?
- Have you only relied on relevant matters when exercising discretion?
- What evidence is your decision based on?
- Have you considered relevant policies?
- Have you made a decision, recorded reasons, and fully informed the person affected?
- Do I need legal advice?





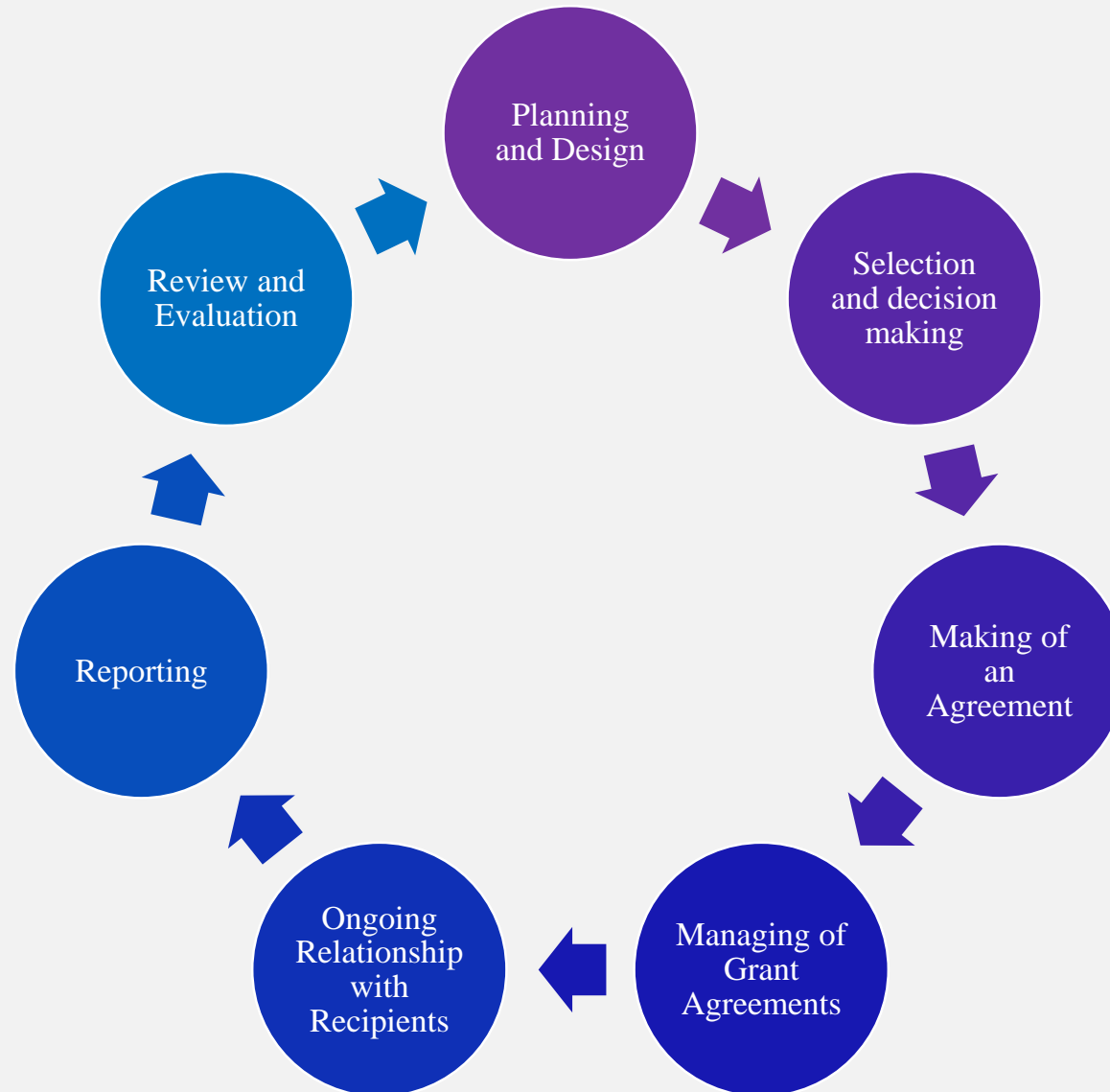
# GRANTS MANAGEMENT PROCESS AND REQUIREMENTS

*Grants management  
guidance in the  
Australian Government  
is clear*



# THE GRANTS PROGRAM CYCLE

*The grants program lifecycle is a simple and relatively linear one. All steps are equally important and influential on achievement of good program outcomes.*

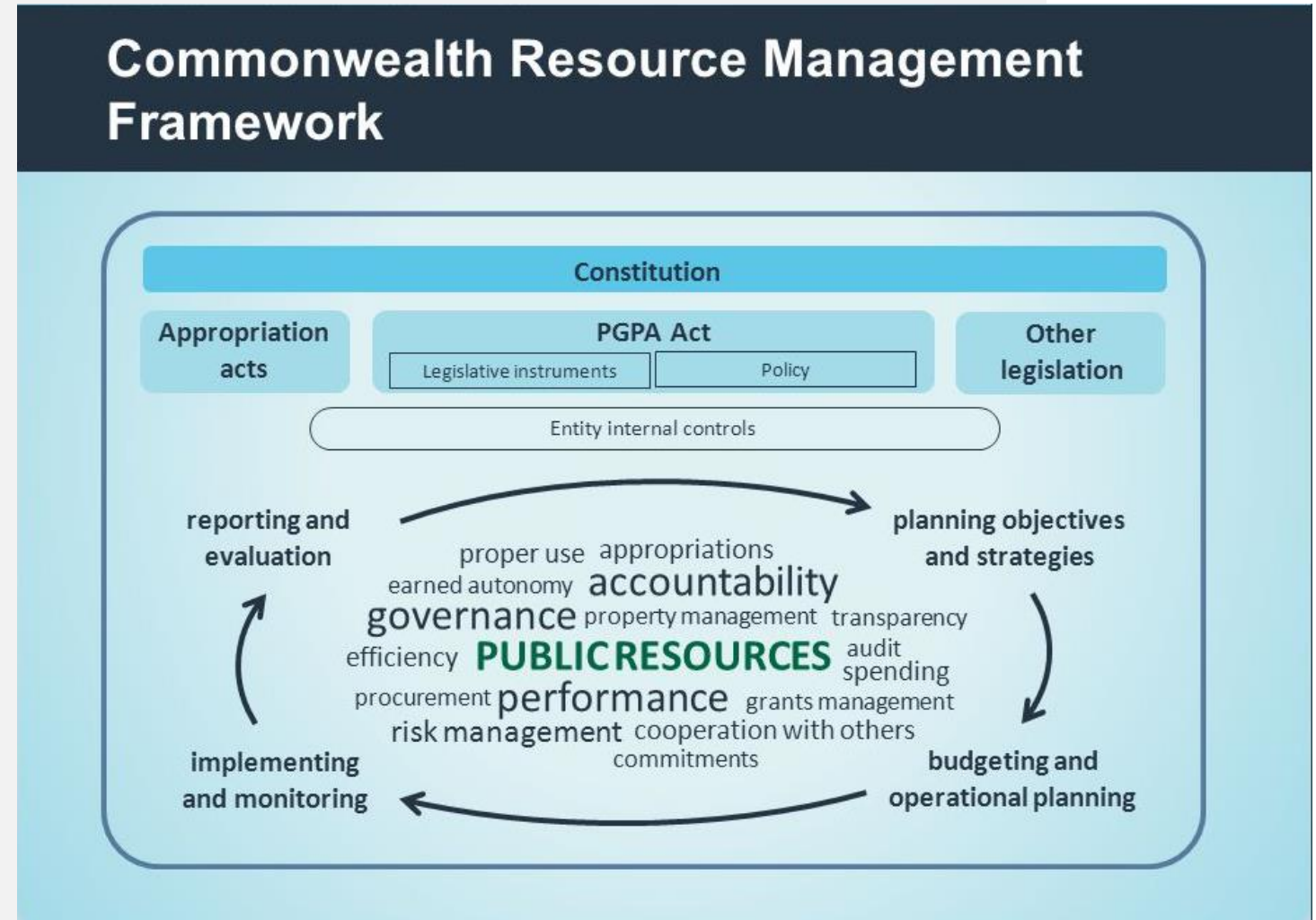


# COMMONWEALTH RESOURCE MANAGEMENT FRAMEWORK

*Legislation, policy and guidance governing the management of public resources.*

*Overarching requirement is that accountable authorities must govern entities in a way that promotes proper use and management of public resources.*

*In particular, accountable authorities and Ministers must comply with the relevant legislative requirements of the PGPA Act and Rule and the Commonwealth Grants Rules and Guidelines.*



# COMMONWEALTH GRANTS RULES

## Accountable Authority & Officials

- Must comply with government policies and legislation relevant to grants administration.
- Must develop grant administration guidelines, ensure they are consistent with CGRGs and advise the relevant Minister of requirements.
- Must record in writing the basis for approval relative to the grant guidelines and value for money.
- Must provide written advice to the Minister (where the Minister is the approved). Advice to Ministers must reference all applications.
- Must (where there is a third party administrator), ensure the third party arrangement is consistent with PGPA and is operating consistent with CGRGs.
- Must have regard to information collected by Australian Government and available.

## Ministers

- Must not approve without written advice from officials on merits of grant(s).
- Must record in writing the basis for approval relative to grant opportunity guidelines and value for money.
- Must advise the Finance Minister if grant recipient is in the Minister's own electorate.
- Must report to the Finance Minister on instances where approving a grant rejected by officials.



# KEY PRINCIPLES FOR GRANTS ADMINISTRATION

Robust planning and design

Collaboration and partnership

Proportionality

An Outcomes Orientation

Achieving Value with Relevant Money

Governance and Accountability

Probity and Transparency





# FINDINGS FROM RECENT ANAO AUDITS

*There are an  
abundance of lessons  
from previous ANAO  
performance audits*



# ANAO FINDINGS



Poor alignment of grant project selection criteria with program objectives and agency objectives.



Not considering principle of additionality in design of program and assessment of submissions.



Process followed does not reflect grant guidelines.



Poor quality control leading to inconsistencies in assessment of different grant submissions.



Poor management of conflict of interest.



Poor design of risk mitigations in the design of grant guidelines and assessment process (with consequent impact on outcomes).



Insufficient detail in described outcomes and expectations to allow applicants to provide information to make informed assessments.

# ANAO FINDINGS



Need to scrutinise and evaluate evidence for assertions made by applicants.



Poor consideration of capability of delivery partners for the applicant.



Insufficient detail in briefing to Ministers (decision makers) to allow for an informed decision.



Evaluation not consistent with the evidence.



Insufficient expertise to effectively evaluation submissions.



Poor efficiency and timeliness.



Positive: explicit enunciation of risks and mitigations (and residual risks) in briefing to decision makers.





# TRICKS AND TRAPS

*Suggestions for your  
next grants program*



# GRANT OPPORTUNITY GUIDELINES

*Some guidance on content and features of grant opportunity guidelines.*

Clarity on purpose, objectives, outcomes, expected costs, deliverables and timeframes.

Type of grant.

Any distribution guidance (geographic, grant categories).

Clear and objective criteria (including musts, shoulds, may). This applies to eligibility as well as assessment.

Definition on eligible activities, locations, expenditures, etc (and what funds cannot be used for).

Process direction and guidance.

Guidance on permissibility of joint (consortia) applications.

Indicative (and realistic) time frames.

Process for questions during application process.

Selection process (including considerations and process, with specific reference to how value for money will be assessed).



# GRANT ASSESSMENT PANELS

*Some guidance on make up and approach of grant assessment panels.*

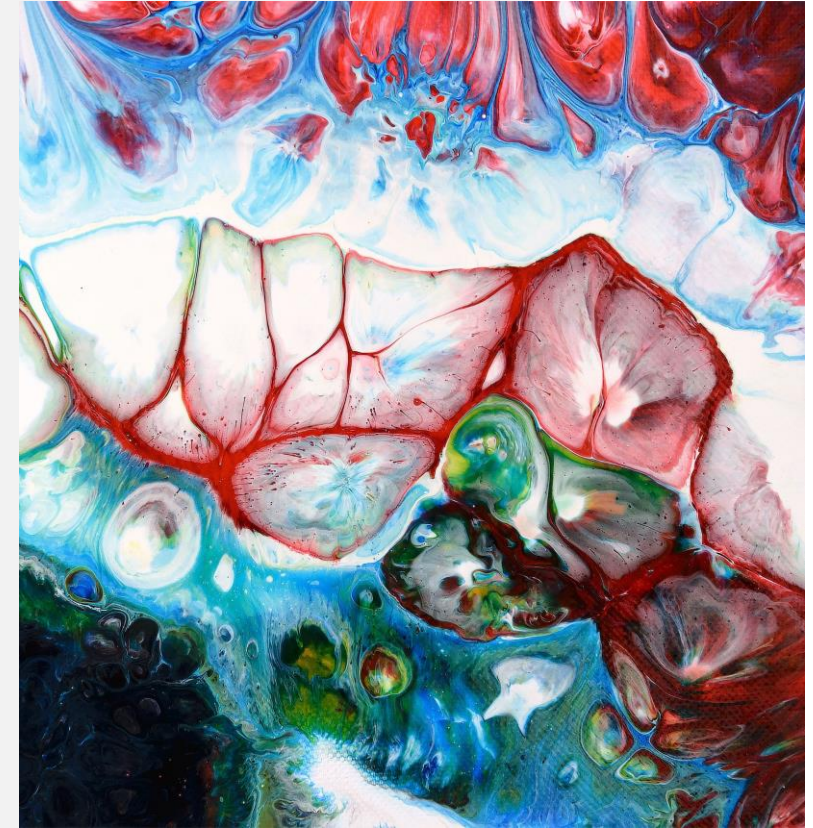
Collective approach

Conflicts of interest managed

Embrace diversity

The right people

Do a reality check



# TRICKS AND TRAPS

Detailed planning –  
project forward on  
what will or could  
happen

Get the right  
experience in the  
process

Great communication  
is essential

Take decision makers  
on the journey with  
you

Detailed process  
design from planning  
to briefing

Detailed risk  
assessment and  
mitigation throughout

Full transparency and  
detail to decision  
makers

Follow grants  
guidelines precisely

Active probity  
management

Active quality  
management  
(especially for bulk  
rounds)

Be clear and explicit  
in direction to the  
market

Assessment should  
be robust – you are  
spending taxpayer  
dollars



Competitive, merits-based grant programs are expected to equitably and transparently select for funding the eligible applications that have been assessed to represent best value for public money in the context of the objectives and outcomes of the granting activity, as set out in program guidelines. The criteria set out in the program guidelines are expected to have been soundly derived from the program's stated objectives and so departing from the criteria advised to potential applicants is detrimental to the conduct of a transparent and equitable grant program, and may also be detrimental to the achievement of the program objectives from which the published criteria had been derived. Departures from the published selection criteria can occur through a variety of means, including the application of additional unpublished criteria to either exclude certain applications from further consideration, or to improve the opportunity for certain applications to be approved for funding.

*Australian National  
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# REFERENCES

*ANAO Audit Reports  
from the last 5 years*



# ANAO AUDITS REFERENCED


Performance Audit 35 (2019-20) (ARENA)  
Performance Audit 23 (2019-20) (Sports Australia)  
Performance Audit 12 (2019-20) (Industry)  
Performance Audit 5 (2019-20) (ARC)  
Performance Audit 22 (2018-19) (Environment)  
Performance Audit 3 (2018-19) (Infrastructure)  
Performance Audit 50 (2017-18) (Health)  
Performance Audit 12 (2016-17) (Attorney-General's)  
Performance Audit 4 (2016-17) (Environment)  
Performance Audit 35 (2015-16) (Health)

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Audit Office*



# THANK YOU

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