

**DEPARTMENT OF INFRASTRUCTURE,
TRANSPORT, REGIONAL DEVELOPMENT
AND LOCAL GOVERNMENT**

**Management initiated review
of Nation Building - Economic
Stimulus Plan programs**

Report

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Inherent Limitations

This report has been prepared as outlined in the Objective and Scope Sections. The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and, consequently no opinions or conclusions intended to convey assurance have been expressed.

No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, the Department of Infrastructure, Transport, Regional Development and Local Government staff consulted as part of the process. We have not sought to independently verify this information unless otherwise noted within the report.

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The findings in this report have been formed on the above basis.

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Contents

1	Executive Summary	3
1.1	Purpose of this document	3
1.2	Review findings	3
1.3	Recommendations	4
1.4	Review of past grant administration recommendations	6
2	Introduction	7
2.1	Background	7
2.2	Applicability of the CGGs	7
2.3	Objective	8
2.4	Scope	8
3	Mandatory requirements of the CGGS	9
4	Better Practice Principles	11
4.1	Robust Planning and Design	11
4.2	An Outcomes Orientation	12
4.3	Proportionality	13
4.4	Collaboration and Partnership	14
4.5	Governance and Accountability	14
4.6	Probity and Transparency	15
4.7	Achieving Value for Public Money	15
5	Other observations and recommendations	17
5.1	Record-keeping	17
5.2	Knowledge Management and Innovation	18
5.3	Grant administration practices	19
5.4	FMA Certificate of Compliance process	21

1 Executive Summary

1.1 Purpose of this document

The purpose of this document is to report the overarching findings from our engagement to review and compare the administration of the Nation Building – Economic Stimulus Plan (NB-ESP) programs with the requirements of the Commonwealth Grant Guidelines (CGGs).

This report is supported by individual program-specific issues papers which have been provided to managers of the following programs:

- Nation Building 17 Rail Projects
- Nation Building 14 Road Projects
- Black Spot Program (Economic Stimulus Plan component only)
- Boom Gates for Rail Crossings Program
- East Kimberley Development Package
- Community Infrastructure Program – Strategic Projects (\$550m program)
- Community Infrastructure Program – Local Council Allocations (\$250m program)

This report summarises our observations regarding achievement against the better practice principles contained in the CGGs and outlines our overarching recommendations, which may have wider applicability to the Department's grant (and program) management practices.

1.2 Review findings

With reference to the review objectives we have identified the following findings:

Review objective	Overall findings
The Economic Stimulus Plan projects are managed to the standard expected of the Australian Government (as per the Commonwealth Grant Guidelines)	Notwithstanding that the Commonwealth Grant Guidelines do not technically apply to several programs examined during this engagement, no breaches of 'mandatory' requirements were observed. A number of improvement areas and better practice recommendations have been identified in sections 4 and 5.
Individual programs within the Nation Building Economic Stimulus Plan are managed consistently across the Department	Local practices with respect to grant administration have evolved across the Department. Whilst different, this does not imply practices aren't fit for purpose – indeed the fundamental differences in funded bodies (e.g. State Government versus Local Government) requires different practices. Notwithstanding this observation, there may be efficiency gains from adopting more consistent practices. There is currently limited guidance in place to ensure a consistent approach to grant administration across the Department.

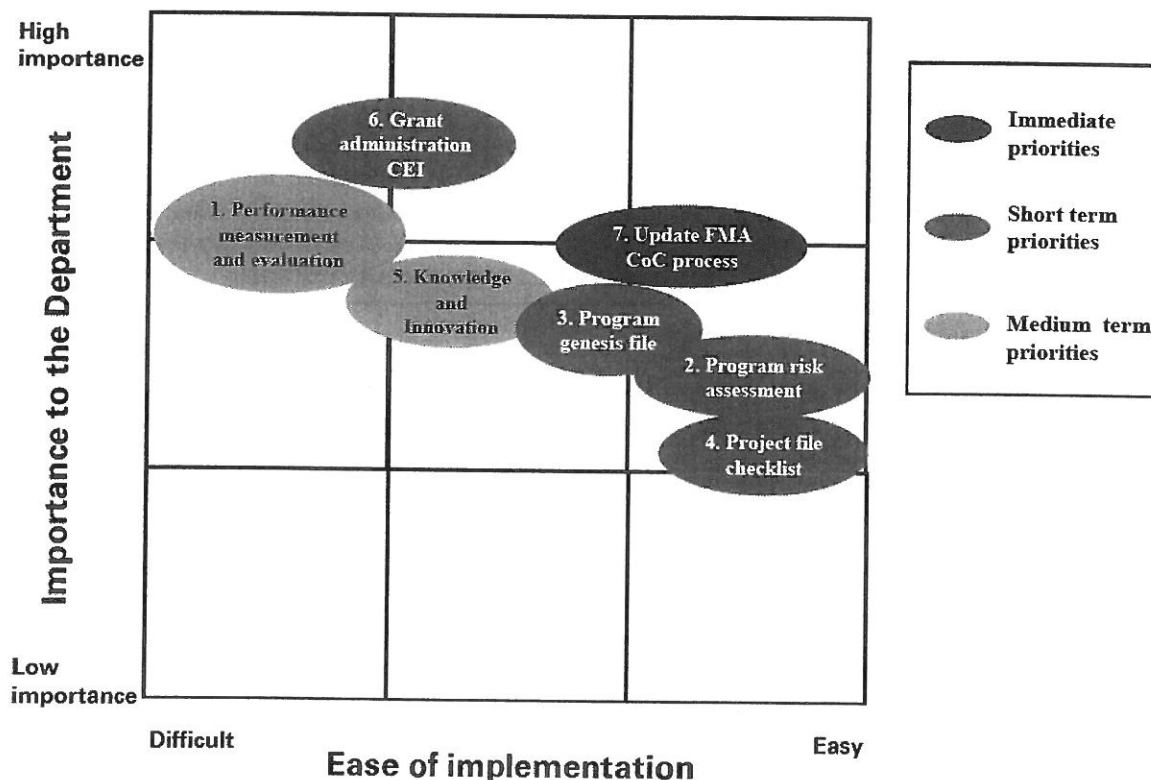
Review objective	Overall findings
Current program administration arrangements need to be modified / improved to align with recently implemented CGGs	A number of areas where improvements could be made to the Department's program administration arrangements have been identified. Specific recommendations are found in sections 4 and 5.

1.3 Recommendations

KPMG has identified seven recommendations. These are outlined in sections 4 and 5 of our report.

All of our recommendations are of a better practice nature and are made at a whole-of-Department level rather than being program specific. Indeed, many of these target future programs and administration practices.

To assist the Department in considering the seven recommendations identified we have illustrated our assessment of the relative *importance* versus *ease of implementation* in the diagram below. *These are indicative priorities only. Actual priorities need to be determined by the Department's Executive.*



Our recommendations are summarised in the table provided on the following pages.

Recommendation	Ref.
1 Performance measurement and evaluation For <i>future</i> programs, the Department should, wherever possible, ensure an evaluation framework is explicitly considered during the design and planning phase of the program's implementation. This will assist in ensuring appropriate data is collected over the program life cycle to support an effective evaluation, where one is required.	Page 13
2 Program risk assessment Risk assessments should be undertaken for all new programs and revisited where new monies are provided to existing programs to ensure they are still relevant and capture all significant risks.	Page 16
3 Program genesis file It is recommended that for each program a central program implementation repository – often referred to within the Department as a 'Genesis' file – be created and utilised to retain supporting documentation of all key information, approvals, decisions and activities pertaining to the Program. It is further recommended that an individual Program officer be assigned the task of ensuring that key documents are filed in a logical order and that the file is complete.	Page 17
4 Project file checklist KPMG suggests that a standard checklist would be of benefit to ensure that all appropriate documentation is on file and, if possible, tagged for easy access. Such a consistent approach would serve multiple purposes including ensuring when staff move between branches they are quickly able to access important documentation and also to ensure the programs are prepared for audit and other external evaluation.	Page 18
5 Knowledge and Innovation We recommend the Department take further steps to foster innovation, creativity and knowledge sharing. This might include: • establishing a program administration forum for program managers to share innovative ideas, existing tools, and contemporary practices; • developing a simple knowledge repository (e.g. a SharePoint site) to facilitate ease of sharing; • regularly reviewing new materials to identify those practices which would be endorsed as expected practice – this should include the Governance Framework and Risk Guidance identified above; and • introducing reward and recognition mechanisms to encourage future individual / team contributions.	Page 19

Recommendation	Ref.
6 Grant administration CEI We recommend the Department implement a CEI on grant administration and provide associated guidance on the following areas : • key roles and responsibilities for program staff; • recordkeeping requirements (including both a genesis file requirement and project file checklist outlined in our earlier recommendations); • existing Departmental practices that have been endorsed by the Executive as expected practice – such as the Governance Framework and / Risk Management Guidance materials discussed above; • guidance on communication with ministers and stakeholders and the appropriate retention of key correspondence (e.g. emails); • the requirements of the Financial Management and Accountability Act 1997, especially Regulations 9, 10, 12 and 13 as they apply in practice to grants (including consideration of where the Minister is the Regulation 9 approver – such as for election commitments and major program announcements); • the mandatory requirements of the CGGs; and • the Department’s specific application of the seven Better Practice Principles of the CGGs.	Page 20
7 Update FMA CoC process We recommend that the questionnaire used by the Department for the FMA CoC is updated to reflect compliance with the CGGs to ensure any breaches are reported. This may need to be supported by further training for program staff on these requirements. Alternatively, a specific assessment could be undertaken annually across the Department to determine compliance (i.e. as opposed to a self-assessment by program managers).	Page 21

1.4 Review of past grant administration recommendations

KPMG considered the recommendations within the ANAO’s Performance Audit of Projects on the AusLink National Network (2008/09). The report raised four recommendations for action by the Department, which were all accepted by the Department.

The Department provided KPMG with details of the progress made against these recommendations. The actions already undertaken and to be undertaken by the Department appear suitable to address the intent of the recommendations raised. Two recommendations (1 and 3) remain outstanding and are expected to be completed in the next few months.

2 Introduction

2.1 Background

KPMG has been engaged to advise the Department's on its framework for the administration of grants in the context of the Government's new policy in relation to grants, the *Commonwealth Grant Guidelines – Policies and Principles for Grants Administration*, which came into effect on 1 July 2009. The engagement was limited to the Nation Building – Economic Stimulus Plan programs as outline in our scope section.

2.2 Applicability of the CGGs

The CGGs came into effect on 1 July 2009 and represent the whole-of-government policy framework for grants administration and are intended to improve the transparency and accountability of grants administration.

The CGGs outline certain mandatory requirements along with better practice principles that underpin high quality and effective planning and ethical grants administration.

The seven key principles for grants administration are:

- 1 Robust planning and design
- 2 An outcomes orientation
- 3 Proportionality
- 4 Collaboration and partnership
- 5 Governance and accountability
- 6 Probity and transparency
- 7 Achieving value with public money

It is acknowledged by both management and KPMG that the CGGs may not strictly apply to the seven NB-ESP programs, since many are not grant programs, as defined in the CGGs. Also the NB-ESP programs pre-date the CGGs which do not have retrospective application.

Notwithstanding the applicability of the CGGs, the Department's Executive have identified that the selected programs contain a number of characteristics of grant programs and hence would ordinarily be expected to adhere to Government's requirements of grant administration as outlined in the CGGs.

The assessment against the mandatory guidelines is therefore undertaken in mutually agreed context that the CGGs contain expectations of government transparency and accountability which should be followed whether or not there is a 'legislative requirement'.

2.3 Objective

The objective of this management-initiated review was to consider the Department's administrative framework for the Nation Building Economic Stimulus Plan projects and advise on whether:

- The Economic Stimulus Plan projects are managed to the standard expected of the Australian Government.
- Individual programs within the Nation Building Economic Stimulus Plan are managed consistently across the Department.
- Current program administration arrangements need to be modified / improved to align with recently implemented CGGs.

2.4 Scope

This review has been necessarily undertaken at a high-level and considers the administration practices of the seven NB-ESP programs:

- **Road Projects**

\$711 million in funding which was brought forward to accelerate 14 road projects.

- **Rail Projects**

\$1.2 Billion which was allocated for an equity injection into the Australian Rail Track Corporation to advance 17 rail projects forming part of its business plan.

- **Boom Gates for Rail Crossings**

\$150 million in funding for installation of over 290 new boom gates and other safety measures at high-risk rail crossings.

- **Black Spot Program**

Funding of \$150 million for safety improvement projects under the Black Spot Program.

- **East Kimberly Development Package**

Funding of \$195 million for the East Kimberley Development Package.

- **Two Regional and Local Community Infrastructure Programs**

\$250 million for allocations to Local Council projects (Council Allocations) and a further \$550 million to fund Strategic Projects.

3 Mandatory requirements of the CGGS

An assessment of 'compliance' with the mandatory requirements is outlined in the table below. As discussed earlier, these requirements may not formally apply to the selected programs and hence any 'gaps' identified do not necessarily represent breaches under the CGGs. We have nonetheless assessed the underlying expectations contained in the mandatory requirements and examined the actions taken by each program to address this expectation.

The summary of assessments is contained in the table below and the following key is provided to categorise the findings.

Assessment of the NB-ESP Programs against the Mandatory CGG Requirements	
CGG Requirement	Comments
Where Minister exercises the role of a financial approver, they will not approve the grant without first receiving agency advice	Advice was provided to the Minister for all projects as part the approval process. The Department will also need to consider this requirement for new projects approved post 1 July 2009 under EKDP (where these are not under the National Partnership Agreement with the WA State Government) and Boom Gates.
Report to Finance Minister as soon as practicable after approving grant in their own electorate.	No issues identified: was specifically done for RLCIP, which was the only program where this occurred. The Department will also need to consider this requirement for new projects approved post 1 July 2009 under EKDP (where these are not under the National Partnership Agreement with the WA State Government) and Boom Gates.
Report annually to the Finance Minister on all instances where they have approved a grant which the relevant agency has recommended be rejected.	Hasn't occurred to our knowledge.
New grant guidelines will require consideration by ERC	Doesn't apply retrospectively. The Department may need to consider this requirement for existing (and new) programs, to the extent that there may be changes to existing grant guidelines (or similar).

Assessment of the NB-ESP Programs against the Mandatory CGG Requirements

CGG Requirement	Comments
Advise Ministers on requirements of the CGGs	Doesn't apply retrospectively but may have some ongoing monitoring application for the RLCIP programs, EKDP (where these are not under the National Partnership Agreement with the WA State Government) and Boom Gates. The Department may also need to consider this requirement for new projects approved post 1 July 2009 under these programs
Agencies must develop grant guidelines for new grant programs and make them publicly available	Doesn't apply retrospectively. Nonetheless, this requirement s was met for RLCIP.
Agencies must ensure that grant guidelines and related operational guidance are in accordance with the CGGs	Doesn't apply retrospectively. For those programs still continuing, the Department should consider to what extent the CGGs apply and ensure that processes appropriately reflect these requirements.
Publish information on departmental website no longer than 7 working days after the funding agreement takes effect. Information must remain on the website for a period of at least 2 financial years.	We have confirmed that information has been published on the Department's website but have been unable to determine if this was undertaken within 7 working days – although have been advised that this was the case for RLCIP. This requirement should be addressed in a CEI on Grant Administration (see recommendation 6 later in this report).

4 Better Practice Principles

The following section details KPMG's observations regarding the implementation of the better practice principles contained in the CGGs. By their nature better practice principles are not mandatory and hence non-compliance does not lead to a 'breach' of the Financial Management and Accountability Act 1997 (FMA Act). Compliance 'trends' have been drawn across the Nation Building - Economic Stimulus Package programs and are based on the observations made in our individual program reviews.

Observations and recommendations have been made on an exception basis only.

4.1 Robust Planning and Design

Recordkeeping – initial decision document

Whilst the Department did provide advice, generally in the selection of projects to fill the program fund, major decisions were undertaken at a Cabinet level.

Observation

Cabinet decisions/directions to the Department establishing programs were not sighted by KPMG. The Department should be aware that whilst media releases were generally available these are not 'decision documents' – i.e. a media release is a statement of government policy intent but it is not a direction to spend money or undertake a program.

The Department should ensure that an appropriate decision document is retained on its own files – noting that that a copy of the Cabinet Decisions would ordinarily be held on a Department of Finance and Deregulation file. At a minimum, a file-note summarising the key elements of the Cabinet Decision/Ministerial Direction should be easily accessible.

Refer recommendation 3 for further discussion on record keeping – genesis file.

Evaluation Framework

CGG Better Practice would have programs establish a performance evaluation framework during the planning phase, so that from the outset appropriate performance data is able to be gathered to enable an ultimate evaluation, at a later date, of the success of the program.

Observation

None of the programs explicitly set out a performance evaluation framework – although we understand the Treasury is evaluating the overall impact of Economic Stimulus initiatives at a whole-of-government level.

Nonetheless, whilst these programs specifically targeted Economic Stimulus, there are no explicit measures for the achievement of other desired social outcomes.

As a specific example, the EKDP is designed to "alleviate the shortfall in infrastructure and services in health, aged care, early childhood development, education and training, social and



transition housing, transport, and sporting and community facilities. More importantly, they will promote healthy, strong and resilient communities and provide meaningful and sustainable jobs for local Indigenous people”.

An effective Performance Evaluation Framework would collect employment, health and other statistics (whether they are sourced from Australian Bureau of Statistics, the Department of Health and Ageing or other sources) to enable an assessment against the objectives of the program.

We also appreciate that Roads/Rail projects will be measured in conjunction with existing programs – for example, through accident statistics for the 5 years following the Black Spots Program.

Refer Recommendation 1 in section 4.2 for further discussion on performance measurement and evaluation.

Taxation, Accounting and Legal advice

The CGGs recommend that Taxation, Accounting and Legal advice be sought for new grant programs

Observation

Notwithstanding that several of the program structures already existed, with the stimulus representing ‘additional’ funding, tax, Accounting and Legal advice was not systematically sought nor was the need for such advice systematically considered.

The Department should include reference to the need to consider whether Tax, Accounting or Legal advice is necessary in its Chief Executive Instructions on Grant Administration or other Departmental reference document on Grant Program Administration.

Refer recommendation 6 for further discussion on CEIs.

4.2 An Outcomes Orientation

Qualitative and Quantitative Measures of Performance

Related to the existence of a Performance Evaluation Framework, the CGGs strongly encourage Programs to have a number of Qualitative and Quantitative measures of performance to measure the implementation and impact of the Program. Whilst this is not as relevant for the programs reviewed (being targeted toward Economic Stimulus, it is important for other programs administered by the Department.

Also, as noted earlier, we understand the Treasury is evaluating the overall impact of Economic Stimulus initiatives at a whole-of-government level.

Observation

Key Performance Indicators (KPIs), where they existed, were targeted towards the quantitative measures of performance (generally percentage completion statistics). No KPIs targeted the qualitative aspects of the Programs.

Recommendation 1: Performance measurement and evaluation

For *future* programs, the Department should, wherever possible, ensure an evaluation framework is explicitly considered during the design and planning phase of the program's implementation. This will assist in ensuring appropriate data is collected over the program life cycle to support an effective evaluation, where one is required. The Performance Evaluation Framework should target both 'outputs' and 'outcomes'. This is of particular importance where 'social outcomes' are targeted.

The Department should also ensure *future* programs have KPIs measuring qualitative and quantitative aspects of programs. These KPIs should be SMART (Specific, Measurable, Relevant, Achievable and Time-bound).

Procedures Manuals

Observation

In some instances, the Procedures Manual was either not finalised (in Draft) or not developed – noting that Road and Rail projects would fall under existing arrangements.

All Procedures manuals should be finalised as soon as possible to ensure consistent implementation and an approved approach of Programs. This should be identified and monitored through the use of a program genesis file for each program and requirements of a new CEI on Grant administration.

Refer recommendations 3 and 6 on program genesis file and CEI respectively.

4.3 Proportionality

Consideration of the Principle of Proportionality

The CGGS recommend that the principle of Proportionality be considered when setting up a new Grant Program. This principle includes, but is not limited to, an assessment of the administrative burden on the Department, grant recipients and acquittal requirements by reference to the size, value, risk profile and complexity of the Program.

Observation

Proportionality was not always addressed by program areas – although we appreciate that, in the context of extensions to existing programs, consultations with the States / Territories in respect of implementation and monitoring arrangements implicitly addresses the 'Proportionality' principle.

A Chief Executive Instructions on Grant Administration or other Departmental reference document on Grant Program Administration should outline the Department's expectations concerning the principle of 'proportionality' and how consideration of this principle should be documented. In particular, there should be guidance on administration requirements of recipients (particularly expectations of States and Local Government agencies) and how size, risk and complexity of the grants would impact design decisions.

Refer recommendation 6 for further discussion on CEIs.

4.4 Collaboration and Partnership

Records Management

Observation

Many of the NB-ESP Programs were existing programs not requiring community consultation. Others were Government decisions with little or no opportunity for Departmental consultation.

Notwithstanding this, the Department should consider how actions undertaken would be evidenced to satisfy this better practice for future programs. This might include records of stakeholder feedback or minutes of community consultations.

Refer recommendation 3 for further discussion on record keeping (genesis file).

4.5 Governance and Accountability

Governance Frameworks

Observation

The Department did not have clearly documented Governance arrangements for the NB-ESP programs at the commencement of our fieldwork, although we considerable work has been undertaken address this more recently (refer also to better practice observations in section 5.2).

Further, the Department does not have a single source reference document for informing the development of Governance Frameworks. From our discussions, we noted that staff have drawn from their previous experiences in other grant administration programs to establish a governance framework for the new programs, however there is no formal guidance – for example in the form of a Chief Executive Instruction on Grant Administration.

Refer recommendations 6 and 5 on CEIs and Knowledge Management and Innovation respectively.

Records Management:

Observation

The records management practices for individual programs varied considerably.

For example, during fieldwork it was noted that programs in their early implementation phase, displayed a number of issues surrounding the consistency of record keeping and file structures observed¹. More broadly, program records were not consistently filed in a structured manner even within the same program. Accordingly while KPMG were able to identify key program records, the structure of files would not necessarily assist in confirming the existence of all relevant records in the event of an audit.

¹ For example EKDP and RLCIP.

We note there is limited guidance provided by the Department on what records would be expected to be retained to support program administration. This increases the risk that key records are not created, retained or available when needed.

Refer recommendation 4 for further discussion on record keeping (project file checklists).

4.6 Probity and Transparency

The CGGs recommend that *“agencies should take appropriate steps to manage fraud and unethical behaviour. An appropriate system of checks should be in place to limit the risk of unethical behaviour. This should be part of an agency’s management and audit strategy.”*

Observation

Several of the programs involve ‘delivery’ being undertaken by the States with the Department having signed a National Partnership Agreement, or similar, with the equivalent State agency OR a funding agreement with an individual local council. Management of Conflict of Interest and fraud therefore falls generally to the state/local council who undertake the underlying procurement / development activity.

Whilst the majority of responsibilities in relation to managing fraud and conflict of interest are directly managed at other levels of government, the Department should have measures in place to ensure they are appropriately managing those risks for projects which are contracted directly with funding recipients (for example the Shire of Wyndham East Kimberly).

Refer recommendation 6 for further discussion on CEIs.

4.7 Achieving Value for Public Money

Risk Assessments

The CGGs recommend that risk assessments be undertaken as part of the assessment process to ensure fully informed decisions about the use of public money are able to be made.

Observation

Specific risk assessments were not undertaken. Many of the programs involved the addition of new money to existing programs where initial risk assessments had been undertaken, however these risk assessments were not revised at the time new monies were allocated.

Recommendation 2: Program risk assessment

Risk assessments should be undertaken for all new programs and revisited where new monies are provided to existing programs to ensure they are still relevant and capture all significant risks.

Refer also recommendation 6 for further discussion on CEIs which includes consideration of establishing program risk management materials.

Monitoring the Administrative Costs

The CGGs recommend that the Departmental costs associated with administering a program be monitored so as to enable a full picture of the cost of a program to be obtained. This will assist in the assessment of the value for money for future programs and may also inform any assessment of the Proportionality principle.

Observation

Some programs monitored their cost of administration via a cost centre. Others, whilst not specifically monitoring the cost of a program, would be able to calculate the cost based on the FTE associated with administering the program.

The costs of administering programs should be captured to a reasonable level of accuracy to inform future decision-making – as we understand has been done for RLCIP. Ideally, this requirement should be captured in a Departmental CEI on Grants administration.

Refer recommendation 6 for further discussion on CEIs.

5 Other observations and recommendations

5.1 Record-keeping

Observation

Upon commencing our fieldwork it was difficult to quickly gain an understanding of a program's nature, size and history. This was partly due to the absence in most instances of a central reference file on the program.

We would expect that each would have a central file which should contain all the key documents pertinent to the implementation of the program.

Recommendation 3: 'genesis' file

It is recommended that for each program a central program implementation repository – often referred to within the Department as a 'Genesis' file – be created and utilised to retain supporting documentation of all key information, approvals, decisions and activities pertaining to the Program.

It is further recommended that an individual Program officer be assigned the task of ensuring that key documents are filed in a logical order and that the file is complete. At a minimum this needs to be consistent with the requirements specified by the National Archives of Australia.

As a guide examples of information that should be retained on such a file or files include:

- communications, approvals and directives from the Minister's Office (by way of file notes, originals, emails or reference to Cabinet-in-Confidence files);
- details of appropriation source and drawdowns;
- details of key FMA Regulation delegations exercised;
- development and approval of Guidelines and FAQs (including amendments and trail of updates to website);
- development and approval of Procedures Manual;
- development and approval of template Funding agreements (including Legal advice);
- risk assessments and follow-up monitoring;
- assessment of designed processes against Better Practice Guides and Guidelines and relevant past ANAO recommendations;
- records of any key decisions and approvals in relation to the Department's approach to appraisal (including policy decisions), contracting, monitoring and evaluation. This should include correspondence from/to the Department's CFO, or other relevant agencies (e.g. PM&C, DoFD);
- minutes of key meetings (e.g. Project Board Minutes);

- submissions/Ministerial briefs or reference to Cabinet-in-confidence files (e.g. to Minister, Committees or other decision bodies);
- payments records;
- funding document with the states and Memorandum of Understanding(if applicable);
- records of consultations with stakeholders;
- notes on administration; and
- any other legal, accounting and tax advice obtained during the planning and implementation phases.

Recommendation 4: Project file checklist

Individual Project files were generally well documented, however, KPMG suggests that a standard checklist would be of benefit to ensure that all appropriate documentation is on file and, if possible, tagged for easy access. Such a consistent approach would serve multiple purposes including ensuring when staff move between branches they are quickly able to access important documentation and also to ensure the programs are prepared for audit and other external evaluation.

At a minimum, the checklist should include (where relevant):

- Project proposal and approval documentation
- Implementation plan and risk assessment
- Regulation 9 approval
- Regulation 10
- Funding agreement
- Project status reports

5.2 Knowledge Management and Innovation

Observation

A number of strong and innovative practices were identified during this engagement which could have wider applicability across the Department.

Our fieldwork discussion also identified that certain *informal* knowledge sharing networks have been formed within the Department in respect of grant administration.

For example:

- Within the Nation Building Coordination Branch (in the Nation Building – Infrastructure Investment Division), a Nation Building Infrastructure Governance Framework has been developed. This document contains a number of elements including overarching governance structures (including a Program Advisory Board) and an administration and documentation framework which, although developed for the Division, would have wider applicability to the department.
- Similarly, recognising previous deficiencies, the Local Government Programs branch has been developing project management tools to assist in the administration and delivery of future programs. Further, the Local Government and Regional Development Division (via the Program Coordination and Engagement Branch) has developed a series of tools to assist staff undertake program risk assessments.

Recommendation 5: Knowledge and innovation

We recommend the Department take further steps to foster innovation, creativity and knowledge sharing. This might include:

- establishing a program administration forum for program managers to share innovative ideas, existing tools, and contemporary practices;
- developing a simple knowledge repository (e.g. a SharePoint site) to facilitate ease of sharing;
- regularly reviewing new materials to identify those practices which would be endorsed as expected practice – this should include the Governance Framework and Risk Guidance identified above; and
- introducing reward and recognition mechanisms to encourage future individual / team contributions.

5.3 Grant administration practices

Observation - Inconsistency

Local practices with respect to grant administration have evolved across the Department. Whilst different, this does not imply practices aren't fit for purpose – indeed the fundamental differences in funded bodies (e.g. State Government versus Local Government) requires different practices.

Notwithstanding this observation there may be efficiency gains from adopting more consistent practices.

Observation – Expected practices

With the Department's significant involvement in program management, the recent release of the Commonwealth Grant Guidelines (CGGs) and the expected revision of the ANAO Better Practice Guide on Grants Management, it would be timely for the Department develop a CEI on Grant

administration. Indeed, this matter has been raised in several past reviews and is envisaged in the CGGs as follows:

Chief Executives of agencies subject to the FMA Act are authorised to issue Chief Executive's Instructions (CEIs) to officials on any matter necessary or convenient for carrying out or giving effect to the FMA Act or FMA Regulations. The CGGs provide the framework within which Chief Executives may issue CEIs and associated operational guidance related to grants administration in a specific agency. In the area of grants administration the CEIs may:

- *interpret the grants policy framework and the wider financial management framework, focussing on the agency's particular needs; and*
- *provide primary operational instructions to agency officials in carrying out their duties related to grants administration, in a way that is tailored to the agency's particular circumstances and needs.*

Agencies must ensure that grant guidelines and related operational guidance are in accordance with the CGGs.²

Recommendation 6: Grants administration CEI

We recommend the Department implement a CEI on grant administration and provide associated guidance on the following areas:

- key roles and responsibilities for program staff;
- recordkeeping requirements (including both a genesis file requirement and project file checklist outlined in our earlier recommendations);
- existing Departmental practices that have been endorsed by the Executive as expected practice – such as the Governance Framework and / Risk Management Guidance materials discussed above;
- guidance on communication with ministers and stakeholders and the appropriate retention of key correspondence (e.g. emails);
- the requirements of the Financial Management and Accountability Act 1997, especially Regulations 9, 10, 12 and 13 as they apply in practice to grants (including consideration of where the Minister is the Reg 9 approver – such as for election commitments and major program announcements);
- the mandatory requirements of the CGGs; and
- the Department's specific application of the seven Better Practice Principles of the CGGs.

² Commonwealth Grant Guidelines (2009), page 14.

5.4 FMA Certificate of Compliance process

Observation

A breach of the mandatory elements of the Commonwealth Grant Guidelines is a breach of the FMA Act. Accordingly, any such breaches will need to be captured in the 2009/10 FMA Certificate of Compliance (CoC) sign-off to DoFD.

Recommendation 7: Update FMA CoC

We recommend that the questionnaire used by the Department for the FMA CoC is updated to reflect compliance with the CGGs to ensure any breaches are reported. This may need to be supported by further training for program staff on these requirements.

Alternatively, a specific assessment could be undertaken annually across the Department to determine compliance (i.e. as opposed to a self-assessment by program managers).

Any assessment would need to ensure all relevant 'grant' programs – as defined by the CGGs – are identified. This would include existing programs where the Minister has revised the Program Guidelines post 1 July 2009, which may trigger the applicability of CGGs (i.e. for new funding 'rounds').