

## EXECUTIVE MINUTE

on

### JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT REPORT 435 Review of Auditor-General's Report Nos. 33 to 55 (2011-12) and No 1 (2012-13)

#### Responses to the Recommendations

##### Recommendation 6 Paragraph 3.44

**That the Department of Health and Ageing identify and action ways to apply the lessons of ANAO Recommendation 1 to its standard practices and procedures for all current and future grants programs.**

#### Department of Health and Ageing Response

Recommendation 1 from ANAO Audit Report 45 of 2011-12 on the Administration of the Health and Hospitals Fund was:

*To maximise transparency in decision-making, the ANAO recommends that, for all future HHF assessment and selection processes, the Department of Health and Ageing:*

- (a) includes all significant aspects of the selection process in funding guidelines; and*
- (b) advises the Health Minister on priorities for funding proposals assessed as eligible by the HHF Advisory Board.*

In relation to the HHF, during the course of the ANAO's audit the Department advised the ANAO that the HHF is not a grants program, but a program initially set up under the *Nation-building Funds Act 2008* and subsequently subject to the Federal Financial Relations legislation as it relates to payments made to States and Territories.

The Department also clarified with the ANAO the respective roles of the Department, the HHF Advisory Board and the Minister in relation to the assessment of the funding processes, advising that the Department's role is to assist the Board and the Board's role is to assess the applications and advise the Minister on which projects are eligible. The Minister and the Government through a Cabinet process select the eligible projects to be funded.

In responding to the ANAO's proposed report on the audit, the Department advised that:

*As the ANAO report notes, the Department has improved and refined its administration of the HHF over time ... The Department will continue to improve and strengthen the administration of the HHF if resources can be identified to do this, taking into account a constrained resource environment and other competing priorities and, in this context, is supportive of the ANAO's recommendations.*

The ANAO audit report noted (at paragraph 1.24) that funding to organisations other than state and territories were considered to be grants and therefore were subject to the Commonwealth Grant Guidelines. The ANAO report summary also noted (at paragraph 20) that:

*The administrative arrangements adopted by DoHA have had regard to the legal requirements established by the Nation-building Funds Act 2008 and the Australian Government's financial management framework, and have incorporated key elements of better practice for grants administration.*

The Department believes that the intent of the JCPAA's recommendation – to maximise transparency in decision and to prioritise funding proposals for the Minister for all current and future grants programs is being implemented. In the broader context of the Department's standard practices and procedures for grants programs, the Department has developed comprehensive guidance to assist staff in the establishment and administration of grants programs.

The Department has put in place the following initiatives for current and future grants programs:

- Detailed information about the development of Grant Program Guidelines is currently available to all staff (via the Department's intranet site) as part of the overall framework of grants and funding administration guidance for staff. This information is designed to assist the Department's staff when they are engaged in the mandatory process of drafting grants or funding guidelines.
- The guidance framework provides staff with a template to use when drafting Grant Program Guidelines. This template emphasizes the importance of including transparent assessment and selection processes in all grants/funding guidelines. The template reminds staff of the need to clearly articulate, for potential funding recipients, the processes that will be undertaken during the assessment of applications and the criteria against which applications will be assessed. This includes clearly defining any program specific assessment criteria as well as any threshold criteria that are to be used for evaluating the merits and risks of each application.
- The Department's guidance framework also provides staff with an Invitation to Apply (ITA) template. The template requires staff to explicitly describe how applications for funding will be assessed, including what selection criteria will be used. In summary, the ITA template requires staff to provide potential applicants with information about:
  - the composition of the Selection Committee;
  - the conditions for participation in the selection process;
  - the mandatory/threshold criteria (if any) that will be applied to the selection process;
  - the other selection criteria that will be applied to the selection process;
  - the rating scale that will be used as part of the selection process;
  - how applications will be assessed in relation to their capacity to deliver value for money;
  - how unintentional errors of form will be dealt with; and
  - who the decision maker will be for the purposes of the grant round.

- Once funding guidelines and ITA documentation are prepared and approved by the relevant areas of the Department, the documents are reviewed for quality assurance purposes by the Department's Grants and Procurement Services team. The Department then submits the draft funding guidelines and associated risk assessment to the relevant Minister(s) and the Department of Finance and Deregulation for approval. These processes ensure that all funding guidelines and ITA documentation adequately address the critical issue of transparency in assessment and selection processes.
- The Department will soon publish a Grant Reform section on its internet site. It will be accessible to all potential funding recipients and, amongst other things, it will provide information about the steps the Department is taking to improve the transparency of its funding assessment and selection processes.
- In instances where particular Grant Program Guidelines require eligible grant applications to be approved by a Minister, the Department will, following the assessment process, prioritise the applications in accordance with the revised Commonwealth Grant Guidelines and advise the Minister accordingly.

The Department's guidance framework reflects the requirements of the Commonwealth Grant Guidelines.

Noting that there are differences between the administrative mechanisms for funding programs under the Federal Financial Relations framework (such as the HHF) and other grants and funding programs governed by the revised Commonwealth Grant Guidelines, the Department agrees with the recommendation.

#### **Recommendation 7 Paragraph 3.47**

**That, within 6 months, the Department of Health and Ageing provide the Committee with an update on the progress of its evaluation of the Health and Hospitals Fund. The update should include how the Department's evaluation framework has incorporated ANAO Recommendation 3, and any preliminary findings of the evaluation.**

#### **Department of Health and Ageing Response**

The Department agrees with the recommendation.

Recommendation 3 from ANAO Audit Report 45 of 2011-12 on the Administration of the Health and Hospitals Fund was:

*To improve the transparency and accountability of reporting on the outcomes achieved through HHF funding, the ANAO recommends that the Department of Health and Ageing further develops its evaluation strategy to determine the program's overall contribution to improving health outcomes, in addition to measuring progress against project milestones.*

In 2010-11, prior to the ANAO audit, the Department had engaged an independent consultant to review aspects of the administration of the HHF and to develop a compliance monitoring



system for the HHF. The review report made a number of recommendations that the Department has incorporated into the framework for the administration of the HHF.

In early 2013, the Department engaged a contractor to develop an evaluation framework to guide a subsequent evaluation of the Health and Hospitals Fund (HHF). The HHF evaluation framework will include a proposed evaluation methodology incorporating aims, objectives, strategies and recommended data elements and sources.

Due to the complexity of the program in terms of the breadth of outcomes being delivered by the HHF, this staged approach was deemed the most likely to position the Department to pursue answers to the questions of highest interest and utility to key stakeholders.

The HHF evaluation framework will be finalised before the end of the 2012-13 financial year. On finalisation of the framework the formal evaluation will be undertaken addressing ANAO Recommendation 3. The evaluation is expected to commence early 2013-14.

Jane Halton PSM  
Secretary

13 May 2013