

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON  
ENVIRONMENT, RECREATION AND THE ARTS

**THE COMMUNITY CULTURAL, RECREATIONAL  
AND SPORTING FACILITIES PROGRAM**

A review of a report on an efficiency audit by the Auditor-General

February 1994

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## CONTENTS

	Page
MEMBERSHIP OF THE COMMITTEE	iii
SUMMARY OF MAIN FINDINGS AND CONCLUSIONS	vii
CHAPTER 1: AUDITING AND MINISTERIAL ACCOUNTABILITY	1
Origins of the audit of the Community Cultural, Recreational and Sporting Facilities Program	2
CHAPTER 2: THE COMMUNITY CULTURAL, RECREATIONAL AND SPORTING FACILITIES PROGRAM	5
CHAPTER 3: THE AUDIT FINDINGS - DEFICIENCIES IN ADMINISTRATION AND ACCOUNTABILITY	7
Grant selection	7
<i>Selection process - categorisation of applications</i>	
<i>Selection process - the adequacy of information available to the Minister</i>	
<i>Selection process - alleged bias</i>	
The role and performance of the Department	27
The Department's response to the audit	29
Presentation of the Audit Findings	31
CHAPTER 4: CONCLUSIONS AND RECOMMENDATIONS - FUTURE ADMINISTRATION OF THE PROGRAM	35
Recommendations	38
APPENDIX 1: CONDUCT OF THE INQUIRY	
APPENDIX 2: INDEX OF EXHIBITS	
APPENDIX 3: ELECTORAL DIVISION CLASSIFICATION	
DISSENT	

The tables presented in this report are based on the information gathered at public hearings and briefings, and from the documents presented to it by the Department of the Environment, Sport and Territories and the Australian National Audit Office. There are some minor statistical discrepancies and disagreements in the information provided by the Department and the Australian National Audit Office. These relate to the number of applications, and the number and value of grants. There are also some anomalies in various documents listing applications and grants in each of the categories used by the Department to sort the applications, and in the lists of grants and applications relating to electorates. These discrepancies need to be borne in mind when examining the tables and analyses presented by the Committee but they are not serious enough to affect the Committee's findings.

The classification of electorates into ALP or 'non-ALP' and into 'safe' or 'marginal' is based on the classification used in Department of the Parliamentary Library, *Federal Elections 1993*. The classifications used by the Parliamentary Library are the same as those used by the Australian Electoral Commission. Party Status is determined by the two party preferred vote at the 1990 elections adjusted for the effects of the 1991 redistribution.

## SUMMARY OF MAIN FINDINGS AND CONCLUSIONS

The report of the efficiency audit of the Community Cultural, Recreational and Sporting Facilities Program dealt with two main issues - the general administration of the program and the accountability of the Minister. The second issue arose because the Minister was responsible for selecting projects to receive funding and there had been allegations that there was a bias towards Labor held electorates in the allocation of funds.

The Department of the Environment, Sport and Territories seemed initially not concerned by the serious criticisms made by the Auditor-General about the general administration of the program. However, during the course of the Committee's review of the audit report, the Secretary of the Department, and the Minister, gave assurances that the Auditor-General's findings were now largely accepted and that the Department's procedures will be reformed along the lines recommended in the audit report.

The Auditor-General's main concern about the role of the Minister was that she failed to keep adequate records and that, therefore, the allegations of bias could not be resolved. The lack of documentation also meant that there was no 'audit trail' and it was not possible to fully assess the Minister's decision making procedures. As the audit report stated:

Accurate and relevant information explaining the reasons for decisions is the key to effective accountability because it enables the public, and those acting on behalf of the public, to make informed decisions about the performance of officials.<sup>1</sup>

The Committee has reviewed the Minister's decision making process, and the outcomes. It concludes that although there is an inference of bias, there is no reliable documentary basis for going beyond what the Auditor-General concluded. The evidence does make it clear, however, that the Minister's performance as a record keeper was seriously inadequate, even though it was essential, for the purposes of proper auditing and accountability, for her to keep and produce adequate records.

The Auditor-General suggested that, at a minimum:

- . administrative decisions should be fair and open;
- . decisions should be based on principle and supported by documented reasons; and
- . those involved in the decision making should be accountable for their decisions.

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<sup>1</sup> Audit Report No. 9 (1993-94) Efficiency Audit - Community Cultural, Recreational and Sporting Facilities Program, p x.

By failing to support decisions with documented reasons the Minister's management of the program was deficient. It is not clear why the Minister failed in this aspect of her responsibilities, but it seems likely that she was at least continuing an inadequate practice which she had established in her office. Given the lack of documentation and evidence, it is difficult to reach conclusions about other issues.

The Minister has accepted the Auditor-General's findings. The Committee is confident that, provided the Auditor-General's recommendations are adopted, any future program will be run on much improved lines and that the Minister's decisions will be more readily accountable.

The House of Representatives must decide if the Minister's past failure to properly document her administration, and her failure to reach what the Auditor-General describes as a minimum acceptable standard, amounted to incompetence. It must also decide if any such incompetence was serious enough to warrant censure and if it is in the public interest for the Minister to be censured now for past failure to achieve standards that may have only been retrospectively pointed out to her.

The Auditor-General has said that it is not necessary to agree with decisions of ministers but that the retention of public confidence in the actions of ministers requires that the propriety of their decisions be above reproach. The Committee agrees, and believes that the Auditor-General has a clear responsibility to review the administrative procedures and decision making processes used by ministers. In this instance the Committee notes that there are no suggestions of fraud or misappropriation arising from the Auditor-General's report. The Minister's actions were not illegal. Although her administration was deficient, the Committee does not recommend to the House that the Minister be censured.

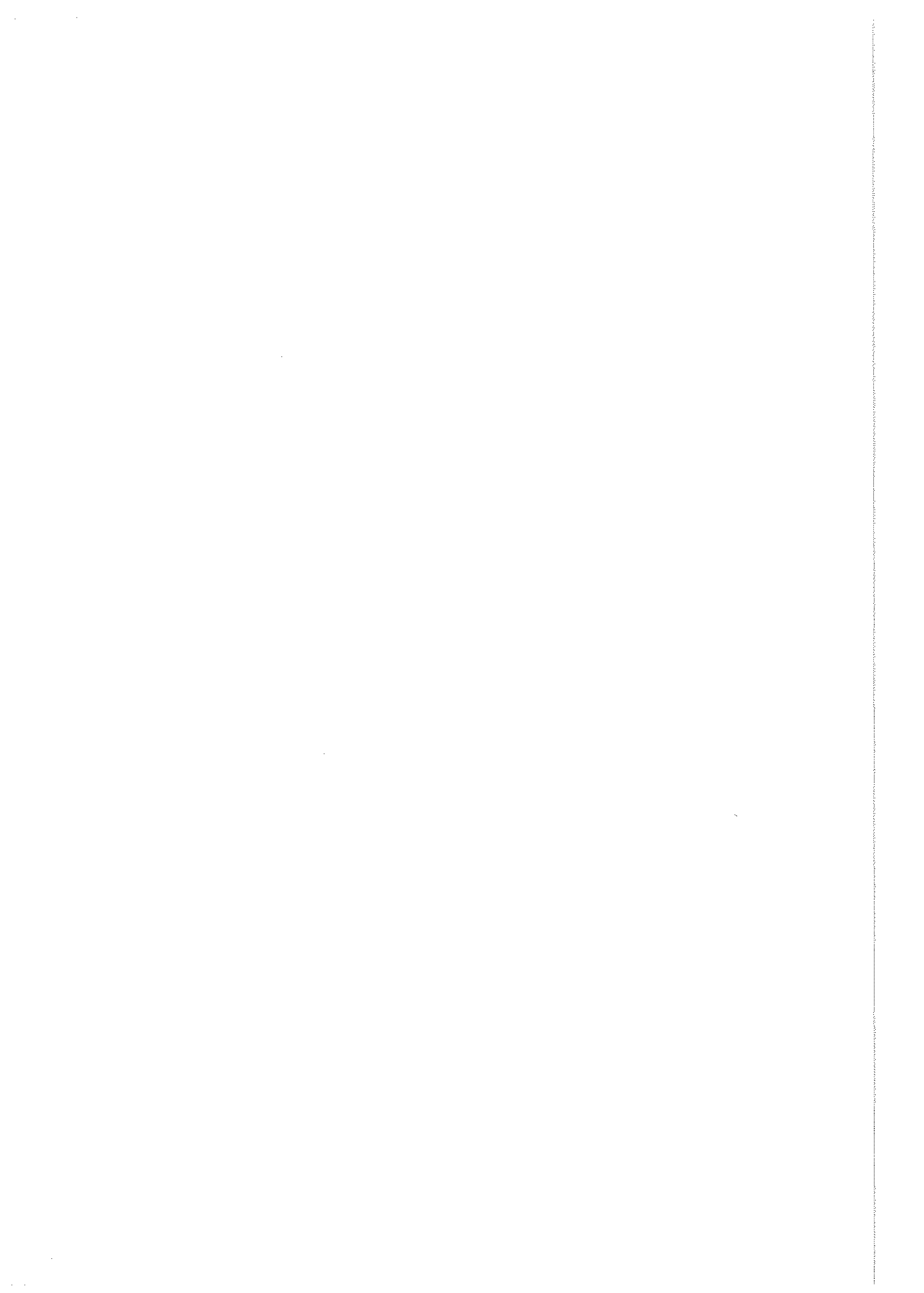
The Committee makes several recommendations below which would, if implemented, ensure that the future administration of the program would involve fully accountable and properly documented decisions. These recommendations would also ensure that if, in the future, doubts arise about the propriety of Ministerial decisions there would be an opportunity to test the probity of those decisions. If the Minister is then found to have acted improperly, she would not be able to be excused on the grounds of insufficient evidence due to inadequate documentation. There would be no excuse - either the evidence would be there, or the lack of evidence would be inexcusable and would amount to either serious incompetence or wilful obstruction of accountability.



## Recommendations

The Auditor-General made 16 recommendations, nearly all of which have been, or are being, addressed by the Department. There is little need for the Committee to add further recommendations to those of the Auditor-General, however it proposes the following measures to ensure that in the future the program can be adequately monitored by the Parliament. **The Committee recommends that:**

- (1) before any new round of funding is commenced, the Department of the Environment, Sport and Territories analyse the need for cultural, recreational and sporting facilities, to provide a basis for the allocation of funds to proposed projects. (*paragraph 4.15*)
- (2) in all future grants programs where the Minister for the Environment, Sport and Territories selects projects to receive grants, the Department of the Environment, Sport and Territories ought to provide a schedule of applications that evaluates the proposed projects and contains recommendations to guide the Minister's decisions. (*paragraph 4.16*)
- (3) the grant application form be redesigned to allow the proposed projects to be numerically rated against each of the selection criteria and that the criteria be weighted so that an overall rating can be calculated for each application. (*paragraph 4.16*)
- (4) the numerical ratings against the individual criteria and the overall rating be included in schedules of applications provided to the Minister and that the Minister consider these ratings when making decisions about which applications to fund. (*paragraph 4.16*)
- (5) where additional information is obtained and the ratings are amended by the Minister, or if for any other reasons the ratings are amended, the schedules should be annotated and the additional information added to the file. (*paragraph 4.16*)



## CHAPTER 1: AUDITING AND MINISTERIAL ACCOUNTABILITY

1.1 A major responsibility of the House of Representatives is to scrutinise and, where necessary, to criticise the activities of the government of the day. This duty derives from the principle that governments are accountable to the people for their decisions. The Parliament must do all that it can to ensure that public monies are not only properly appropriated but that they are used in the most effective and efficient way possible in the best interest of the people. In this duty the Parliament is assisted by the investigations and reports of the Auditor-General and the Australian National Audit Office.

1.2 Under the provisions of the *Audit Act 1901* the Auditor-General is responsible for auditing performance and the financial statements of the Commonwealth Government. The Auditor-General is required under the Act to present reports of audits to the Presiding Officers of the Parliament. This emphasises that the Auditor-General is responsible to the Parliament and not to the Government.

1.3 Reports from the Auditor-General cannot be easily dismissed and warrant close scrutiny by the Parliament and the Government. They assist the Parliament to scrutinise the activities of the Government and they also provide a source of external review and advice to the Government in the design of its administrative programs and evaluation procedures.

1.4 The Joint Committee on Public Accounts has a major role to play in reviewing reports presented by the Auditor-General and it has become the practice of the House of Representatives to also refer audit reports to the general purpose standing committees. The Committee considers that the Auditor-General's reports ought to be reviewed by standing committees' mechanism as well as by reference to the Joint Committee on Public Accounts. Where necessary, committees should carry out formal inquiries and seek detailed information from audited departments about their responses to the audits and their intentions in implementing the Auditor-General's recommendations.

1.5 In December 1993 the Auditor-General transmitted to Parliament his report on an efficiency audit of the Community Cultural, Recreational and Sporting Facilities Program. When it was tabled in the House the report was referred to the Committee for review.

1.6 The Audit Act specifically empowers the Auditor-General to carry out, at such intervals as he or she thinks fits, an efficiency audit of all or any operations of a department. The Act defines an efficiency audit as an examination of an agency's administrative and evaluation procedures, to allow the Auditor-General to ascertain if those procedures are being carried out in an economical and efficient manner and if the evaluation procedures are adequate.

1.7 Efficiency audits do not examine the appropriateness or effectiveness of government policies and programs. They are concerned only with matters such as the efficiency and effectiveness of the administration of those policies and programs. This may extend to the quality of information and policy advice given to government by officials and whether, and to what extent, stated policy objectives have been met.

1.8 It is unusual for an efficiency audit to focus to a significant extent on the actions of a minister rather than a department, however the report of the efficiency audit of the Community Cultural, Recreational and Sporting Facilities Program did just that. This situation arose because the Minister for the Environment, Sport and Territories had a very direct and crucial role in the administration of the program and there were allegations of possible political bias in the allocation of grants under the program. This resulted in the Committee's review being undertaken against a background of considerable political interest in the audit report.

1.9 A further political question has arisen since the audit report was tabled. It has been suggested that the Minister may have misled the House in answering questions about whether she, or her staff, either withheld or destroyed documents that may have been relevant to the audit. Whilst evidence relating to this issue may have arisen during the Committee's review it is a matter for the House itself to pursue. Some of the evidence gathered by the Committee and outlined below may be relevant to the determination of this question but the Committee has concentrated principally on the matters raised in the audit report. Its concern has been to judge the appropriateness of the auditors' findings and the department's response to ensure that deficiencies in the administration of the program are overcome and that any future administration is as fair, effective and efficient as possible. The Committee has not inquired into the need for the program as such and, in this report, does not report on its appropriateness.

### **Origins of the audit of the Community Cultural, Recreational and Sporting Facilities Program**

1.10 Not all government programs are subject to efficiency audits. The Australian National Audit Office considers a range of programs to examine and only proceeds to a full efficiency audit when it considers that it is appropriate to do so and that an audit is likely to result in findings and recommendations that can lead to improved administration. Some of the factors that are taken into consideration when determining the need for an audit are:

- . financial materiality;
- . evidence of possible mismanagement;
- . significance of the program to the activities of the auditee; and
- . visibility of the program as reflected in its political sensitivity or national importance.

1.11 The report of the efficiency audit of the Community Cultural, Recreational and Sporting Facilities Program does not explain why the Auditor-General undertook the audit but in evidence the auditors advised that they were concerned about earlier failures by the Department of the Environment, Sport and Territories to expend all the funds allocated to grants and the large amount of money involved in the program. The auditors also saw a significant potential for the audit to contribute to the development of an administrative best practice guide. The Australian National Audit Office provided the Committee with an extract from its Strategic Audit Plan which showed that that audit arose from the normal strategic audit planning process. Evidence given to the Committee by the Auditor-General made it clear that concerns about possible political bias and lack of accountability in the administration of the program became important to the question of whether to carry out the audit, and then to the conduct of the audit itself. The Auditor-General told the Committee:

One of the factors that was clearly important in weighing up whether or not we would go into this was the allegations of political bias.<sup>1</sup>

1.12 The audit focussed on the administration of the program since its inception in 1988, with particular reference to later funding rounds and the documentation of the Minister's decisions in relation to the selection of applications for funding in the final (1992-93) round. In reviewing the documentation of the Minister's selection processes the Auditor-General was not challenging those decisions nor her right to be directly involved in the administration of the program. The auditors sought to understand the selection process so they could assess if it was efficient and effective, as the Auditor-General explained:

Our interest in the selection process lay in trying to assess if the process was likely to approve applications that would contribute most effectively to the program, which is a goal of the government's reform programs and is very widespread, and ensuring that selection procedures were documented and the reasons for decisions were also documented.<sup>2</sup>

1.13 One of the auditors explained that in reviewing the selection process used by the Minister they were not looking at the appropriateness of the decisions she made:

... we are not questioning the decision, all we are looking for is the justification for the decision ...<sup>3</sup>

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<sup>1</sup> Evidence - John Taylor - Canberra, 16 December 1993, p 10.

<sup>2</sup> Evidence - John Taylor - Canberra, 16 December 1993, p 5.

<sup>3</sup> Evidence - Peter White - Canberra, 16 December 1993, p 15.

1.14 Once the Minister became involved in the selection of projects for funding she was liable to be asked to account for her decisions in relation to the administration of the program. The auditors quite properly gave this matter some attention and the Committee has had to carefully consider the Auditor-General's comments on the Minister's administration and, in particular, has had to consider whether it can be said on the balance of the evidence that the Minister's allocation of grants was biased on political grounds. This report presents the results of the Committee's consideration of these comments and presents its conclusions about the general administration of the program.

## CHAPTER 2: THE COMMUNITY CULTURAL, RECREATIONAL AND SPORTING FACILITIES PROGRAM

2.1 The Community Recreational and Sporting Facilities program was introduced in 1988 to provide grants to local government and community organisations to supplement funds from other sources. In 1992 the program was expanded to include cultural facilities and has since been known as the Community Cultural, Recreational and Sporting Facilities Program. Under the program funds were allocated for the construction of cultural, recreational and sporting facilities. Projects for funding were selected from applications made in response to advertisements placed in major daily newspapers by the Department of the Environment, Sport and Territories. The Minister also wrote to all members of parliament informing them applications for grants were being called for.<sup>1</sup>

2.2 Guidelines and selection criteria for the last round of funding were circulated in June 1992 when the Department invited applications for grants. The selection criteria stated that the major factors to be taken into account by the Minister in the selection of projects for funding were to include a demonstrated community need and factors related to management, access and financial viability.

2.3 Under these guidelines priority was to be given to the needs of certain prescribed groups, including:

- . people in new and inner suburban areas and communities in rural areas;
- . Aboriginal and Torres Strait Islander communities and communities with high unemployment or large migrant populations; and
- . youth.

2.4 There have been four funding rounds - 1988-89, 1989-90, 1991-92 and 1992-93. The first three rounds provided funds for the Community Recreational and Sporting Facilities Grants Program. During the last round of funding grants were provided for the expanded program.

2.5 In 1988/89, \$13 million was made available to be spent over the three years to 1990-91. This provided the basis for the first two rounds of funding. A further \$30 million was provided in 1991-92 for the three years to 1993-94 and this was supplemented in November 1992 with an additional \$17.5 million under the Government's 'One Nation' statement. These funds provided the basis for the last two funding rounds.

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<sup>1</sup> The Minister for the Environment, Sport and Territories, Submission, p 10.

2.6 During the four funding rounds a total of \$60.3 million was allocated for 1447 selected projects. A summary of the 1991-92 and 1992-93 funding rounds is provided in Table 1.

**Table 1: Summary of the 1991/92 and 1992/93 funding rounds**

	91-92	92-93
Advertised	31 August 1991	6 June 1992
Closed	6 December 1991	3 September 1992
Applications received	1800	2800
Applications approved for funding	338	724
Value of approved applications	\$17.8 million	\$29.5 million
Expenditure	\$0.95 million <sup>1</sup>	\$14.1 million

**NOTE 1:** In 1991-92 a further \$2.15 million was spent on grants approved in earlier funding rounds

2.7 By the end of the 1992-93 financial year the Department had paid out \$15 million of the \$47.5 million allocated to proposed projects under the expanded scheme in 1991-92 and 1992-93. Over \$26 million has been appropriated for expenditure in 1993-94 and the remaining \$7 million is expected to be spent in 1994-95.<sup>2</sup>

2.8 The program contributes only part of the funds required for the various projects and the department has estimated that the \$29.5 million allocated in 1992-93 will assist in the development of projects with a total value of \$161 million.<sup>3</sup>

<sup>2</sup> Minister for the Environment, Sport and Territories, Submission, p 11.

<sup>3</sup> Department of the Environment, Sport and Territories, *Annual Report 1992-93*, p 83.



## CHAPTER 3: THE AUDIT FINDINGS

### - DEFICIENCIES IN ADMINISTRATION AND ACCOUNTABILITY

3.1 The two main areas that concerned the auditors were:

. the lack of documentation surrounding the Minister's selection of grants for funding and the subsequent lack of accountability for her administrative (but not policy) decisions; and

. the general administration of the program by the Department.

3.2 The audit found that the role of the Minister and her staff in selecting grants to be funded was significant:

Although the Department plays a significant role in the administration of the program the assessment and selection of projects to be funded is made by the Minister. ... The Department reported that it was unaware of the selection process followed in the Minister's office ...<sup>1</sup>

3.3 It was also found that there were some anomalies in the selection of the grants but due to a lack of documentation of the reasons for the Minister's decisions these could not be resolved and claims of political bias could be neither substantiated nor put to rest.

3.4 The Auditor-General reported that the Department's administration was deficient in at least eight major respects and could not report that the program was an efficient and effective use of public money. The audit report included 16 recommendations, all of which were addressed to the Department, although some also referred to the role of the Minister. The recommendations referred to most aspects of the Department's administration of the program, from the calling for grants through to the reporting of outcomes. In most cases the Department's responses to the recommendations, as they were reported in the audit, was that it agreed with the recommendations and that it would introduce the changes proposed in the audit report, if the program is refunded.

#### Grant selection

3.5 Grants were provided in response to applications from the community but more applications were received than could be supported with the available funds.<sup>2</sup> A selection process was therefore required. This was a critical step in the administration

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<sup>1</sup> Audit Report No 9 1993-94, Efficiency Audit, *Community Cultural, Recreational and Sporting Facilities Program*, p 9.

<sup>2</sup> In 1991-92, for example, only 18 per cent of all eligible applications received grants and in 1992-93 25 per cent were successful.

of the program and, more than any other factor, determined its success or failure. Not surprisingly the selection process became a major focus of the efficiency audit.

#### *Selection process - categorisation of applications*

3.6 As a first step in the selection of proposals to receive funding the Department went through the applications and separated any that were clearly ineligible. The remaining applications were summarised and sorted into one of three categories, depending on the extent to which they appeared to satisfy the selection criteria.

3.7 For the 1991-92 funding round the categories used were:

- . Category 1: Projects with a well demonstrated need, all relevant information presented, all criteria satisfied and funding sources appropriately documented.
- . Category 2: Projects which satisfy most criteria, are less able to demonstrate need and which have minor deficiencies in the information provided.
- . Category 3: Projects which do not satisfy most of the eligibility criteria, have little or no evidence of other funding being secured, lack information or the need for the project is not established.

3.8 A significantly different set of categories was adopted for the 1992-93 funding round:

- . Category 1: Projects with are well documented with a clearly demonstrated community need, satisfying all other selection criteria.
- . Category 2: Projects with minor deficiencies in the information provided, which demonstrate a community need and satisfy most of the other criteria.
- . Category 3: Projects lacking in relevant information, for which community need has not been adequately demonstrated and many other selection criteria not satisfied, including evidence of other funding.

3.9 The earlier categories emphasised the suitability of the applications in terms of the criteria, but the revised categories emphasised the extent of the information provided by the applicants. It was not intended that the categorisation process would involve a consideration of the merits of the applications - this was to be left to the Minister to

determine. Mr Stuart Hamilton, Secretary of the Department of the Environment, Sport and Territories, explained that the change in the categories was something that was necessary to clarify the non-evaluative nature of the process:

The wording was modified really to make it clearer to officers that they were making assessments based on the papers only, not absolute assessments of merit.<sup>3</sup>

3.10 It seems, however, that it did not really matter which set of categories was used. The revised categories were introduced after the Department had begun processing applications for the final round of funding. Applications from South Australia were sorted according to the old categories, but Mr Hamilton told the Committee that this did not make any difference and South Australia was not treated any differently to the other States and Territories.<sup>4</sup>

3.11 The audit found that 9 per cent of grants went to category 1 applications, 80 per cent went to category 2 applications and 11 per cent went to category 3 applications. To the auditors this meant that 'proportionately more' projects from category 3 had been funded compared to category 1 projects.<sup>5</sup> This presumably was one of the anomalies that the auditors suggested they had found but which they did not specifically identify as such in their report.

3.12 It should be noted that applications in all categories were considered to be eligible for grants. Applications considered to be ineligible were not included in the schedule provided to the Minister. However, it appears reasonable to assume that those applications assessed as falling in category 1 were apparently those considered by the Department as most appropriate for funding, at least on the basis of the information provided, while those in category 3 were considered to be less appropriate. However, it also appears that the suitability of category 3 grants could have significantly improved where additional information became available.

3.13 Under the revised categories used during the last funding round, selection of category 3 applications for funding may be considered to be entirely appropriate where additional information is obtained. Nevertheless, in the absence of adequate documentation of the decision making process, the high proportion of category 3 grants is a cause of concern - particularly when a significant number (49 out of 116 applications in 1992-93) of category 1 applications remained unfunded. The Auditor-General was particularly concerned by the relatively high number of category 1 applications that were not funded:

It is the ones that were in category 1 that were not approved that we are concerned about ... on the basis of the categories, one is hard-pressed to explain to those people in category 1 that missed out, why more groups in category 3 were actually paid.<sup>6</sup>

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<sup>3</sup> Evidence - Stuart Hamilton - Canberra, 16 December 1993, p 111.

<sup>4</sup> Evidence - Stuart Hamilton - Canberra, 9 February 1994, p 191.

<sup>5</sup> Audit Report, p 12.

<sup>6</sup> Evidence - John Taylor - Canberra, 16 December 1993, p 18.

3.14 In a letter to the Committee in January 1994, the Australian National Audit Office reiterated its concerns and made it clear that they considered category 1 applications were more worthy of funding than category 3:

ANAO notes that applications rated as Category 1 had more chance of being approved than applications from Category 2 or 3. Nevertheless, prima facie, category 1 applications were superior to categories 2 and 3 (in that they more clearly demonstrated that they satisfied the selection criteria) yet some 40% of applications from category 1 were not approved. As we said in the Report (paragraph 2.28) and again in evidence before the Committee our concern lies in explaining to the 1662 applicants in Categories 1 and 2 who did not receive a grant or those paying taxes to provide assistance, the reasons for the decisions made ie. all applicants should receive equity in the assessment of applications for grants under this program.<sup>7</sup>

3.15 There are two ways to look at the distribution of grants to the different categories. The auditors' conclusion, that there was an over representation from category 3, needs to be balanced with data about the number of grants in each category. The majority of applications were rated as category 2 by the Department (see Table 2) and there were sufficient funds to allow a considerable proportion of these to be funded, although, a higher proportion of category 1 applications should have been successful compared to categories 2 and 3.

**Table 2: Categorisation of applications - 1991-92 & 1992-93**

Category	Proportion of applications - 1991-92 %	Proportion of applications - 1992-93 %
1	11	4
2	69	77
3	20	19

**Note:** This information is derived from the Submission by the Department of the Environment, Sport and Territories, p 3.

<sup>7</sup>

Exhibit No. 10, p 2.

3.16 The Minister's letter of 17 June 1993 to the Auditor-General<sup>8</sup> advised that 55 per cent of category 1 applications were approved compared with only 15 per cent of category 3. The applications in category 1 had a much higher success rate in both the 1991-92 and 1992-93 funding rounds (see tables 3 and 4).

**Table 3: Success rate of applications - 1991-92**

Category	Applications	Funded	Not funded	Success rate - %
1	192	69	123	36
2	1 265	220	1 045	17
3	373	49	324	13

**Note:** This information is derived from the Submission by the Department of the Environment, Sport and Territories, p 3.

**Table 4: Success rate of applications - 1992-93**

Category	Applications	Funded	Not funded	Success rate - %
1	116	67	49	58
2	2 193	578	1 615	26
3	551	79	472	14

**Note:** This information was calculated directly from data presented in the Submission by the Department of the Environment, Sport and Territories, p 3.

3.17 The distribution of grants to the various categories does not in itself provide any evidence of political bias or misapplication of funds. There may have been more successful category 3 applications than might have been expected but the lack of documentation does not allow the Committee to go beyond the conclusions of the Auditor-General in relation to this question.

<sup>8</sup> This letter was reproduced at page 55 of the audit report.

3.18 It appears that the propensity of the Minister to select category 3 applications was not confined to Labor held seats or to marginal Labor seats in particular. From tables 5 and 6 it is evident that she allocated a similar proportion of grants to category 3 applications to electorates of either side of politics and, without any other supporting evidence, it cannot be inferred that she overlooked category 1 projects or resorted to funding less suitable category 3 applications simply to seek a political advantage.

3.19 The Minister may have had good and valid reasons for not funding 49 category 1 applications in the final round but in the absence of documentation these reasons are not apparent. The Auditor-General's concerns about the inability of the Minister to explain her decisions to those who missed out remains unanswered.

**Table 5: Proportion of grants to ALP and 'non-ALP' held electorates - 1992-93<sup>1</sup>**

Category	Proportion of total 'ALP' grants %	Proportion of total 'non - ALP' grants <sup>2</sup> %
1	5	19
2	84	69
3	11	12

**NOTES:**

1. This information is derived from a schedule of all grants, prepared by the Australian National Audit Office and taken by the Committee as part of Exhibit 1. In calculating the proportion of grants in ALP and 'non-ALP' electorates the Committee used the classification of electorates presented in the Department of the Parliamentary Library, *Federal Elections 1993*. (see Appendix 3)
2. 'Non-ALP' includes the electorate of Wills. There were no grants to project in the electorate of North Sydney.

**Table 6: Proportion of grants to ALP and Coalition held marginal electorates - 1992-93<sup>1</sup>**

Category	Proportion of total 'ALP' grants %	Proportion of total 'non - ALP' grants <sup>2</sup> %
1	4	15
2	83	70
3	13	15

**NOTES:**

1. This information is derived from a schedule of all grants, prepared by the Australian National Audit Office and taken by the Committee as part of Exhibit 1. In calculating the proportion of grants in marginal ALP and marginal 'non-ALP' electorates the Committee used the classification of electorates presented in the Department of the Parliamentary Library, *Federal Elections 1993*. (see Appendix 3)
2. 'Non-ALP' includes the electorate of Wills. There were no grants to project in the electorate of North Sydney.

*Selection process - The adequacy of information available to the Minister*

**3.20** The Department provided the Minister's office with schedules of applications in each of the categories and the Minister then determined which applications were to be funded. The Department did not provide any advice or suggestion about which applications ought to be funded. Mr Hamilton stressed in his evidence to the Committee that the schedules did not deal in any way with the merits of the applications or the need for any of the proposed projects.

**3.21** The Auditor-General told the Committee that the schedules provided by the Department to the Minister were not sufficient to assess the merits of the competing applications:

We believe insufficient information is sent to the Minister by the Department. This means that the Minister, in the absence of other information, could not assess the relative merits or needs of one application over another.<sup>9</sup>

**3.22** One of the auditors who conducted the audit offered the opinion that additional information was required before the Minister could come to an informed decision:

We were told by the Department that the Minister makes other inquiries and we took that at face value. In my view, it would have been necessary to make other inquiries in order to make decisions.<sup>10</sup>

<sup>9</sup> Evidence - John Taylor - Canberra, 16 December 1993, p 6.

<sup>10</sup> Evidence - William Hogan - Canberra, 16 December 1993, p 38.

3.23 Mr Hamilton suggested to the Committee that, in cases where information was initially lacking but where funding was under consideration, the Minister sought additional information:

From my understanding, in all cases additional information was sought.<sup>11</sup>

3.24 He went on to suggest that the Minister frequently called for files and other documentation from the Department to supplement the information contained in the schedule.<sup>12</sup> Mr Hamilton explained:

When the Minister receives those schedules, she is at liberty to ask us for the raw material of the application - for letters of support. She is able to go to whoever she pleases to get additional information. That was the information she had when she made the decisions, not simply the schedules.<sup>13</sup>

3.25 There is evidence to suggest that the Minister only occasionally called for additional information from the Department. The Auditor-General provided the Committee with a copy of a minute written by an Assistant Secretary in the Department who was responsible for managing the program. The Assistant Secretary, wrote:

As a matter of practice the Minister's Office does not routinely see applications, although on rare occasions (almost certainly not documented) copies of individual applications are supplied on request. Thus, the Minister is 'captive' to the information provided by the Department.<sup>14</sup>

3.26 Mr Hamilton later advised the Minister that he considered that his evidence to the Committee (that information was frequently provided) was 'reasonable'.<sup>15</sup> Argument on this matter could quickly degenerate to a question of semantics and it is more important to determine if the provision of additional information was adequate, rather than if it was frequent or rare. In relation to the adequacy of the information, the Assistant Secretary wrote:

Clearly the summary details supplied by the Department to the Minister's Office do not of themselves provide adequate information for the allocation of funds as comparison with the program guidelines and criteria will readily reveal.

- It might be argued that local MP's, who are consulted by the Minister are best placed to provide the relevant information and or comment on the relative merits of proposals against program guidelines and criteria.
- However, there appears to be no evidence on file that the Department could point to in support of a defence along these lines and I would hazard a guess that documentation in the Minister's Office is equally thin.

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<sup>11</sup> Evidence - Stuart Hamilton - Canberra, 16 December 1993, p 83.

<sup>12</sup> Evidence - Stuart Hamilton - Canberra, 16 December 1993, p 111.

<sup>13</sup> Evidence - Stuart Hamilton - Canberra, 16 December 1993, p 93.

<sup>14</sup> Exhibit No. 10, Attachment 5, p 2.

<sup>15</sup> Minute tabled in the House of Representatives by the Minister for the Environment, Sport and Territories, 3 February 1994.



Moreover, there is no recent documentation on file advising the Minister of the information requirements necessary for sound administration of the scheme. (In fact Jenny Harrison's Minute records concerns expressed by the Minister's Office over the inadequacy of the information provided by the Department.) At the very least we should ensure the Minister or her Office staff have the opportunity to read all applications.<sup>16</sup>

3.27 It is clear from the evidence that there is no documentation to show what additional information was sought and obtained or how it was used in the decision process in relation to any of the applications. However, it does appear that this information was insufficient for the Minister to make full assessments of the applications.

3.28 The Minister would have needed information from other sources and it would have been expected that she or her staff would have prepared notes and working papers and possibly even temporary files. However, there is no material evidence that this actually took place or that the Minister used any documentation other than that provided by the Department. Mr Hamilton told the Committee that the only additional documentation created by the Minister or her office was the schedule of approved grants. The Minister also said that there was no other additional documentation.

3.29 The Minister did, however, outline to the Committee the steps she took to assess applications. In response to written questions put to her, the Minister identified twelve factors that were taken into account in assessing the need for proposed projects:

- . the Department's categorisation of the project application in relation to the Program guidelines and selection criteria;
- . other information in the application as necessary;
- . population distribution across the nation;
- . inequities faced by less populous and larger States and Territories;
- . available funds;
- . State/Territory government comments (if applicable);
- . an even spread of facilities across regions and areas;
- . project size and funding requirements;
- . likely speed of implementation;
- . possible impact on identified priority population groups and disadvantaged communities;

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<sup>16</sup> Exhibit No. 10, Attachment 5, p 2.

views and comments provided by individual Members of Parliament and other community figures who made representations in support of particular projects, as well as individual project proponents; and

employment potential.<sup>17</sup>

**3.30** In addition, of course, the Minister also had to consider the program guidelines and selection criteria. Balancing all these factors from over 2800 applications within a funding limit was a considerable task. The Minister explained that she collected information from various sources and displayed it in symbolic form on a whiteboard, for up to 100 applications at a time. The data on the whiteboard summarised compliance with the various selection criteria.

**3.31** The process may have been the most effective way of summarising and displaying the matrix of applications and assessment factors that the Minister had to assess. However, it is not now possible to verify that all these factors were appropriately weighted from one project to the next and that all the factors were properly considered.

**3.32** This procedure was not used to assess category 1 applications. The Minister told the Committee that these were easy to assess and those that were not approved were rejected mainly on 'regional distributions'.<sup>18</sup> Given that category 1 applications were not even subject to the same sort of whiteboard analysis applied to category 2 and 3 applications it is, as the Auditor-General suggests, difficult to explain to those who submitted category 1 applications why they missed out.

**3.33** The lack of adequate documentation means that the Parliament cannot properly assess the Minister's performance and makes it impossible to hold the Minister accountable for her actions. The Minister has every right to determine which projects are to be funded but she also has a responsibility to be able to demonstrate the basis for her decisions if called upon to do so by the Parliament. The Auditor-General explained that:

a lack of documentation giving the justification for the decisions made (by the Minister) means that we cannot say if, firstly, the selection process ensures the approved grants are those most likely to achieve the program aims or are the community's highest needs. We cannot say if there is any political bias ... And we cannot say if the program is providing value for money.<sup>19</sup>

**3.34** The Committee agrees with the Auditor-General that the lack of transparency in the grant selection process and the Minister's failure to properly document her decisions was a serious flaw in the administration of the program. It has prevented proper accountability and evaluation processes being implemented. It is now impossible to determine if she had sufficient information, if adequate additional information was sought, and if all the factors were properly balanced in the decisions she took. These matters go straight to the question of ministerial competence. The Committee notes that

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<sup>17</sup> The Minister for the Environment, Sport and Territories, Submission, p 3.

<sup>18</sup> Evidence - The Minister for the Environment, Sport and Territories - Canberra, 9 February 1994, p 174.

<sup>19</sup> Evidence - John Taylor - Canberra, 16 December 1993, p 7.

the Minister appears to agree with this assessment and acknowledges the need for a different course of action in the future. Mr Hamilton advised:

I have talked about this with staff and with the Minister. The Minister and I agree that were this program to be continued, or a new program along these lines to be brought in, we ought to document matters differently. The Department ought to carry out a more thorough assessment of the grants so that we could actually put recommendations to the Minister and she could consider that recommendation along with the raw material and make her decision. She and I have agreed that is how this will operate if there is a new program.<sup>20</sup>

**3.35** Such a course of action will inevitably lead to better documentation, provide an audit trail that will allow the program to be evaluated and will reduce the capacity to introduce bias into the selection process. The Minister expressed concerns to the auditors about the possible costs of implementing the audit recommendations. Whilst it is highly desirable to keep administrative cost to a minimum there are also certain minimum standards of accountability that need to be met and the proposed changes to the administrative procedures do nothing more than seek to reach that standard. Mr Hamilton considers that the costs of the proposed changes agreed to by the Minister will not be significant:

I think that the proposal that I have discussed with the Minister would marginally increase administrative costs but I still think that it will be done very tightly and the overwhelming amount of money would still, as it should, go directly to the beneficiaries.<sup>21</sup>

**3.36** The Committee considers that it is quite clear that the Minister was at fault in not documenting her decisions but it also notes that the Minister has stated her intention to implement the Auditor-General's recommendations so that administrative procedures will be reformed. The Minister told the Committee that:

... there are obviously administrative problems with the program and we are going to fix them. And we have said we are seriously - we are taking up his recommendations...

... the Auditor-General has been very helpful to us in making recommendations about the administration of this program. At the end of the day, ministers make decisions, and as the Auditor says, he does not question my making a decision. What he makes a comment on is the administration's program. We have said we will adopt his recommendations...

How I made that decision, in my view, I feel is perfectly justified. The Auditor says that, in terms of public administration, that is not good enough. We will adopt his recommendations.<sup>22</sup>

**3.37** The Minister went on to say:

In my view, the standards and the decisions were taken by me in a process I have outlined today. I believed they were appropriate. My department had never advised me that they were not appropriate. I fulfilled my obligations under ministerial responsibility in a way

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<sup>20</sup> Evidence - Stuart Hamilton - Canberra, 16 December 1993, p 96.

<sup>21</sup> Evidence - Stuart Hamilton - Canberra, 16 December 1993, p 103.

<sup>22</sup> Evidence - The Minister for the Environment, Sport and Territories - Canberra, 9 February 1994, p 201, 202.

I believed was appropriate. What the Auditor says is that we need some changes to that. All right. Fine. We will do that.<sup>23</sup>

**3.38** The audit report is critical of the application form used by the Department. This may have contributed to the large proportion of the proposals that were poorly documented by the proponents and did not include the required information. The application form does not require the proponent to state what is expected to be achieved by the project and who is going to benefit. The Auditor-General recommended that the form be redesigned to provide information that will assist the Department and the Minister to focus on the intended outcomes of the program. The Auditor-General also recommended that the Department circulate more comprehensive information about the program and its objectives to encourage better quality, and possibly fewer, applications.

**3.39** The Auditor-General also suggested that, to ease the administrative burden, the program guidelines should be tightened to reduce the number of applications. It was recommended in the audit report that the Department review the administrative arrangements of the selection process with a view to developing a filtering mechanism. In making this recommendation the Auditor-General noted that:

Where large numbers of small grants are involved the administrative overhead becomes greater whereas the effectiveness of the program is not necessarily improved.<sup>24</sup>

**3.40** The program guidelines provide that funding will be available for up to half the project cost for projects worth more than \$50 000. The Auditor-General expressed concern about the lack of evidence of funding from other sources and the failure of the Department to check that such funding was available.

**3.41** Attempts to reduce the number of applications, particularly on the grounds of lack of funding from other sources, could have the effect of preventing smaller community groups participating in the program. The Committee considers that, for any future program, the number of applications should not be reduced by excluding smaller projects. The Committee has not examined the merits of the program in any detail but as it is apparent that it has been of enormous value to small community and sporting groups around the country. Such groups should not be denied an opportunity to at least make applications for funding under any new program.

**3.42** Whilst, the committee does not agree that reducing the number of applications is necessarily desirable, but does agree that a more appropriate application form and more comprehensive information is likely to result in better information for the selection process. It may also reduce the need for the Minister to seek additional information and increase the transparency of her decision making process. The Department indicated to the auditors that it would review the application form if the program is reintroduced. The Committee considers that the recommendation relating to the application form is one such recommendation that would require immediate implementation.

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<sup>23</sup> Evidence - The Minister for the Environment, Sport and Territories - Canberra, 9 February 1994, p 203.

<sup>24</sup> Audit report, p xvii.

### *Selection process - alleged bias*

**3.43** The audit report noted the allegations that the involvement of the Minister, and her staff, in the selection process lead to a political bias in the allocation of funds. It was reported that *Labor held electorates, on average, received more funds than non-Labor held electorates*. However, the audit report also stated that the available evidence did not demonstrate one way or the other that selection of projects was based on party political grounds. This conclusion was re-iterated in evidence given by the Auditor-General and, in relation to the audit report, one of the auditors explained:

What we are saying in the report is that our analysis does not demonstrate one way or another whether the projects have been approved on party political grounds.<sup>25</sup>

**3.44** The Auditor-General's inability to reach a conclusion on this question was partly due to the lack of documentation of the selection process. It was also found that the objectives for the program were unclear and that there were insufficient outcome indicators:

The objectives of the program are not expressed in a quantifiable way that would make it clear that the objectives have been achieved. They give no indication of what is to be achieved for whom by when.<sup>26</sup>

**3.45** The Auditor-General considers that the guidelines and selection criteria are too general to provide a clear focus to select projects best able to achieve the program objectives:

... neither the guidelines nor the selection criteria call for any consideration of what the project is going to achieve or who is going to benefit or how they are going to benefit. Nor is there any consideration of the costs or benefits of the application.

There is no weighting attached to each selection criterion which makes it difficult to assess the relative merits and rank each proposal.

... much of the information necessary to apply the selection criteria is either not collected by the Department or not made available to the Minister as a matter of course.<sup>27</sup>

**3.46** Given the lack of objectives and the lack of documentation it is not possible to directly ascertain the appropriateness of the selection decisions made by the Minister.

**3.47** The Guidelines and Selection Criteria circulated by the Department emphasises that the program is intended to address community needs. The need for a particular project is unlikely to be directly determined by factors such as which electorate or State the project is in, or any indicator of wealth, employment or growth rates. However, there is no national measure of the need for cultural, recreational and sporting facilities and the Minister would have found it difficult to find a basis to assess the relative need for the projects. The auditors in turn would have therefore found it difficult to understand the Minister's decisions, even if her reasons had been documented.

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<sup>25</sup> Evidence - Peter White - Canberra, 16 December 1993, p 14.

<sup>26</sup> Audit Report, p 39.

<sup>27</sup> Audit Report, p 40.

3.48 The relatively higher proportion of grants to Labor electorates and to marginal electorates (particularly Labor held marginal electorates) identified by the auditors has been taken to indicate bias in the allocation of funds. In the absence of any other evidence the allocations can only be assessed against the selection criteria and guidelines, but at best these provide only a guide for the Minister and do not prevent other factors from being taken into account.

3.49 Allegations of bias cannot be substantiated by looking at single grants or a small sample in isolation, because the guidelines and criteria allow the Minister considerable discretion in her decisions on any particular application. The program needs to be looked at as a whole to see if there are any overall trends which might provide a more substantial basis for allegations of bias - this approach was taken by the auditors when they looked at the allocation of all the grants provided in the final round of funding to certain classes of electorates. However, even this approach can at best provide only indirect indications of possible bias. In urban areas and provincial centres it is unlikely that the need for facilities can be defined as being confined to one electorate or that the provision of funding is relevant to single electorates. Many of the grants could serve a regional need covering several electorates.

3.50 It may be that there is a correlation between Labor held seats and need for facilities although, in the absence of a national survey of needs, such a link would be difficult to prove. The Minister suggested that:

If you actually think about the nature of this program, particularly when you look in detail at the criteria and the priorities, it does make some sort of sense that they are Labor seats, in the sense that in Labor seats you usually have poorer socioeconomic groups, often in the outer suburbs. They often have a lot of kids, and they particularly have high unemployment. If you look at my other grants programs, if you take for example, almost every other one of my programs, they are biased in favour of National Party seats.

You take my water programs and also my tree programs: they all favour National Party seats by almost 2 to 1.<sup>28</sup>

3.51 Only two of the ten electorates with lowest median family income are Labor electorates - most are rural electorates.<sup>29</sup> As Table 7 shows, these did not all receive a large number of grants, nor was there always a correlation between income on the value of grants received (as indicated in Table 8), but as the Minister stated:

We found that if you look at the half, that is, the 73 electorates ranked most in need, having the highest proportion of the specific socioeconomic indicators, Labor held between 60 and 70 per cent of the 73 seats for the several most relevant indicators. And

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<sup>28</sup> Evidence - The Minister for the Environment, Sport and Territories - Canberra, 9 February 1994, p 156.

<sup>29</sup> Department of the Parliamentary Library *Comparisons of 1991 Census Characteristic Commonwealth Electoral Division 1993*, p 69.

these were the priority indicators for me, population growth from 1986-1991; proportion of citizens under 18; proportions of persons speaking non-English language at home; proportion of Aboriginal and Torres Strait Islanders; rate of unemployment; and proportion of single parent families.<sup>30</sup>

**Table 7: Socio-economic indicators and grants - electorates with the lowest median family income**

Electorate	Classification <sup>1</sup>	Income <sup>2</sup>	No. of grants <sup>3</sup>	Value of grants <sup>4</sup>
Wide Bay	marg NP	23 653	6	80 800
Lyne	safe NP	23 690	1	100 000
Cowper	marg NP	23 875	3	60 000
Fisher	marg NP	24 262	3	71 532
Richmond	marg ALP	24 528	15	225 230
Fairfax	safe NP	25 444	3	208 000
Page	marg ALP	25 748	14	250 000
Gwydir	safe NP	25 782	4	65 308
Barker	safe Lib	25 788	5	100 500
Wakefield	safe Lib	26 151	12	171 828

**NOTES**

1. Marg = marginal, NP = National Party, Lib = Liberal Party, ALP = Australian Labor Party. The Committee used the classification of electorates presented in the Department of the Parliamentary Library, *Federal Elections 1993* (see Appendix 3).
2. Source - Department of the Parliamentary Library, *Comparisons of 1991 Census Characteristics: Commonwealth Electoral Divisions 1993*, p 69.
3. The average number of grants across all electorates was approximately 5.
4. The value of grants was derived from a schedule provided by the Australian National Audit Office and taken by the Committee as part of Exhibit 1.

<sup>30</sup> Evidence - The Minister for the Environment, Sport and Territories - Canberra, 9 February 1994, p 157.

**Table 8: Electorates allocated grants of over \$400 000 - 1992-93**

Electorate	Classification <sup>1</sup>	Number of grants <sup>2</sup>	Value of grants	Income ranking <sup>3</sup>
Denison	marg ALP	5	593 000	71
Melbourne Ports	marg ALP	5	555 500	111
Swan	marg ALP	12	552 062	41
Macarthur	marg ALP	6	500 000	112
Indi	safe LIB	5	485 000	36
Brand	marg ALP	12	457 673	27
Hindmarsh	marg ALP	6	450 000	54
Gellibrand	safe ALP	7	440 000	42
Canning	marg ALP	8	439 092	67
Adelaide	marg ALP	10	430 500	79
Bendigo	marg LIB	6	426 122	18
Kennedy	marg ALP	26	410 720	44
Burke	marg ALP	13	408 500	98
Corio	marg ALP	7	402 000	35
Moreton	marg ALP	6	400 392	93
Makin	marg ALP	6	400 000	102

**NOTES**

1. marg = marginal, NP = National Party, Lib = Liberal Party, ALP = Australian Labor Party. The Committee used the classification of electorates presented in the Department of the Parliamentary Library, *Federal Elections 1993*, (see Appendix 3)
2. The number and the value of grants was derived from a schedule of all grants, provided by the Australian National Audit Office and taken by the Committee as part of Exhibit 1.
3. The electorate with the highest median family income was ranked 147, the lowest was ranked 1 - the higher the number, the higher the income levels of the electorate. Income ranking was taken from the Department of the Parliamentary Library *Comparisons of 1991 Census Characteristic Commonwealth Electoral Division 1993*, p 69.



3.52 If the grants were allocated on a neutral basis it could be expected that the proportion allocated to each electorate would correspond approximately to the proportion of applications received from those electorates. This would be the case particularly where the number of applications was directly correlated to the need for facilities, and grants were then allocated on a needs basis. However, the need for facilities is not likely to be uniform across the country and not all applications will be of equal merit, so it is unlikely that the allocation of grants will be in strict proportion to the number of applications. Nevertheless, the degree of correlation between the two could provide an indication of either bias or neutrality in the allocation of grants. Some information provided by the Department allows such an analysis to be carried out.

3.53 The Department provided the Minister with a schedule of applications in New South Wales indicating which electorate the applications were from. This schedule was incomplete - the Department could not identify the electorate in slightly over 10 per cent of the applications and it advised the Committee that the schedule was prepared very quickly and 'numerous errors are known to have been made'. The schedule therefore needs to be treated with some caution but it can be seen from Table 9 that although marginal ALP electorates provided the majority of applications they also received an even greater majority of the grants. For example, although the ALP seats were in a majority of 62 per cent they contributed only 55 per cent of the applications yet attracted 79 per cent of the grants. The greatest proportion of applications came from marginal ALP seats. They were the source of 30 per cent of all applications and they also received the largest proportions of grants - just over half of all grants allocated, at 53 per cent.

**Table 9: Source of applications and allocation of grants - NSW 1992-93**

	<b>% of seats in NSW</b>	<b>% of applications submitted in NSW</b>	<b>% of all grants allocated in NSW</b>
<b>ALP:</b>			
safe	42	25	26
marginal	20	30	53
<b>total ALP</b>	<b>62</b>	<b>55</b>	<b>79</b>
<b>non ALP</b>			
safe	26	25	9
marginal	12	20	12
<b>total non ALP</b>	<b>38</b>	<b>45</b>	<b>21</b>

**NOTE:** These figures are derived from a schedule of applications from New South Wales, provided by the Department of the Environment, Sport and Territories and taken by the Committee as Exhibit 8. The Committee used the classification of electorates presented in the Department of the Parliamentary Library, *Federal Elections 1993* (see Appendix 3).

3.54 There may be several reasons why any one electorate might be the source of a large number of applications: local need for sporting and recreational facilities, an active local member encouraging organisations to submit applications and, widespread awareness of the existence of the program are three possible reasons. When a more detailed analysis of the information provided by the Department is carried out it appears, as shown in Tables 10 and 11, that a large number of applications did not necessarily result in a large number of grants.

**Table 10: Major sources of applications - NSW 1992-93**

Electorate	Classification	Number of applications
Cowper	marginal non-ALP	45
Riverina	safe non-ALP	44
Page	marginal ALP	43
Hume	marginal non-ALP	39
Calare	marginal ALP	38
Eden-Monaro	marginal ALP	33
Gwydir	safe non-ALP	33
New England	safe non-ALP	33
Parkes	marginal non-ALP	29
Richmond	marginal ALP	28

**NOTE:** These figures are derived from a schedule of applications from New South Wales, provided by the Department of the Environment, Sport and Territories and taken by the Committee as Exhibit 8. The Committee used the classification of electorates presented in the Department of the Parliamentary Library, *Federal Elections 1993* (see Appendix 3).

**Table 11: Major recipients of grants - NSW 1992-93**

Electorate	Classification	Number of grants
Calare	marginal ALP	18
Richmond	marginal ALP	15
Page	marginal ALP	14
Parkes	marginal non-ALP	10
Barton	marginal ALP	9
Parramatta	marginal ALP	8
Paterson	marginal ALP	8
Hunter	safe ALP	6
Macarthur	marginal ALP	6

**NOTE:** These figures are derived from a schedule of applications from New South Wales, provided by the Department of the Environment, Sport and Territories and taken by the Committee as Exhibit 8. The Committee used the classification of electorates presented in the Department of the Parliamentary Library, *Federal Elections 1993* (see Appendix 3).

3.55 A strong tendency to allocate funds to category 3 applications instead of category 1 could, in some circumstances, be indicative of an effort to direct funds according to political goals rather than community need for facilities. Table 12, for example shows that the Minister was inclined to select proportionally more of the category 3 applications for funding in marginal electorates and that this tendency was even greater for Labor held marginal electorates. However, it is impossible to reliably and objectively draw conclusions from such data because it may simply reflect either a greater proportion of applications from marginal electorates or a stronger need for facilities in those areas.

**Table 12: Proportion of grants in marginal electorates**

	Category	Total number of grants	Number of grants to marginal	Proportion of grants to marginal - %
ALP	1	29	16	55
	2	451	297	69
	3	59	46	78
Non - ALP	1	36	14	39
	2	128	63	49
	3	23	14	61

**NOTES:**

1. This information is derived from a schedule of all grants, prepared by the Australian National Audit office and taken by the Committee as part of Exhibit 1. In calculating the proportion of grants in ALP and 'non-ALP' electorates the Committee used the classification of electorates presented in the Department of the Parliamentary Library, *Federal Elections 1993* (see Appendix 3).
2. 'Non-ALP' includes the electorate of Wills. There were no grants to project in the electorate of North Sydney.

**3.56** The audit report deals mostly with data related to the 1992-93 (pre-election) round of funding. A more consistent picture of the allocation process could be obtained by also considering the 1991-92 allocations that were made at a time when the pressure to take political factors into account was not so great. A breakdown by electorates is not available but it appears that the allocation between States and the average size of grants to the States is similar to that of 1992-93.

**3.57** The Minister advised that the applications were allocated to electorates for reasons of administrative convenience, although some officers of the Department were concerned that it was inappropriate to make such an allocation. It is clear that the allocation to electorates occurred before decisions were taken on which projects were to be funded. The Minister told the Committee that information about electorates was included in the whiteboard assessment of applications.<sup>31</sup>

<sup>31</sup> Evidence - The Minister for the Environment, Sport and Territories - Canberra, 9 February 1994, p 186.

**3.58** It may be that the allocation of funds to projects matched the need for facilities around the nation regardless of electorate and it is also possible that some funds were diverted for primarily political purposes. The analysis above provides a strong inference of bias but, given that there was no pre-existing measure of need, it is not possible to say that allocation of grants was inappropriate and the apparently favourable treatment of Labor held electorates was the result of political bias rather than a reflection of need. As the audit report states:

This analysis does not demonstrate one way or the other that projects are approved on party political grounds. It may be that Labor held seats are those where the need for facilities is greatest.<sup>32</sup>

**3.59** The Committee agrees with the auditors that, given the lack of an index of need, the lack of documentation of the Minister's decision making and, the vagueness of the guidelines this question cannot be conclusively answered.

**3.60** The selection of grants was entirely a matter for the Minister and no one is now in a position to successfully second guess her decisions or substantiate a claim of bias. The inability to lay to rest the allegations of bias is a most unsatisfactory situation but is the result of the Minister's failure to prepare proper documentation. If the Minister is now having difficulty in refuting allegations, it is the result of the nature of her decisions and of her own lack of record keeping. The Minister will need to adopt a much more rigorous, objective and transparent approach if the program is to be administered with any credibility in the future.

### **The role and performance of the Department**

**3.61** The first six recommendations made by the Auditor-General referred to the grant selection process but the remaining ten all dealt with some aspect of the Department's administration, monitoring and program review. The audit found that the Department was deficient in:

- processing applications, gathering and checking information on which to base selections, and in verifying information provided by applicants;
- monitoring the progress and performance of funded projects and ensuring they complied with grant conditions and requirements; and
- providing adequate performance information.

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<sup>32</sup> Audit Report, p 12.

**3.62** For example, it was found that the Department failed to properly document the assessment it made when categorising the applications and preparing the schedules that were submitted to the Minister. The auditors also found that there was a lack of senior management review of the categorisation assessments and a lack of testing of applications against selection criteria. These steps should have been taken given that, in the categorisation process, 'demonstrated need' was deduced from the applications rather than from an assessment of existing facilities.

**3.63** The management information systems used in the Department to record information about the program were also found to be deficient. For example, the Department did not maintain a comprehensive data base of the applications or approved grants. There was no financial appraisal of applications and the Department failed to check that other funding sources were available (as required by the guidelines) or that applicants satisfied grant conditions. The auditors also concluded that the fraud control procedures were inadequate.

**3.64** The Auditor-General told the Committee that:

The program is also vulnerable to fraud because of the lack of monitoring, the lack of consultation, which increases the risk of double dipping, the fraud plan being out of date and payments often made on the production of invoices, not receipts.<sup>33</sup>

**3.65** The existing fraud control plan was out of date and many of the proposed controls had been rendered irrelevant by changes to the administrative arrangements:

An examination of the fraud control plan showed that many of the proposed controls became irrelevant because the administrative arrangements that were actually implemented differed significantly from those envisaged at the time the fraud control plan was developed. It would also appear that current administrative practice does not comply with some of those parts of the fraud control plan which did remain relevant.<sup>34</sup>

**3.66** The Department does not believe that the risk of fraud is high and considers that the identification of only one case of alleged fraud confirms this view. In its submission to the Committee, the Department pointed out that:

The Department's view is that, despite the deficiencies in program administration raised in the Report, the level of risk is acceptable. The CCRSFP provided \$47 million in grants, and despite the assertion in the Report, there has been no fraudulent activity in this Program. If both programs are considered, then there is some evidence of a possible loss to the Commonwealth of \$18 000 out of \$60 million - or 0.03%. The Department contends that this is an acceptable level of risk.<sup>35</sup>

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<sup>33</sup> Evidence - John Taylor - Canberra, 16 December 1993, p 7.

<sup>34</sup> Audit Report, p xiii.

<sup>35</sup> Department of the Environment, Sports and Territories, Submission, p 2.

**3.67** Despite this, the auditors persisted in their view and, in a letter to the Committee, the Australian National Audit Office suggested that:

... in the absence of any effective monitoring of control mechanisms ANAO believes that the Department has no way of knowing either the level of outright fraud or the extent of the allocation of grants to purposes not approved by the Minister.<sup>36</sup>

**3.68** In relation to one case of alleged fraud, the Auditor-General said:

Because the Department has no effective fraud detection mechanism in place the case was not discovered by the Department but was brought to its attention by the NSW Police. Our concern was that there was nothing in the procedures followed by the Department that would give any indication whether there was fraud in any particular case or not. The low incidence of discovered fraud in a program that has no mechanism for detecting it does not refute our claim that the scheme is open to fraud and misuse.<sup>37</sup>

**3.69** The program is administered in such a way that funds are only paid out on receipt of invoices or receipts. The Department considers, therefore, that fraud could only occur if there was major collusion and forgery of documents.<sup>38</sup>

**3.70** It seems that the level of fraud is likely to be low but, as the auditors insist, this cannot be taken for granted. Although the Department seems to dismiss the auditors comments it nevertheless accepts their recommendations. In a letter to the Committee Mr Hamilton explained:

The Department's fraud control plan has recently been revised and is awaiting Attorney-General's Department clearance. As part of this process, the fraud control strategies relating to this Program have been revised (an appendix to the broader Departmental plan) and have been approved by the Department's Internal Auditor. They are now in force, pending Attorney-General's Department approval.<sup>39</sup>

**3.71** Even though the risk of serious fraud may be low, the Department's fraud control plan will assume increasing importance as payments to be made under the program are finalised. The Committee has not evaluated the new fraud control plan but considers that, subject to it being approved by the Attorney-General, it should be implemented as soon as possible. The Committee also considers that its implementation should be reviewed after it has been in operation for a reasonable period.

### **The Department's response to the audit**

**3.72** The Department initially responded to most of the audit recommendations by saying simply that it would change (or consider changing) its procedures if the program is ever refunded. This suggested that the Department was not greatly concerned about the criticism of its performance by the auditors. The Department's formal response to the audit, as presented in the audit report, seemed somewhat glib and was inadequate

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<sup>36</sup> Exhibit No. 10, p 3.

<sup>37</sup> Exhibit No. 11.

<sup>38</sup> Evidence - Stuart Hamilton - Canberra, 9 February 1994, p 169.

<sup>39</sup> Exhibit No. 9.

given the amount of work the Department still had to do and the opportunity it had to learn from the auditors' criticisms.

**3.73** The selection of grants for funding is complete but disbursement of funds will continue for the remainder of the 1993-94 financial year and through to 1994-95 and the Department still has a considerable amount of funds to distribute. In this regard the Department needs to respond to the auditor's concerns about fraud and inadequate checking procedures now, and not only in the event of a future funding round.

**3.74** The Minister and Mr Hamilton, in their evidence to the Committee, made it clear that the Department's response is now more positive than it initially appeared to be. The Department has accepted the audit findings and has acknowledged that its administration was in some respects deficient. Mr Hamilton said for example, in relation to the auditors' criticism of the destruction of departmental working papers, that:

I reviewed that matter when it was drawn to my attention and I understand why the officers did it. ... However, I do not believe it was appropriate. I believe that those documents which were the basis on which officers made their decisions ... are part of the record and should have been maintained.<sup>40</sup>

**3.75** Mr Hamilton went on to explain that the Department's procedures have been changed.

... it was only in relation to the 1991-92 round that those working papers in the Department were discarded. The 1992-93 round have been retained. ... That is the practice that I have indicated in the Department as secretary. I wish to see it continued.<sup>41</sup>

**3.76** More generally, Mr Hamilton responded to the audit recommendations by saying that the Department will:

... implement immediately those which are relevant to the continuation of the existing program - or, if a new program is approved ... will implement those of them which are relevant to the new program. ... But to the extent that a new program is approved ... the recommendations of the Auditor-General will be given serious consideration and most of them will be implemented. I say 'most of them', because I must say that if all the procedures the Auditor-General recommends or alludes to are adopted ... I think the program would be in danger of becoming somewhat of a bureaucratic quagmire.<sup>42</sup>

**3.77** The Committee considers that, although the Department was initially slow to appreciate the need to respond seriously to the audit findings and recommendations, it is now responding more adequately.

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<sup>40</sup> Evidence - Stuart Hamilton - Canberra, 16 December 1993, p 79.

<sup>41</sup> Evidence - Stuart Hamilton - Canberra, 16 December 1993, p 79.

<sup>42</sup> Evidence - Stuart Hamilton - Canberra, 16 December 1993, p 75.



## Presentation of the Audit Findings

**3.78** The presentation by the Auditor-General of a report that dealt with matters of political sensitivity and which referred to, but did not conclusively deal with, allegations of bias was bound to draw some comment about the fairness of the audit report itself. This was going to occur even in this case, where the auditors' inability to be conclusive was due to the lack of documentation on the part of the Minister. The Auditor-General was probably aware of the risk he was taking but it appears that he did not doubt that his role extended to reviewing the legitimacy of ministerial decision making processes. At the same time the Auditor-General was concerned to maintain the political neutrality of his office and was reluctant to comment on politically sensitive issues. The Auditor-General told the Committee:

One of the factors that was clearly important in weighing up whether or not we would go into this was the allegation of political bias. ... I must admit we had to debate whether or not we would enter into it because it obviously is a very highly sensitive area, but I suppose I take the view that, if the audit office is not prepared to be up front about such matters, there is not much point in having one at all.

... the political sensitivity of it is not something that actually attracts us wildly. We rely upon support from all parties in the House and from all parliamentarians. Getting into an area of party politics is very dangerous for an audit office. There have to be other important administrative problems that require bringing out. We believe that is so clearly shown in this program.<sup>43</sup>

**3.79** The Auditor-General's capacity to call for records that related to the processes adopted by the Minister were confirmed in legal advice provided to the Department and to the Auditor-General. The Auditor-General informed the Committee that:

ANAO also sought legal advice from the Attorney-General's Department prior to writing to the Minister. The advice from the Attorney-General's Department confirmed that examination of the Minister's decision making processes comes within the ambit of the Auditor-General for the purpose of fulfilling his/her statutory duties.<sup>44</sup>

**3.80** The Auditor-General also said that similar advice was provided to the Minister but the Department advised that it was not aware of advice in the broad terms described by the Auditor-General. The Secretary of the Department advised the Committee:

The only advice requested by this Department during the efficiency audit on the question of the powers of the Auditor-General went to the secondary question of whether he had the power to seek 'records, information etc.' from the Minister. ... advice was requested against the background of my understanding as to the clear lack of primary power of the Auditor-General to conduct an efficiency audit of the actions of Ministers (see sub-section 48C(1) read in the light of sub-section 48B(3) and sub-paragraph 48B(4)(a)(i) of the Audit Act 1901) The advice received was that given the breadth of ss 14B and 48E of the Act he had the power to obtain documents from the Minister notwithstanding that the efficiency audit related to the Department.<sup>45</sup>

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<sup>43</sup> Evidence - John Taylor - Canberra, 16 December 1993, p 10, 12.

<sup>44</sup> Exhibit No. 11.

<sup>45</sup> Exhibit No. 12.

3.81 This advice suggests that the auditors acted within the defined role and powers of the Auditor-General. The Minister, however, was concerned that the audit report went beyond the prescribed scope of the audit and in the audit report the Auditor-General noted that the Minister had commented that she believed the audit had gone well beyond its own guidelines. The Minister said to the Committee that, in examining her actions in deciding which projects should be supported, the Australian National Audit Office was going beyond the scope of an efficiency audit.<sup>46</sup>

3.82 The Australian National Audit Office advised the Department that the audit would focus, among other things, on the grant selection process. They later explained to the Committee that:

During the course of the audit it became apparent that a key element of the selection process took place in the Minister's office - hence our interest in the administrative processes that were followed in the Minister's office, and the subsequent correspondence with the Minister.<sup>47</sup>

3.83 The Committee considers that, given the Minister's role in the administrative process, her actions were necessarily subject to review by the Auditor-General - particularly given the requirements of accountability.

3.84 The Auditor-General has the power to conduct an efficiency audit of this kind but the way he presented his findings has been criticised and his neutrality has been questioned by some. The Auditor-General was faced with a choice about the way he discussed his inability to resolve the allegations of bias in the allocation of grants. When asked by a committee member whether he had established a *prime facie* case of bias, one of the auditors replied:

No, I do not. ... What we are saying is that there is a lack of documentation there, we cannot investigate any further because of the lack of documentation.<sup>48</sup>

3.85 This is a neutral statement. The way the Auditor-General put this finding in the audit report was more direct but also seemed to express no more than could be reasonably concluded. In the 'Key Points' section of the audit report it is stated that 'claims that decisions on the allocation of grants were politically motivated could not be put to rest'. There is a difference between saying 'it was not proved that bias did not occur' and saying 'there was no proof of bias'. The first statement implies that probably bias did occur but the second leaves the question more open. The Auditor-General's statement in the Key Points section of his report is more like the first statement and created the impression that bias could have occurred. This is no more than was justified by the available evidence.

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<sup>46</sup> The Minister for the Environment, Sport and Territories, Submission, p 10.

<sup>47</sup> Exhibit No. 11.

<sup>48</sup> Evidence - Peter White - Canberra, 16 December 1993, p 14.

3.86 It has been suggested that the Auditor-General emphasised statistics that painted the worst picture of the selection of grants without acknowledging an alternative view. As discussed above, the Auditor-General presented data which showed that 9 per cent of grants were from category 1 applications and that 11 per cent were from category 3 applications. This was taken to show that 'proportionally more category 3 applications were approved'. The Auditor-General received a letter from the Minister that advised that 58 per cent of category 1 applications were approved but that only 14 per cent of category 3 applications were successful. It would have been just as correct to say that 'proportionally more category 1 applications were approved' but the audit report did not discuss the information provided by the Minister. When questioned on this matter the Auditor-General pointed out that there was still a significant number of category 1 applications that were not funded, even though category 1 applications were most likely to succeed. This was a valid concern that needed to be raised but, by not acknowledging the superior success rate of category 1 applications, the Auditor-General took the risk of opening himself up to allegations of selective use of statistics. The Auditor-General should have discussed this in his report, where he could have put the Minister's information in perspective.

3.87 It has also been suggested that the audit report selectively quoted from a consultant's report to suggest that the consultants were generally critical of the program. The consultants concluded that a very high proportion of the projects funded under the program reported increased participation, that this observation was supported by qualitative and quantitative data, and that many projects reported an increase in the range of groups using the projects.<sup>49</sup> The audit report stated that 'the evaluation also found that there was no direct causal link between the provision of the facilities and increased participation in sport and recreational activities'. What the consultants actually said, in addition to the remarks referred to above, was 'While increase in participation was demonstrated in most projects, in many instances it was difficult to prove a direct causal link between the development of the project and the increases participation'. There is a difference between there being no link and not being able to prove a possible link. This distinction should have been made more clearly.

3.88 It is also unfortunate that the report contained some errors that over-stated the unevenness in the distribution of grants between Labor and non-Labor held electorates. The Committee acknowledges that these errors were not deliberate and that it was just an unfortunate coincidence that they related to sensitive matters. The Auditor-General has said that *mistakes are inevitable and:*

I cannot guarantee that there are not more mistakes in this report, but I can guarantee that they will not affect the thrust or the essential point of the report.<sup>50</sup>

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<sup>49</sup> The consultants report, by Philip Gray and Associates, of an evaluation of the program was included in a series of documents provided by the Department of the Environment, Sport and Territories and taken as Exhibit 2 by the Committee.

<sup>50</sup> Evidence - John Taylor - Canberra, 16 December 1993, p 50.

**3.89** Whilst the Committee agrees, it also considers that when ever the Auditor-General ventures into politically sensitive areas he must maximise efforts to ensure that his reports are entirely objective, neutral, error free and beyond any reasonable expressions of doubt about his even handedness. It would also be preferable for him to confine his comments to the limits of the evidence available to him and not to enter into unsubstantiated speculation about what may have been the case or what might happen.

## CHAPTER 4: CONCLUSIONS AND RECOMMENDATIONS - FUTURE ADMINISTRATION OF THE PROGRAM

4.1 The Community Cultural, Recreational and Sporting Facilities Program was managed with very low expenditure on administration - the administration costs were equivalent to about only one per cent of the total value of the grants.<sup>1</sup> Keeping costs to a minimum is a appropriate administrative objective but other factors have to be considered and the Committee agrees with the auditor that insufficient resources were applied to the administration of the program. This point is also accepted by the Department. Mr Hamilton told the Committee:

I do accept that there could be procedures we should adopt in any new program which would be tighter and which, if you like, could lessen the amount of risk. An example, would be spot checks and those sorts of things and, with a greater dedication of staff resources, we could and I believe should do those things.

That really brings me to the point about resources. I think the criticism the audit office makes of the administration really goes to the question of the level of resources the department was able, and chose to put to the program, over time. Looking at the program afresh, I believe the program could have been more strongly administered if more staff resources had been applied to it. In fact, we have applied extra staff to it over the time and just recently have added a further staff member to deal with the evaluation phase.<sup>2</sup>

4.2 Mr Hamilton also said:

The level of funds the government chose to give to administration was a small amount. The department believed it was marginally too small. The Minister took the view - and it is an entirely understandable view - that she wanted the maximum amount to go to community groups. I should say that, that was consistent with the previous minister's view. I think that is a matter of judgment. I have taken the judgement that a marginal increase in administration costs would be justified and the minister agrees with me.<sup>3</sup>

4.3 There is more to efficiency than just least cost. A program must also be administered effectively so that it achieves its objectives, and at least the minimum standards of accountability must be achieved. The Committee agrees with the comment in the audit report that:

One of the key principles underlying Australian constitutional arrangements is that the institutions and agencies of government and officials (elected and non-elected) exist to serve the interests of the public. If public confidence in Government is to be maintained public officials - who act in trust on behalf of all citizens - must ensure that their actions and decisions, however, unintentionally, do nothing to allow any suspicion that official power and position is being used for self-interested or partisan purposes.<sup>4</sup>

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<sup>1</sup> Department of the Environment, Sport and Territories, Submission, p 2.

<sup>2</sup> Evidence - Stuart Hamilton - Canberra, 16 December 1993, p 76.

<sup>3</sup> Evidence - Stuart Hamilton - Canberra, 16 December 1993, p 119.

<sup>4</sup> Audit Report, p 16.

4.4 The action of the Minister in taking sole responsibility for making decisions about the selection of projects to receive grants did not in any way lessen the requirement for proper administrative practice or accountability for those decisions. If anything, the involvement of the Minister in this way increased the need to be able to show that the decisions were not influenced by political considerations. As the Auditor-General suggested to the Committee:

In your report you have the opportunity to reassure the community of the importance that the Parliament places on proper accountability. The very nature of politics and the requirements of good administration are such that the absence of documented justification for decisions in sports grants has clearly been taken by many as indicating likely political bias; in a sense whether or not such bias actually existed may be irrelevant given the absence of proof one way or another.<sup>5</sup>

4.5 The Auditor-General did not allege ministerial fraud or misappropriation, however, the Minister's failure to document her administration left open the question of whether her management was competent and her decisions fair. It has also made it difficult for her to provide unassailable proof that this was the case. Had the Minister made proper documentation she would now be able to easily explain why 49 category 1 applications were not funded in the final round. She would also be able to refer precisely to the additional information she sought and show how this was used in the decision making process. It is the Minister's responsibility to make decisions - her right to do so is unchallenged. It is necessary, however, that she document the processes that lead to those decisions so she can be accountable to the Parliament.

4.6 Proper administrative procedures, particularly in relation to documentation, are a prerequisite for proper accountability. They are also essential for the administration and evaluation of the program. The Australian National Audit Office suggested it was not possible for them to say if the selection process ensures that those grants that are approved are those most likely to achieve the program aims or are the highest needs of communities<sup>6</sup>. In the absence of adequate documentation the Department would fare no better in trying to evaluate the program and improve the outcomes.

4.7 The Auditor-General suggested that, at a minimum:

- . administrative decisions should be fair and open;
- . decisions should be based on principle and supported by documented reasons; and
- . those involved in the decision making should be accountable for their decisions.

4.8 It is clear from the evidence that, in relation to supporting decisions with documented reasons, the Minister's management of the program was deficient. It is not clear why the Minister failed in this aspect of her responsibilities, but it seems likely that she was continuing an inadequate practice established in her office. The Auditor-General has said that it is not necessary to agree with decisions of Ministers but the retention of public confidence in the actions of Ministers requires that the propriety of their decisions

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<sup>5</sup> Exhibit No. 11.

<sup>6</sup> Audit Report, p 17.

is above reproach. The Committee agrees, and believes that the Auditor-General has a clear responsibility to review the administrative procedures and decision making processes used by Ministers. In this instance the Committee notes that there are no suggestions of fraud or misappropriation arising from the Auditor-General's report. It is clear that the Minister's actions were not illegal and although her administration was deficient, the Committee does not recommend to the House that the Minister be censured. Given the lack of documentation and evidence, the issues surrounding the Minister's administration of the program have come down to a question of competence.

**4.9** The Minister has accepted the Auditor-General's findings and the Committee is confident that, if the Auditor-General's recommendations are adopted, any future program will be run on much improved lines and that the Minister's decisions will be more readily accountable.

**4.10** The House must decide if the Minister's failure to properly document her administration and her failure to reach what the Auditor-General describes as a minimum acceptable standard amounts to incompetence. It must also decide if any incompetence was serious enough to warrant censure and if it is now in the public interest for the Minister to be censured for any failure to achieve standards that may have only been retrospectively pointed out to her.

**4.11** It is difficult to imagine that any debate of the question of ministerial competence by the House could be free of political consideration. The Committee can say only that it believes that the Minister and her Department have accepted the Auditor-General's recommendations and that the administrative procedures and practices will be reformed.

**4.12** The Committee has carefully looked at the question of bias. The evidence shows at least an inference of bias and there is no doubt that Labor held electorates received more grants. It cannot be said that this apparent bias does not reflect the need for facilities and there is no direct indicator of need that can be used to resolve these doubts. The Committee can go no further than the Auditor-General's conclusion on this question and it does not believe that there are sufficient grounds to censure the Minister. This is not to say, however, that her administrative procedures and practice are not in need of urgent reform along the lines recommended by the Auditor-General. The Committee welcomes the commitment of the Minister and her Department to implementing the Auditor-General's recommendations.

**4.13** The Committee also makes several recommendations which, if implemented, would ensure that the future administration of the program would involve accountable and properly documented decisions. These recommendations would also ensure that if, in the future, doubts arise about the propriety of Ministerial decisions there would be an opportunity to test the probity of those decisions. If the Minister is then found to have acted improperly it would not be able to be excused on the grounds of insufficient evidence due to inadequate documentation. There would be no excuse - either the evidence will be there or the lack of evidence would be inexcusable and would amount to incompetence or wilful obstruction of accountability to the point where the House would have to act.

## Recommendations

**4.14** Given that the Auditor-General has already made recommendations to reform the administrative procedures, and that they have been accepted, there is only limited need for the Committee to make further recommendations. We believe, however, that there are several other changes that could be introduced to help make the process more accountable.

**4.15** One of the major difficulties the Minister must have faced was to actually assess the need for particular projects. It has been difficult for her to explain why she selected certain projects even though she has generally emphasised the importance she attributed *to need in her decisions*. *It has also been impossible for the Auditors and the Committee* to make any reliable conclusions about the allegations that projects were selected on a political, rather than a needs basis. This problem would not have existed if there had been some measures of comparative regional need derived from a national survey. If undertaken, such a survey would not now contribute to the remaining administration of the *current program* but it would provide a basis for deciding if the program should be refunded. It would then also provide a basis for allocating funds if a new program was initiated. The Committee therefore recommends that:

- (1) before any new round of funding is commenced, the Department of the Environment, Sport and Territories analyse the need for cultural, recreational and sporting facilities, to provide a basis for the allocation of funds to proposed projects.**

**4.16** The selection of projects to fund would be greatly facilitated if there was a more formalised way of comparing each of the applications with one another. This could be achieved if a numerical rating system was introduced to evaluate all of the applications against the selection criteria. This would probably have to be done by the Department. The ratings should not prevent the Minister from exercising discretion in the selection of projects, but they would be a strong indication of what the Department would recommend. The introduction of a more formalised assessment and a rating system is in line with the changes the Minister and Mr Hamilton have said would be introduced and the Committee therefore recommends that:

- (2) in any future grants programs where the Minister for the Environment, Sport and Territories selects projects to receive grants, the Department of the Environment, Sport and Territories ought to provide a schedule of applications that evaluates the proposed projects and contains recommendations to guide the Minister's decisions.**
- (3) the grant application form be redesigned to allow the proposed projects to be numerically rated against each of the selection criteria and that the criteria be weighted so that an overall rating can be calculated for each application.**



- (4) the numerical ratings against the individual criteria and the overall rating be included in schedules of applications provided to the Minister and that the Minister consider these ratings when making decisions about which applications to fund.
- (5) where additional information is obtained and the ratings are amended by the Minister, or if for any other reasons the ratings are amended, the schedules should be annotated and that additional information added to the file.

John Langmore  
Committee Chair



## APPENDIX 1

### CONDUCT OF THE INQUIRY

Audit Report No 9 1993-94 Efficiency Audit - the Community Cultural, Recreational and Sporting Facilities Program was tabled in the House of Representatives in December 1993 and referred to the Committee to review. The Committee called for a submission from the Department of the Environment, Sport and Territories and held a public hearing on 16 December 1993. At that hearing the Committee took evidence from the Auditor-General and the Secretary of the Department of the Environment, Sport and Territories.

During the hearing, and in the following weeks, the Committee received and considered several documents that it took as Exhibits and authorised for publication. These Exhibits are listed in Appendix 2. Some of the documents were prepared in response to specific requests from the Committee. The Committee also received a submission from the Minister for the Environment, Sport and Territories made in response to written questions put to her by the Committee.

The Committee held a private briefing with the Auditor-General on 3 February 1994 and took evidence from the Minister on 9 February 1994. Members of the Committee also inspected files in the offices of the Department on 22 and 23 February 1994.



## APPENDIX 2

### INDEX OF EXHIBITS

#### Exhibit 1

Correspondence from the Australian National Audit Office, dated 14 December 1993.

#### Exhibit 2

Information provided by the Department of the Environment, Sport and Territories, dated 15 December 1993.

#### Exhibit 3

Letter to the Minister for the Environment, Sport and Territories, tabled 16 December 1993.

#### Exhibit 4

Lists of grants provided under Community Cultural, Recreation and Sporting Facilities Programs 1991-92 and 1992-93.

#### Exhibit 5

Schedules of applications received for the Community Cultural, Recreation and Sporting Facilities Program 1991-92.

#### Exhibit 6

Schedules of applications received for the Community Cultural, Recreation and Sporting Facilities Program 1992-93.

**Exhibit 7**

Index of DEST files relating to the Community, Recreational and Sporting Facilities Program and the Community Cultural, Recreational and Sporting Facilities Program.

**Exhibit 8**

The schedule of NSW grants applications, with electorate information added, provided by the Department of the Environment, Sport and Territories, dated 13 January 1994

**Exhibit 9**

Correspondence received from the Department of the Environment, Sport and Territories, dated 23 December 1993 and 13 January 1994 and 6 January 1994

**Exhibit 10**

Correspondence received from the Australian National Audit Office, dated 20 January 1994 including the attachments to the correspondence.

**Exhibit 11**

Correspondence received from the Australian National Audit Office, dated 9 February 1994.

**Exhibit 12**

Minute tabled by the Minister in the House, dated 9 February 1994.

**Exhibit 13**

Two letters received from the Secretary of the Department of the Environment, Sport and Territories:

The first letter forwarded a copy of a departmental minute, dated 14 August 1991, that discusses the provision of a maximum of \$250,000 for any project in any year.

The second provides comments on matters raised by the Auditor-General.

## APPENDIX 1 : ELECTORAL DIVISION CLASSIFICATION

Electoral Division	Region	Party Status(a)	
		1990 Election	1993 Election
<b>NEW SOUTH WALES</b>			
Banks	Inner Metropolitan	Fairly Safe ALP	Safe ALP
Barton	Inner Metropolitan	Marginal ALP	Fairly Safe ALP
Bennelong	Inner Metropolitan	Fairly Safe LP	Marginal LP
Berowra	Outer Metropolitan	Safe LP	Safe LP
Blaxland	Inner Metropolitan	Safe ALP	Safe ALP
Bradfield	Inner Metropolitan	Safe LP	Safe LP
Calare	Rural	Marginal ALP	Marginal ALP
Charlton	Provincial	Safe ALP	Safe ALP
Chifley	Outer Metropolitan	Safe ALP	Safe ALP
Cook	Inner Metropolitan	Fairly Safe LP	Marginal LP
Cowper	Rural	Marginal NP	Marginal NP
Cunningham	Provincial	Safe ALP	Safe ALP
Dobell	Provincial	Fairly Safe ALP	Fairly Safe ALP
Eden-Monaro	Rural	Marginal ALP	Marginal ALP
Farrer	Rural	Safe NP	Safe NP
Fowler	Inner Metropolitan	Safe ALP	Safe ALP
Gilmore	Rural	Marginal NP	Marginal ALP
Grayndler	Inner Metropolitan	Safe ALP	Safe ALP
Greenway	Outer Metropolitan	Fairly Safe ALP	Safe ALP
Gwydir	Rural	Safe NP	Safe NP
Hughes	Outer Metropolitan	Fairly Safe ALP	Fairly Safe ALP
Hume	Rural	Marginal NP	Marginal NP
Hunter	Rural	Fairly Safe ALP	Safe ALP
Kingsford-Smith	Inner Metropolitan	Safe ALP	Safe ALP
Lindsay	Outer Metropolitan	Fairly Safe ALP	Safe ALP
Lowe	Inner Metropolitan	Marginal ALP	Marginal ALP
Lyne	Rural	Fairly Safe NP	Marginal NP
Macarthur	Rural	Marginal ALP	Marginal ALP
Mackellar	Outer Metropolitan	Safe LP	Safe LP
Macquarie	Outer Metropolitan	Marginal LP	Marginal ALP
Mitchell	Outer Metropolitan	Safe LP	Safe LP
Newcastle	Provincial	Safe ALP	Safe ALP
New England	Rural	Fairly Safe NP	Safe NP
North Sydney	Inner Metropolitan	Fairly Safe LP	Fairly Safe LP
Page	Rural	Marginal ALP	Marginal ALP
Parkes	Rural	Marginal NP	Marginal NP
Parramatta	Inner Metropolitan	Marginal ALP	Marginal ALP
Paterson	Rural	Marginal ALP	Marginal ALP
Prospect	Outer Metropolitan	Safe ALP	Safe ALP
Reid	Inner Metropolitan	Safe ALP	Safe ALP
Richmond	Rural	Marginal ALP	Marginal ALP
Riverina	Rural	Safe NP	Safe NP
Robertson	Provincial	Marginal ALP	Marginal ALP
Shortland	Provincial	Safe ALP	Safe ALP
Sydney	Inner Metropolitan	Safe ALP	Safe ALP
Throsby	Provincial	Safe ALP	Safe ALP
Warringah	Inner Metropolitan	Safe LP	Safe LP
Watson	Inner Metropolitan	Fairly Safe ALP	Safe ALP
Wentworth	Inner Metropolitan	Marginal LP	Marginal LP
Werriwa	Outer Metropolitan	Safe ALP	Safe ALP

## APPENDIX 1 : ELECTORAL DIVISION CLASSIFICATION

Electoral Division	Region	Party Status(a)	
		1990 Election	1993 Election
<b>VICTORIA</b>			
Aston	Outer Metropolitan	Marginal LP	Marginal LP
Ballarat	Provincial	Marginal LP	Marginal LP
Batman	Inner Metropolitan	Safe ALP	Safe ALP
Bendigo	Provincial	Marginal LP	Marginal LP
Bruce	Outer Metropolitan	Fairly Safe LP	Marginal LP
Burke	Rural	Marginal ALP	Fairly Safe ALP
Calwell	Outer Metropolitan	Fairly Safe ALP	Safe ALP
Casey	Outer Metropolitan	Fairly Safe LP	Marginal LP
Chisholm	Inner Metropolitan	Fairly Safe LP	Marginal LP
Corangamite	Rural	Safe LP	Fairly Safe LP
Corinella	Outer Metropolitan	Marginal LP	Marginal ALP
Corio	Provincial	Marginal ALP	Fairly Safe ALP
Deakin	Outer Metropolitan	Marginal LP	Marginal LP
Dunkley	Outer Metropolitan	Marginal LP	Marginal ALP
Flinders	Rural	Marginal LP	Marginal LP
Gellibrand	Inner Metropolitan	Safe ALP	Safe ALP
Gippsland	Rural	Safe NP	Safe NP
Goldstein	Inner Metropolitan	Marginal LP	Marginal LP
Higgins	Inner Metropolitan	Safe LP	Safe LP
Holt	Outer Metropolitan	Fairly Safe ALP	Safe ALP
Hotham	Outer Metropolitan	Marginal ALP	Safe ALP
Indi	Rural	Safe LP	Safe LP
Isaacs	Outer Metropolitan	Marginal LP	Marginal LP
Jagajaga	Outer Metropolitan	Marginal ALP	Marginal ALP
Kooyong	Inner Metropolitan	Safe LP	Safe LP
Lalor	Outer Metropolitan	Fairly Safe ALP	Safe ALP
La Trobe	Outer Metropolitan	Marginal LP	Marginal LP
Mallee	Rural	Safe NP	Safe NP
Maribyrnong	Inner Metropolitan	Fairly Safe ALP	Safe ALP
McEwen	Rural	Marginal LP	Marginal ALP
McMillan	Rural	Marginal LP	Marginal ALP
Melbourne	Inner Metropolitan	Safe ALP	Safe ALP
Melbourne Ports	Inner Metropolitan	Marginal ALP	Marginal ALP
Menzies	Outer Metropolitan	Safe LP	Fairly Safe LP
Murray	Rural	Safe NP	Safe NP
Scullin	Outer Metropolitan	Fairly Safe ALP	Safe ALP
Wannon	Rural	Safe LP	Fairly Safe LP
Wills	Inner Metropolitan	Fairly Safe ALP	Safe ALP



## APPENDIX 1 : ELECTORAL DIVISION CLASSIFICATION

Electoral Division	Region	Party Status(a)	
		1990 Election	1993 Election
<b>QUEENSLAND</b>			
Bowman	Outer Metropolitan	Fairly Safe ALP	Fairly Safe ALP
Brisbane	Inner Metropolitan	Fairly Safe ALP	Marginal ALP
Capricornia	Provincial	Fairly Safe ALP	Marginal ALP
Dawson	Rural	Marginal NP	Marginal NP
Dickson	Rural	Marginal ALP	Marginal ALP
Fadden	Outer Metropolitan	Marginal LP	Marginal LP
Fairfax	Rural	Fairly Safe NP	Fairly Safe LP
Fisher	Rural	Marginal NP	Marginal LP
Forde	Outer Metropolitan	Fairly Safe ALP	Fairly Safe ALP
Griffith	Inner Metropolitan	Fairly Safe ALP	Fairly Safe ALP
Groom	Provincial	Safe LP	Safe LP
Herbert	Provincial	Marginal ALP	Marginal ALP
Hinkler	Rural	Marginal ALP	Marginal NP
Kennedy	Rural	Marginal ALP	Marginal NP
Leichhardt	Rural	Marginal ALP	Marginal ALP
Lilley	Inner Metropolitan	Fairly Safe ALP	Fairly Safe ALP
Maranoa	Rural	Safe NP	Safe NP
McPherson	Provincial	Fairly Safe LP	Fairly Safe LP
Moncrieff	Provincial	Safe LP	Safe LP
Moreton	Inner Metropolitan	Marginal ALP	Marginal ALP
Oxley	Outer Metropolitan	Safe ALP	Safe ALP
Petrie	Outer Metropolitan	Marginal ALP	Marginal ALP
Rankin	Rural	Marginal ALP	Marginal ALP
Ryan	Outer Metropolitan	Fairly Safe LP	Safe LP
Wide Bay	Rural	Marginal NP	Fairly Safe NP
<b>SOUTH AUSTRALIA</b>			
Adelaide	Inner Metropolitan	Marginal ALP	Marginal LP
Barker	Rural	Safe LP	Safe LP
Bonython	Outer Metropolitan	Safe ALP	Safe ALP
Boothby	Outer Metropolitan	Marginal LP	Fairly Safe LP
Grey	Rural	Marginal ALP	Marginal LP
Hindmarsh	Inner Metropolitan	Marginal ALP	Marginal LP
Kingston	Outer Metropolitan	Marginal ALP	Marginal ALP
Makin	Outer Metropolitan	Marginal ALP	Marginal ALP
Mayo	Rural	Fairly Safe LP	Safe LP
Port Adelaide	Inner Metropolitan	Safe ALP	Safe ALP
Sturt	Outer Metropolitan	Marginal LP	Marginal LP
Wakefield	Rural	Safe LP	Safe LP
<b>WESTERN AUSTRALIA</b>			
Brand	Rural	Marginal ALP	Marginal ALP
Canning	Outer Metropolitan	Marginal ALP	Marginal ALP
Cowan	Outer Metropolitan	Marginal ALP	Marginal LP
Curtin	Inner Metropolitan	Safe LP	Safe LP
Forrest	Rural	Fairly Safe LP	Safe LP
Fremantle	Inner Metropolitan	Fairly Safe ALP	Fairly Safe ALP
Kalgoorlie	Rural	Safe ALP	Fairly Safe ALP
Moore	Outer Metropolitan	Fairly Safe LP	Fairly Safe LP
O'Connor	Rural	Safe LP	Safe LP
Pearce	Outer Metropolitan	Fairly Safe LP	Fairly Safe LP
Perth	Inner Metropolitan	Marginal ALP	Fairly Safe ALP
Stirling	Inner Metropolitan	Marginal ALP	Marginal LP
Swan	Inner Metropolitan	Marginal ALP	Marginal ALP
Tangney	Inner Metropolitan	Safe LP	Safe LP

## APPENDIX 1 : ELECTORAL DIVISION CLASSIFICATION

Electoral Division	Region	Party Status(a)	
		1990 Election	1993 Election
<b>TASMANIA</b>			
Bass	Provincial	Marginal LP	Marginal ALP
Braddon	Rural	Fairly Safe LP	Marginal LP
Denison	Inner Metropolitan	Marginal ALP	Safe ALP
Franklin	Outer Metropolitan	Marginal LP	Fairly Safe ALP
Lyons	Rural	Marginal LP	Marginal ALP
<b>NORTHERN TERRITORY</b>			
Northern Territory	Rural	Marginal ALP	Marginal ALP
<b>AUSTRALIAN CAPITAL TERRITORY</b>			
Canberra	Inner Metropolitan	Marginal ALP	Fairly Safe ALP
Fraser	Inner Metropolitan	Safe ALP	Safe ALP

(a) Notional Party Status after election shown, 1990 status adjusted for effects of 1991 Redistribution.

## DISSENT

### ON THE REPORT OF THE INQUIRY INTO THE AUDIT REPORT OF THE COMMUNITY CULTURAL, RECREATIONAL AND SPORTING FACILITIES PROGRAM

#### Introduction

1.1 In a letter dated 9 February 1994, to the House of Representatives Standing Committee on Environment, Recreation and the Arts regarding the Committee's inquiry following the Audit Report No. 9 into the Community Cultural, Recreational and Sporting Facilities Program (CCRSFP), the Auditor General, Mr J C Taylor said:

You are very well aware that care needs to be taken to avoid anything which would weaken public confidence in the processes of government and which could result in damage to the standing of the Parliament as an effective reviewer - on behalf of the voters - of government. This would raise the danger of reinforcing any cynicism in the community about the political process. It is clear that your report will be an important benchmark in asserting the contemporary role of the Parliament in our democratic process.

A weakening of the processes of accountability for government programs will be difficult to reverse. New and lower standards could then apply to future governments of whatever political persuasion. This would be a tragedy for all political parties and indeed for the strength of our democracy.

1.2 The majority report of the Committee is rightly critical of the administration of the CCRSFP and makes a number of recommendations to address the need for improved management of this program in the future. The signatories to the Dissent report agree with most of the report findings and all of the recommendations for change. In particular, we strongly support the implementation of the Auditor-General's specific proposals to put in place an effective system to administer such programs in the future.

1.3 However, we believe that the report fails to bring to account those responsible for the appalling maladministration of this program in the past. It is not an acceptable defence after being caught out and found to have seriously failed to apply proper standards of management and accountability to merely agree to do better in the future. By failing to recommend censure of the Minister for Environment, Sport and Territories, the Hon. Ros Kelly MP, for the poor standards which have so clearly been demonstrated in this program, the Committee's report does not adequately respond to the Auditor-General's warning that 'new and lower standards' are likely to become entrenched for 'future governments of whatever political persuasion'.

1.4 We believe that even with the limited inquiry undertaken by the Committee it has been established that the Minister's administration of this program was grossly deficient and deserving of censure. We also believe that the distribution of grants was highly politically motivated.

### The Inquiry

2.1 The Committee's inquiry has been less than a thorough public examination of the issues raised in the Auditor-General's report and of the matters of community concern which surround this program. The Government Members of the Committee have used their majority to curtail the inquiry to bring forward the Committee's reporting schedule and to prevent the calling of witnesses who could have potentially provided much more extensive information about the program and its administration. The Department Secretary, Mr Stuart Hamilton, one of only two witnesses actually called by the Committee had only taken office after the grants had been announced and naturally was unable to answer some questions.

2.2 In particular, motions were defeated on party lines, to call the former Secretary of the Department, Mr Tony Blunn, who was in charge of the Department at the time the grants were made, Ms Kaye Dal Bon, who was an Assistant Secretary in the Sport and Recreation Branch who administered the program and who wrote a minute critical of the Department's exercise of its responsibilities under this program, Mr Phil Ruff who was involved in the categorisation process and Mr Ken Bennett, Senior Advisor to the Minister who assisted in the selection process. In addition the Coalition Members wanted to call, to give public evidence, a number of other people from the Minister's Office, others who assisted in the processing of applications, ALP officers and candidates, and some organisations who made applications.

2.3 The Minister and her staff refused access to view the white board which she referred to in evidence to the Committee, despite inviting Committee members to do so at the hearing when she said '... if any of you care to look'. Two members Mr Eoin Cameron and Mrs Judi Moylan went to the Minister's Office to view the whiteboard only to be turned away. Mr Bennett advised them they had to observe protocol and seek an appointment via the Chair of the Committee. A subsequent written application from Mr Cameron to the Minister followed by four telephone calls to see the whiteboard have been unanswered.

2.4 The Committee welcomed the opportunity to question the Minister, though Coalition members were given only one and a half hours notice of her intention to appear before the Committee. However, Coalition Committee Members found much of her evidence unconvincing and even misleading. Among the many matters of conflict included:

- . an unwillingness or inability to provide information on any specific decision;
- . a lack of information on the reasons why applications were accepted or rejected, in particular those in categories 1 and 3;

- . differences between the Minister and her Department on who instituted the requirement that the ineligible applications not be referred to her, changes to the criteria, and the importance of the departmental categorisation in the selection process;
- . the role of the whiteboard and what records were made of discussions with applicants; and
- . grant announcements by ALP candidates.

2.5 The unsatisfactory nature of the Minister's evidence led the Coalition Members of the Committee to seek her re-appearance at a further public hearing but this move was also defeated in the Committee.

2.6 Many important issues have not been adequately examined such as:

- . the level of fraud in the program;
- . the way in which the Minister obtained additional information to support her selection process;
- . the role of ALP Members of Parliament and candidates in the selection of grantees;
- . the influence of Mr Ken Bennett, who we understand was formerly the ALP's chief marginal seat strategist; and
- . the administration of earlier rounds of the program.

2.7 The Committee's report has been prepared even though documents requested by Committee members and which the Department has agreed to supply, are not yet available. Even this dissenting report has been prepared according to an unacceptable timetable laid down by the Committee.

**2.8 Many serious issues of accountability and the misuse of funds for political purposes have been raised in the context of the Audit Report into the Community Cultural, Recreational and Sporting Facilities Program. The fact that the Standing Committee's examination has not been as comprehensive as it should have been will heighten demands for a full public independent inquiry into the matter.**

### **Program Administration**

3.1 The Auditor-General's report in discussing the administration of grant programs said:

As a minimum:

- . administrative processes should be fair and open;

decisions should be based on principle and supported by documented reasons; and

those involved in making decisions should be accountable for their decisions.

3.2 The Committee's report demonstrates that the Minister's administration of the program has been 'deficient' but on the evidence it would be reasonable also to say incompetent. We are completely satisfied that the Auditor-General is correct in his assertion that there are insufficient records to support the Minister's actions and statements regarding the program or to justify the selections made.

3.3 Over seven hundred organisation were chosen to receive grants out of the 2800 which applied. The only documented effort to rate the applications according to merit was the Department's three level categorisation process. The Minister frequently overruled the Departmental priorities but she has no records to support her decisions. Millions of dollars of taxpayers money has been offered without any proper records of decision making processes. The Minister said a whiteboard was used to compare applications but this leaves no evidentiary trail and was not viewed by the Committee.

3.4 It is clear from the minute written by Ms Dal Bon, that the Department was also concerned about the administration of the program and was anxious to protect itself from potential accusations of maladministration. It is particularly a matter of concern that Ms Dal Bon believed the poor system of management of the CCRSFP had been 'handed down from on high'.

3.5 The Minister has acknowledged that concerns were brought to her attention and said she acted by requiring that applications ruled ineligible by the Department not be shown to her. Putting aside the fact this procedure was apparently breached in at least one instance, it was simply an insufficient response to the administrative inadequacy of the program.

3.6 Indeed it is difficult to escape the conclusion that the Minister avoided taking action to improve accountability in the program so that the decision making process could then not be easily scrutinised. The Minister has acknowledged the poor standard of administration in the past and has promised to adopt better standards in the future. She cannot be absolved from her past culpability merely by offering to do better in the future.

3.7 The Auditor-General said in his report:

It is generally accepted in modern government ministers are responsible for matters for which they have a personal involvement or where they fail to correct systemic failure within their portfolio of which they are aware.

3.8 The Westminster system of parliamentary democracy holds a Minister responsible for the administrative failures of her Department. In this case, the Minister, according to her own statements, was also personally involved in the detail of the grants selection process and took a hands on approach to the program.

3.9 She must therefore be held responsible for the inadequacies and gross deficiencies outlined in the Auditor-General's report. The Minister for the Environment, Sport and Territories, the Hon. Ros Kelly MP, should resign. If she fails to do so the Parliament should demonstrate its commitment to proper standards of management and accountability by calling on her to resign.

### Political bias

4.1 The evidence available to the Committee and now on the public record demonstrates that the distribution of the grants was politically motivated. The key criteria were marginal seats and Labor's target electorates at the 1993 Federal election. The Auditor-General was unnecessarily circumspect in saying merely that claims of bias 'could not be put to rest'.

- a) The average number of grants provided to Labor electorates was much higher than to Coalition electorates (73% of grants went to ALP seats - 26% to Coalition electorates).
- b) The average value of grants provided to Labor electorates was much higher than to Coalition electorates (\$254 000 to ALP electorates, \$143 000 to Coalition electorates - 14 of 16 electorates to receive over \$400 000 were ALP).
- c) The average value of grants to marginal Labor electorates was much higher than for other Labor electorates. (\$326 000)
- d) Labor target seats were favoured in grant allocations (e.g Bendigo, Corinella, Hotham, Melbourne Ports, Wills, Hindmarsh, Adelaide, Grey, Makin, Dickson, Kennedy, Herbert, Leichhardt, Hinkler, Moreton, Rankin, Calare, Macquarie, Richmond, Page, Brand, Swan, Canning and Stirling).
- e) Category 3 applications which were approved favoured ALP electorates by 59 to 18 in Coalition electorates - in Queensland fifteen to one. (Even many of the 18 had links with ALP identities and candidates).
- e) The only application ruled 'ineligible' by the Department to be funded was in a marginal ALP seat (Dickson).
- f) The only grant above \$50 000 provided without matching funding was in a marginal ALP seat (Hinkler).
- g) Six of the seven late applications funded were in marginal ALP electorates (other late applications were ruthlessly rejected).
- h) The only cases of grants being made in excess of the \$250 000 per project ceiling were in ALP electorates (Watson and Perth).
- i) Many grants including those in Coalition electorates were made to organisations where there were strong links to ALP identities.

- j) In some cases ALP candidates announced successful grants even though the sitting Coalition Member had not been advised. (There were no cases of coalition candidates being advised of grants in ALP Electorates).
- k) The Minister in Bendigo personally directed potential applicants to the ALP candidate Mr Helper, not to the Coalition Member.
- l) The Minister initiated extensive consultations with many local ALP Members in determining which grants should be successful in their electorates. Contacts with Coalition Members were very rare.
- m) Extra funds were supplied and a record number of grants were announced just prior to the 1993 Federal election. No new funds were provided for the program in the post-election budget.
- n) Applications were classified by electorate before the allocation of grants was decided.
- o) Successful applicants were notified by personal letter from the Minister. Unsuccessful applications merely got a letter from the Department. (This action conflicts with the Minister's claim that she made grant decisions to protect public servants from criticism.
- p) Completed projects are required to erect a plaque to commemorate the Government's contribution.
- q) Electorates which demonstrated the need by providing the largest number of applications did not get the largest number of grants. (Cowper and Riverina produced 89 applications between them but received only a total of 5 grants. In New South Wales, the only State where figures are available, ALP electorates [62% of the total] produced 55% of the applications and got 79% of the grants. Coalition electorates [36% of electorates] produced 44% applications and obtained 21% of the grants).
- r) There is no evidence that the selected applicants better met the published criteria.
- s) Low income electorates and those low on the Socio-Economic Index received below average grants (the four electorates with the lowest median family income received \$100 000 or less - the six electorates with the largest number of families earning less than \$16 000 per year were similarly treated).
- t) There are numerous examples where marginal ALP electorates received large grants while neighbouring seemingly very similar Coalition electorates got much less. (Maranoa \$105 012, Kennedy \$410 720 - Wide Bay \$80 800, Hinkler \$333 000).

4.2 It is beyond reasonable doubt that this program has been used and refined as a part of the Government's marginal seat election strategy and that the grants were used to seek electoral advantage. The Minister should be censured also for her misuse of taxpayers funds for political purposes.



## Conclusion

5.1 The Auditor-General warned public confidence in the Parliament as 'an effective reviewer - on behalf of the voters' will be seriously damaged if it is not seen to act decisively in a case where unacceptable standards of administration are so clearly evident.

5.2 **To fail to censure Minister Kelly would be to condone 'new and lower standards'.**

5.3 Most observers believe a stronger House of Representatives committee system would greatly enhance the Parliament. However, the House of Representatives committees will also be seen to be ineffective in dealing with politically sensitive issues by being unable to agree to recommend a censure.

5.4 **Instead of strengthening the House of Representatives committees, the system has been weakened and sensitive issues are likely to be increasingly directed to Senate committees where government majorities are not so readily able to dominate irrespective of the facts.**

MR W TRUSS

MR E CAMERON

MR R EVANS

MRS J MOYLAN

MR B LLOYD

