The Award of Grants Under the Supported Accommodation Innovation Fund

Department of Families, Housing, Community Services and Indigenous Affairs

A u s t r a l i a n   N a t i o n a l   A u d i t   O f f i c e

Canberra ACT
31 May 2013

Dear Mr President
Dear Madam Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Department of Families, Housing, Community Services and Indigenous Affairs in accordance with the authority contained in the *Auditor-General Act 1997*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit to the Parliament. The report is titled *The Award of Grants Under the Supported Accommodation Innovation Fund*.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's Homepage—http://www.anao.gov.au.

Yours sincerely

Ian McPhee
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

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Michelle Johnson
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Abbreviations

ALP	Australian Labor Party
ANAO	Australian National Audit Office
CGGs	Commonwealth Grant Guidelines
ERC	Expenditure Review Committee of Cabinet
FaHCSIA	Department of Families, Housing, Community Services and Indigenous Affairs
FMA Act	*Financial Management and Accountability Act 1997*
FMA Regulations	*Financial Management and Accountability Regulations 1997*
GST	Goods and Services Tax
SAIF	Supported Accommodation Innovation Fund

Summary and Recommendations

Summary

Introduction

1.   During the 2010 Federal election campaign, the Australian Labor Party (ALP) announced that it would give community organisations the opportunity to apply for direct capital funding for supported accommodation and respite facilities for people with disabilities. The election policy:

- stated that projects could include a modern renovation of an existing home so it can be used for supported accommodation, pooled resources to build a contemporary facility close to local community and health services to provide overnight respite, or expanding an established facility to provide more places;

- outlined that up to 150 additional places were expected to be delivered through the $60 million program; and

- announced that funding would be allocated via an 'open tender process' with community organisations, non-government organisations, State and Territory disability authorities and Governments to be encouraged to apply.

2.   Funding of $60 million was provided through the 2010-11 Additional Estimates process to meet the Supported Accommodation Innovation Fund (SAIF) commitment. This comprised $3.3 million over four years starting in 2010-11 for departmental costs of administering the program, and $56.7 million for grant funding over three years starting in 2011-12.[1] The funding was allocated to the Department of Families, Housing, Community Services and Indigenous Affairs' (FaHCSIA) 'Services and Support for People with Disability' program.

Program guidelines

3.   Guidelines for the 'Services and Support for People with Disabilities' program were published in August 2011. Consistent with the approach commonly adopted by FaHCSIA, this overarching program comprises a series

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[1]   The program arrangements included setting aside up to $5.67 million as a contingency allowance to meet any increase in project costs, meaning funding in the vicinity of $51.03 million was available to be awarded.

of funding 'activities', including the SAIF grant program, with a suite of program documentation including:

- the overarching program guidelines, which provided an overview of the program and the activities relating to the program (referred to as Part A of the Program Guidelines Suite);

- a separate document (referred to as Part B of the Program Guidelines Suite) that provided information on the application, assessment, eligibility, selection and complaints processes as well as financial and funding agreement arrangements; and

- activity-specific guidelines that included information on the activity, selection criteria (where an application process was being undertaken), performance management and reporting. For each activity, including SAIF, the relevant guidelines are identified as being Part C of the Program Guidelines Suite (and referred to in this ANAO report as the SAIF-specific guidelines).

4.   Of particular significance was that Part B of the Program Guidelines Suite had outlined that the merit assessment of applications for funding activities (such as SAIF) under the 'Services and Support for People with Disability' program would involve a six point rating scale. In turn the SAIF-specific guidelines had identified that eligible applications would be assessed against nine technical criteria as well as a value for money criterion. There was no weighting published for any of the criteria.

Funding round outcome

5.   Applications for SAIF grants opened on 5 September 2011 and closed on 20 January 2012. On 6 March 2012, FaHCSIA briefed the then Parliamentary Secretary for Disabilities and Carers, Senator the Hon Jan McLucas, on the results of its assessment work. The department recommended that funding be approved for 21 organisations to deliver 27 projects. On 15 March 2012, the then Parliamentary Secretary agreed with the department's funding recommendation. The award of funding was announced on 3 April 2012.

Audit objectives, criteria and scope

6.   The objective of the audit was to assess the awarding of funding under the Supported Accommodation Innovation Fund against the requirements of the Commonwealth's grants administration framework. The audit had a particular focus on the:

- provision of assessment advice (including clear funding recommendations) by FaHCSIA to the then Parliamentary Secretary; and

- distribution of awarded funding (including the extent to which funding was awarded in a way that was consistent with the relative merits of competing applications, as identified by the department through its application of the published eligibility and selection criteria).

7. The audit followed a request in February 2013 from Mr Jamie Briggs MP, the Member for Mayo, Shadow Parliamentary Secretary for Supporting Families and Coalition Spokesperson on Scrutiny of Government raising concerns about the distribution of funding in electoral terms. Similar concerns were subsequently reported in the media.

8. The audit examined the grant funding round that opened for applications in September 2011, with funding decisions announced in April 2012. The focus was on the application assessment and decision-making processes. These processes were assessed against relevant policy and legislative requirements for the expenditure of public money and the grants administration framework.

Overall conclusion

9. In March 2012, $51.7 million in SAIF funding was awarded for 27 projects to be delivered by 21 organisations. By mid-November 2012, FaHCSIA had entered into a funding agreement in respect to each project. The project proponents have been contracted to deliver eight respite and 161 long-term supported accommodation places for people with disability, which was above the program target of eight respite and 142 supported accommodation places.

10. The concerns expressed publicly about the outcome of the grants awarded under the SAIF related to the electorate distribution of the approved funding, which appeared to be particularly favourable to the ALP and, to a lesser extent, the Australian Greens. This perception arose due to errors in FaHCSIA's website reporting on the locations in which funding was being provided. Specifically, the department reported the location of funding according to where the project proponent was located, rather than where the

accommodation was to be constructed or purchased as envisaged by the grants administration framework.[2] Although accommodation located in ALP-held electorates was awarded the majority of program funding, the situation was not as stark as was suggested by the department's website reporting of proponent locations. For example, accommodation located in Coalition-held electorates received nearly one quarter of the approved funding[3] and no funding was awarded for accommodation in the only electorate (Melbourne) held by the Australian Greens.

11.   The distribution of program funding reflected the merit ranking list developed by FaHCSIA as a result of the department's assessment of applications received by the closing date and time. The department provided the then Parliamentary Secretary with a timely and comprehensive briefing on the results of its assessment work. This briefing included a clear recommendation from the department that the then Parliamentary Secretary approve those 27 eligible applications assessed by the department as offering the greatest merit. The then Parliamentary Secretary approved each recommended project and did not approve funding for any other applications.

12.   However, in undertaking its assessment, FaHCSIA applied a methodology that departed, in a number of important respects, from the approach that had been outlined in the published program guidelines. In particular: a full eligibility checking process was not undertaken and appropriately recorded to enable unsuccessful applicants to be provided with clear feedback on why they did not proceed to the merit assessment stage; a different scoring methodology was employed in relation to the published merit criteria; the merit criteria were weighted[4] when the guidelines did not disclose that any weighting would be employed; and some eligible applications were eliminated from consideration before they had been assessed against the value for money merit criterion.[5] The effect of these departures was twofold. Firstly, the assessment approach altered the relative importance of individual merit

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2   Under the grants administration framework, FaHCSIA was required to publish the accommodation location and related postcode, not the location of the funding recipient.

3   FaHCSIA's website reporting had indicated that some 5 per cent of program funding had been awarded in respect to accommodation located in a Coalition-held electorate.

4   For example, one of the nine technical criteria was so heavily weighted that it was worth more than 36 per cent of the total score that could be achieved against the technical criteria and was more than twice as important as the next highest scored technical criterion.

5   Specifically, an assessment against the value for money criterion was only undertaken for those applications that had scored the highest against the technical criteria. This meant that eligible applications that offered relatively lower scores against the technical criteria but better value for money were denied the opportunity to be considered for inclusion on the final merit list.

and value for money criteria to assessment outcomes without providing the transparency needed for applicants to target their responses to those criteria that the department considered to be most important. Secondly, had the published approach been applied in full, the identity of some of the applications recommended for funding would have differed, with a consequential effect on which communities benefited from the program.[6]

13. This situation has arisen because the department gave insufficient attention to developing internal assessment plans and implementing an assessment methodology that was consistent with the published program guidelines; and in departing from the approach set out in the guidelines, added considerable complexity to the assessment process. In the circumstances, it would be prudent for the department to ensure that the review and approval of application assessment methodologies[7] for grant programs explicitly address alignment with the published guidelines.

14. Neither the then Parliamentary Secretary or her office played a role in the development or approval of the department's internal assessment methodology, or in the actual assessment of applications. They were also not made aware by FaHCSIA that the approach taken by the department had departed from the published program guidelines, or that this had changed the identity of some of those applications recommended for funding approval.

15. A recurring theme in ANAO's audits of grants administration over a number of years has been the importance of grant programs being implemented in a manner that accords with published program guidelines. Similarly, the grants administration framework was developed based, in part, on recognition that potential applicants and other stakeholders have a right to expect that program funding decisions will be made in a manner, and on a basis, consistent with the published program guidelines. Accordingly, ANAO has recommended that FaHCSIA develop and apply assessment methodologies that are consistent with the published program guidelines. ANAO has also recommended that FaHCSIA:

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[6] Overall, there were nine applications approved for SAIF funding that would not have been approved had funding been allocated on the basis of the technical criteria (scored on a six point scale and with no weighting of these criteria, as per the published guidelines). There were also five applications that were not approved for funding but would have been recommended for funding had the technical assessment criteria scoring approach outlined in the program guidelines been applied. See further at paragraphs 5.19 to 5.20.

[7] FaHCSIA's development of its assessment methodology was informed by input from the department's Program Frameworks Branch and an external probity adviser and the methodology was approved by the relevant senior executive within the department. However, alignment of the methodology with the published program guidelines was not a matter addressed through these processes.

- make a comprehensive record of the eligibility checking process undertaken for grant programs in order to promote transparency around decision-making and enable unsuccessful applicants to be provided with clear feedback on why they did not proceed to the merit assessment stage[8]; and

- adjust its approach to the website reporting of individual grants to promote more accurate analysis of the funding awarded under the programs it administers.

Key findings by chapter

Program Access

16. FaHCSIA facilitated program access through engagement with relevant stakeholders on the draft SAIF program guidelines from June 2011 until the guidelines were published in September 2011. Applications for SAIF funding were accepted between 5 September 2011 and 20 January 2012. In total, 122 applications were received by the closing time and two late applications were not accepted for assessment. A further three applications were subsequently withdrawn by the applicants, resulting in 119 applications proceeding to eligibility checking.

17. A relatively high proportion (26 per cent) of the applications received, and not withdrawn by project proponents, was eliminated at the eligibility checking stage. This comprised: 19 applications identified as not meeting one of the mandatory requirements in the program guidelines; and 12 applications eliminated after FaHCSIA interpreted the program guidelines[9] as only permitting proposals that involved long-term (rather than transitional) accommodation. The approach taken to applications involving transitional accommodation was clearly outlined by the department in its briefing to the then Parliamentary Secretary on the outcome of the funding round.

18. There were some shortcomings in FaHCSIA's administration of the eligibility checking process. Firstly, a full eligibility checking process was not undertaken and documented for those applications that did not proceed to the

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[8] There is an expectation that unsuccessful applicants will be provided with constructive feedback as to how their proposal had been assessed against the published selection criteria. See Joint Committee of Public Accounts and Audit, *Report 423: Review of Auditor-General's Reports Nos 39 2009-10 to 15 2010-11*, Canberra, July 2011, p. viii.

[9] The published program and mandatory conditions did not identify transitional accommodation as ineligible for funding.

merit assessment stage. The department also did not maintain adequate records of the results of its eligibility checking and did not consistently apply the eligibility criterion relating to the target group (leading to one ineligible project being recommended and awarded funding). In addition, the feedback provided to proponents of applications eliminated at the eligibility checking stage did not transparently reflect the factors that had precluded them from proceeding to the merit assessment stage.

Merit Assessment

19.   FaHCSIA documented an assessment methodology (referred to as the 'Selection Strategy') and applied it in assessing the merit of SAIF funding applications. The Selection Strategy incorporated the same technical merit and value for money criteria identified in the published program guidelines, but the assessment approach departed in significant respects from the published program guidelines. In particular, FaHCSIA:

- applied a rating scale that placed a different level of emphasis on each merit criterion as opposed to the uniform six-point rating scale identified in the program guidelines;

- applied weightings to the technical merit criteria, resulting in the score for one of the nine criteria comprising more than 36 per cent of the total weighted score for all criteria; and

- did not assess all eligible applications against the value for money merit criterion, an approach that denied the affected applications the opportunity to be considered for inclusion on the final merit list.

20.   A more considered approach to assessing value for money would also have improved the quality of the department's assessment of applications (and been consistent with the program guidelines). In this respect, the department's assessment of value for money involved calculating an average cost per place figure notwithstanding that the program guidelines had explicitly stated that 'value for money is not just about price'. This approach was simplistic and, for example, did not acknowledge factors such as the location of accommodation being a driver of cost, or the importance of considering project risks in assessing value for money. In the latter respect, the value for money definition had stated that the relative risk of each proposal would be used to inform a judgment concerning value for money, but risk assessments were only undertaken subsequently to the value for money assessment and on a selection of eligible applications.

21. These issues highlight the centrality of the assessment process to achieving equitable outcomes, consistent with the objectives for the grant program. Because the assessment process drives the compilation of the merit list of applications, it is important for agencies to ensure that a review of the proposed process is undertaken by a responsible senior executive, specialist departmental unit and/or external scrutineer (such as a probity adviser), and that such a review or reviews explicitly address alignment of the methodology with the published guidelines, including program criteria and objectives. For SAIF, the development of the Selection Strategy was informed by input from the department's Program Frameworks Branch and an external probity adviser and the methodology was approved by the relevant senior executive within the department. However, alignment of the methodology with the published program guidelines was not a matter addressed through these processes.

Advice to the then Parliamentary Secretary, and Funding Decision

22. A timely and comprehensive briefing on the outcome of the funding round was provided by FaHCSIA to the then Parliamentary Secretary. The briefing included a clear recommendation from the department that the then Parliamentary Secretary approve 27 applications assessed by the department as offering the greatest merit within the program parameters.

23. The recommendation was supported by a briefing package that provided the then Parliamentary Secretary with a range of material relevant to her decision-making. This material included a summary of the selection process, copies of the Selection Strategy and Assessment Report, and advice on approving spending proposals under the grants administration framework and grant reporting requirements.

24. On 15 March 2012, the then Parliamentary Secretary agreed to the funding recommendation she received from FaHCSIA. Specifically, the only applications approved for funding were those recommended by the department, and there were no recommended applications that were not approved for funding. All 27 successful projects were announced on 3 April 2012.

Electorate Distribution of Funding

25. FaHCSIA's website reporting of the SAIF grants included a number of errors. One result was that analysis of the website reporting is unable to provide an accurate outline of the electorate distribution of approved SAIF funding. Specifically, analysis of the data reported by FaHCSIA on its website

suggested that very little program funding had been awarded to accommodation located in electorates held by the Coalition. Although receiving less funding than projects involving accommodation located in ALP-held electorates, the situation was not as stark as analysis of FaHCSIA's website reporting had suggested. The actual distribution of SAIF funding included 67 per cent of funding being awarded for accommodation to be provided in ALP-held electorates, 24 per cent to Coalition-held electorates and one grant totalling nearly nine per cent of SAIF funding in an electorate held by an independent member of Parliament.[10]

26. Further in this respect, the location of the accommodation did not play a role in the SAIF application assessment and decision-making processes. Nevertheless, various departures occurred between the published program guidelines and the methodology employed by FaHCSIA to assess competing applications. In this context, and although not intended nor designed to advantage one political party over another, accommodation that was planned to be located in a Coalition-held electorate was disadvantaged more often by FaHCSIA's approach than that located in an ALP-held electorate. Specifically:

- 18 of the 27 approved applications (67 per cent) involving 67 per cent of the approved funding involved accommodation planned to be located in an ALP-held electorate. If FaHCSIA had adhered to the assessment methodology outlined in the published program guidelines[11], applications on the merit list for accommodation located in an electorate held by the ALP would have fallen to less than 61 per cent, representing some 57 per cent of funding; and

- less than 30 per cent of the approved applications related to accommodation planned to be located in an electorate held by the Coalition (involving less than 24 per cent of approved funding). Adherence to the program guidelines would have seen accommodation in a Coalition-held electorate comprising nearly 35 per cent of applications on the merit list (and just over 34 per cent of funding).

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[10] See further at paragraph 5.12 and in Table 5.2.

[11] On the basis that the then Parliamentary Secretary would not have departed from the department's recommendations.

Agency response

27. The proposed audit report issued under section 19 of the *Auditor-General Act 1997* was provided to FaHCSIA and to the Minister for Human Services (who had made the funding decisions), when the Parliamentary Secretary for Disabilities and Carers. The Minister advised ANAO that she had no formal comments to add to the report. FaHCSIA's summary response to the proposed report is provided below, while the full response is provided at Appendix 1.

> The Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) notes the findings in relation to the assessment process, accepts the three recommendations of the report and will work to implement them as soon as possible.

> FaHCSIA notes that the location of the accommodation did not play a role in the SAIF application assessment and decision-making process, which goes to the key driver for the audit that there had potentially been some improper political bias.

> The new program reform approach being developed by FaHCSIA as an important part of its broader delivery reform agenda will help to address the recommendations raised by ANAO. The reform is aimed at ensuring that all internal programs and processes have clearer roles and responsibilities and that programs are developed and delivered in a consistent way. It will enable FaHCSIA to continually evaluate programs and create opportunities to capture innovation. This reform will produce key changes to processes such as selection processes, introduce new tools and templates and give clearer guidance about how to do business in a consistent way.

Recommendations

Set out below are ANAO's recommendations and FaHCSIA's responses.

Recommendation No. 1

Paragraph 2.27

ANAO recommends that the Department of Families, Housing, Community Services and Indigenous Affairs promote open, transparent and equitable access to grants by:

(a) maintaining comprehensive records of those eligibility and other mandatory requirements each application has met, and those that it did not; and

(b) providing clear feedback to applicants as to which requirements they had met, and those that prevented them progressing further in the assessment process.

FaHCSIA response: *Agreed*

Recommendation No. 2

Paragraph 3.40

ANAO recommends that, consistent with the key principles for grants administration outlined in the Commonwealth Grant Guidelines, the Department of Families, Housing, Community Services and Indigenous Affairs develops an approach that provides increased assurance that assessment methodologies are consistent with the published program guidelines.

FaHCSIA response: *Agreed*

Recommendation No. 3

Paragraph 5.23

ANAO recommends that the Department of Families, Housing, Community Services and Indigenous Affairs promote more accurate analysis of grants awarded under the programs it administers by adjusting its website reporting of individual grants to align with the required source and nature of data specified under the grants administration framework.

FaHCSIA response: *Agreed*

Audit Findings

1. Introduction

This chapter provides an overview of the Supported Accommodation Innovation Fund and sets out the audit objective, scope and criteria.

Background

1.1   During the 2010 Federal election campaign, the Australian Labor Party (ALP) announced that it would give community organisations the opportunity to apply for direct capital funding for supported accommodation and respite facilities for people with disabilities. The election policy:

- stated that projects could include a modern renovation of an existing home so it can be used for supported accommodation, pooled resources to build a contemporary facility close to local community and health services to provide overnight respite, or expanding an established facility to provide more places;

- outlined that up to 150 additional places were expected to be delivered through the $60 million program; and

- announced that funding would be allocated via an 'open tender process' with community organisations, non-government organisations, State and Territory disability authorities and Governments to be encouraged to apply.

1.2   Funding of $60 million was provided through the 2010-11 Additional Estimates process to meet the Supported Accommodation Innovation Fund (SAIF) commitment. This comprised $3.3 million over four years starting in 2010-11 for departmental costs of administering the program, and $56.7 million for grant funding over three years starting in 2011-12. The funding was allocated to the Department of Families, Housing, Community Services and Indigenous Affairs' (FaHCSIA) 'Services and Support for People with Disability' program.

Funding round outcome

1.3   Applications for SAIF grants opened on 5 September 2011 and closed on 20 January 2012. On 6 March 2012, FaHCSIA briefed the then Parliamentary Secretary for Disabilities and Carers, Senator the Hon Jan McLucas, (the then Parliamentary Secretary) on the results of its assessment work. The department

recommended that the then Parliamentary Secretary[12] approve funding for 21 organisations to deliver 27 projects.

1.4   On 15 March 2012, the then Parliamentary Secretary agreed with the department's funding recommendation. The award of funding was announced on 3 April 2012.

Audit objective, scope and criteria

1.5   The objective of the audit was to assess the awarding of funding under the SAIF against the requirements of the Commonwealth's grants administration framework. The audit had a particular focus on the:

- provision of assessment advice (including clear funding recommendations) by FaHCSIA to the then Parliamentary Secretary; and

- distribution of awarded funding (including the extent to which funding was awarded in a way that was consistent with the relative merits of competing applications, as identified by the department through its application of the published eligibility and selection criteria).

1.6   The audit followed a request in February 2013 from Mr Jamie Briggs MP, the Member for Mayo, Shadow Parliamentary Secretary for Supporting Families and Coalition Spokesperson on Scrutiny of Government raising concerns about the distribution of funding in electoral terms. Similar concerns were subsequently reported in the media.

Audit scope and criteria

1.7   The audit examined the grant funding round that opened for applications in September 2011, with funding decisions announced in April 2012. The focus was on the application assessment and decision-making processes. These processes were assessed against relevant policy and legislative requirements for the expenditure of public money and the grants administration framework. In this respect, the program was implemented and

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12   The overarching guidelines for the 'Services and Support for People with Disabilities' program outlined that FaHCSIA was responsible for identifying suitable service provider(s) to deliver the activities under the program, and that: 'The Minister for Families, Housing, Community Services and Indigenous Affairs has overall responsibility for the Program. The final decision about locations, sites and proposals will be made by the Minister or the Parliamentary Secretary for Disabilities and Carers on advice provided by FaHCSIA.'

funding decisions were made after changes to the financial framework that took effect from 1 July 2009. These changes:

- require decision-makers to record the basis of the approval for each grant, in addition to the terms of the approval (an obligation that applies to all funding approvals), in the form of a written statement of the reasons for the decision; and

- included the promulgation of the Commonwealth Grant Guidelines (CGGs).

1.8   The audit was conducted in accordance with ANAO auditing standards at a cost to the ANAO of $215 000.

Report structure

1.9   The structure of the report is outlined in Table 1.1.

Table 1.1

Report structure

Chapter	Overview
2. Program Access	Outlines the suite of program documentation that was published to facilitate access to the program by eligible applicants, and also examines the eligibility checking process that was employed for the applications received.
3. Merit Assessment	Examines application of the published merit criteria to those applications received, including the implementation of the department's documented assessment methodology.
4. Advice to the then Parliamentary Secretary, and Funding Decision	Examines the advice provided to the then Parliamentary Secretary for Disabilities and Carers as to which applications should be approved for funding, and the funding decisions that were then taken.
5. Electorate Distribution of Funding	Examines the distribution of funding by political party according to planned location of accommodation for those projects approved for SAIF funding.

2. Program Access

This chapter outlines the suite of program documentation that was published to facilitate access to the program by eligible applicants, and also examines the eligibility checking process that was employed for the applications received.

Background

2.1 Effective grants administration is supported by agencies adopting application and assessment processes that promote open, transparent and equitable access to grants.[13] It is also recognised as good practice for agencies to design a grant application process that is cost-effective, accessible and likely to maximise the attraction and selection of high quality applications. For competitive, applications-based programs, the grant application and assessment process is to be outlined in published program guidelines.[14]

2.2 In this context, the ANAO examined the:

- program guidelines and application guidance that was developed and promulgated;

- approach taken to checking whether applications were eligible to proceed to merit assessment.

Program guidelines

2.3 As has been noted in a number of ANAO performance audit reports as well as ANAO's grants administration Better Practice Guide, program guidelines play a central role in the conduct of effective, efficient and accountable grants administration. Further in this respect, a recurring theme in the ANAO's audits of grants administration over a number of years has been the importance of grant programs being implemented in a manner that accords with published program guidelines. Similarly, the Australian Government's grants administration framework was developed based, in part, on recognition that potential applicants and other stakeholders have a right to expect that

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[13] ANAO Better Practice Guide, *Implementing Better Practice Grants Administration,* Canberra, June 2010, p. 43.

[14] *Commonwealth Grant Guidelines, Policies and Principles for Grants Administration*, Department of Finance and Deregulation, July 2009, paragraph 3.24, p. 11.

program funding decisions will be made in a manner, and on a basis, consistent with published program guidelines.[15]

2.4 To improve the design and administration of grant programs, since December 2007 a key obligation under the grants policy framework has been for all grant programs to have guidelines in place, with an associated Ministerial approval requirement in respect to program guidelines. Reflecting their importance, the guidelines for each program represent one of the policy requirements that proposed grants must be consistent with in order to be approved for funding in accordance with Regulation 9 of the *Financial Management and Accountability Regulations 1997* (FMA Regulations), which sets out the principal obligation applying to the approval of all spending proposals.[16]

2.5 Guidelines for the 'Services and Support for People with Disabilities' program were published in August 2011.[17] Consistent with the approach commonly adopted by FaHCSIA, this overarching program comprises a series of funding 'activities', including the SAIF grant program, with a suite of program documentation comprising:

- the overarching program guidelines, which provide an overview of the program and the activities relating to the program (referred to as Part A of the Program Guidelines Suite);

- a separate document (referred to as Part B of the Program Guidelines Suite) that provides information on the application, assessment, eligibility, selection and complaints processes as well as financial and funding agreement arrangements;

- an application form and application guidelines;

- a draft funding agreement; and

- activity-specific guidelines that include information on the activity, selection criteria (where an application process is being undertaken),

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[15] Mr Peter Grant PSM, *Strategic Review of the Administration of Australian Government Grant Programs*, 31 July 2008, p. 56.

[16] Specifically, an approver is required to make reasonable inquiries in order to be satisfied that a spending proposal would be a proper use of Commonwealth resources and would not be inconsistent with the policies of the Commonwealth. One policy of the Commonwealth is the guidelines applying to the particular grant program.

[17] Under the arrangements in place for the approval of grant guidelines, the Services for People with Disabilities program was assessed as low risk such that the guidelines were able to be approved and issued by the relevant portfolio Minister rather than the Finance Minister (for medium risk programs) or the Expenditure Review Committee of Cabinet (for high risk/ programs).

performance management and reporting. For each activity, including SAIF, the relevant guidelines are identified as being Part C of the Program Guidelines Suite (and referred to in this ANAO report as the SAIF-specific guidelines).

2.6 The CGGs indicate that where appropriate, consulting stakeholders on grant arrangements can help achieve more efficient and effective grants administration. Consistent with the CGGs, an exposure draft of the SAIF-specific guidelines was released on 24 June 2011 and stakeholders were invited to submit feedback on the draft. The finalised guidelines were issued in September 2011. FaHCSIA also published a paper that outlined to stakeholders the changes made to the draft guidelines as a result of stakeholder feedback.

Eligibility checking

2.7 Applications for SAIF opened on 5 September 2011. The opening of the application round was announced by the then Parliamentary Secretary.[18] Advertisements concerning the program funding opportunity were also placed in a range of newspapers. Information on the program, including the program guidelines, was also made publicly available on FaHCSIA's website.

2.8 In addition, to ensure that potential applicants were aware of the opportunity to apply for funding under SAIF, FaHCSIA established a 'govspace' website[19] as a central repository of information for stakeholders, and was open to enquiries during the application period. The govspace website provided potential applicants with access to general questions and answers, as well as specific responses FaHCSIA provided relating to housing and support models, innovation and partnerships. FaHCSIA also established a dedicated SAIF email for applicants to use when submitting applications and any questions relating to the program.

2.9 The application period closed on 20 January 2012 at 2:00pm Australian Eastern Standard Time (Queensland time). By then, 122 applications had been received. A further two applications were received after the closing time, but were not accepted for assessment. Three applications were subsequently

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[18] Senator the Hon Jan McLucas, Parliamentary Secretary for Disabilities and Carers, *Applications open to build supported accommodation for people with disability*, Media Release, 5 September 2011.

[19] A govspace website is an online communications platform hosted on secure infrastructure by the Department of Finance and Deregulation, and is designed to host blogs and other websites on behalf of government agencies.

withdrawn by the applicants. The resulting 119 applications proceeded to the eligibility checking stage.

Eligibility criteria

2.10 As noted in the ANAO Better Practice Guide, and reflected in the CGGs, it is important that program guidelines identify any threshold requirements that must be satisfied for an application to be considered for funding. Well constructed threshold or eligibility criteria are straightforward, easily understood and effectively communicated to potential applicants, and the relevant program's published guidelines should clearly state that applications that do not satisfy all eligibility criteria will not be considered.[20]

2.11 The SAIF-specific guidelines outlined the target group for funding as being adults with severe or profound disability in need of supported accommodation or respite. The guidelines further outlined that:

- projects should also prioritise those individuals who may be on waiting list(s) and who may have ageing carers;

- in some instances, SAIF may also assist in reducing the number of young people in nursing homes or those at risk of placement in residential aged care;

- projects that would provide service to Indigenous, Culturally and Linguistically Diverse (CALD) or regional, rural or remote communities would be 'viewed favourably'; and

- applicants would need to outline how they would select resident(s) for the accommodation in their application response.

2.12 Further, in respect to funding eligibility, the guidelines outlined the types of activities that were eligible or ineligible for funding. In particular, funding would cover the construction or purchase of buildings and/or land for the development of innovative supported accommodation and respite places, and this accommodation was to be located where access to local community and health services, public transport and shops can be maximised. In addition, it was a requirement that projects be ready for residents to occupy (or have a certificate of occupancy issued) by 30 June 2014.

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[20] ANAO Better Practice Guide, op. cit., p. 63; and CGGs, op. cit., p. 20.

2.13 In addition, a later section of the program guidelines (titled '4.1 Mandatory conditions') outlined that, to be eligible for funding:

a. The organisation type must be one of the types specified in section 2.3 of Part B of these Program Guidelines, or be a state or territory government and meet the requirement in section 4.1b below. Individuals may not apply;

b. State or territory government applicants must partner with at least one non-government organisation;

c. State or territory government endorsement of the support model is required, regardless of the source of ongoing funding for support costs;

d. State or territory government endorsement for ongoing support funding is required OR the application must provide evidence of funding from another source;

e. Proposed residents must have a severe or profound disability;

f. Supported accommodation and respite cannot be delivered as part of the same project;

g. The project does not depend on non-guaranteed capital contributions (e.g. application(s) pending for other competitive funding selection processes); and

h. The project must be completed by 30 June 2014.

Transitional accommodation

2.14 The published program eligibility criteria and mandatory conditions did not prohibit funding for transitional accommodation. In this context, the definitions section of Part C of the program guidelines suite defined a supported accommodation place as:

a placement with the capacity to provide a long term accommodation solution. Individuals may live in the accommodation as long as they choose.

2.15 FaHCSIA identified that 12 of the 122 applications that had been received (10 per cent) related to accommodation for the purposes of skills training and transitioning to another permanent supported accommodation (referred to as transitional accommodation). Notwithstanding that the guidelines had not clearly identified such applications as ineligible, on 7 February 2012 FaHCSIA decided that these applications should be assessed as ineligible to proceed to the merit assessment stage.

2.16 FaHCSIA clearly disclosed the approach it had taken in its subsequent briefing to the then Parliamentary Secretary concerning the recommended

outcome from the application round (see further at paragraphs 4.6 to 4.12). In respect to this advice, the then Parliamentary Secretary suggested that this approach should be further considered in the event additional funding was at some point in time made available for supported accommodation.

Other applications assessed as ineligible

2.17   With respect to the principles of governance and accountability, the CGGs emphasise that agencies should develop such policies, procedures and guidelines as are necessary for the sound administration of grants.[21] In this context, it is common for agencies administering grant programs to develop checklists that outline the eligibility requirements drawn from the program guidelines and for an assessing officer to complete a separate checklist for each application, recording those eligibility criteria that had been met, as well as identifying any criteria that were not met. Typically, the checklist is quality assured by a second, more senior officer (often the program manager).

2.18   Such an approach was not adopted by FaHCSIA for the SAIF program. Although an assessment checklist was developed to record whether the requirements outlined at paragraph 2.13 had been met and all mandatory documentation provided, it was not used to comprehensively record the eligibility checking of each submitted application.[22] Rather, where an application was identified as not meeting one of the eligibility criteria, an email was sent by the officer undertaking the eligibility checking to the program manager recording the requirement(s) outlined at paragraph 2.13 that had not been satisfied. The department did not otherwise make a record, for each application, of the eligibility criteria that it had assessed as being satisfied, and those that had not been met. This approach meant that:

- for applications assessed as eligible, there was no record made of the basis on which FaHCSIA had concluded each of the mandatory requirements had been met; and

- a full eligibility checking process was not undertaken and documented for those applications that did not proceed to the merit assessment stage. This approach reduces the transparency of the assessment

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[21]   CGGs, op. cit., p. 21.

[22]   In April 2013, FaHCSIA advised ANAO that one factor that contributed to this situation was that the application phase was extended from 6 January 2012 to 20 January 2012 but without any extension to the target completion date for the round.

process. It also makes it difficult for comprehensive feedback to be provided to unsuccessful applicants.

2.19　One criteria not included in the checklist, and to which an inconsistent assessment approach was taken, was the target disability group. As outlined in paragraph 2.11, the SAIF-specific guidelines identified that the target group for funding was adults. Consistent with this, FaHCSIA assessed and excluded one application as ineligible because its accommodation included supporting children (amongst others). However, a separate application was recommended for funding despite the application, and FaHCSIA's assessment, noting that it would provide services to children, young people and adults. After this latter application had proceeded to the merit assessment stage, and based on advice from the proponent that the young people would be between 16 and 18 and would not receive a service at the same time of the year as adults (this latter point had been included in the application), on 20 February 2012 FaHCSIA decided to 'deviate partially' from the target group outlined in the program guidelines.[23] However, the program guidelines did not provide any capacity for the target group or any of the other mandatory requirements to be waived.[24]

2.20　Of the 19 applications assessed as ineligible, one was a duplicate of another application, with the other copy of the application proceeding to the merit assessment stage. The remaining 18 applications did not proceed to merit assessment as they had been identified as not meeting at least one of the mandatory conditions. The requirement that was most commonly not met related to the application having secured state or territory government endorsement of the support model.

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[23] In April 2013, FaHCSIA advised the ANAO that this application was a proposal for a respite home in a remote area of Australia catering for young people and adults with severe or profound disability, and that there were relatively few applications for respite and only one had been included in the 'Good' band on the basis of its score against the technical merit criteria (see paragraph 3.21).

[24] The CGGs require that grant guidelines identify the circumstances in which the eligibility and assessment criteria set out in grant guidelines may be waived or amended.

Feedback provided to proponents of applications assessed as ineligible

2.21 At the conclusion of the round, all unsuccessful applicants were written to by FaHCSIA advising that they had not been awarded funding. These letters did not inform unsuccessful applicants whether they had been assessed as ineligible and excluded prior to merit assessment, or eligible, but assessed as having less merit than other eligible applications.

2.22 In these letters, FaHCSIA offered to provide feedback to unsuccessful applicants. Four proponents whose application had been identified as not meeting one or more of the mandatory conditions sought such feedback. In two instances, FaHCSIA informed the applicant that their application had been identified as ineligible and outlined which of the mandatory conditions had not been met. However, two of the other applications assessed as ineligible that sought feedback were not informed that they had been assessed as not meeting the mandatory conditions.

2.23 A similar situation existed in relation to the 12 applications that did not progress to the merit assessment on the basis that the proposal involved transitional accommodation. Specifically, the proponents of eight of these applications sought feedback from FaHCSIA. For six of these applications, the record of the feedback included reference to the type of accommodation not being aligned to SAIF. However, the feedback provided to these applicants and the proponents of the other two applications that sought feedback, also referred to how the application performed against certain of the technical merit criteria. Although such feedback can be useful to applicants in the context of any further funding rounds, it should be provided in the context of clear advice from the department that the application did not proceed to the merit assessment stage.

Conclusion

2.24 FaHCSIA facilitated program access through engagement with relevant stakeholders on the draft SAIF program guidelines from June 2011 until the guidelines were published in September 2011. Applications for SAIF funding were accepted between 5 September 2011 and 20 January 2012. In total, 122 applications were received by the closing time and two late applications were not accepted for assessment. A further three applications were subsequently withdrawn by the applicants, resulting in 119 applications proceeding to eligibility checking.

2.25 Of the applications received and not withdrawn by project proponents, 26 per cent were eliminated at the eligibility checking stage. This comprised: 19 applications identified as not meeting one of the mandatory requirements in the program guidelines; and 12 applications eliminated after FaHCSIA interpreted the program guidelines as only permitting proposals that involved long-term (rather than transitional) accommodation.[25] The approach taken to applications involving transitional accommodation was clearly outlined by the department in its briefing to the then Parliamentary Secretary on the outcome of the funding round.

2.26 There were some shortcomings in FaHCSIA's administration of the eligibility checking process. Firstly, a full eligibility checking process was not undertaken and documented for those applications that did not proceed to the merit assessment stage. The department also did not maintain adequate records of the results of its eligibility checking and did not consistently apply the eligibility criterion relating to the target group (leading to one ineligible project being recommended and awarded funding). In addition, the feedback provided to proponents of applications eliminated at the eligibility checking stage did not transparently reflect the factors that had precluded them from proceeding to the merit assessment stage.

Recommendation No.1

2.27 ANAO recommends that the Department of Families, Housing, Community Services and Indigenous Affairs promote open, transparent and equitable access to grants by:

(a) maintaining comprehensive records of those eligibility and other mandatory requirements each application has met, and those that it did not; and

(b) providing clear feedback to applicants as to which requirements they had met, and those that prevented them progressing further in the assessment process.

FaHCSIA response:

2.28 *Agreed.*

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[25] The published program eligibility criteria and mandatory conditions did not identify transitional accommodation as ineligible for funding.

3.   Merit Assessment

This chapter examines the application of the published merit criteria to those applications received, including the implementation of the department's documented assessment methodology.

Background

3.1   Through the SAIF-specific guidelines, stakeholders were informed that the preferred service delivery model was for accommodation and support services to be provided by two different organisations. The aim of this approach was to prevent any one organisation having an 'unreasonable influence' on an individual's life, as well as to promote greater choice for people with disability with respect to housing and support services. Nevertheless, the guidelines outlined that the preferred model did not preclude a sole capital works provider delivering both housing and support services 'if they have in place the appropriate governance arrangements and an innovative model for doing so.'

3.2   The SAIF-specific guidelines further outlined that applications seeking funding for new respite places, new supported accommodation places or for re-development of existing supported accommodation places would be assessed in three separate streams, and that proposals to provide new supported accommodation or respite places would be prioritised over proposals that were targeted at existing places.

3.3   In addition, the guidelines outlined that respite and supported accommodation places could not be provided as part of the same project, and five per cent of the target of up to 150 places (or eight places) would be available for proposals providing respite. FaHCSIA interpreted this statement as requiring that the approved applications include eight respite places[26], irrespective of whether there were applications from the other streams that had been assessed (in terms of the published criteria) as more meritorious. In effect, the approach meant that applications involving respite places had a priority call on program funds compared with other types of applications.

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[26]   Five per cent of 150 places is 7.5 places.

3.4   Consistent with the grants administration framework, the SAIF-specific guidelines outlined the criteria that would be applied to assess and rank the relative merits of competing eligible applications. In this respect, the guidelines stated that applications would be assessed against 'two types of selection criteria' namely:

- 'technical selection criteria'; and

- 'value for money'.

3.5   ANAO examined the merit assessment conducted by FaHCSIA of those 88 applications that proceeded past the eligibility checking stage.

Planned assessment methodology

3.6   In order to demonstrate fairness and to select those projects that represent the greatest merit, it is important that all applications are assessed consistently against the eligibility and selection criteria for the program. It is also important that the assessment and selection process is transparent and free from the risk of claims of political or other bias.

3.7   In this context, the CGGs advise that agencies should develop such policies, procedures and guidelines as are necessary for the sound administration of grants and that this should include guidelines and associated operational guidance for the administration of the program. Consistent with the guidance provided by the CGGs, FaHCSIA documented the assessment methodology that it would apply in the form of a 'Selection Strategy'. The final version of this document (version number 11) was approved by the relevant Branch Manager on 11 January 2012, prior to applications closing (timing that is also consistent with better practice). The development of the Selection Strategy was also informed by input from the department's Program Frameworks Branch and an external probity adviser. However, alignment of the Selection Strategy with the published program guidelines was not a matter addressed through these processes.

3.8   A copy of the 'Selection Strategy' was included in the briefing package provided to the then Parliamentary Secretary in respect to the department's funding recommendations. This approach helped to ensure the decision-maker was appropriately informed as to the assessment approach that had been adopted. However, the then Parliamentary Secretary's attention was not drawn to significant differences between the approach outlined in the 'Selection Strategy' and the published program guidelines.

Technical merit criteria

3.9   Detailed information on the nine technical criteria (see Table 3.1) was included in the SAIF-specific guidelines. This involved specifying each of the technical criteria and also outlining the sub-criteria that would be applied in assessing the extent to which each of the criteria was satisfied. There were between two and six sub-criteria specified for each of the technical assessment criteria.

Table 3.1

SAIF Program Technical Assessment Criteria

Demonstrate your ability to manage construction of supported accommodation or similar to a high quality standard whilst delivering value for money against a strict time schedule.
Project rating against the liveable design standards and desirable environmental sustainability features.
Project will be located in close proximity to services and public transport.
Demonstrate how the project design will deliver high quality supported accommodation places and/or improve the quality of existing places.
Demonstrate how you will separate the housing and support services within your model for supported accommodation.
Demonstrate your ability to deliver a quality support service for people with severe or profound disability.
Demonstrate how the United Nations Convention on the Rights of Persons with Disabilities has influenced the development of your proposal.
Demonstrate how the everyday costs and ongoing repairs and maintenance of the building will be funded across the useful life of the building.
Demonstrate how your proposal is innovative.

Source: SAIF Program Guidelines, September 2011.

Weighting and scoring of criteria

3.10   Particularly where competitive funding rounds are used, the purpose of the assessment criteria is to provide an efficient and effective means of differentiating between the eligible, compliant applications that are seeking access to the available funding. As noted in ANAO's Better Practice Guide, relevant considerations in this respect include:

- whether relative weightings should be assigned to individual assessment criteria, in order to target available funding at projects that exhibit particular characteristics; and

- the method and scale that will be applied in rating and (where relevant) ranking individual applications.[27]

3.11   In this context, the published SAIF assessment criteria were not assigned any relative weightings. Rather, Part B of the program guidelines suite outlined the assessment of applications against the selection criteria for funding activities (such as SAIF) under the 'Services and Support for People with Disability' program would involve a six point rating scale (see Table 3.2).

Table 3.2

Six Point Rating Scale for Selection Criteria

Rating	Score
Excellent quality – excellent claims against the criterion, exceeds expectations, supporting information confirms consistent superior performance.	5
Very good quality – very good claims against the criterion, meets all expectations to a high standard with complete and comprehensive supporting information.	4
Good quality – good claims against the criterion, meets all expectations with convincing supporting information.	3
Satisfactory quality – adequate claims against the criterion, mostly meets expectations, but may be lacking detail and/or supporting information.	2
Marginal or poor quality – poor claims against the criterion, does not meet expectations, has deficient supporting information.	1
Does not meet criterion at all.	0

Source: Services and Support for People with Disability, Part B – Information for Applicants, Undated.

3.12   No part of the program guidelines suite, including Part C that was specific to the SAIF, indicated that applications for SAIF funding would be scored against the technical criteria (or the value for money criterion) other than on a six point scale, or that any weighting would be applied to the published criteria. However, FaHCSIA's internally documented assessment methodology (the 'Selection Strategy') outlined that:

- each of the nine technical assessment criteria would be assigned to one of three categories: building, support or innovation (an approach not advised in the program guidelines);

- a separate panel would be appointed for each of the three categories to assess the technical criteria in their assigned category; and

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[27]   ANAO Better Practice Guide, op. cit., pp. 65–66 and pp. 75–76.

- each category would be assigned a maximum of 18 points (see Figure 3.1), an approach that meant that each criterion would not be scored to a maximum of five points (as had been stated in the program guidelines).

Figure 3.1

Scoring of technical selection criteria

Selection Criteria	Does not meet criterion / poor or marginal quality	Satisfactory	Good	Excellent
1a - Construction Experience	0.0	0.5	0.8	1.0
1b - Construction Budget	0.0	0.8	0.9	1.0
1c - Construction Schedule	0.0	1.0	1.5	2.0
1d - Construction Project Management	0.0	0.1	0.3	0.5
2a - Livable Design Standards	0.0	0.0	0.0	2.5
2b - Environmental Features	0.0	2.0	3.5	4.0
3a - Proximity to services	0.0	1.0	1.3	1.5
3b - Proximity to Public Transport	0.0	0.1	0.2	0.5
4a - Quality Design	0.0	3.0	4.0	5.0
Total Building Criteria	**0.0**	**8.5**	**12.5**	**18.0**
5a-c - Separation of service delivery	0.0	1.5	2.0	2.5
6a - Support model target group	0.0	0.5	1.0	1.5
6b - Address unmet need	0.0	1.0	1.2	1.5
6c - Support service effective Governance	0.0	0.5	0.8	1.0
6d - Support Service experience	0.0	0.5	2.0	2.5
6e - Community and resident involvement	0.0	0.5	0.8	1.5
7a - UN convention	0.0	2.5	3.0	3.5
8a - Maintenance Budget	0.0	0.5	1.5	2.0
8b - Maintenance controls and processes	0.0	0.5	1.5	2.0
Total Support Criteria	**0.0**	**8**	**13.8**	**18.0**
9a-f - Innovation	0 - 9.0	9.5 - 12.0	12.5 - 15.0	15.5 - 18.0
Total Innovation Criteria	**0 - 9.0**	**9.5 - 12.0**	**12.5 - 15.0**	**15.5 - 18.0**
TOTAL Criteria	**0 - 9.0**	**26 - 28.5**	**38.8 - 41.3**	**51.5 - 54.0**

Source: FaHCSIA, SAIF Selection Strategy.

3.13 In addition to the planned assessment strategy being inconsistent with the program guidelines in terms of how the technical selection criteria would be scored, FaHCSIA also planned to apply weightings to the each category of technical criteria so as 'to recognise its priority against the other categories'. Specifically, the 'building criteria' score was to be multiplied by 1.20, the 'support service' criteria score would be multiplied by 1.0 and the 'innovation' criteria would be multiplied by 1.25. As illustrated by Figure 3.2, combined with the scoring approach outlined in Figure 3.1, the planned assessment methodology gave considerable emphasis to the importance of an application demonstrating that the proposal was innovative. For example:

- the weighted score against the innovation criterion was worth more than 36 per cent of the total score that could be achieved; and

- the innovation criterion was scored as being:

  – greater than nine times more important than the proximity to services and public transport (criterion three);

  – nine times more important that the separation of housing and support services (criterion five) technical criteria (referred to as 'separation of service delivery' in the Selection Strategy document);

  – more than four times as important as the technical criteria for a maintenance budget and maintenance controls and processes (criterion eight); and

  – more than twice as important as the next highest scored technical criteria: ability to deliver a quality support service (criterion six), and liveable design standards and desirable environmental sustainability features (criterion two).

Figure 3.2

Relative weighting of SAIF technical selection criteria

- 1 - Construction Management
- 2 - Liveable Design and Environmental Sustainability
- 3 - Proximity to Services and Public Transport
- 4 - Quality Design
- 5 - Separation of Service Delivery
- 6 - Quality Support Service
- 7 - UN Convention
- 8 - Building Maintenance
- 9 - Innovation

Source: ANAO analysis of FaHCSIA records.

Value for money criterion

3.14   As is reflected in the CGGs, it is expected that value for money will be a core consideration in determining funding recipients under a grant program.[28] For competitive application-based grant programs, value for money analysis is typically undertaken by comparing the relative merits of all eligible, compliant proposals, however some programs also include a separate value for money criterion. This latter approach was taken with the SAIF-specific guidelines including a value for money criterion.

3.15   The approach taken with the nine technical assessment criteria included a number of sub-criteria with the guidelines providing guidance in respect to each of these. By way of comparison, relatively little information was published in the guidelines concerning the value for money criterion. Specifically, apart from identifying value for money as a criterion, the only other reference made in the guidelines to value for money was a definition of the term included in the definitions section of the guidelines.

Application of the published definition

3.16   The program guidelines included a definition of value for money that was based on that included in the Commonwealth Procurement Guidelines (now the Commonwealth Procurement Rules). At the suggestion of the department's Probity Adviser, the definition was amended during the development of the SAIF guidelines to reflect that SAIF involved grants rather than procurement. The resulting published definition was as follows:

> Value for money is not just about price. To get the best possible value for the money, funding decisions are based on an assessment of all the costs and benefits of each proposal.
>
> A value for money assessment, based on the published conditions for participation and selection criteria, may include consideration of factors such as:
>
> • 	the relative risk of the proposal;
>
> • 	the performance history of the supplier;

28 	'Achieving value with public money' is one of the seven key principles for grants administration established by the Australian Government, with the CGGs stating: 'Achieving value with public money should be a prime consideration in all aspects of grants administration' (Commonwealth Grant Guidelines, p. 30).

- all direct and indirect financial costs and benefits over the life of the funding activity (including any ongoing maintenance costs);

- the flexibility of the proposal to adapt to possible change; and

- the anticipated price that could be obtained, or cost incurred, at the time of disposal.

Value for money is best achieved by adopting appropriately competitive and non-discriminatory selection processes.

3.17   As outlined at paragraph 3.11 and in Table 3.2, the program guidelines suite had outlined that the assessment of applications against the selection criteria would involve a six point scoring scale. No part of the program guidelines suite, including Part C that was specific to the SAIF, indicated that applications for SAIF funding would be scored against the value for money criterion other than on a five point scale. However, assessments against the value for money criterion did not involve FaHCSIA scoring each application as to the extent to which it represented value for money. Further, the approach taken by FaHCSIA to assess value for money did not involve an assessment of all the costs and benefits of each proposal.

3.18   Instead, the approach taken by FaHCSIA to the value for money criterion involved a simple calculation of dividing the total funding being sought from SAIF by the number of new accommodation places the proposal was intended to create. This 'average cost per place' figure was then used to sort applications from the lowest cost per place to the highest cost per place as part of developing a final merit list (see further at paragraphs 3.24 to 3.27).

3.19   The use of an average cost per place figure to assess value for money was the approach taken notwithstanding, as noted at paragraph 3.16, that the program guidelines had explicitly stated that 'value for money is not just about price'. Further in this respect, the value for money definition had stated that the relative risk of each proposal would be used to inform a judgment concerning value for money. In this context, three forms of risk assessments were undertaken on subgroups of applications, but these were not used to inform or adjust an assessment as to whether applications represented value for money. Specifically:

- financial viability risk assessments were undertaken by an accounting firm of 33 applications.[29] The Selection Strategy noted that a poor rating may result in an application being excluded from the merit list[30] otherwise the identified risks would be used to formulate funding agreement controls;

- provider capacity risk assessments were undertaken by FaHCSIA staff of the same 33 applications. Again, the Selection Strategy noted that a poor rating may result in an application being excluded from the merit list depending on the severity of the identified risk (this situation did not arise) otherwise the identified risks were to be used to formulate funding agreement controls; and

- capital works risk assessments were undertaken by a consultant for a sample of eleven of the recommended grant proposals[31] to identify whether the costs of each project was reasonable having regard to the location, type of construction and the project planning undertaken to that point in time. In this respect, for:

    - seven proposals, the assessment was that the proposal represented value for money, with strategies identified to manage any risk[32]; and

    - the remaining four proposals, the consultant concluded that the proposal did not represent value for money. In each instance this was because, compared to an industry standard, the cost of the accommodation per square metre[33] was seen as high. The recommended strategy to manage this circumstance was the same as that proposed for those construction projects that had been assessed as representing value for money ('The final cost

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[29] The 33 applications were selected using the ranking system described in paragraph 3.21. Included were 31 applications ranked as 'Good' on the basis of their weighted score against the technical merit criteria. Two respite accommodation proposals that had been ranked as 'Satisfactory' as a result of their weighted score against the technical criteria were also included for the reasons outlined in paragraph 3.3.

[30] This did not occur in relation to any application.

[31] The sampling approach was based on selecting different types of proposals (for example, apartments, houses, mixed development, key ring models etcetera) and where the total project cost was considered high.

[32] For six proposals, the recommended strategy was that the 'final cost should be confirmed when design is completed and prices obtained from sub-contractors'. For the seventh such proposal, involving the purchase of accommodation rather than construction work, the recommended strategy was 'a valuer should be engaged to verify that purchase price is acceptable'.

[33] For three of these proposals the cost differential was quantified not only in terms of cost per square metre but also as an overall figure, with the excess cost calculated ranging from $99 488 to $1.19 million.

should be confirmed when design is completed and prices obtained from sub-contractors').

Applications assessed as to their value for money

3.20   Section 3.4 of the SAIF guidelines ('Selection Criteria') stated that:

Applicants will be assessed against two types of selection criteria:

1. Technical selection criteria; and

2. Value for money.

3.21   Neither this nor any other section of the published guidelines indicated that only a sub-set of the eligible applications would be assessed in terms of their value for money. However, FaHCSIA's documented assessment methodology stated that:

Once the assessment is finalised and applications are given a score for the technical criteria they will be ranked into the four bands. The four bands are as follows:

1. Unsuitable applications score between 0–30 points[34];

2. Satisfactory applications score between 30.1–33.2 points;

3. Good applications score between 33.3–58.9 points; and

4. Excellent applications score between 59–62.1 points.

Applications ranked as unsuitable will be considered ineligible for funding and will be eliminated from the ranking list and added to the unsuccessful application list.

Once unsuitable applications are removed from the ranking list the remaining applications will be sorted (highest to lowest) by their final score which is derived from the weighted technical assessment and Value for Money. This list will provide the best SAIF applications in order of priority and will be known as the *interim merit list*.

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[34]   The version of the Selection Strategy provided to the Parliamentary Secretary with the approval brief, and the copy of the Selection Strategy provided to ANAO by FaHCSIA, stated that this band ranged from zero to 11.25 points. This was notwithstanding that, on 11 January 2012, the department had approved a change to this band so that it ranged from zero points to 30.0 points (the department's contracted probity adviser had identified gaps between the various weight-adjusted technical assessment bands used to allocate eligible applications into one of four categories). A similar approved change to the 'Good' band was also not reflected in the document provided to both the Parliamentary Secretary and ANAO (that document had incorrectly recorded the scores for that band as ranging from 44.4 points to 47.5 points).

3.22 In March 2013, FaHCSIA advised the ANAO that a 'phrasing error' had been made in the Selection Strategy, in that the value for money exercise was only to be conducted on applications that scored sufficiently highly against the technical criteria to be included in the 'Good' or 'Excellent' bands. That is, it was not intended that applications included in the 'Satisfactory' band be subject to a value for money calculation.

3.23 Under FaHCSIA's approach, there was a significant risk that applications that were scored against the technical criteria at or near the top of the 'Satisfactory' band would be disadvantaged in circumstances where the average cost of their accommodation places was significantly less than applications scored against the technical criteria at the lower end of the 'Good' band. This is evident from Table 3.3, which shows that the value of the applications allocated to the 'Good' band ($62.91 million) was not significantly in excess of the available program funding ($51.03 million[35]) to make this outcome unlikely. In this context, limiting the average cost per accommodation place scoring and ranking exercise to those applications categorised as 'Good' on the basis of their technical score meant that the average cost per place had relatively little impact on the funding recommendations. Specifically:

- the significant majority of those applications in the 'Good' band (26[36] or nearly 84 per cent) were approved for funding;

- there were few instances where the average cost per accommodation place changed the order of merit (given the relatively small population of applications in the 'Good' band compared with the available funding). Specifically, the applications in this band not recommended and approved for funding had ranked 19th, 26th, 28th, 29th and 30th in terms of their weighted technical score. Viewed from another perspective, the recommended and approved applications (in large part) comprised those applications that had achieved the highest weighted score in terms of the technical merit criteria.

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[35] This figure comprises the funds appropriated for grants (see paragraph 2) less a $5.67 million reserve provision proposed by FaHCSIA to meet any increases in the cost of approved projects.

[36] The 27th approved application was 'promoted' in the order of merit from the 'Satisfactory' band in order to ensure at least five per cent of places related to respite care. As discussed previously in paragraph 3.3.

Table 3.3

Allocation of eligible applications to bands based on their scores against the technical merit criteria

Band	Number of applications	Aggregate funding applied for $m	Lowest cost per accommodation place $	Highest cost per accommodation place $
Unsuitable	3	4.76	120 000	425 000
Satisfactory	54	17.16	45 383	1 575 000
Good	31	62.91	133 333	1 700 000
Excellent	Nil	N/A	N/A	N/A

Source: ANAO analysis of FaHCSIA records.

Scoring based on rankings

3.24   The approach taken by FaHCSIA to develop a merit list involved adding together two rankings for those applications categorised as 'Good' in terms of their weighted score against the technical criteria, to arrive at a final 'score'. Specifically:

- on the basis of their weighted score against the technical criteria, the 31 applications categorised in the 'Good' band were ranked from 1 to 31 with the application with the highest score ranked first and the application with the lowest score ranked 31st. The ranking figures were then considered to represent a score;

- the 31 applications categorised in the 'Good' band were then sorted in order from the lowest average cost per accommodation place to the highest average cost per accommodation place. Rankings from first to 31st were then assigned with the ranking figure, again considered to represent a score;

- the two ranking scores were then added together to form a new score, with this combined figure then used to sort applications from the lowest combined ranking score to the highest combined ranking score as the basis for the department's final merit ranking list. Where two or more applications had the same combined ranking score, the application with the lowest (or lower) average cost per place was ranked higher.

3.25 Methodologically, and noting that the program guidelines had not foreshadowed this approach to merit assessment, using assessment scores to rank applications with the ranking figure then used as a further score presents some difficulties. In particular, this approach fails to adequately reflect the different relative merit of the competing proposals. For example:

- a one point difference in ranking score could relate to little or no difference[37] in average cost per place, or could represent a significant difference in cost per place;[38]

- the average cost per place of one approved application was 58 per cent higher than another application not approved for funding whose weighted technical criteria score was only 14 per cent lower than the approved application.

3.26 The approach taken by FaHCSIA was also not sound in the context of the program objectives and guidelines. In particular:

- after initially giving preference[39] to qualitative factors such as the extent to which a proposal was innovative and would provide a quality support service for people with severe or profound disability through a detailed assessment scoring regime, the rudimentary calculation of average cost per place was then equally weighted in preparing the final merit list and, in the case of any applications whose combined ranking score was the same, was seen as more important as it was used to give preference to cheaper accommodation (an approach also at odds with the program's definition of value for money); and

- there was an inherent inconsistency in the preference adopted for assessing as more meritorious those applications with a lower average cost per place given the discrimination that had occurred in not calculating the average cost per place for all eligible applications. Specifically, there were a number of applications in the 'Satisfactory' band that had scored almost high enough against the technical criteria to be included in the 'Good' band and which had a significantly lower

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[37] Two applications, submitted by the same organisation, each involved an average cost per place of $150 000. Each of these were approved for funding. There were two other instances where the difference in cost per place was less than $1 000.

[38] There were seven instances where a one point difference in ranking involved a difference in average cost per place of more than $30 000.

[39] By excluding from the value for money ranking exercise those eligible applications that did not have a sufficiently high score against the technical criteria.

average cost per place than applications included at the lower end of the 'Good' band on the basis of their weighted technical score.

3.27 Had the average cost per place been calculated for all eligible applications and included in FaHCSIA's scoring and ranking exercise, 35 applications would have been recommended for a total of $50.38 million in program funding with 10 respite places to be created and 201 supported accommodation places. The significantly higher number of places offered by these applications compared with those applications actually recommended and approved (eight respite places and 157 supported accommodation places) reflects that a number of applications in the 'Good' band were approved for funding with a slightly higher score against the technical criteria but with a significantly higher cost per place than some applications in the 'Satisfactory' technical criteria band. Further in this respect:

- the 27 recommended and approved applications included five applications that would not have ranked sufficiently high on the merit list to be recommended for funding had all eligible applications been fully assessed[40]; and

- 13 applications were significantly disadvantaged by FaHCSIA not applying the value for money calculation and scoring to all eligible applications. Overall, these applications would have ranked sufficiently high on the basis of their weighted score against the technical criteria and average cost per accommodation place to have been included on the list of applications recommended to the then Parliamentary Secretary for funding.[41]

Effect of departures on assessment outcomes

3.28 Without adjusting FaHCSIA's relative scoring of applications against the technical criteria but (consistent with the published guidelines) removing any weighting of these criteria[42], ANAO recalculated the merit list. Proceeding in accordance with the published guidelines would have resulted in

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[40] Four of these applications were located in an electorate held by the ALP, and one in an electorate held by an Independent Member.

[41] Of these, eight were located in an electorate held by the ALP and five in an electorate held by the Coalition.

[42] As outlined at paragraphs 3.24 to 3.27, FaHCSIA did not score applications against the value for money criterion. As a result it was not possible to fully re-perform the merit assessment process through the adoption of a six point scoring system (without weighting) for all published merit criteria.

35 applications being included on the merit list, at a cost of $68.55 million. This comprised:

- two applications for respite care (ranked fifth and ninth of the 35 applications) for a total of $2.49 million, involving 12 respite places. These were the two highest ranked respite applications, and ranked 26th and 28th overall in terms of the technical criteria. The higher ranking of the two was recommended by FaHCSIA and approved for funding but the other application was not approved as it performed less strongly in FaHCSIA's value for money exercise. Rather, the application that would have ranked overall 44th in terms of the technical criteria (applied in accordance with the program guidelines) was ranked more highly under FaHCSIA's scoring and weighting approach and so it had been recommended and approved for SAIF funding; and

- 33 applications for supported accommodation for a total of $66.05 million. The available funding would have allowed the highest ranking 21 supported accommodation applications to be approved for a total of $48.45 million in program funding. Of these 21 applications, 17 had been included by FaHCSIA on its merit list and had been approved for funding but four had not been included on FaHCSIA's merit list and so had not been funded. There were also eight applications that were approved for funding that would not have been approved had funding been allocated in accordance with the scores achieved (without weighting) against the technical criteria.

3.29 Overall, there were nine applications approved for SAIF funding that would not have been approved had funding been allocated on the basis of the technical criteria (scored on a six point scale and with no weighting of these criteria, as per the published guidelines). There were also five applications that were not approved for funding but would have been recommended for funding had the technical assessment criteria scoring approach outlined in the program guidelines been applied. The resulting 23 applications[43] (comprising the two highest scoring respite place applications and the 21 highest scoring new supported accommodation places) had undertaken to provide a total of 142 new supported accommodation places and 12 respite places..

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[43] That is, the 27 recommended applications less nine applications approved for SAIF funding that would not have been approved had funding been allocated on the basis of the technical criteria but adding the five applications that were not approved for funding but would have been recommended for funding had the technical assessment criteria scoring approach outlined in the program guidelines been applied.

Feedback to unsuccessful applicants

3.30 The provision of feedback to applicants has been emphasised by the Joint Committee of Public Accounts and Audit as an important element of grants administration practice.[44] In this respect, FaHCSIA provided a letter to all unsuccessful applicants at the conclusion of the funding round.[45] Two different versions of this letter were employed.

3.31 The first type of letter was sent to the proponents of six applications that had been included on a 'reserve list'. The reserve list was comprised of:

- the five applications that had been included in the 'Good' band in terms of the technical merit criteria but whose combined score adding together their ranking against the technical criteria and average cost per place was not high enough to see them awarded funding; and

- the next highest ranked (in terms of its weighted technical criteria score) application for respite care (see further at paragraph 4.12).

3.32 The proponents of these six applications were informed that their application:

> was assessed and ranked on a merit list. Unfortunately this application did not rank within the group of applications that have been offered funding to proceed. However, your application received a score that has placed it in the group immediately below the funded group, and as a result, we have added your application to a reserve list of projects, which we may draw upon in the future in the event that other projects are unable to proceed.

3.33 Similar clarity was not provided by FaHCSIA in its letters to those unsuccessful applicants that had not been fully assessed such that they were not considered for inclusion on the merit list (and, therefore, could not be considered for inclusion on the reserve list). Rather they were informed that FaHCSIA had received 122 applications, an assessment was undertaken using the processes set out in the program guidelines and the outcomes of the round would be published on the department's website once funding agreements had been negotiated with all successful applicants. However, whereas the proponents of those applications on the reserve list were not offered feedback

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[44] Joint Committee of Public Accounts and Audit, *Report 423: Review of Auditor-General's Reports Nos 39 2009–10 to 15 2010–11*, Canberra, July 2011, p. viii.

[45] The provision of feedback in respect to the 31 applications eliminated at the eligibility checking stage was discussed at paragraphs 2.21 to 2.23.

by FaHCSIA on their application, the letters to proponents of eligible but unsuccessful applications not on the reserve list were, similar to the proponents of applications assessed as ineligible, offered feedback.[46]

3.34   In total, the proponents of 22 of the 55 unsuccessful applications in this category sought feedback from FaHCSIA. However, FaHCSIA's records of the feedback provided indicated that the department did not clearly and consistently identify to applicants the particular technical criteria against which their application had scored poorly, or that the relatively low score against the technical criteria had resulted in the department not assessing the application as to its value for money.

Conclusion

3.35   A recurring theme in the ANAO's audits of grants administration over a number of years has been the importance of grant programs being implemented in a manner that accords with published program guidelines. Similarly, the grants administration framework was developed based, in part, on recognition that potential applicants and other stakeholders have a right to expect that program funding decisions will be made in a manner, and on a basis, consistent with the published program guidelines.

3.36   FaHCSIA documented an assessment methodology (referred to as the 'Selection Strategy') and applied it in assessing the merit of SAIF funding applications. The Selection Strategy incorporated the same technical merit and value for money criteria identified in the published program guidelines, but the assessment approach departed in significant respects from the published program guidelines. In particular, FaHCSIA:

- applied a rating scale that placed a different level of emphasis on each merit criterion as opposed to the uniform six-point rating scale identified in the program guidelines;

- applied weightings to the technical merit criteria, resulting in the score for one of the nine criteria comprising more than 36 per cent of the total weighted score for all criteria; and

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[46]   An email to the FaHCSIA Service Delivery helpdesk from the SAIF program area states that 'in the end we have decided to simply write and tell organisations that they were unsuccessful, and leave it to them whether they want feedback or not'.

- did not assess all eligible applications against the value for money merit criterion, an approach that denied the affected applications the opportunity to be considered for inclusion on the final merit list.

3.37 These departures altered the relative importance of individual merit and value for money criteria to assessment outcomes without providing the transparency needed for applicants to target their responses to those criteria that the department considered to be most important. Further in this respect, had the published approach been applied in full, the identity of some of the applications recommended for funding would have differed, with a consequential effect on which communities benefited from the program.

3.38 A more considered approach to assessing value for money would also have improved the quality of the department's assessment of applications (and been consistent with the program guidelines). In this respect, the department's assessment of value for money involved calculating an average cost per place figure notwithstanding that the program guidelines had explicitly stated that 'value for money is not just about price'. This approach was simplistic and, for example, did not acknowledge factors such as the location of accommodation being a driver of cost, or the importance of considering project risks in assessing value for money. In the latter respect, the value for money definition had stated that the relative risk of each proposal would be used to inform a judgment concerning value for money, but risk assessments were only undertaken subsequently to the value for money assessment and on a selection of eligible applications.

3.39 These issues highlight the centrality of the assessment process to achieving equitable outcomes, consistent with the objectives for the grant program. Because of the assessment process drives the compilation of the merit list of applications, it is important for agencies to ensure that a review of the proposed process is undertaken by a responsible senior executive, specialist departmental unit and/or external scrutineer (such as a probity adviser), and that such a review or reviews explicitly address alignment of the methodology with the published guidelines, including program criteria and objectives. For SAIF, the development of the Selection Strategy was informed by input from the department's Program Frameworks Branch and an external probity adviser and the methodology was approved by the relevant senior executive within the department. However, alignment of the methodology with the published program guidelines was not a matter addressed through these processes.

Recommendation No.2

3.40   ANAO recommends that, consistent with the key principles for grants administration outlined in the Commonwealth Grant Guidelines, the Department of Families, Housing, Community Services and Indigenous Affairs develops an approach that provides increased assurance that assessment methodologies are consistent with the published program guidelines.

FaHCSIA response:

3.41   *Agreed.*

4. Advice to the then Parliamentary Secretary, and Funding Decision

This chapter examines the advice provided to the then Parliamentary Secretary for Disabilities and Carers as to which applications should be approved for funding, and the funding decisions that were then taken.

Background

4.1 The enhanced grants administration framework has a particular focus on the establishment of transparent and accountable decision-making processes for the awarding of grants. Key underpinnings of that framework are that Ministers:

- not approve a proposed grant without first receiving agency advice on its merits relative to the relevant program's guidelines;

- record the basis of each approval, in addition to the terms of the approval[47]; and

- report to the Finance Minister all instances where they approve grants that the relevant agency recommended be rejected.

4.2 These requirements, together with other related enhancements to the grants administration framework, do not affect a Minister's right to decide on the awarding of grants. Rather, they provide for an improved decision-making framework such that, where Ministers elect to assume a decision-making role in relation to the award of grants, they are well-informed of the assessment of the merits of grant applications and suitably briefed on any other relevant considerations. The requirements also seek to promote transparency of the reasons for decisions.

4.3 In January 2012, ANAO tabled a performance audit report that examined the administration of the grant reporting requirements first

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[47] The principal obligation applying to the approval of all spending proposals is set out in FMA Regulation 9, which requires an approver to make reasonable inquiries in order to be satisfied that a proposal would be a proper use of Commonwealth resources and would not be inconsistent with the policies of the Commonwealth. For grant spending proposals, the relevant policies include the CGGs and the specific guidelines established for the relevant program. Approvers are required to record the basis on which they were satisfied that a proposed grant meets the requirements of FMA Regulation 9. This is in addition to the requirement applying to the approval of all spending proposals, which is that the approver records the terms of the approval in writing.

introduced in December 2007.[48] That report noted that high quality agency advice and briefings are a key underpinning of the grant reporting arrangements. ANAO concluded that the quality and nature of agency briefing practices was variable, with:

- a significant proportion of the briefs examined not clearly identifying those proposed grants that the agency recommended for approval, and those that it recommended be rejected;

- it was relatively common for agency briefings to not clearly identify to the Minister that the spending proposal under consideration involved a grant; and/or

- briefings did not outline the decision-making and record-keeping obligations that apply when the approval of grants is being considered.

4.4   As part of the response to that report, revised CGGs to take effect from 1 June 2013 include more specific agency briefing requirements so as to improve the information provided to Ministers and consistency in briefing practices across government. In particular, this advice will be required, as a minimum, to:

- explicitly note that the spending proposal being considered is a 'grant';

- provide information on the applicable requirements of the FMA Act and related Regulations as well as the CGGs;

- outline the application and selection processes, including the selection criteria, that were used; and

- include the merits of the proposed grant or grants relative to the grant guidelines and the key consideration of achieving value with public money.

4.5   Against this background, the ANAO examined the advice provided by FaHCSIA to the then Parliamentary Secretary in recommending which applications should be approved for funding, and the funding decisions that were then taken.

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[48]   ANAO Audit Report No.21 2011–12, *Administration of Grant Reporting Obligations*, Canberra, 24 January 2012.

Briefing package

4.6 A comprehensive briefing package on the outcome of the assessment process was provided on 6 March 2012 by FaHCSIA to the then Parliamentary Secretary. Copies of the briefing were also provided to the Minister for Families, Community Services and Indigenous Affairs and the Minister for Housing.

4.7 The package comprised a covering minute and various attachments, comprising:

- a copy of the Assessment Report;

- a copy of the department's documented internal Selection Strategy as well as its Probity Plan and Probity Protocols;

- a copy of Part C of the program guidelines suite (the SAIF-specific document);

- a spreadsheet summarising the recommended applications, including the organisation name, its location, project title, short description of the project, type of accommodation and the number of accommodation places, the state in which the project was located and a summary of the assessment of the proposal together with the weighted score achieved against the technical criteria, the funding amount requested and average cost per place;

- a full list of the 122 applications received (including ineligible and withdrawn applications) with relevant overview information on each application; and

- the results of the three risk assessments that had been undertaken (see paragraph 3.19).

Grant framework requirements

4.8 FaHCSIA's briefing Minute clearly outlined to the then Parliamentary Secretary the requirements of FMA Regulation 9 that applied to her decision-making. The department also provided advice that the requirements of FMA Regulation 10 (concerning the availability of appropriations for the grant funding) had been satisfied.

4.9 In addition, the then Parliamentary Secretary was provided with advice as to the reporting obligations that apply in situations where she wished to

approve funding for an application the department did not recommend be approved. Specifically, she was advised that:

> If you should choose to approve a grant that the department has not recommended, as per the Finance Minister's Instructions[49], can you please annotate this Minute with a brief statement for your decision. This statement will then be provided to the Finance Minister.

4.10　This advice was sound, but could have usefully also drawn the then Parliamentary Secretary's attention to the importance of having regard to the published program criteria in such circumstances. Specifically, if projects not recommended for funding in the documented assessment process were to be approved in place of recommended projects, the approver would need to record the basis on which he or she had determined that the alternative projects had met the published selection criteria to a higher standard than any recommended projects that were not approved.[50]

Outline of the assessment process and merit ranking of recommended applications

4.11　FaHCSIA's briefing summarised the selection process that had been employed, commencing with a call for applications that was open to community organisations, non-government organisations, State and Territory disability authorities and local government authorities. In this respect, the then Parliamentary Secretary was advised that:

> The initiative attracted 122 applications from 89 organisations spread across all States and Territories. There were 31 ineligible applications received and three were withdrawn, making a total of 88 applications for assessment. Two applications were received after the closing time and were not accepted for assessment.

4.12　In addition, the briefing package included a copy of the Assessment Report prepared by FaHCSIA. Among other matters, this report identified each of the 27 applications that FaHCSIA was recommending for funding approval. In this context, consistent with the grants administration framework,

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[49]　Those Instructions had been replaced, on 1 July 2009, by the CGGs.

[50]　Alternatively, it might be possible for a decision-maker to waive one or more criteria but the CGGs outline that, in the interests of transparency, accountability and equity, grant guidelines should document the circumstances in which the eligibility and assessment criteria set out in grant guidelines may be waived. The SAIF program guidelines did not permit any of the assessment criteria to be waived.

FaHCSIA provided the then Parliamentary Secretary with a clear recommendation that she agree:

- that the 21 organisations identified in an attachment to the briefing and in the Assessment Report be funded to deliver 27 projects under the SAIF; and

- to the process outlined in the briefing minute to manage seven identified 'sensitivities'. Specifically:

    - the lack of any recommended applications for accommodation in Western Australia;

    - to ensure program funding would result in at least eight places for respite accommodation[51] (in addition to places for new supported accommodation), one application that otherwise did not rank sufficiently highly was being recommended for approval;

    - to ensure the program funding would deliver at least 142 new places and eight respite places, the recommended projects involved total funding that would reduce the planned program contingency (to meet any increases in project costs) from $5.67 million to $5.15 million;

    - consistent with a preference expressed in the published guidelines, the recommended applications prioritised proposals that targeted new accommodation places over proposals targeted at existing places;

    - one of the 'assumptions' of SAIF was that supported accommodation places were intended to be permanent places and, as a result, the 12 applications that specifically related to transitional models of accommodation were assessed as ineligible; and

    - a financial viability assessment of one of the highest ranked applications had identified the need for stronger controls and monitoring over SAIF funding.

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[51]   The published program guidelines had stated that five per cent of the target of up to 150 places (or eight places) would be available for proposals providing respite.

4.13 To provide further assurance to the then Parliamentary Secretary concerning the conduct of the assessment process, the briefing minute stated that all applications had been assessed in line with the approved Selection Strategy and Probity Plan and Probity Protocols (a copy of each document was included in the briefing package). The then Parliamentary Secretary was informed that there had been 'three minor deviations from the Selection Strategy or Program Guidelines Part C' (the latter was also included as an attachment to the briefing minute). FaHCSIA advised that each deviation had been approved by the relevant Senior Executive Service officer within the department, and explained the deviations within the advice on 'sensitivities' (see paragraph 4.12 above).

4.14 Identifying any departures from the published and planned assessment processes is sound practice. It is particularly important that any departures from the program guidelines be identified. This is because the grant program guidelines are a policy of the Commonwealth, and FMA Regulation 9 requires that spending proposals be consistent with relevant policies of the Commonwealth if they are to be approved for funding. In this respect, as outlined in Chapter 3, there were significant departures between the published suite of program guidelines and the assessment methodology (as reflected in the Selection Strategy), but these were not drawn to the then Parliamentary Secretary's attention because the department was not, at that time, conscious that it had departed from the program guidelines.

Grant funding decision

4.15 On 15 March 2012, the then Parliamentary Secretary recorded on her copy of the briefing that she had agreed to the department's funding recommendation, and to the process outlined to manage each of the identified sensitivities. That is, the then Parliamentary Secretary agreed to award funding to the 27 applications recommended by FaHCSIA and did not award funding to any applications that had not been recommended for funding approval.

4.16 In recording her funding decision, the then Parliamentary Secretary asked that the department confirm that she could approve funding for projects located in her state of Queensland (having regard to the requirements of the CGGs) without having to report those grants to the Finance Minister. In this respect, Part A of the program guidelines suite had outlined that the Minister for Families, Housing, Community Services and Indigenous Affairs (as she then was) had overall responsibility for the program, and that the final decisions about locations, sites and proposals for funding would be made by

either the Minister or the Parliamentary Secretary for Disabilities and Carers. In this context:

- the Minister did not need to report to the Finance Minister that accommodation for one project was to be located in the Minister's electorate of Jagajaga[52] as she was not the decision-maker; and

- there was also no requirement for the then Parliamentary Secretary to report any grants awarded in her state of Queensland, as the own-electorate reporting requirements do not apply to Senators. Advice to this effect was provided by FaHCSIA to the then Parliamentary Secretary's office on 16 March 2012.

Funding announcement

4.17 It is recognised that governments may choose the timing of announcements to suit their purposes having regard to other priorities. Nevertheless, from a program administration perspective, and as a matter of good practice, it is preferable for all decisions on approved or unsuccessful projects to be announced together, or within a relatively short period of time.[53] This approach has the advantage of avoiding any perception that the timing of the announcements is being used for party-political purposes. It also enables proponents to know the outcome of their proposals as soon as possible so they can begin preparing to implement their project or pursue alternative sources of funding (where Commonwealth funding has not been approved).

4.18 All 27 successful projects were announced on 3 April 2012. This was done by way of a media release issued by the Prime Minister, the Minister for Disability Reform and the then Parliamentary Secretary for Disabilities and Carers. Also on that date, a press conference announcing the award of funding was held in Parramatta by the Prime Minister and the then Parliamentary Secretary for Disabilities and Carers together with the Member for Parramatta (one of the successful applications was located in that electorate).

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[52] Funding awarded to Community Housing (Vic) Ltd related to an application under which the proponent would provide two existing one bedroom units in Heidelberg from its portfolio together with a proposal to purchase an additional four, one bedroom units near the railway line between Heidelberg and Watsonia. The application outlined that five units would be available for people with a disability and one unit would accommodate a sixth person with a disability or the community living worker under the 'key ring' model. All units were to be within 30 minutes travel by public transport from the community living worker.

[53] ANAO Audit Report No. 14 2007-08, *Performance Audit of the Regional Partnerships Program,* Volume 1—Summary and Recommendations, Canberra, 15 November 2007, p. 54.

4.19   In addition, the SAIF program communication strategy included as a major communication activity that the Parliamentary Secretary notify federal Members of funding awarded in their electorates.[54] Draft letters in this respect were provided by FaHCSIA to the then Parliamentary Secretary on 19 March 2012, after the funding decisions had been made. Letters were sent to all relevant Members, irrespective of their political party.[55]

Conclusion

4.20   A timely and comprehensive briefing on the outcome of the funding round was provided by FaHCSIA to the then Parliamentary Secretary. The briefing included a clear recommendation from the department that the then Parliamentary Secretary approve 27 applications assessed by the department as offering the greatest merit within the program parameters. The recommendation was supported by a briefing package that provided the then Parliamentary Secretary with a range of material relevant to her decision-making.

4.21   The then Parliamentary Secretary agreed to the funding recommendation she received from FaHCSIA. Specifically, the only applications approved for funding were those recommended by the department, and there were no recommended applications that were not approved for funding.

4.22   All 27 successful projects were announced on 3 April 2012. In addition, the then Parliamentary Secretary notified relevant federal Members of funding awarded in their electorates.

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[54]   In one instance, advice was incorrectly provided to the Member for Leichhardt when the accommodation was planned to be located in the electorate of Kennedy.

[55]   By way of comparison, in some other programs examined by ANAO, the relevant decision-maker has advised the local Federal Member of the award of funding where the electorate was held by the governing party, otherwise the advice is provided to the governing party's duty Senator in that state.

5.   Electorate Distribution of Funding

In the context of the concerns raised about the electorate distribution of funding that led to the request for this audit, this chapter examines the distribution of funding by political party according to planned location of accommodation for those projects approved for SAIF funding.

Introduction

5.1   Since December 2007, agencies have been required to publish on their website details of individual grants. In addition, since January 2009, the grants administration framework has required Ministers who are Members of the House of Representatives to report to the Finance Minister each instance in which they approve a grant in their own electorate.

5.2   Nevertheless, and as outlined in a recent ANAO performance audit on the grant reporting obligations[56], where audit reports or public commentary has raised questions about the political distribution of grant funding, the concerns raised have generally related to a wider issue than grants approved by a Minister in his/her own electorate. Specifically, the concern has more often been whether the total distribution of approved grants under a particular program has favoured the party in government, rather than just the electorate of the particular Minister who was making the decisions. This was the case in respect to the SAIF with questions being raised publicly in February 2013 about the extent to which the funding had been awarded to projects located in electorates held by the Australian Labor Party (ALP), the Australian Greens or an Independent Member, with few grants awarded to projects located in an electorate held by the Coalition.

5.3   Accordingly, ANAO examined:

- the website reporting of funding agreements entered into for each approved grant; and

- the distribution of approved funding by political party.

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[56]   ANAO Audit Report No.21 2011–12, op. cit., p.91.

Website reporting of individual grants

5.4   Website reporting of individual grants was introduced to promote transparency and accountability.[57] At the time the SAIF funding decisions were made, the requirement to publish information on individual grants was set out in the July 2009 CGGs. The CGGs required that each agency publish on its website information on individual grants no later than seven working days after the funding agreement for the grant takes effect.

5.5   One matter raised by the July 2008 report of the Strategic Review of the Administration of Australian Government Grant Programs in relation to public reporting on individual grants was the importance of consistent information being provided. In this respect, the information to be published in respect to each grant, and template to be used for reporting purposes, is outlined in Finance Circular 2009/04 *Grants—Reporting Requirements* released in June 2009. The mandatory data fields which must be populated by agencies when publishing grant details, and the description provided in the Finance Circular against each item, are outlined in the Table 5.1.

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[57]   Mr Peter Grant PSM, *Strategic Review of the Administration of Australian Government Grant Programs*, 31 July 2008, p. 10.

Table 5.1

Mandatory fields for inclusion in agency website reporting of grants

Field	Description
Portfolio	The Portfolio to which the agency belongs.
Agency title	The name of the agency.
Program title	This title must match the program title used in the Portfolio Budget Statements/Central Budget Management System (CBMS). One-off grants not aligned to a grant program should include the word 'one-off' in the program title.
Program component	Represents a distinct sub-set activity of a program.
Recipient	This name must match the recipient's legal name.
Purpose	Purpose for which the money has been provided.
Value	The total funding approved for the grant across all years of the grant in whole dollars, GST inclusive.
Approval date	The date the funding agreement takes effect.
Grant term	The total number of months that the funding agreement is for, or the end date of the agreement.
Grant funding location	The state and suburb where the funding is to be primarily provided. For grants that are provided to multiple postcodes, agencies will need to provide details that best describe the area where funding is to be provided.
Postcode	The postcode where the funding is to be primarily provided.

Source: Finance Circular 2009/04, *Grants – Reporting Requirements*, Department of Finance and Deregulation, 29 June 2009.

Grant approval date

5.6   The website reporting arrangements relate to the signing of funding agreements rather than the award of individual grants. In this context, for the 27 SAIF grants, FaHCSIA has reported on its website 49 funding agreements. This reflects that, for 22 approved grants, FaHCSIA exchanged a Letter of Offer with the funding recipient to provide initial funding for project management and professional upfront costs. A capital works funding agreement was subsequently also signed with each of these successful applicants. A capital works funding agreement was also signed in respect to the remaining five successful applicants.

5.7   FaHCSIA issued the 22 Letters of Offer on various dates in May 2012, and they were executed on eight dates between 11 May 2012 and 1 June 2012. The 27 funding agreements were signed on 18 dates between 13 June 2012 and 15 November 2012. However, notwithstanding the requirements of the website

reporting, FaHCSIA did not report the date that each Letter of Offer/funding agreement took effect but, rather, all 49 were reported with the date the then Parliamentary Secretary approved funding (15 March 2012).

Grant value

5.8   As required, FaHCSIA reported the funding amounts inclusive of Goods and Services Tax (GST). For the Letters of Offer, the amount reported related to the grant payment that was made in association with the Letter of Offer. The funding agreements stated the total grant amount but, where a Letter of Offer had been executed, recognised that the relevant amount had already been paid (and so was no longer payable). FaHCSIA's website reporting accordingly reflected the GST inclusive amount of the remaining grant that was payable.

5.9   The amounts reported by FaHCSIA on its website at the time of audit analysis (March 2013), also reflected any approved increases to the value of the grant (above that approved by the then Parliamentary Secretary in March 2012).

Grant funding location

5.10   The SAIF application guidelines required that applicants provide:

- the physical location of their organisation (street address, town or suburb, state or territory and postcode);

- their postal address (where it differed from the street address); and

- the street number including unit number, street address, town/suburb, state and postcode for each accommodation place to be constructed with SAIF funding.

5.11   Analysis of the funding awarded under the SAIF that had informed the public questioning of the distribution of funding was based on reporting by FaHCSIA on its website of the 49 Letters of Offer/funding agreements that had been entered into in respect to the 27 approved projects. In particular, the analysis relied on the information reported on the FaHCSIA website as to 'grant funding location' and 'postcode'. However, rather than reporting on its website the accommodation location and related postcode (as was required by Finance Circular 2009/04), FaHCSIA had reported the location and postcode of the organisation that was to receive the funding. This had a significant impact

on the analysis of the electorate distribution of the awarded funding. For example:

- the Brain Injury Association of Queensland Inc's address is in West End, Brisbane (within the Federal electorate of Griffith held by the Australian Labor Party, ALP), but the accommodation is being constructed in Gordonvale, a suburb situated in the southern end of Cairns (within the Federal electorate of Kennedy, held by an Independent Member of Parliament);

- Centacare Tasmania, located in New Town a suburb of Hobart (within the Federal electorate of Denison, held by an Independent Member of Parliament) was awarded funding for accommodation to be constructed in the city of Devonport, in Northern Tasmania (within the Federal electorate of Braddon, held by the ALP); and

- two applications submitted by Affordable Community Housing Ltd were successful. This organisation is located in Silverwater, a Western Sydney suburb (within the Federal electorate of Reid held by the ALP) but the accommodation is being constructed in another Western Sydney suburb (Parramatta, within the Federal electorate of Parramatta, also held by the ALP) and the suburb of Ryde (within the Federal electorate of Bennelong, held by the Liberal Party of Australia).

5.12 Having regard to the location in which the accommodation was planned to be constructed/purchased at the time the funding decision was made, funding was awarded to 27 projects located in 26 Federal electorates. The only electorate in which more than one grant was awarded was Page.[58] Although not to the same extent as that suggested by analysis of the data published by FaHCSIA on its website, a significant proportion of the approved grants and related funding involved accommodation located in electorates held by the ALP. In this respect, as illustrated by Table 5.2:

- two-thirds of the approved applications, involving two-thirds of approved funding, related to accommodation located in an electorate held by the ALP;

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[58] By way of comparison, electorate distribution analysis on the basis of FaHCSIA's website reporting had indicated that the funding had been awarded in 17 Federal electorates, with five electorates appearing to have two grants, one electorate appearing to have three grants and one electorate appearing to have four grants.

- the number of applications awarded funding (and the value of the funding awarded) in respect to accommodation located in an electorate held by one of the Coalition parties was significantly less than that awarded to the governing party, and represented a significantly lower proportion of applications and funding than the Coalition's representation in the House of Representatives;

- no funding was awarded in respect to accommodation located in the electorate held by The Greens[59], and funding was awarded in respect to accommodation located in one electorate held by an Independent Member (the seat of Kennedy in Queensland[60]).

Table 5.2

Application approvals by political party

Party holding the electorate in which the project is located	Electorates held at time funding awarded	Applications recommended and approved		Funding recommended and approved	
		Number	%	$m	%
Australian Labor Party	72 (48%)	18	66.7	34.85	67.6
Coalition	73 (49%)	8	29.6	12.10	23.5
The Greens	1 (1%)	Nil	Nil	Nil	Nil
Independent Member	4 (3%)	1	3.7	4.59	8.9
Total	**150**	**27**	**100**	**51.54**	**100**

Source: ANAO analysis of FaHCSIA grants reporting and Australian Electoral Commission data.

Funding distribution

5.13 As outlined at paragraph 4.15, the award of funding was wholly consistent with FaHCSIA's recommendation as to which applications should be approved. In the context that some two-thirds of the successful applications and approved funding related to accommodation located in electorates held by the governing party, ANAO examined whether there was any evidence of the electorate status influencing the process by which applications were received,

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[59] FaHCSIA's website reporting had identified seven funding agreements in relation to three proponents (relating to four approved applications) located in that part of Melbourne within the electorate of Melbourne, but in no instance was the accommodation that was the subject of the approved application located in that electorate.

[60] See the first dot point of paragraph 5.11 in respect to this project. By way of comparison, FaHCSIA's website reporting had identified three funding agreements in respect to two proponents (which related to two applications) located in that part of Hobart that is within the Independent-held electorate of Denison in Tasmania, when none of the accommodation is located in that electorate.

assessed as to their eligibility and merit, and recommended to the then Parliamentary Secretary.

Information considered in the assessment and decision-making processes

5.14 The primary objective of any grant assessment and decision-making process should be to consistently and transparently select those projects most likely to contribute to the cost-effective achievement of the program's objectives. Accordingly, for a competitive, merits-based program where the program objectives do not include any requirements in relation to the distribution of funding in geographic or other terms, the assessment approach should involve all eligible, compliant applications being assessed in the same manner against the same criteria, with the outcome of the assessments against the published criteria then being used to rank each application in priority order.[61] In turn, the ranking forms the basis of the recommendations to the decision-maker as to which applications should be approved and those that should be rejected.[62]

5.15 Other than five per cent of the target of 150 places expected to relate to respite accommodation, the objectives of SAIF did not involve any imperative for funding to be allocated other than to those eligible applications that had demonstrated the greatest merit in terms of the published criteria. In this respect, there was no evidence that electorate distribution played any role in the application, assessment or approval of program funding. Specifically:

- applicants were asked to identify (where possible) the location of the accommodation, but not in electorate terms;

- there is no evidence that the location of the accommodation (in electorate or other respects) was a consideration in FaHCSIA's assessment work or in the recommendations the department provided to the then Parliamentary Secretary;

- the assessment material provided to the then Parliamentary Secretary did not identify the electorate in which accommodation would be located, and no such advice was sought from FaHCSIA by the then

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[61] ANAO Better Practice Guide, op. cit., p. 75.

[62] ANAO Audit Report No.21 2011–12, *Administration of Grant Reporting Obligations*, Canberra, 24 January 2012, p.55.

Parliamentary Secretary, other portfolio Ministers (who received a copy of the department's briefing) or their offices; and

- FaHCSIA did not seek to identify the electorate in which accommodation was located until after the then Parliamentary Secretary made her funding decision (so as to prepare letters to the relevant local Member).

Electorate location of applications received and assessed

5.16   The award of SAIF funding was undertaken through a public, open call for applications. In this respect, and as illustrated by Table 5.3, applications for accommodation located in electorates held by the Coalition was slightly less well represented in the population of applications than those relating to electorates held by the ALP (in comparison to the number of seats held in the House of Representatives). Overall, applications relating to accommodation in an ALP-held electorate sought greater funding than those involving accommodation in a Coalition-held electorate. This is reflected in the former representing 50 per cent of the total funding sought, and the latter representing only 36 per cent of total funding sought.

Table 5.3

Applications received and proceeding to merit assessment by political party

Party holding the electorate in which the project is located	Electorates held at time of funding round	Applications received and not withdrawn				Applications assessed as ineligible				Applications proceeding to merit assessment			
		#	%	$m	%	#	%	$m	%	#	%	$m	%
Australian Labor Party	72 (48%)	55	46	131.1	50	7	23	22.7	31	48	55	108.4	57
Coalition	73 (49%)	49	41	93.4	36	18	58	34.7	48	31	35	58.7	31
The Greens	1 (1%)	0	N/A	0	N/A	0	N/A	0	N/A	0	N/A	0	N/A
Independent Member	4 (3%)	4	4	7.1	3	1	3	0.5	1	3	3	6.6	4
Location not identifiable from application		11	9	29.9	11	5	16	14.3	20	6	7	15.6	8
Total		119	100	261.5	100	31	100	72.2	100	88	100	189.3	100

Source: ANAO analysis of FaHCSIA records and Australian Electoral Commission data.

5.17   Table 5.3 outlines that applications involving accommodation located in a Coalition-held electorate represented the majority of those applications assessed as ineligible.[63] However, the location of the accommodation was not a factor taken into account at the eligibility assessment stage. The conduct of the eligibility assessment was discussed in Chapter 2.

5.18   The trend of applications relating to accommodation in an ALP-held electorate being more successful in progressing through the assessment process was particularly evident in terms of the merit assessment. Specifically, compared to such applications comprising 55 per cent of applications assessed as eligible (involving 57 per cent of funding) as illustrated by Table 5.3, 66.7 per cent of the applications recommended by FaHCSIA (involving 67.6 per cent of recommended funding) involved accommodation planned to be located in an ALP-held electorate (see Table 5.2).

5.19   However, again, the location of the accommodation was not a factor taken into account at the merit assessment stage. Rather, the population of recommended (and, subsequently, approved) applications reflected the implementation by FaHCSIA of an assessment methodology that combined the ranking achieved by eligible applications in terms of their weighted score against published technical merit criteria with a second ranking based on the relative average cost per accommodation place. However, as outlined in Chapter 3, the conduct of the merit assessment departed in significant respects from the published program guidelines.

Effect on funding distribution of departures from the published guidelines

5.20   As outlined at paragraphs 3.28 and 3.29, there were nine applications approved for SAIF funding that would not have been approved had funding been allocated on the basis of the technical criteria (scored on a six point scale and with no weighting of these criteria, as per the published guidelines). There were also five applications that were not approved for funding but would have been recommended for funding had the technical assessment criteria scoring approach outlined in the program guidelines been applied. Table 5.4 compares the resulting 23 applications to those that had been approved for funding (as outlined in Table 5.2). In this respect:

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[63]   The main reasons that the applications were ineligible related to: transitional accommodation (eight out of 18) and not having state/territory endorsement (seven out of 18).

- the number of successful applications involving accommodation located in an electorate held by the ALP would have fallen (from 18 applications to 14 applications[64]), as would the amount of funding for accommodation in these electorates (from $34.85 million to $28.83 million);

- although the number of grants awarded for accommodation located in an electorate held by one of the Coalition Parties would have remained unchanged at eight, an extra $5.42 million in funding would have been awarded to accommodation located in Coalition-held electorates;[65] and

- there would have been no change in the number, nor identity, of the application approved for new supported accommodation that was located in one electorate held by an Independent Member.

Table 5.4

Electorate distribution had funding been allocated through the publicised assessment process

Party holding the electorate in which the project is located	Electorates held at time funding awarded	Highest merit applications in terms of technical selection criteria		Funding allocation under recalculated assessment	
		Number	%	$m	%
Australian Labor Party	72 (48%)	14	60.9	28.83	56.6
Coalition	73 (49%)	8	34.8	17.52	34.4
The Greens	1 (1%)	Nil	Nil	Nil	Nil
Independent Member	4 (3%)	1	4.3	4.59	9.0
Total	**150**	**23**	**100**	**50.94**	**100**

Source: ANAO analysis of FaHCSIA grants reporting and Australian Electoral Commission data.

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[64]   The reduction would have involved seven of the approved applications not being awarded funding (totalling $9.87 million), with three other applications instead being awarded aggregate funding of $3.84 million.

[65]   This is because two of the approved applications would not have been awarded aggregate funding of $2.27 million, with two other applications instead ranking more highly (with a combined grant value of $7.69 million).

Conclusion

5.21 FaHCSIA's website reporting of the SAIF grants included a number of errors such that it did not provide an accurate outline of the electorate distribution of approved SAIF funding. Specifically, analysis of the data reported by FaHCSIA on its website suggested that very little program funding had been awarded to accommodation located in electorates held by the Coalition. Although receiving less funding than projects involving accommodation located in ALP-held electorates, the situation was not as stark as analysis of FaHCSIA's website reporting had suggested.

5.22 Further in this respect, the location of the accommodation did not play a role in the SAIF application assessment and decision-making processes. Nevertheless, various departures occurred between the published program guidelines and the methodology employed by FaHCSIA to assess competing applications. In this context, and although not intended nor designed to advantage one political party over another, accommodation that was planned to be located in a Coalition-held electorate was disadvantaged more often by FaHCSIA's approach than that located in an ALP-held electorate. Specifically:

- 18 of the 27 approved applications (67 per cent) involving 67 per cent of the approved funding involved accommodation planned to be located in an ALP-held electorate. If FaHCSIA had adhered to the assessment methodology outlined in the published program guidelines[66], applications on the merit list for accommodation located in an electorate held by the ALP would have fallen to less than 61 per cent, representing some 57 per cent of funding; and

- less than 30 per cent of the approved applications related to accommodation planned to be located in an electorate held by the Coalition (involving less than 24 per cent of approved funding). Adherence to the program guidelines would have seen accommodation in a Coalition-held electorate comprising nearly 35 per cent of applications on the merit list (and just over 34 per cent of funding).

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[66] On the basis that the then Parliamentary Secretary would not have departed from the department's recommendations.

Recommendation No.3

5.23 The ANAO recommends that the Department of Families, Housing, Community Services and Indigenous Affairs promote more accurate analysis of grants awarded under the programs it administers by adjusting its website reporting of individual grants to align with the required source and nature of data specified under the grants administration framework.
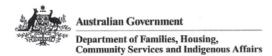
FaHCSIA response:

5.24 *Agreed.*

Ian McPhee   Canberra ACT

Auditor-General   31 May 2013

Appendices

Appendix 1:   Response from FaHCSIA

Australian Government

**Department of Families, Housing,
Community Services and Indigenous Affairs**

Finn Pratt PSM
Secretary

Mr Ian McPhee PSM
Auditor-General
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Mr McPhee

Thank you for your letter of 30 April 2013. I appreciate having this opportunity to respond to the proposed Section 19 report on the audit conducted recently by the Australian National Audit Office (ANAO) of the Award of Grants for the Supported Accommodation Innovation Fund (SAIF).

I am pleased to note that the location of the accommodation did not play a role in the SAIF application assessment and decision-making process, which goes to the key driver for the audit that there had potentially been some improper political bias.

The Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) notes the findings in relation to the assessment process, accepts the three recommendations of the report and will work to implement them as soon as possible.

The new program reform approach being developed by FaHCSIA as an important part of its broader delivery reform agenda will help to address the recommendations raised by ANAO. The reform is aimed at ensuring that all internal programs and processes have clearer roles and responsibilities and that programs are developed and delivered in a consistent way. It will enable FaHCSIA to continually evaluate programs and create opportunities to capture innovation. This reform will produce key changes to processes such as selection activities, including the development of a centre of expertise, introduce new tools and templates and give clearer guidance about how to do business in a consistent way.

Formal response to issues raised by ANAO

Program Access
FaHCSIA agrees that there is a need to develop policies, procedures and guidelines as are necessary for the sound administration of grants.

ANAO have specifically stated that although FaHCSIA developed a checklist to record all mandatory requirements, it was not used to comprehensively record the eligibility of each application and that this approach reduced the transparency of the assessment

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www.fahcsia.gov.au

process. The circumstances around FaHCSIA's approach were outlined in feedback to ANAO, and included the need to make a decision on whether to proceed assessing all components of eligibility when an applicant had failed to meet one mandatory requirement. Given that there were no recorded requirements to continue assessing eligibility past the first point of failure, and time was of the utmost importance, a judgement was made to cease assessing at that point.

Merit Assessment
FaHCSIA acknowledges and agrees that assessment methodologies should be consistent with published program guidelines.

ANAO concludes that had FaHCSIA followed proper procedures, the final outcome for fourteen applications could have been different. FaHCSIA acknowledges that, had the weightings been published, it is possible that applicants might have provided different responses in their applications, particularly to the highly weighted innovation selection criteria. FaHCSIA agrees with ANAO that program guidelines should clearly reflect the selection methodology to be applied (including the use of weightings), that processes should be in place to ensure that such deviations do not occur, and that assessment methodology applied should be consistent with the program guidelines and made available to applicants. To this end, it is unfortunate that the independent external probity processes in place did not identify the compromised transparency and consistency of the process being undertaken with the procedures outlined to applicants.

Electorate Distribution of Funding
FaHCSIA agrees that its website reporting model led to erroneous assumptions about electorate distribution of SAIF funds. A new report has been uploaded to http://www.fahcsia.gov.au/our-responsibilities/disability-and-carers/grants-funding/the-supported-accommodation-innovation-fund-saif-list-of-successful-projects in order to address this issue. Systemic changes are also required to address the production of an automated list taken from the FaHCSIA Online Financial Management System that currently sits under the http://www.fahcsia.gov.au/grants-funding/fahcsia-grants/grant-funding-reports-by-location/electorate-locations-report, and this is in train.

Conclusion
I appreciate the significant effort that has been invested in this report, and note that the ANAO have worked hard to ensure that this audit was conducted in such short timeframes.

I will ensure that the recommendations are progressed through the new program reform model so that all future selection processes will be conducted with due attention to promoting open and transparent access to grants; assessment methodologies are consistent with published program guidelines; and more accurate website reporting occurs.

Yours sincerely

per

Finn Pratt
22 May 2013
cc.   Ms Barbara Cass, Group Executive Director, Performance Audit Services Group

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