

# **Implementation of Parliamentary Committee and Auditor-General Recommendations — Department of Finance**

Department of Finance

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ISSN 1036–7632 (Print)

ISSN 2203–0352 (Online)

ISBN 978-1-76033-887-9 (Print)

ISBN 978-1-76033-888-6 (Online)

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Canberra ACT  
22 February 2024

Dear President  
Dear Mr Speaker

In accordance with the authority contained in the *Auditor-General Act 1997*, the Auditor-General has undertaken an independent performance audit in the Department of Finance. The report is titled *Implementation of Parliamentary Committee and Auditor-General Recommendations — Department of Finance*. 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.

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

Yours sincerely



Rona Mellor PSM  
Acting Auditor-General

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

## **AUDITING FOR AUSTRALIA**

The Auditor-General is head of the Australian National Audit Office (ANAO). The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits, financial statement audits and assurance reviews of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Australian Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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# Audit snapshot

## Auditor-General Report No.17 2023–24

*Implementation of Parliamentary Committee and Auditor-General Recommendations —  
Department of Finance*



### Why did we do this audit?

- ▶ The appropriate and timely implementation of agreed recommendations is an important part of realising the full benefit of a parliamentary inquiry or an audit, and for demonstrating accountability to the Parliament.
- ▶ This is the sixth in a series of audits. This audit examined recommendations directed to the Department of Finance (Finance).



### What did we find?

- ▶ Finance has partly implemented the 18 agreed parliamentary committee and Auditor-General recommendations examined in this audit, and its governance arrangements and implementation planning for managing agreed recommendations are partly fit-for-purpose.



### Key facts

- ▶ A schedule of outstanding government responses to parliamentary committee reports is generally presented to the Parliament twice a year.
- ▶ Across the Australian Government, one per cent of Senate committee reports and one per cent of House of Representatives committee reports were responded to within the agreed timeframes in the reporting period ending in June 2023.



### What did we recommend?

- ▶ The Auditor-General made three recommendations relating to Finance's: implementation planning; monitoring arrangements; and whole-of-government guidance.
- ▶ Finance agreed to the recommendations.

3 out of 6 (50%)

parliamentary committee recommendations fully or largely implemented by Finance.

6 out of 12 (50%)

Auditor-General recommendations fully or largely implemented by Finance.

# Summary and recommendations

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## Background

1. The Department of Finance (Finance) is a central agency that supports the Australian Government's budget process and public sector resource management, governance and accountability frameworks.<sup>1</sup> As a department of state, framework policy owner and material entity, Finance regularly receives recommendations as part of parliamentary committee inquiries and external audit activity by the Australian National Audit Office (ANAO).
2. Parliamentary committee and Auditor-General reports identify risks to the successful delivery of government outcomes and can provide recommendations to address them. Successful implementation of agreed<sup>2</sup> recommendations by Australian Government entities requires effective governance arrangements promoting a strong accountability framework, with implementation approaches that set clear responsibilities and timelines for addressing the required actions.
3. The Auditor-General provides independent assurance and reporting to the Parliament as to whether the Executive arm of government is operating and accounting for its performance in accordance with the Parliament's intent. The Auditor-General's functions include annual audits of entities' financial statements, audits of entities' performance statements, and reviews of entity operations through a program of performance audits. As part of a performance audit, audited entities have the opportunity to provide a formal response to the Auditor-General, which is included in the performance audit report. Where entities agree to Auditor-General recommendations this represents a commitment to Parliament that the entity will undertake the actions agreed to.<sup>3</sup>
4. This is the sixth in a series of performance audits that has examined the effectiveness of Australian Government entities' implementation of agreed recommendations from parliamentary committee and Auditor-General reports.<sup>4</sup>

## Rationale for undertaking the audit

5. Parliamentary committee reports and Auditor-General reports, which are prepared for the Parliament, have identified risks to the successful delivery of outcomes by Finance and areas where administrative or other improvements could be made. A number of the identified risks and

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1 Department of Finance, *The Department* [Internet], Finance, available from <https://www.finance.gov.au/about-us/department> [accessed 11 October 2023].

2 As discussed in paragraph 1.24, for the purposes of this audit an 'agreed' recommendation means: agreed by Finance (for recommendations directed to the department); and noted by Finance (for recommendations directed to government that relate to Finance responsibilities and which require government consideration).

3 ANAO performance audits are prepared for presentation to Parliament and are tabled. Entity agreement to implement ANAO recommendations is documented in the tabled report and is therefore a commitment to the Parliament.

4 Details of the previous audits are provided in Appendix 3. The ANAO has also published insights from this series of performance audit reports, available from <https://www.anao.gov.au/work/audit-insights/implementation-recommendations-0> [accessed 4 August 2023].

opportunities relate to Finance's stewardship of whole-of-government frameworks intended to promote the efficient, effective, economical and ethical use of public resources by entities.<sup>5</sup>

6. The appropriate and timely implementation of agreed recommendations is an important part of realising the full benefit of a parliamentary inquiry or ANAO audit and demonstrating accountability to the Parliament. For a central agency, the implementation of agreed recommendations relating to whole-of-government frameworks it administers will address identified issues regarding their operation and will support improved public sector performance. This audit provides assurance to the Parliament that recommendations directed to Finance are being implemented as agreed.

### **Audit objective and criteria**

7. The audit objective was to examine whether the Department of Finance (Finance) has implemented a selection of agreed parliamentary committee and Auditor-General recommendations.

8. To form a conclusion against the audit objective, the following high-level criteria were adopted.

- Does Finance have fit-for-purpose governance arrangements to respond to, monitor and implement agreed recommendations?
- Were agreed recommendations effectively implemented?

9. The ANAO reviewed Finance's implementation of 18 agreed recommendations, comprised of six parliamentary committee recommendations and 12 Auditor-General recommendations.

### **Conclusion**

10. Finance has partly implemented the 18 agreed parliamentary committee and Auditor-General recommendations examined in this audit, and its governance arrangements and implementation planning for managing agreed recommendations are partly fit-for-purpose.

11. Finance has partly fit-for-purpose governance arrangements to respond to, monitor and implement agreed parliamentary committee and Auditor-General recommendations. Finance's internal arrangements are inconsistent and focus on agreed recommendations made by the Parliament's Joint Committee of Public Accounts and Audit (JCPAA) and the Auditor-General. They are less focused on agreed recommendations made by other parliamentary committees.

12. Finance has established a fit-for purpose internal system which provides functionality to track its implementation of recommendations, but does not adopt a consistent approach, or apply the full functionality of its system, to its management of all agreed parliamentary and Auditor-General recommendations.

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5 These include frameworks established under the Commonwealth finance law. Section 8 of the PGPA Act states that 'finance law' means the PGPA Act, or the rules (at present the Public Governance, Performance and Accountability Rule 2014 made pursuant to the PGPA Act), or any instrument made under the PGPA Act, or an Appropriation Act.



13. There is scope for Finance to apply a fit-for-purpose approach across all types of agreed recommendations, to support its delivery of outcomes in accordance with parliamentary expectations.
14. Finance does not have an internal requirement to develop implementation plans for agreed recommendations, and its implementation planning for the 18 recommendations examined in this audit was partly fit-for-purpose.
15. Eight recommendations were implemented (44 per cent), one was largely implemented (six per cent), one was partly implemented (six per cent), and two were not implemented (11 per cent). For six recommendations, implementation was ongoing (33 per cent). The closure of four recommendations assessed by Finance as 'implemented' was not supported by adequate evidence.

## Supporting findings

### Governance

16. Finance has arrangements in place to identify and respond to the recommendations of all parliamentary committees. Finance's arrangements include the assignment of responsible officers.
17. Finance has arrangements in place to monitor, report on and close recommendations of the Parliament's Joint Committee of Public Accounts and Audit (JCPAA). However, they are not clearly documented. Finance does not have such arrangements in place for the recommendations of other parliamentary committees (refer paragraphs 2.4 to 2.54).
18. Finance has documented its internal responsibilities and processes for identifying, responding to and monitoring agreed Auditor-General recommendations.
19. Finance does not have documented processes for identifying implementation actions for agreed Auditor-General recommendations.
20. Finance has documented internal responsibilities and processes for closing and reporting on agreed Auditor-General recommendations (refer paragraphs 2.55 to 2.69).
21. Finance has established a fit-for-purpose internal system (the recommendation tracker) which provides functionality to track its implementation of recommendations, including documenting responsible officers, risk ratings, due dates, updates provided by responsible officers and supporting attachments. With the application of risk mitigation arrangements, appropriate controls are in place to support the integrity of data within Finance's system.
22. Finance does not adopt a consistent approach, or apply the full functionality of its system, to its management of agreed parliamentary and Auditor-General recommendations. Finance does not require the establishment of risk ratings or due dates for its implementation of agreed JCPAA or Auditor-General recommendations and does not monitor its implementation of agreed non-JCPAA parliamentary committee recommendations.
23. There is scope for Finance to apply a fit-for-purpose approach across all types of agreed recommendations, to support its delivery of outcomes in accordance with parliamentary expectations (refer paragraphs 2.70 to 2.78).

## Implementation of recommendations

24. Finance does not have an internal requirement to develop implementation plans for agreed recommendations. For the 18 agreed recommendations examined in this audit, Finance assigned an action officer and responsible officer for 17 recommendations, did not assign a risk rating for any of the recommendations, and assigned an implementation timeframe for four recommendations (refer paragraphs 3.4 to 3.7).

25. Finance monitored the implementation of the five JCPAA recommendations and 12 Auditor-General recommendations examined in this audit. Finance did not centrally monitor implementation of the non-JCPAA recommendation. Implementation updates for the JCPAA recommendations commenced eight months after the government response agreeing to the recommendations was tabled in Parliament. Finance's monitoring of one Auditor-General recommendation was also delayed (refer paragraphs 3.8 to 3.19).

26. Of the 18 agreed parliamentary committee and Auditor-General recommendations examined in this audit, eight were implemented (44 per cent), one was largely implemented (six per cent), one was partly implemented (six per cent) and two were not implemented (11 per cent). For six recommendations, implementation was ongoing (33 per cent).

27. The ANAO's review indicated that the closure of four recommendations that Finance assessed as implemented was not supported by adequate supporting evidence.

28. There were four recommendations from Auditor-General Report No.1 2022–23 *Award of Funding under the Building Better Regions Fund* that were 'noted' by Finance as requiring government consideration. Finance advised government to implement one recommendation and to not implement three recommendations (refer paragraphs 3.20 to 3.34).

## Recommendations

**Recommendation no. 1** The Department of Finance strengthen its internal planning arrangements for the implementation of agreed parliamentary committee and Auditor-General recommendations by:  
**Paragraph 2.28**

- (a) recording information on implementation responsibilities consistently in its internal recommendation tracker system; and
- (b) establishing and documenting internal requirements for assigning risk ratings, setting implementation timeframes and identifying key actions required for implementation.

**Department of Finance response:** *Agreed.*

**Recommendation no. 2** The Department of Finance document and extend its internal arrangements for monitoring the implementation of agreed recommendations made by the Joint Committee of Public Accounts and Audit, to the agreed recommendations made by other parliamentary committees.  
**Paragraph 2.37**

**Department of Finance response:** *Agreed.*

**Recommendation no. 3** The Department of Finance review its relevant whole-of-government guidance to entities to reinforce the benefits — for accountability, the delivery of undertakings made to the Parliament, and improved public sector performance — of entities having arrangements to monitor the implementation of agreed parliamentary recommendations.

**Paragraph 2.41**

**Department of Finance response:** *Agreed.*

## Summary of entity response

29. Finance's summary response is provided below and its full response is included at Appendix 1.

The Department of Finance (Finance) welcomes the report and agrees to the ANAO's three recommendations to the extent they relate to the effective implementation of parliamentary committee and Auditor-General recommendations directed at improving Finance's performance.

Finance notes the report recognises the established processes in place to respond to and monitor the implementation of JCPAA and Auditor-General recommendations and will continue to further strengthen and document these processes consistent with the opportunities for improvement identified by the ANAO.

30. The improvements observed by the ANAO during the course of the audit are at Appendix 2.

## Key messages from this audit for all Australian Government entities

31. This is the sixth in a series of ANAO performance audits that has examined the effectiveness of entities' implementation of agreed recommendations from parliamentary committee and Auditor-General reports. In June 2021 the ANAO published an audit insights product, *Audit Insights: Implementation of Audit Recommendations*, drawing on this audit series for the benefit of all Australian Government entities.<sup>6</sup>

32. Below are further key messages identified in this audit and which may be relevant for the operations of other Australian Government entities.

### Governance and risk management

- Central agencies can contribute to improved public sector performance by modelling the adoption of better practice in their own execution of functions under the frameworks they administer, and in so doing promote better practice across the sector.
- Entities can support their delivery of outcomes in accordance with parliamentary expectations by applying a fit-for-purpose governance approach to all types of agreed recommendations.

<sup>6</sup> Australian National Audit Office, *Audit Insights: Implementation of recommendations* [Internet], ANAO, 2021, available from <https://www.anao.gov.au/work/audit-insights/implementation-recommendations-0> [accessed 13 February 2023].



# Audit findings

# 1. Background

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## Introduction

1.1 The Department of Finance (Finance) supports the Australian Government’s budget process and public sector resource management, governance and accountability frameworks.<sup>7</sup> As a department of state, framework policy owner and material entity, Finance regularly receives recommendations as part of parliamentary committee inquiries and external audit activity by the Australian National Audit Office (ANAO).

1.2 Parliamentary committee and Auditor-General reports identify risks to the successful delivery of government outcomes and can provide recommendations to address them. Successful implementation of agreed<sup>8</sup> recommendations by Australian Government entities requires effective governance arrangements promoting a strong accountability framework, with implementation approaches that set clear responsibilities and timelines for addressing the required actions.

1.3 Committees of the Australian Parliament, including the Joint Committee of Public Accounts and Audit (JCPAA), consist of members from one or both Houses of Parliament. Parliamentary committee inquiries ‘investigate specific matters of policy or government administration or performance’.<sup>9</sup> Where a parliamentary committee has made policy recommendations, the responsible Minister prepares and tables a government response in Parliament. Where the JCPAA has made administrative recommendations, an entity’s accountable authority may prepare and deliver an ‘Executive Minute’ response to the committee secretary.<sup>10</sup>

1.4 The Auditor-General provides independent assurance and reporting to the Parliament as to whether the Executive arm of government is operating and accounting for its performance in accordance with the Parliament’s intent. The Auditor-General’s functions include annual audits of Commonwealth entities’ financial statements, audits of entities’ performance statements, and reviews of entity operations through a program of performance audits. As part of a performance audit, audited entities have the opportunity to provide a formal response to the Auditor-General, which is included in the performance audit report.

1.5 This is the sixth in a series of performance audits that has examined the effectiveness of Australian Government entities’ implementation of agreed recommendations from parliamentary

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7 Department of Finance, *The Department* [Internet], Finance, available from <https://www.finance.gov.au/about-us/department> [accessed 11 October 2023].

8 As discussed in paragraph 1.24, for the purposes of this audit an ‘agreed’ recommendation means: agreed by Finance (for recommendations directed to the department); and noted by Finance (for recommendations directed to government that relate to Finance responsibilities and which require government consideration).

9 House of Representatives, *Infosheet 4 – Committees* [Internet], Parliament of Australia, Canberra, 2022, available from [https://www.aph.gov.au/About\\_Parliament/House\\_of\\_Representatives/Powers\\_practice\\_and\\_procedure/00\\_-\\_Infosheets/Infosheet\\_4\\_-\\_Committees](https://www.aph.gov.au/About_Parliament/House_of_Representatives/Powers_practice_and_procedure/00_-_Infosheets/Infosheet_4_-_Committees) [accessed 8 August 2023].

10 Parliament of Australia, Joint Committee of Public Accounts and Audit, *Role of the Committee*, available from [https://www.aph.gov.au/Parliamentary\\_Business/Committees/Joint/Public\\_Accounts\\_and\\_Audit/Role\\_of\\_the\\_Committee#works](https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Public_Accounts_and_Audit/Role_of_the_Committee#works) [accessed 17 October 2023].

committee and Auditor-General reports.<sup>11</sup> Details of the previous audits can be found in Appendix 3 of this audit report. The ANAO has also published insights from this series of reports, for the benefit of all entities.<sup>12</sup>

## Timeliness of responses to parliamentary committees

1.6 The tabling in Parliament of an agreed response to a parliamentary committee or Auditor-General recommendation is a formal commitment by the government or an entity to implement the recommended action.

1.7 In this audit series, the Auditor-General has reported on instances where entities have not effectively demonstrated implementation of all agreed recommendations examined by the ANAO.<sup>13</sup> In response to these findings, the Secretary of the Department of the Prime Minister and Cabinet (PM&C) wrote to departmental secretaries on 7 August 2019 as follows:

The presentation of documents to the Parliament is an important component of the Government's accountability to the Parliament and the broader community. It is critical for responsible agencies to monitor and implement the parliamentary committee's recommendations agreed to by the Government.

Accordingly, I strongly encourage departments and agencies to finalise Government responses to parliamentary committee reports in a timely manner so that the Government can table its response to a committee report within the timeframes established through the respective resolutions of the House of Representatives and the Senate.

...

In addition to providing timely responses to Committee reports, it is important that departments and agencies have processes in place to monitor the implementation of the recommendations

11 First audit: Auditor-General Report No.6 2019–20, *Implementation of ANAO and Parliamentary Committee Recommendations*, available at <https://www.anao.gov.au/work/performance-audit/implementation-anao-and-parliamentary-committee-recommendations-2019>.

Second audit: Auditor-General Report No.46 2019–20, *Implementation of ANAO and Parliamentary Committee Recommendations — Education and Health Portfolios*, available at <https://www.anao.gov.au/work/performance-audit/implementation-anao-parliamentary-committee-recommendations-education-health-portfolios>.

Third audit: Auditor-General Report No.34 2020–21, *Implementation of ANAO and Parliamentary Committee Recommendations — Department of Defence*, available at <https://www.anao.gov.au/work/performance-audit/implementation-anao-and-parliamentary-committee-recommendations-department-defence>.

Fourth audit: Auditor-General Report No.25 of 2021–22, *Implementation of Parliamentary Committee and Auditor-General Recommendations — Department of Home Affairs*, available at <https://www.anao.gov.au/work/performance-audit/implementation-parliamentary-committee-and-auditor-general-recommendations-department-home-affairs>.

Fifth audit: Auditor-General Report No.22 of 2022–23, *Implementation of Parliamentary Committee and Auditor-General Recommendations — Attorney-General's Portfolio*, available at <https://www.anao.gov.au/work/performance-audit/implementation-parliamentary-committee-and-auditor-general-recommendations-attorney-generals>.

12 ANAO, *Audit Insights: Implementation of Recommendations*, 30 June 2021, available from <https://www.anao.gov.au/work/audit-insights/implementation-recommendations-0> [accessed 4 August 2023].

13 For example the ANAO reported, in Auditor-General Report No.6 2019–20 *Implementation of ANAO and Parliamentary Committee Recommendations*, that it had examined four entities in two portfolios and found that they had not effectively demonstrated implementation of all agreed recommendations examined as part of the audit.

accepted by the Government. This includes Secretaries providing regular updates to their Minister(s) on implementation progress.

1.8 The PM&C Secretary also asked that recipients ‘distribute my letter to agencies within your portfolio’. Finance advised the ANAO that it could not find supporting documentation to indicate that the letter was shared by the Finance Secretary with the department’s portfolio entities.<sup>14</sup>

## Parliamentary reporting

1.9 The President of the Australian Senate (President) and the Speaker of the House of Representatives (Speaker) present a report to the Senate and House, respectively, on the status of all government responses twice a year.<sup>15</sup> Reports remain on this schedule until:

- a response is received;
- the relevant committee agrees that a response is no longer expected; or
- a request to remove an inquiry from the list is received and agreed.

1.10 Table 1.1 (below) outlines the key results from the President’s reports at 31 December 2022 and 30 June 2023. Report responses are required within three months of a report being presented to the Senate.

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14 There were eight entities (excluding the department) in the Finance portfolio at 1 November 2023. Department of Finance, *Flipchart of PGPA Act Commonwealth entities and companies*, 1 November 2023, available from <https://www.finance.gov.au/government/managing-commonwealth-resources/structure-australian-government-public-sector/pgpa-act-flipchart-and-list> [accessed 21 November 2023].

The Flipchart dated 2 September 2019 indicates that there were six entities (excluding the department) in the Finance portfolio at that time. That version of the Flipchart is available from <https://www.finance.gov.au/sites/default/files/2019-11/flipchart-september-2019.pdf> [accessed 6 December 2023].

15 JCPAA reports are presented in the reports of both the President and Speaker. The President and Speaker each presented two reports on the status of government responses in 2022–23.



**Table 1.1: Senate — outstanding government responses at 31 December 2022 and 30 June 2023<sup>a</sup>**

Description	Number		Percentage	
	At 31 December 2022		At 30 June 2023	
No. of reports with a response	31 <sup>bc</sup>	9	40 <sup>bd</sup>	11
No. of reports with a response that was received within the specified timeframe	4	1	3	1
No. of reports with a response but received late	27 <sup>c</sup>	8	37 <sup>d</sup>	10
No. of reports with no response	319	91	333	89
<b>Total number of reports included in the schedule</b>	<b>350<sup>e</sup></b>	<b>100</b>	<b>373<sup>e</sup></b>	<b>100</b>
Shortest timeframe taken to respond	< 1 month	–	1 month and 2 days	–
Longest timeframe where a response was provided	25 months (2 years and 1 month)	–	147 months (12 years and 3 months)	–
Latest pending response (not yet received)	239 months (19 years and 11 months)	–	248 months (20 years and 8 months)	–

Note a: Includes Senate and joint committee data. The numbers in the table can fluctuate as reports are added and removed from the schedule. The circumstances under which reports are removed from the schedule is outlined in paragraph 1.9. The ANAO identified discrepancies between Senate and House reporting and could not obtain assurance over the completeness and accuracy of this data. For example, some joint committee reports were not included in the reporting.

Note b: Total numbers include 14 partial responses in the December 2022 report and 14 partial responses in the June 2023 report. Partial responses occur where responses have been received for some but not all recommendations. This typically occurs where recommendations are directed at multiple entities.

Note c: Fifteen JCPAA reports were listed in the President's December 2022 report. There were no complete responses and 12 partial responses. All responses were late.

Note d: Sixteen JCPAA reports were listed in the President of the Senate's June 2023 report. There were 12 partial responses, three interim responses and one outstanding response. All responses that were due to be provided were late.

Note e: The time allowed for responding had expired for the 319 reports with no response in the December 2022 report and had not yet expired for 23 of the 333 reports with no response in the June 2023 report.

Source: ANAO analysis of Senate reporting.

1.11 Table 1.2 (below) outlines the key results from the Speaker's report at 30 November 2022 and 20 June 2023. Report responses are required within six months of a report being presented to the House.

**Table 1.2: House — outstanding government responses at 30 November 2022 and 20 June 2023<sup>a</sup>**

Description	Number		Percentage	
	At 30 November 2022		At 20 June 2023	
No. of reports with a response	38 <sup>bc</sup>	22	30 <sup>bd</sup>	20
No. of reports with a response that was received within the specified timeframe	11	6	2	1
No. of reports with a response but received late	27 <sup>c</sup>	16	28 <sup>d</sup>	18
No. of reports with no response	132	78	122	80
<b>Total number of reports included in the schedule</b>	<b>170<sup>e</sup></b>	<b>100</b>	<b>152<sup>e</sup></b>	<b>100</b>
Shortest timeframe taken to respond	< 2 months	–	< 1 month	–
Longest timeframe where a response was provided	39 months (3 years and 3 months)	–	27 months (2 years and 3 months)	–
Latest pending response (not yet received)	162 months (13 years and 6 months)	–	119 months (9 years and 11 months)	–

Note a: Includes House and joint committee data. The numbers in the table can fluctuate as reports are added and removed from the schedule. The circumstances under which reports are removed from the schedule is outlined in paragraph 1.9. The ANAO identified discrepancies and could not obtain assurance over the completeness and accuracy of this data. For example, some joint committee reports were not included in the reporting.

Note b: Total numbers include 15 partial responses in the November 2022 report and 12 partial responses in the June 2023 report. Partial responses occur where responses have been received for some but not all recommendations. This typically occurs where recommendations are directed at multiple entities. An Executive Minute to the JCPAA is recorded as a partial response.

Note c: Seventeen JCPAA reports were listed in the Speaker's report. There were 14 responses provided, all of these were partial responses, and nine were provided late. Three reports have received no response and are overdue.

Note d: Fourteen JCPAA reports were listed in the Speaker's report. There were 11 responses provided, all of these were partial responses, and all were provided late. Three reports have received no response and two are overdue.

Note e: The time allowed for responding had not yet expired for: 27 of the 132 reports with no response in the November 2022 report; and 14 of the 122 reports with no response in the June 2023 report.

Source: ANAO analysis of House of Representatives reporting.

1.12 In summary, Tables 1.1 and 1.2 (above) indicate that very few responses to parliamentary committee reports were received in the required timeframes. During the reporting period ending in June 2023<sup>16</sup>:

- one per cent, or three of the 373 Senate and joint committee reports, received a response within the three-month timeframe; and
- one per cent, or two of the 152 House and joint committee reports, received a response within the six-month timeframe.

1.13 The ANAO has also reported, in this series of performance audits, that compliance with expected response times has been low for the Parliamentary committee recommendations reviewed by the ANAO.

## Department of Finance

1.14 The Administrative Arrangements Order (AAO) sets out the matters dealt with by the Department of Finance, which is a Department of State and the lead entity in the portfolio.<sup>17</sup> Many of the matters listed in the AAO are dealt with by portfolio entities.<sup>18</sup>

1.15 The department directly administers a range of matters, which it summarised as follows in its 2022–23 Annual Report:

Our responsibilities encompass the full range of public administration functions from developing policy through to implementing and reviewing programs. We have stewardship of whole-of-government frameworks to provide accountability and deliver outcomes.

Our responsibilities include:

- supporting the delivery of the Budget and key economic updates
- supporting the management and use of public resources
- supporting sound commercial decision making
- delivering and facilitating shared services, common ICT services, whole-of-government procurement arrangements, and insurance and risk management
- supporting parliamentarians and their staff and ensuring safe and respectful Commonwealth parliamentary workplaces
- leading development of the Data and Digital Government Strategy for the APS, and

16 For the Senate the reporting period was 1 January 2023 to 30 June 2023. For the House of Representatives, it was 1 December 2022 to 20 June 2023.

17 The AAO sets out administrative arrangements for the Commonwealth, including matters dealt with by Departments of State and legislation administered by Ministers of State responsible for administering a Department. The AAO is available from the Department of the Prime Minister and Cabinet, at <https://www.pmc.gov.au/government/administration/administrative-arrangements-orders> [accessed 17 October 2023].

18 As discussed in footnote 14, in addition to the Department of Finance, there were eight entities (excluding subsidiaries) in the portfolio at 1 November 2023. They were the: Australian Electoral Commission; Digital Transformation Agency; Future Fund Management Agency; Independent Parliamentary Expenses Authority; Parliamentary Workplace Support Service; Commonwealth Superannuation Corporation; ASC Pty Ltd; and Australian Naval Infrastructure Pty Ltd.

- administering the DATA Scheme through the National Data Commissioner and their office.<sup>19</sup>

1.16 In its 2023–24 Corporate Plan, the department described its purpose as follows:

Finance provides high quality advice, frameworks and services to achieve value in the management of public resources for the benefit of all Australians.<sup>20</sup>

1.17 The department is a ‘central agency’, with a variety of whole-of-government policy, advising and co-ordination roles, as listed above. As a central agency, Finance is also a model for other entities in its execution of functions under the frameworks it administers.<sup>21</sup>

1.18 Under the framework established by the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), the department’s accountable authority is the Secretary of Finance. The Secretary is also an agency head under the *Public Service Act 1999* (PS Act), and the department’s officials are Australian Public Service (APS) employees subject to the PS Act.<sup>22</sup>

1.19 Table 1.3 shows the department’s budget and staffing levels for 2023–24.

**Table 1.3: Budget and average staffing levels, Department of Finance, 2023–24**

Entity	Average staffing level <sup>a</sup>	Total resourcing (\$million)
Department of Finance	1,550	63,774.4

Note a: Average staffing level is a method of counting that adjusts for casual and part-time staff to show the average number of full-time equivalent employees.

Source: Australian Government, Portfolio Budget Statements 2023–24, Budget Related Paper No.1.7: Finance Portfolio, Commonwealth of Australia, Canberra, 2023.

## Rationale for undertaking the audit

1.20 Parliamentary committee reports and Auditor-General reports, which are prepared for the Parliament, have identified risks to the successful delivery of outcomes by Finance and areas where administrative or other improvements could be made. A number of the identified risks and

19 Department of Finance, *Annual Report 2022–23*, p. 27, signed 3 October 2023, available from <https://www.finance.gov.au/sites/default/files/2023-10/department-of-finance-annual-report-2022-23.pdf> [accessed 24 October 2023].

20 Department of Finance, *Corporate Plan 2023–24*, p. 5, available from <https://www.finance.gov.au/publications/corporate-plan/corporate-plan-2023-24> [accessed 17 October 2023].

21 In the ‘Message from the Secretary’ in Finance’s *Corporate Plan 2023–24*, the Finance Secretary stated that: ‘The Department will continue to lead by example across the policies, frameworks and legislative commitments we hold stewardship responsibility for.’ Department of Finance, *Corporate Plan 2023–24*, p. 4, available from <https://www.finance.gov.au/publications/corporate-plan/corporate-plan-2023-24> [accessed 17 October 2023].

22 Subsection 3(a) of the PS Act provides that one of the main objects of the Act is ‘to establish an apolitical public service that is efficient and effective in serving the Government, the Parliament and the Australian public’.

opportunities relate to Finance’s stewardship of whole-of-government frameworks intended to promote the efficient, effective, economical and ethical use of public resources by entities.<sup>23</sup>

1.21 The appropriate and timely implementation of agreed recommendations is an important part of realising the full benefit of a parliamentary inquiry or ANAO audit and demonstrating accountability to the Parliament. For a central agency, the implementation of agreed recommendations relating to whole-of-government frameworks it administers will address identified issues regarding their operation and will support improved public sector performance. This audit provides assurance to the Parliament that recommendations directed to Finance are being implemented as agreed.

## Audit approach

### Audit objective, criteria and scope

1.22 The audit objective was to examine whether the Department of Finance (Finance) has implemented a selection of agreed parliamentary committee and Auditor-General recommendations.

1.23 To form a conclusion against the audit objective, the following high-level criteria were adopted.

- Does Finance have fit-for-purpose governance arrangements to respond to, monitor and implement agreed recommendations?
- Were agreed recommendations effectively implemented?

1.24 For the purposes of this audit, an ‘agreed’ recommendation means:

- agreed by Finance (for recommendations directed to the department); and
- noted by Finance (for recommendations directed to government that relate to Finance responsibilities and which require government consideration).<sup>24</sup>

1.25 To allow sufficient time for implementation, the agreed recommendations examined in Chapter 3 of this audit were limited to the following two categories.

- Parliamentary committee reports tabled between December 2020 and July 2022, where a government response was received prior to 31 July 2023, including those agreed to or noted, with an action item allocated to Finance.
- Auditor-General reports tabled between December 2020 and July 2022.

1.26 The scope of this audit did not include:

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23 These include frameworks established under the Commonwealth finance law. Section 8 of the PGPA Act states that ‘finance law’ means the PGPA Act, or the rules (at present the Public Governance, Performance and Accountability Rule 2014 made pursuant to the PGPA Act), or any instrument made under the PGPA Act, or an Appropriation Act.

The interaction between the finance law and PS Act is recognised in section 32 of the PGPA Act, which has the effect of clarifying that the finance law is an Australian law for the purposes of the PS Act and in consequence must be complied with by all APS employees.

24 Where a response to a recommendation was ‘agree in principle’ or ‘noted’, the ANAO assessed the actions Finance committed to undertake in its response to the recommendation.

- parliamentary committee reports where the subject of the report was a review of annual reports; or
- recommendations that were agreed to by other entities within the Finance portfolio.

1.27 The ANAO reviewed Finance’s implementation of 18 agreed recommendations, comprised of six parliamentary committee recommendations and 12 Auditor-General recommendations. Table 1.4 (below) lists the source and number of agreed recommendations examined in this audit. For details of the recommendations selected for review, see Appendix 4 and Appendix 5.

**Table 1.4: Parliamentary committee and Auditor-General reports and recommendations examined in this audit**

Author	No. of reports	No. of agreed recommendations
Senate Foreign Affairs, Defence and Trade Legislation Committee	1	1
Joint Committee of Public Accounts and Audit	1	5
Auditor-General	5	12
<b>Total</b>	<b>7</b>	<b>18</b>

Source: ANAO analysis.

## Audit methodology

1.28 The audit involved:

- reviewing entity documentation such as guidelines, procedures, management reports, audit committee papers, meeting minutes, briefing materials, implementation plans, closure packs and other supporting evidence relating to monitoring progress and reporting against agreed recommendations;
- examining Information Technology (IT) system controls and supporting documentation for those systems used to manage recommendations; and
- meetings with relevant entity staff.

1.29 The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of approximately \$250,000.

1.30 The team members for the audit were James Sheeran, Stephanie Gill, Alexandra McFadyen, Kelvin Le and Susan Drennan.

## 2. Governance

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### Areas examined

This chapter examines whether the Department of Finance (Finance) has fit-for-purpose governance arrangements to respond to, monitor and implement agreed parliamentary committee and Auditor-General recommendations.

### Conclusion

Finance has partly fit-for-purpose governance arrangements to respond to, monitor and implement agreed parliamentary committee and Auditor-General recommendations. Finance's internal arrangements are inconsistent and focus on agreed recommendations made by the Parliament's Joint Committee of Public Accounts and Audit (JCPAA) and the Auditor-General. They are less focused on agreed recommendations made by other parliamentary committees.

Finance has established a fit-for purpose internal system which provides functionality to track its implementation of recommendations, but does not adopt a consistent approach, or apply the full functionality of its system, to its management of all agreed parliamentary and Auditor-General recommendations.

There is scope for Finance to apply a fit-for-purpose approach across all types of agreed recommendations, to support its delivery of outcomes in accordance with parliamentary expectations.

### Areas for improvement

The ANAO made three recommendations aimed at Finance: strengthening its internal planning arrangements for the implementation of agreed recommendations; documenting and extending its arrangements for monitoring the implementation of agreed JCPAA recommendations to all agreed parliamentary committee recommendations; and reviewing relevant whole-of-government guidance to reinforce the benefits of entities having arrangements to monitor the implementation of agreed parliamentary recommendations.

The ANAO identified two opportunities for improvement relating to Finance: amending its template on machinery of government matters to require entities to identify outstanding parliamentary committee recommendations when transferring functions between entities; and extending its internal assurance arrangements, for the scrutiny of agreed JCPAA and Auditor-General recommendations, to all agreed parliamentary committee recommendations.

2.1 The tabling in Parliament of an agreed response to a parliamentary committee or Auditor-General recommendation is a formal commitment by the government or an entity to implement the recommended action.

2.2 Key observations from previous ANAO audit activity include the importance of governance arrangements to respond to, monitor and implement recommendations. These arrangements include:

- establishing processes and responsibilities for responding to recommendations;
- clearly assigning responsibility for the progression of individual recommendations;
- having systems in place to monitor and track the implementation of recommendations;
- and

- reporting to and review by audit committees.<sup>25</sup>

2.3 Entities that do not have fit-for-purpose processes or procedures for the implementation of recommendations increase the risk of inconsistency in administration and decision-making. They are also less likely to implement recommendations in accordance with commitments made to the Parliament, which is an indicator of the entity's commitment to improving public administration and accountability to Parliament.

## Does Finance have fit-for-purpose governance arrangements and processes to respond to, monitor and implement agreed parliamentary committee recommendations?

Finance has arrangements in place to identify and respond to the recommendations of all parliamentary committees. Finance's arrangements include the assignment of responsible officers.

Finance has arrangements in place to monitor, report on and close recommendations of the Parliament's Joint Committee of Public Accounts and Audit (JCPAA). However, they are not clearly documented. Finance does not have such arrangements in place for the recommendations of other parliamentary committees.

2.4 In assessing governance arrangements, the ANAO considered if Finance had established roles and responsibilities for the oversight of its implementation of recommendations, and a risk management framework.

2.5 In assessing processes, the ANAO considered if Finance had clear and documented guidance on the steps involved in implementing a recommendation, including identifying and responding to recommendations, implementation planning, monitoring, closure and reporting.

2.6 Figure 2.1 (below) illustrates the ANAO's analysis of Finance's internal governance arrangements, processes and practices, and maps the responsibilities within Finance to respond to, monitor and implement agreed parliamentary recommendations.

2.7 In summary, Figure 2.1 indicates the following.

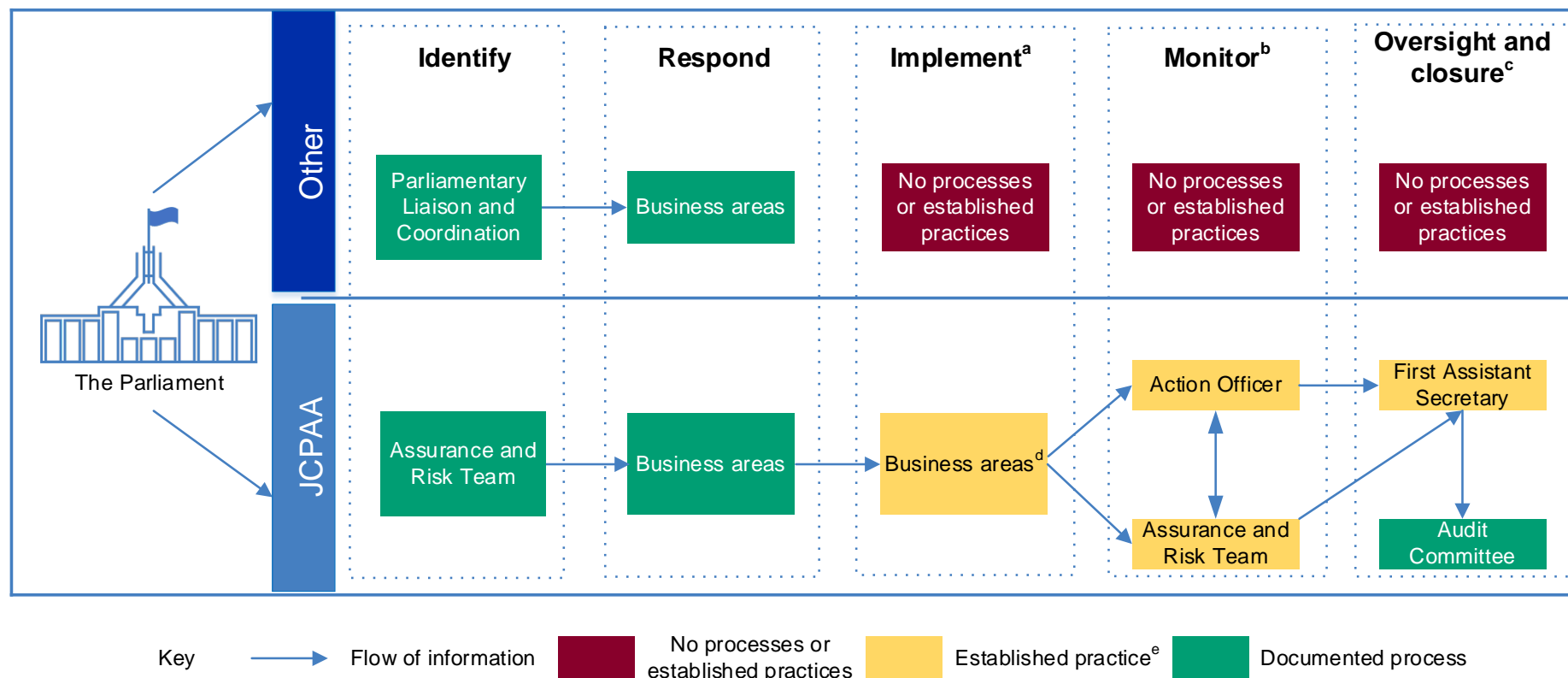
- Finance has arrangements in place to identify and respond to the recommendations of all parliamentary committees. Finance's arrangements include the assignment of responsible officers.
- Finance has arrangements in place to monitor, report on and close recommendations of the JCPAA. However, they are not clearly documented.
- Finance does not have arrangements in place to monitor, report on and close recommendations of other parliamentary committees.

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25 Key observations from previous audits have been published in the ANAO Insights product, *Implementation of Recommendations*, 30 June 2021, [Internet], available from <https://www.anao.gov.au/work/audit-insights/implementation-recommendations-0> [accessed 4 August 2023].



**Figure 2.1: Department of Finance — processes and established practices to respond to, monitor and implement agreed parliamentary committee recommendations**



Note a: Includes planning for implementation and implementation activities.

Note b: 'Monitor' refers to the administrative process of compiling updates on the implementation of recommendations and preparing reports.

Note c: As discussed in paragraphs 2.50 and 2.51, between November 2022 and June 2023, Finance documentation indicated that the Audit Committee approved closure of JCPAA recommendations. In June 2023 Finance's Audit Committee clarified that its role is to endorse closure.

Note d: Finance assigned responsibility to Action Officers and Responsible Officers but did not have processes for assigning risk ratings, timeframes or implementation actions/activities.

Note e: The ANAO considered an established practice to be actions that were consistently followed to achieve an outcome, but the practice was not documented.

Source: ANAO analysis of Finance information.

## Arrangements for identifying parliamentary committee recommendations

2.8 The existence of processes that identify all parliamentary committee reports and recommendations relevant to an entity demonstrates accountability and provides assurance to responsible ministers, the entity's accountable authority and the Parliament that the issues identified in committee reports are being considered.

2.9 Government responses to parliamentary committee reports are prepared by the portfolio lead entity, which consults with other entities as required. The Department of the Prime Minister and Cabinet's (PM&C) Tabling Office identifies and notifies the relevant department that it is the lead entity for the government response. Finance advised the ANAO that it is the lead entity for most government responses in the Finance portfolio.<sup>26</sup>

2.10 Finance has a process in place for identifying relevant parliamentary recommendations where it is the lead entity. Finance's Parliamentary Liaison and Coordination (PLC) team monitors relevant parliamentary inquiries and confirms with PM&C's Tabling Office that Finance is the lead entity for a government response. Further, JCPAA inquiries are monitored by Finance's Assurance and Risk team and PGPA Communications business area.<sup>27</sup>

### *Managing machinery of government changes*

2.11 Machinery of government (MOG) changes occur when the Australian Government decides to reorganise how it manages its responsibilities.<sup>28</sup> This can result in responsibility for the implementation of recommendations transferring between portfolios. One MOG change occurred during the period reviewed in this audit (discussed in paragraph 1.25), which resulted in Finance assuming additional responsibilities.<sup>29</sup>

2.12 As a central agency, Finance has a whole-of-government role in respect to MOG changes. Finance's website links to 'tools and templates' for MOG changes, which includes a 'Common Task Tool'. The 'Common Task Tool' prompts entities to identify outstanding recommendations from audits and parliamentary inquiries.

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26 As discussed in footnotes 14 and 18, there were eight entities (excluding the department) in the Finance portfolio at 1 November 2023. The PM&C Tabling Guidelines specify that government responses are led by departments. See Department of the Prime Minister and Cabinet, *Tabling Guidelines*, PM&C, Canberra, 2022, p. 11.

27 PGPA stands for Public Governance, Performance and Accountability, reflecting the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), which is part of the Commonwealth finance law.

28 Department of Finance and Australian Public Service Commission, *Machinery of Government changes: a guide for entities—November 2021* [Internet], Finance and APSC, available from <https://www.finance.gov.au/sites/default/files/2021-11/Machinery%20of%20Government%20changes%20guide%202021.pdf> [accessed 12 October 2023].

29 Pursuant to the Administrative Arrangements Order dated 23 June 2022, the following were added to Finance's responsibilities: public data policy and related matters; whole-of-government information and communications technology; information and communications technology procurement policy and services; whole-of-government deregulation policy coordination; and whole-of-government data and digital policy coordination.

2.13 Finance has also developed a ‘Due Diligence Template’ for MOG changes, which is intended to facilitate the exchange of information between entities subject to a MOG change.<sup>30</sup> The template references governance and financial management information, contracts, ongoing legal action and audits in progress. The template does not reference parliamentary committee recommendations transferring between entities due to a MOG change. Finance advised the ANAO that:

If a function transfers due to a machinery of government change and they are the lead on a government response, the change of portfolio is captured as part of the next six-monthly Status of Government Responses report prepared for the Department of [the] Prime Minister and Cabinet (PM&C).

Any function transferring into Finance will bring with them their relevant work program. Should they be carrying a parliamentary recommendation this will transfer with the function and will continue to be actioned as required by the business area.

2.14 There is scope for Finance to consider amending the Due Diligence Template for MOG changes to include a reference to any key parliamentary matters to be transferred between entities, such as outstanding parliamentary committee recommendations.

#### Opportunity for improvement

2.15 To assist the identification and effective transfer of functions following machinery of government (MOG) changes, Finance could consider amending its ‘Due Diligence Template’ for MOG changes to include a reference to any key parliamentary matters such as outstanding parliamentary committee recommendations.

### Arrangements for responding to parliamentary committee recommendations

2.16 Establishing clear arrangements for responding to parliamentary committee recommendations assists an entity to understand the intent of the recommendation and identify appropriate and achievable activities to address the identified risks. Responding to parliamentary committee recommendations is the responsibility of government, with departments providing advice.

2.17 Finance has documented its internal responsibilities and processes for responding to parliamentary committee recommendations. Finance’s Parliamentary Liaison and Coordination team (PLC, discussed in paragraph 2.10) identifies the relevant Finance business area, which is assigned responsibility for preparing the proposed government response for consideration by its Minister(s) and, as necessary, the Prime Minister.

#### *Timeliness of responses*

2.18 Entities are required by the Parliament to respond to parliamentary committee reports within three or six months, depending on the type of committee.<sup>31</sup> This timeframe includes ministerial consideration.

30 Finance advised the ANAO in November 2023 that the Due Diligence Template was developed for the Finance Portfolio’s use only and ‘is not part of the whole-of-government policy we issue’.

The Due Diligence Template states that, in accordance with the ‘Machinery of Government changes – A guide for entities’ transferring entities are to provide receiving entities with certain due diligence information within 10 business days of the announcement of the MOG change or being advised of the Prime Minister’s decision.

31 See paragraphs 1.10 to 1.11 of this audit report.

2.19 Finance advised the ANAO that the business area leading the government response is aware of the timeframes and will actively manage the response against them, however this requirement is not documented. Finance does not actively monitor response timeframes. Finance provides updates to PM&C through PM&C's 'Status of government responses in the Senate to parliamentary committee reports.'

2.20 Table 2.1 (below) indicates that in the past five years, 20 per cent of parliamentary committee recommendations directed to Finance were responded to within the set timeframes.<sup>32</sup>

**Table 2.1: Timeliness of Finance responses to parliamentary committee recommendations<sup>a</sup>**

Description	Number
No. of reports relevant to Finance	22
No. of recommendations relevant to Finance	44
No. of recommendations responded to	19
No. of recommendations for which a response was tabled within Senate and House of Representatives timeframes	9 <sup>b</sup>
<b>Percentage of responses to parliamentary committee recommendations tabled within Senate and House of Representatives timeframes</b>	<b>20%</b>

Note a: Recommendations directed to Finance from July 2018 to July 2023 and responded to within Senate and House of Representatives timeframes. This includes recommendations in parliamentary committee reports which reference Finance in the text of the recommendation. There may be additional recommendations relevant to Finance that were not captured.

Note b: PM&C Tabling Guidelines state that government responses to joint committee recommendations are required within three months (Department of the Prime Minister and Cabinet, *Tabling Guidelines*, PM&C, Canberra, 2022, p. 11).

As at December 2023, the JCPAA advises entities that government responses are due within six months of the recommendation being made. (Parliament of Australia, Joint Committee of Public Accounts and Audit, *Role of the Committee*, available from [https://www.aph.gov.au/Parliamentary\\_Business/Committees/Joint/Public\\_Accounts\\_and\\_Audit/Role\\_of\\_the\\_Committee](https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Public_Accounts_and_Audit/Role_of_the_Committee) [accessed 11 December 2023]).

For JCPAA recommendations, the ANAO has applied the six month timeframe.

Source: ANAO analysis of parliamentary committee reports.

2.21 As discussed in paragraph 1.7, the Secretary of the Department of the Prime Minister and Cabinet wrote to departmental secretaries on 7 August 2019 as follows:

The presentation of documents to the Parliament is an important component of the Government's accountability to the Parliament and the broader community. It is critical for responsible agencies to monitor and implement the parliamentary committee's recommendations agreed to by the Government.

Accordingly, I strongly encourage departments and agencies to finalise Government responses to parliamentary committee reports in a timely manner so that the Government can table its response to a committee report within the timeframes established through the respective resolutions of the House of Representatives and the Senate.

32 Auditor-General Report No.22 2022–23 *Implementation of Parliamentary Committee and Auditor-General Recommendations — Attorney-General's Portfolio* reported that the percentage of responses to recommendations tabled within the timeframes set by the Senate and House of Representatives was four per cent.

2.22 Finance's performance in responding to parliamentary recommendations is not consistent with those expectations nor the expectations of the Parliament, which has well-established timeframes for responses. A stronger focus on meeting accountability obligations, including through timely responses to parliamentary recommendations, would contribute to improved public sector performance.

### **Arrangements for implementing parliamentary committee recommendations**

2.23 Timely and successful implementation of parliamentary committee recommendations is facilitated by fit-for-purpose implementation plans that clearly identify the intent of the recommendations and associated actions, set clear responsibilities and timeframes for addressing required actions and measures of success and/or outcomes to be realised. Where implementation plans are not prepared, past audit evidence indicates that actions are not always implemented to address the identified issue, not implemented in a timely way, or not implemented at all.<sup>33</sup>

#### *Assigning responsibility and implementation planning*

2.24 Finance has documented processes for assigning internal responsibility for the implementation of parliamentary committee recommendations directed to it. However, there is inconsistency in its recording of relevant information. Action officers and responsible officers<sup>34</sup> for JCPAA recommendations are recorded in Finance's recommendation tracker system.<sup>35</sup> Equivalent information for the recommendations of other parliamentary committees is not centrally recorded.

2.25 Finance does not have documented processes for planning its implementation of parliamentary committee recommendations. There are no documented requirements for:

- assigning risk ratings;
- setting implementation timeframes; or
- identifying key specific actions or activities required to implement recommendations.

2.26 Assigning risk ratings can help identify the impact on the entity if recommendations are not implemented. Establishing timeframes for implementing recommendations, and meeting them, is another way entities can ensure recommendations are implemented and that any risks or issues that led to the recommendations being made are addressed in a timely fashion.

2.27 There is scope for Finance to strengthen its implementation planning by: recording information on responsibilities consistently in its recommendation tracker system; and documenting requirements for assigning risk ratings, setting implementation timeframes, and identifying key actions required for implementation. Establishing a requirement to identify key actions would provide greater assurance that implementation is likely to be in accordance with the intent of the recommendation, particularly where recommendations are complex or technical in nature. It would also assist those responsible for reviewing status updates and recommendation

33 Australian National Audit Office, *Implementation of Recommendations*, [Internet], ANAO, available from <https://www.anao.gov.au/work/audit-insights/implementation-recommendations-0> [accessed 4 August 2023].

34 Action offices are appointed to prepare updates and closure requests for JCPAA and Auditor-General recommendations. Updates and closure requests require approval by the assigned responsible officer — a First Assistant Secretary, who is a Senior Executive Service Band 2 (SES2) official.

35 Finance's recommendation tracker is an electronic system used for monitoring JCPAA and Auditor-General recommendations. The system is discussed further in paragraphs 2.71 to 2.77 of this audit report.

closure reports (including senior leaders and the audit committee) as actions completed could be compared to the planned actions or activities. There would also be benefit in extending such arrangements to Finance's implementation planning for Auditor-General recommendations (discussed in paragraphs 2.61 to 2.63).

### **Recommendation no. 1**

2.28 The Department of Finance strengthen its internal planning arrangements for the implementation of agreed parliamentary committee and Auditor-General recommendations by:

- (a) recording information on implementation responsibilities consistently in its internal recommendation tracker system; and
- (b) establishing and documenting internal requirements for assigning risk ratings, setting implementation timeframes and identifying key actions required for implementation.

**Department of Finance response:** *Agreed.*

2.29 *Finance will strengthen internal planning arrangements for the implementation of Auditor-General recommendations, and parliamentary committee recommendations directed to Finance, through a consistent record of implementation responsibilities and appropriate internal arrangements to establish and assign risk ratings, implementation timeframes and key actions for implementation.*

2.30 As discussed in paragraph 3.17, in the context of its planning, there is also scope for Finance to factor in any implementation timeframes proposed by parliamentary committees.

### **Monitoring and oversight of parliamentary committee recommendations**

2.31 Effective monitoring requires oversight arrangements and an approach that accurately tracks progress and records the actions of the business area, or individual, responsible for implementing a recommendation.

2.32 Under its Charter, one of the Finance Audit Committee's roles is 'to review and give independent advice regarding the appropriateness of the department's ... system of internal control'. Listed as part of Finance's control framework are: 'relevant parliamentary committee reports and external reviews, internal and ANAO audit reports, providing advice to the Secretary about significant issues identified and the implementation of agreed actions.'

2.33 In March 2019, the Finance Audit Committee requested options for centrally monitoring JCPAA recommendations as part of the audit recommendation tracking process. Finance agreed to brief the Audit Committee on open JCPAA recommendations from August 2019. In August 2019 Finance reported to the Audit Committee that it had sought advice from divisions within Finance and no division reported having open JCPAA recommendations. The first update on JCPAA recommendations was provided to the Audit Committee in June 2021. Prior to this, Finance records indicate that the department regularly advised the Audit Committee that it had sought advice from divisions regarding open JCPAA recommendations and that no business area had advised of any open JCPAA recommendations.

2.34 Finance's arrangements for monitoring JCPAA recommendations are not clearly documented in its documentation on tracking recommendations. However, Finance follows the

process for monitoring Auditor-General recommendations, which is documented. Prior to an Audit Committee meeting, Finance's Assurance and Risk team requests updates on open recommendations. Updates are prepared by action officers in Finance's recommendation tracker system and approved by the responsible officer (First Assistant Secretary/SES Band 2 level). The Assurance and Risk team presents updates in a report prepared for the Audit Committee. Finance provided written updates on the implementation of JCPAA recommendations at all 11 Audit Committee meetings held between October 2021 and November 2023 (the period for which recommendations assessed in this audit were open). As discussed in paragraph 3.11, there was a delay in reporting the recommendations under review in this audit.<sup>36</sup>

2.35 Finance has not established monitoring or oversight arrangements for the implementation of non-JCPAA recommendations. In November 2023, Finance advised the ANAO that it 'predominantly monitors recommendations from the JCPAA and the ANAO (noting their oversight roles) as the recommendations go to the frameworks we are responsible for, namely the PGPA.' In October 2023, Finance advised the ANAO that:

Monitoring and oversight of implementation of non-JCPAA parliamentary committee recommendations is the responsibility of the relevant line area having already been allocated lead responsibility for the Government response to the inquiry report. Having regard to the nature of the Government response and the identified commitments, the appropriate line area manages implementation of the desired outcomes from the recommendations given the direct relevance to the work of the area. This recognises the authority, knowledge and expertise of the line area with responsibility for delivering the intended outcomes of the activity in question. Overall accountability resides with the relevant SES leadership role for meeting obligations to support Finance delivering against its purpose for the government of the day.

2.36 There is scope for Finance to fully document its existing monitoring and oversight arrangements applying to JCPAA recommendations, and to extend those arrangements to include agreed recommendations made by all parliamentary committees.

## Recommendation no. 2

2.37 The Department of Finance document and extend its internal arrangements for monitoring the implementation of agreed recommendations made by the Joint Committee of Public Accounts and Audit, to the agreed recommendations made by other parliamentary committees.

**Department of Finance response: Agreed.**

2.38 *Finance will document the internal arrangements for monitoring the implementation of agreed recommendations made by the JCPAA and by other parliamentary committees where Finance is responsible for implementation noting different arrangements may be appropriate for administrative recommendations directed to entities as compared to recommendations directed to the Government which go to matters of legislation and policy.*

36 Updates were provided at the November 2021, December 2021 and April 2022 Audit Committee meetings for other JCPAA recommendations. There were no updates at these meetings regarding recommendations from JCPAA Report 484 *The Administration of Government Grants*. The government response to those recommendations was tabled in Parliament in October 2021.

2.39 Other reports in this audit series have presented similar findings regarding inconsistency in entity arrangements for the oversight of parliamentary committee recommendations, or the absence of such arrangements.<sup>37</sup> These findings have informed the ANAO Insights product on *Implementation of Recommendations* published in June 2021.<sup>38</sup>

2.40 As discussed in paragraph 1.15, Finance states that it has ‘stewardship of whole-of-government frameworks to provide accountability and deliver outcomes.’ This includes the framework for entity audit committees established under the finance law. As a central agency, Finance also has a role as a model for other entities in its execution of functions under the frameworks it administers.<sup>39</sup> There is an opportunity for Finance to reinforce the benefits — for accountability, the delivery of undertakings made to the Parliament, and improved public sector performance — of entities having arrangements to monitor the implementation of agreed parliamentary recommendations. Finance’s Resource Management Guide (RMG) No. 202, on the role of audit committees, currently provides examples of functions audit committees could undertake, including ‘reviewing the implementation of agreed recommendations from ANAO audits or JCPAA and other parliamentary committee reports directed to the entity.’<sup>40</sup>

### Recommendation no. 3

2.41 The Department of Finance review its relevant whole-of-government guidance to entities to reinforce the benefits — for accountability, the delivery of undertakings made to the Parliament, and improved public sector performance — of entities having arrangements to monitor the implementation of agreed parliamentary recommendations.

**Department of Finance response:** *Agreed.*

2.42 *Finance notes that Resource Management Guide 202: Audit Committees already provides that an accountable authority could include additional requirements within its audit committee*

37 The ANAO reported, in Auditor-General Report No.22 2022–23 *Implementation of Parliamentary Committee and Auditor-General Recommendations — Attorney-General’s Portfolio*, that the Attorney-General’s Department only had oversight and monitoring arrangements for JCPAA recommendations, and the Commonwealth Director of Public Prosecutions did not have arrangements for oversight or monitoring of any parliamentary committee recommendations.

The ANAO reported, in Auditor-General Report No.34 2020–21 *Implementation of ANAO and Parliamentary Committee Recommendations — Department of Defence* and Auditor-General Report No.25 2021–22 *Implementation of Parliamentary Committee and Auditor-General Recommendations — Department of Home Affairs*, that the Department of Defence and the Department of Home Affairs only established oversight and monitoring arrangements for parliamentary committee recommendations after the commencement of the respective audits.

38 Australian National Audit Office, *Implementation of Recommendations*, [Internet], ANAO, available from <https://www.anao.gov.au/work/audit-insights/implementation-recommendations-0> [accessed 4 August 2023].

39 As noted in footnote 21, in the ‘Message from the Secretary’ in Finance’s *Corporate Plan 2023–24*, the Finance Secretary stated that: ‘The Department will continue to lead by example across the policies, frameworks and legislative commitments we hold stewardship responsibility for.’ Department of Finance, *Corporate Plan 2023–24*, p. 4, available from <https://www.finance.gov.au/publications/corporate-plan/corporate-plan-2023-24> [accessed 17 October 2023].

40 Department of Finance, *A guide for non-corporate Commonwealth entities on the role of audit committees, Resource Management Guide No. 202* [Internet], September 2021, p. 21, available from [https://www.finance.gov.au/sites/default/files/2021-10/Guide%20for%20non-corporate%20Commonwealth%20entities%20on%20the%20role%20of%20audit%20committees\\_0.pdf](https://www.finance.gov.au/sites/default/files/2021-10/Guide%20for%20non-corporate%20Commonwealth%20entities%20on%20the%20role%20of%20audit%20committees_0.pdf) [accessed 12 October 2023].



*charter to [satisfy] itself that the entity has appropriate mechanisms for reviewing relevant parliamentary committee reports, external reviews and evaluations of the entity and implementing, where appropriate, any resultant recommendations' (source section 1.5 RMG-202).*

2.43 Finance will review this guidance and consider whether additional information should be included in RMG-202, noting different arrangements may be appropriate for administrative recommendations directed to entities as compared to recommendations directed to the Government which go to matters of legislation and policy.

## **Closure and reporting of parliamentary committee recommendations**

### *Closure of recommendations*

2.44 When recommendations have been implemented, it is important they are formally closed and that prior to closure, evidence of implementation is subject to an appropriate level of scrutiny to ensure recommendations have been implemented in full and in accordance with the intent of the recommendation.

2.45 While not specifically identified in Finance's process documentation, in practice JCPAA recommendations are subject to a closure process.<sup>41</sup> For the period reviewed in this audit, Finance did not have documented responsibilities and processes for the closure of recommendations made by other parliamentary committees.

2.46 On 8 November 2022, Finance established a requirement for a closure request form to be completed prior to recommendations being closed, which it has applied to JCPAA and Auditor-General recommendations. The form includes fields for 'Details of Implementation' and 'Supporting Evidence' and requires approval by the recommendation's Responsible Officer (First Assistant Secretary/SES Band 2). Finance advised the ANAO in October 2023 that 'supporting evidence is available to the Audit Committee upon request'. Finance further advised the ANAO in November 2023 that there were 'no records of the Audit Committee members requesting further evidence' relating to recommendations within the scope of this audit that had been closed.

2.47 Recommendations made in internal audits and management-initiated reviews are subject to scrutiny by Finance's internal audit function before being presented to the Audit Committee. For the recommendations under review closed prior to November 2023<sup>42</sup>, Finance did not provide the ANAO with evidence of a comparable quality assurance check applying to the closure of parliamentary committee recommendations, to help the Audit Committee determine if there is adequate evidence for closure and whether the intent of the recommendation had been met.

2.48 In November 2023, in the course of this audit, Finance introduced a Standard Operating Procedure for audit recommendations, which established a requirement that all closure packs for JCPAA and Auditor-General recommendations be reviewed by the Head of Internal Audit and Finance's internal audit function prior to being submitted to the Audit Committee for its endorsement. Extending this requirement to other parliamentary committee recommendations

41 This is the same closure process adopted for Auditor-General recommendations (see paragraph 2.67).

42 At November 2023, of the 18 recommendations under review four of the 12 Auditor-General recommendations had been closed by Finance. There were no parliamentary recommendations closed.

would also help Finance's Audit Committee determine if there is adequate evidence for the closure of those recommendations.

#### Opportunity for improvement

2.49 Finance could extend its internal assurance arrangements, for the scrutiny of agreed JCPAA and Auditor-General recommendations, to all agreed parliamentary recommendations.

#### *Clarifying the role of Finance's Audit Committee*

2.50 Finance's internal closure request form for recommendations that was in use between November 2022 and June 2023 had a field for recording the Audit Committee's 'approval' of closure. This was contrary to the role of audit committees outlined in Finance's whole-of-government guidance on audit committees, Resource Management Guide No. 202, which states that:

An audit committee has no managerial responsibilities. It does not make decisions in relation to the entity's processes and functions. It is intended to provide independent advice to the accountable authority.<sup>43</sup>

2.51 The minutes from Finance's June 2023 Audit Committee meeting recorded that 'Committee members observed that the Audit Committee endorses, rather than approves the actions taken to implement and close internal and external audit recommendations. ... Closure packs are approved by First Assistant Secretary and provided to Audit Committee for endorsement.' The internal form template was updated, for the August 2023 Audit Committee meeting, to reflect this. This change was also captured in the November 2023 Standard Operating Procedure referred to in paragraph 2.48.

#### *External reporting*

2.52 Entities are required to provide updates to PM&C on outstanding government responses to parliamentary committee inquiries. Finance advised the ANAO that as the portfolio department, it will lead most government responses. PM&C provides guidance on how to prepare these reports and Finance documentation indicates that it provided input when requested by the PM&C Tabling Office.

2.53 Entities are not required to report on the implementation status or closure of agreed recommendations to the Parliament, unless requested.<sup>44</sup> The JCPAA requested that Finance report back on one recommendation examined as part of this audit. The JCPAA's *Report 484 The Administration of Government Grants (2020)* was tabled in December 2020 and Recommendation 3

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43 Department of Finance, *A guide for non-corporate Commonwealth entities on the role of audit committees, Resource Management Guide No. 202* [Internet], September 2021, p. 5, available from [https://www.finance.gov.au/sites/default/files/2021-10/Guide%20for%20non-corporate%20Commonwealth%20entities%20on%20the%20role%20of%20audit%20committees\\_0.pdf](https://www.finance.gov.au/sites/default/files/2021-10/Guide%20for%20non-corporate%20Commonwealth%20entities%20on%20the%20role%20of%20audit%20committees_0.pdf) [accessed 12 October 2023].

44 Requests to report on implementation or closure can be included in the recommendation text or after it is issued by the relevant committee or its secretariat.

was that Finance undertake a review and report to the committee on its outcomes within six months of the report's tabling.<sup>45</sup>

2.54 The government response to this recommendation stated that: 'The Government supports the Department of Finance undertaking a review ... and reporting back to the Committee once this work is completed.' The June 2022 update captured in Finance's internal recommendation tracker stated that: 'With the change of Government, this comeback is extinguished. The Recommendation 3 review will be rolled into the broader review of the CGRGs [Commonwealth Grants Rules and Guidelines].'<sup>46</sup> At November 2023 the review was not finalised and the JCPAA had not received a report on Recommendation 3.

## Does Finance have fit-for-purpose governance arrangements and processes to respond to, monitor and implement agreed Auditor-General recommendations?

Finance has documented its internal responsibilities and processes for identifying, responding to and monitoring agreed Auditor-General recommendations.

Finance does not have documented processes for identifying implementation actions for agreed Auditor-General recommendations.

Finance has documented internal responsibilities and processes for closing and reporting on agreed Auditor-General recommendations.

2.55 Auditor-General reports are prepared for the Parliament and provide independent reporting and assurance on entities' administration. They identify risks to the successful delivery of government outcomes and provide recommendations to address them. Where entities agree to Auditor-General recommendations this represents a commitment to Parliament that the entity will undertake the actions agreed to.<sup>47</sup>

2.56 Figure 2.2 (below) illustrates Finance's internal processes and established practices to respond to, monitor and implement agreed Auditor-General recommendations. In summary, Finance:

45 Recommendation 3 was that:

The Committee recommends that the Department of Finance review the established reporting and compliance system and approach to improve assurance that Commonwealth grant program guidelines are adhered to at all points of grant administration for all applicable entities and decision makers. The Department of Finance should report to the Committee on the outcome of this review within six months of the tabling of this report.

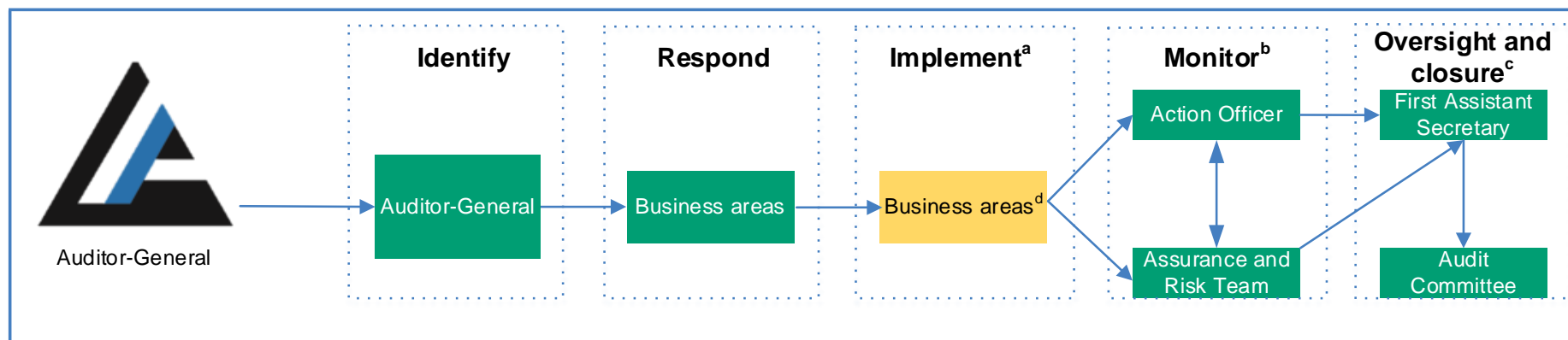
46 Finance advised the ANAO in October 2023 that 'This entry was recorded in error' and that 'Finance is aware that the JCPAA is a statutory joint committee and the effects of dissolution on joint standing committees ... does not apply.' As indicated in Table 3.3, Finance considers implementation to be ongoing.

As discussed in paragraph 1.9, the President of the Senate and Speaker of the House twice yearly present a report to the Senate and House (respectively) on the status of all government responses. The PM&C Tabling Guidelines state that following the preparation of these reports, 'PM&C Tabling Officers will typically provide departments a list of outstanding responses for which they have responsibility. Changes in government or the passage of time are not usually acceptable reasons to remove reports from this list.' See Department of the Prime Minister and Cabinet, *Tabling Guidelines*, PM&C, Canberra, 2022, p. 13.

47 ANAO performance audits are prepared for presentation to Parliament and are tabled. Entity agreement to implement ANAO recommendations is documented in the tabled report and is therefore a commitment to the Parliament.

- has documented its internal responsibilities and processes for identifying, responding to and monitoring agreed Auditor-General recommendations;
- does not have documented processes for identifying implementation actions for agreed Auditor-General recommendations; and
- has documented internal responsibilities and processes for closing and reporting on agreed Auditor-General recommendations.

**Figure 2.2: Department of Finance — processes and established practices to respond to, monitor and implement agreed Auditor-General recommendations**



Key      →      Flow of information      ■ No processes or established practices      ■ Established practice<sup>e</sup>      ■ Documented process

Note a: Includes planning for implementation and implementation activities.

Note b: 'Monitor' refers to the administrative process of compiling updates on the implementation of recommendations and preparing reports.

Note c: As discussed in paragraphs 2.50 and 2.51, between November 2022 and June 2023, Finance documentation indicated that the Audit Committee approved closure of Auditor-General recommendations. In June 2023 Finance's Audit Committee clarified that its role is to endorse closure.

Note d: Finance assigned responsibility to Action Officers and Responsible Officers but did not have processes for assigning risk ratings, timeframes or implementation actions/activities.

Note e: The ANAO considered an established practice to be actions that were consistently followed to achieve an outcome, but the practice was not documented.

Source: ANAO analysis of Finance information.

## **Arrangements for identifying and responding to Auditor-General recommendations**

### *Identifying recommendations*

2.57 The Auditor-General provides a copy, or relevant extract, of each proposed performance audit report to the accountable authority of an entity involved in the audit, and requests written comments from the accountable authority within 28 days.<sup>48</sup> This process was documented by Finance.

### *Responding to recommendations*

2.58 Finance has documented responsibilities and processes to respond to Auditor-General recommendations. Finance's Assurance and Risk team performs a central coordination role and identifies the responsible business area/s during an ANAO audit. The identified business area is responsible for drafting a proposed Finance response to Auditor-General recommendations. The final response is approved by the Secretary.

2.59 In their responses, entities should clearly state whether they intend to implement the audit recommendation. For the 12 Auditor-General recommendations assessed as part of this audit, Finance 'agreed' to eight and 'noted' four. The four 'noted' recommendations related to amending the grants framework. Finance's response was that amendments to the Commonwealth Grants Rules and Guidelines (CGRGs) required government consideration.<sup>49</sup>

2.60 Finance responded to all Auditor-General recommendations directed to it in the past five years and the responses were included in the performance audit reports.

## **Arrangements for implementing Auditor-General recommendations**

### *Assigning responsibilities*

2.61 Finance has documented processes for assigning responsibility for implementing Auditor-General recommendations. The business area responsible for implementing a recommendation assigns an action officer and responsible officer (First Assistant Secretary/SES Band 2 level) for the Auditor-General recommendation. Both officers are recorded in Finance's recommendation tracker system.

### *Implementation planning*

2.62 Finance does not have documented implementation planning processes for Auditor-General recommendations. There are no requirements for:

- assigning risk ratings for these recommendations;
- setting implementation timeframes for these recommendations; or

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48 *Auditor-General Act 1997*, section 19.

49 The four 'noted' recommendations were from Auditor-General Report No.1 2022–23 *Award of Funding under the Building Better Regions Fund* (see Appendix 5 for details of the recommendations). Finance's response to each of the recommendations was as follows:

Noted.

Any amendment to the Commonwealth Grants Rules and Guidelines is a matter for consideration by Government. The Department of Finance will brief the Government on the ANAO's findings and recommendations.

- identifying specific actions or activities required to implement these recommendations.

### *Risk management*

2.63 Finance has established internal risk management policies and supporting frameworks. However, as discussed in paragraph 2.25, Finance did not apply risk ratings to the parliamentary committee recommendations reviewed in this audit. Similarly, Finance did not apply risk ratings to the Auditor-General recommendations reviewed in this audit.

### **Monitoring and oversight of Auditor-General recommendations**

2.64 Finance has documented its process for monitoring the implementation of Auditor-General recommendations and utilises an electronic recommendation tracker to record updates.<sup>50</sup>

2.65 Finance's Audit Committee has been assigned a role to oversee the implementation of Auditor-General recommendations.<sup>51</sup> Finance's Audit and Risk team manages the central monitoring of Finance's implementation of Auditor-General recommendations.

2.66 Finance provided written updates on the implementation of Auditor-General recommendations at each of the nine Audit Committee meetings held between February 2022 and November 2023 (the period for which recommendations assessed in this audit were open).<sup>52</sup>

### **Closure and reporting arrangements for Auditor-General recommendations**

2.67 Finance's closure processes for Auditor-General recommendations are the same as those adopted for JCPAA recommendations. This includes a closure request form, to be approved by the responsible officer, which is presented to Finance's Audit Committee. As discussed in paragraph 2.48, in November 2023 Finance established a requirement for the Head of Internal Audit<sup>53</sup> and its internal audit function to review recommendation closure packs for JCPAA and Auditor-General recommendations.

2.68 The JCPAA examines all Auditor-General reports tabled in Parliament and can request updates from entities regarding the implementation of Auditor-General recommendations, including as part of JCPAA inquiries into Auditor-General reports.

2.69 The JCPAA requested an update on the implementation of one Auditor-General recommendation reviewed as part of this audit. In June 2023, the committee requested that Finance provide an update within 12 months on the implementation of recommendations from

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50 Finance's recommendation tracker is an electronic system used to monitor JCPAA and Auditor-General recommendations. The system is discussed further in paragraphs 2.71 to 2.77 of this audit report.

51 Under its Charter, one of the Audit Committee's roles is 'to review and give independent advice regarding the appropriateness of the department's ... system of internal control'. Listed as part of Finance's control framework are: 'relevant parliamentary committee reports and external reviews, internal and ANAO audit reports, providing advice to the Secretary about significant issues identified and the implementation of agreed actions.'

52 Finance had open Auditor-General recommendations for all meetings in the period examined.

53 The Head of Internal Audit is an SES Band 1.

Auditor-General Report No.21 2021–22 *Operation of Grants Hubs*.<sup>54</sup> At November 2023 Finance had not provided this update, and the time available to respond had not expired.

## Does Finance have effective systems to monitor the implementation of agreed recommendations?

Finance has established a fit-for-purpose internal system (the recommendation tracker) which provides functionality to track its implementation of recommendations, including documenting responsible officers, risk ratings, due dates, updates provided by responsible officers and supporting attachments. With the application of risk mitigation arrangements, appropriate controls are in place to support the integrity of data within Finance’s system.

Finance does not adopt a consistent approach, or apply the full functionality of its system, to its management of agreed parliamentary and Auditor-General recommendations. Finance does not require the establishment of risk ratings or due dates for its implementation of agreed JCPAA or Auditor-General recommendations and does not monitor its implementation of agreed non-JCPAA parliamentary committee recommendations.

There is scope for Finance to apply a fit-for-purpose approach across all types of agreed recommendations, to support its delivery of outcomes in accordance with parliamentary expectations.

2.70 Entities should have fit-for-purpose arrangements for tracking the implementation of agreed recommendations. What constitutes fit-for-purpose will depend on the size of the entity, the nature of its business, its governance structure and the number and frequency of recommendations requiring attention.<sup>55</sup>

2.71 Finance uses a collaborative cloud-based software tool, known as the recommendation tracker, to monitor JCPAA and Auditor-General recommendations. The system provides functionality to track the implementation of recommendations, including documenting responsible officers, risk ratings, due dates, updates provided by responsible officers and supporting attachments.

2.72 When establishing systems, entities should ensure there are sufficient controls to maintain complete and accurate data, to facilitate effective monitoring and reporting on the implementation status of recommendations.

2.73 Access to Finance’s recommendation tracker is restricted and managed manually at the list level or item level, by Finance’s Assurance and Risk team. There are no formal processes for access removal or revalidation. These Information Technology system control weaknesses are mitigated as follows.

- Data changes are logged and monitored in real time.

54 Recommendation 7 from JCPAA Report 495 *Inquiry into Commonwealth Grants Administration* was:  
The Committee requests that the Department of Finance reports back to it on its progress in implementing the recommendations of the audit into the grants hubs by the Australian National Audit Office within 12 months of the date of this report.

55 Australian National Audit Office, *Implementation of Recommendations*, [Internet], ANAO, available from <https://www.anao.gov.au/work/audit-insights/implementation-recommendations-0> [accessed 4 August 2023].



- Unauthorised changes can be corrected through backups.

2.74 Having regard to these risk mitigation arrangements, appropriate controls are in place to support the integrity of data within the recommendation tracker.

2.75 Finance action officers manually enter and update agreed JCPAA and Auditor-General recommendations in the recommendation tracker. Prior to an Audit Committee meeting (five times per year), Finance's Assurance and Risk team requests progress updates on open JCPAA and Auditor-General recommendations. As part of this process, the responsible officer is required to approve the update. There are no further quality control checks conducted. The status of the recommendations is recorded as 'open' or 'closed'.<sup>56</sup>

2.76 For the recommendations examined as part of this audit, at October 2023 the recommendation tracker:

- contained the five agreed JCPAA recommendations under review;
- did not contain the one agreed non-JCPAA recommendation under review<sup>57</sup>; and
- contained all agreed Auditor-General recommendations under review.

2.77 As discussed in this chapter, Finance does not adopt a consistent approach, or apply the full functionality of its system, to its management of agreed parliamentary and Auditor-General recommendations. Finance does not require the establishment of risk ratings or due dates for its implementation of agreed JCPAA or Auditor-General recommendations and does not monitor its implementation of agreed non-JCPAA parliamentary committee recommendations.

2.78 An overarching finding of this audit is that there is scope for Finance to apply a fit-for-purpose approach across all agreed recommendations, to support its delivery of outcomes in accordance with parliamentary expectations.

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56 Once Audit Committee endorsement has been given, only the Assurance and Risk team may change the status of a recommendation from 'open' to 'closed'.

57 As discussed in paragraph 2.35, Finance did not monitor the implementation of agreed parliamentary committee recommendations, other than those made by the JCPAA.

### 3. Implementation of recommendations

#### Areas examined

This chapter examines whether the Department of Finance (Finance) effectively implemented the 18 agreed recommendations under review, comprising five recommendations of the Parliament's Joint Committee of Public Accounts and Audit (JCPAA), one made by the Senate Foreign Affairs, Defence and Trade Legislation Committee, and 12 Auditor-General recommendations.

#### Conclusion

Finance does not have an internal requirement to develop implementation plans for agreed recommendations, and its implementation planning for the 18 recommendations examined in this audit was partly fit-for-purpose.

Eight recommendations were implemented (44 per cent), one was largely implemented (six per cent), one was partly implemented (six per cent), and two were not implemented (11 per cent). For six recommendations, implementation was ongoing (33 per cent). The closure of four recommendations assessed by Finance as 'implemented' was not supported by adequate evidence.

3.1 Effective and timely implementation of agreed recommendations contributes to realising the full benefit of a parliamentary committee inquiry or an ANAO audit and demonstrates accountability to the Parliament.<sup>58</sup>

3.2 The ANAO reviewed Finance's implementation of 18 agreed recommendations, comprising five JCPAA recommendations, one made by the Senate Foreign Affairs, Defence and Trade Legislation Committee, and 12 Auditor-General recommendations. The selected recommendations are set out in Appendix 4 and Appendix 5 of this audit report.

3.3 As discussed in paragraph 2.2, entities benefit from robust planning arrangements and strong senior management oversight and monitoring arrangements to ensure the effective and timely implementation of agreed recommendations.

#### Were there fit-for-purpose implementation plans for each of the selected recommendations?

Finance does not have an internal requirement to develop implementation plans for agreed recommendations. For the 18 agreed recommendations examined in this audit, Finance assigned an action officer and responsible officer for 17 recommendations, did not assign a risk rating for any of the recommendations, and assigned an implementation timeframe for four recommendations.

3.4 Finance does not have an internal requirement to develop implementation plans for agreed recommendations. In the absence of such arrangements, the ANAO examined whether Finance assigned roles and responsibilities, timeframes and risk ratings for selected recommendations.

<sup>58</sup> As discussed in footnote 47, ANAO performance audits are prepared for presentation to Parliament and are tabled. Entity agreement to implement ANAO recommendations is documented in the tabled audit report and is therefore a commitment to the Parliament.

3.5 For the 18 recommendations examined in this audit, Finance:

- assigned an ‘action officer’ and ‘responsible officer’ for 17 recommendations (94 per cent of all recommendations)<sup>59</sup>;
- did not assign a risk rating for any recommendation; and
- assigned an implementation timeframe for four Auditor-General recommendations (22 per cent of all recommendations).<sup>60</sup>

3.6 The four recommendations assigned an implementation timeframe had a ‘revised due date’<sup>61</sup> set several months after the reports, in which they appear, were tabled in Parliament.<sup>62</sup> None of the four recommendations had a due date set prior to this time.<sup>63</sup>

3.7 As discussed in paragraph 1.5, this is the sixth in a series of ANAO performance audits that has examined the effectiveness of entities’ implementation of agreed recommendations from parliamentary committee and Auditor-General reports. The ANAO audit insights product, *Implementation of Audit Recommendations*, which draws on this series of audits, has observed that:

Successful implementation of recommendations requires fit-for-purpose implementation plans that clearly identify the intent of the recommendations and associated actions, set clear responsibilities and timeframes for addressing required actions and measures of success and/or outcomes to be realised. Implementation plans should involve key stakeholders. Where implementation plans are not prepared, evidence shows that actions are not always implemented to address the identified issue, or not implemented in a timely way, or not implemented at all.<sup>64</sup>

## Was each selected recommendation effectively monitored?

Finance monitored the implementation of the five JCPAA recommendations and 12 Auditor-General recommendations examined in this audit. Finance did not centrally monitor implementation of the non-JCPAA recommendation. Implementation updates for the JCPAA recommendations commenced eight months after the government response agreeing to the recommendations was tabled in Parliament. Finance’s monitoring of one Auditor-General recommendation was also delayed.

## Recommendation monitoring

3.8 As discussed in Chapter 2, Finance has oversight and monitoring arrangements in place for agreed JCPAA and Auditor-General recommendations, and these were used for the JCPAA and

59 The one agreed recommendation without assigned roles and responsibilities was made by the Senate Foreign Affairs, Defence and Trade Legislation Committee.

60 These were Recommendation 1 from Auditor-General Report No.30 2021–22 *Procurement by the National Capital Authority* and recommendations 2, 3 and 4 from Auditor-General Report No.46 2021–22 *Management of Staff Leave in the Australian Public Service*.

61 Finance’s recommendation tracker system has separate fields for ‘original due date’ and ‘revised due date’. This recommendation did not have an ‘original due date’.

62 This ranged from four to 14 months after the tabling date.

63 Finance advised the ANAO in November 2023 that ‘Our recommendation tracker shows that where a due date is provided by the business area managing the recommendation it is added to the tracker. Where a date is not provided the field in the tracker is left blank.’

64 ANAO, *Audit Insights: Implementation of Recommendations*, 30 June 2021, [Internet], available from <https://www.anao.gov.au/work/insights/implementation-recommendations> [accessed October 2023].

Auditor-General recommendations examined in this audit.<sup>65</sup> Finance's Assurance and Risk team monitors the implementation of JCPAA and Auditor-General recommendations through its recommendation tracker system (discussed in paragraph 2.71) and updates are provided to the Audit Committee, which provides oversight of JCPAA and Auditor-General recommendations (discussed in paragraphs 2.33 and 2.65).

3.9 Further, as discussed in Chapter 2, Finance does not have arrangements in place for monitoring parliamentary committee recommendations not made by the JCPAA (discussed in paragraph 2.35).

3.10 Finance provided its Audit Committee with updates on 17 of the 18 agreed recommendations examined in this audit. These were the five JCPAA and 12 Auditor-General recommendations. The Audit Committee was not provided with updates on the one non-JCPAA recommendation examined in this audit, as this is not part of Finance's internal processes.<sup>66</sup> Minutes from each Audit Committee meeting noted the recommendation updates, with no additional scrutiny recorded.

3.11 There was a delay in Finance providing implementation updates to the Audit Committee on JCPAA Recommendations 1 to 5 made in JCPAA *Report 484 The Administration of Government Grants*. The JCPAA's report was tabled in the Parliament in December 2020 and the government response was tabled on 21 October 2021.<sup>67</sup> Implementation updates were first reported to the Audit Committee in June 2022, which was eight months after the government response was tabled. There were also delays in the Audit Committee receiving updates on one of the 12 Auditor-General recommendations examined in this audit.<sup>68</sup>

3.12 Commencing in November 2022, Finance's Audit Committee was presented with a dashboard-style report on JCPAA and Auditor-General recommendations. The dashboard included the report name and a link to the report, recommendation number/s, the responsible group within Finance<sup>69</sup>, relevant tabling date, and often a written comment and/or status report.<sup>70</sup> Non-JCPAA parliamentary committee recommendations were not included in the dashboard.

3.13 The ANAO examined one non-JCPAA parliamentary committee recommendation in this audit, made by the Senate Foreign Affairs, Defence and Trade Legislation Committee.<sup>71</sup> As discussed

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65 Monitoring arrangements are discussed in paragraphs 2.31 to 2.40.

66 This was the recommendation of the Senate Foreign Affairs and Trade Legislation Committee.

67 This was seven months after the response timeframe established by the Senate and four months after that established by the House of Representatives.

68 A documented update was first provided for the recommendation from Auditor-General Report No.30 2021–22 *Procurement by the National Capital Authority* five months after the report was tabled in Parliament.

69 At September 2023, Finance had four groups headed by a Deputy Secretary (SES Band 3 level): Budget Group; Governance and Resource Management; Commercial Group; and Business and Enabling Services. The groups have divisions headed by a First Assistant Secretary (SES Band 2 level).

70 Updates provided for committee meetings held on 29 August 2022, 8 December 2022 and 14 April 2023 included a status report and written comments. Updates provided for the 8 November 2022 meeting included a status report. Updates provided for the 29 June 2023 and 29 August 2023 meetings included written comments. Prior to November 2022 the Audit Committee received status updates in a table form. For internal audit and management initiated reviews, the Audit Committee is provided with original and revised due dates and is also advised to note extensions to due dates for these recommendations.

71 The ANAO examined implementation of Recommendation 3 from the committee's report on the Customs Amendment (Banning Goods Produced By Uyghur Forced Labour) Bill 2020. For the recommendation text, see Appendix 4 of this audit report.

in paragraph 2.35, Finance did not centrally monitor parliamentary committee recommendations other than those made by the JCPAA. Finance further advised the ANAO in November 2023 that ‘Updates related to this recommendation were not provided to Finance management or oversight committees.’ Finance provided a single implementation update to the Department of Foreign Affairs and Trade, which was the coordinating department for the government response to the report.<sup>72</sup>

## Timeliness of implementation

### *Parliamentary committee recommendations*

3.14 As discussed in paragraph 3.5 and 3.6, Finance did not establish implementation timeframes for the parliamentary committee recommendations examined in this audit. Table 3.1 (below) indicates that at November 2023, the elapsed time since these recommendations were agreed to by government ranged from 19 to 25 months.

**Table 3.1: Status of parliamentary committee recommendations**

	Customs Amendment (Banning Goods Produced By Uyghur Forced Labour) Bill 2020 <sup>a</sup>	Report 484 The Administration of Government Grants <sup>a</sup>
Recommendation(s)	3	1–5
Report tabled	17 June 2021	7 December 2020 in House 8 December 2020 in Senate
Government response tabled (within timeframe?)	21 April 2022 (No, >3 months)	21 October 2021 (No, >6 months <sup>b</sup> )
Finance’s implementation status <sup>c</sup>	Implemented	Implementation ongoing
Recommendation closure date	Not applicable — this recommendation was not subject to a closure process	Not applicable — Finance’s status is ‘implementation ongoing’ for all recommendations
Time elapsed since the recommendation was agreed to (at November 2023)	19 months	25 months

Note a: For recommendation details, see Appendix 4 of this audit report.

Note b: As noted in Note b to Table 2.1, while Department of the Prime Minister and Cabinet Tabling Guidelines state that government responses to joint committee recommendations are required within three months, the JCPAA advises entities that government responses are due within six months of the recommendation being made.

Note c: For Finance’s implementation status of individual recommendations from each report, see Table 3.3 of this audit report.

Source: ANAO analysis of parliamentary committee recommendations examined in this audit.

72 In September 2023 Finance advised the ANAO that:

The Department of Foreign Affairs and Trade (DFAT), who have responsibility for coordinating the Australian Government’s response to the Parliamentary Senate Standing Committees on Foreign Affairs, Defence and Trade report: **Customs Amendment (Banning Goods Produced By Uyghur Forced Labour) Bill 2020**, have sought an update on implementation of the relevant recommendation once, in July 2023. [emphasis in original]

3.15 When making a recommendation, parliamentary committees can include a timeframe for implementation. Two of the JCPAA recommendations examined in this audit included timeframes.<sup>73</sup> The Senate Foreign Affairs, Defence and Trade Legislation Committee recommendation examined in this audit was preceded, in the committee's report, by a paragraph stating that:

The committee considered the suggestion that the government take steps to ensure its own procurement activities in no way abet forced labour to be a constructive one, and an area where action could be taken immediately.<sup>74</sup>

3.16 As outlined in Table 3.1 (above), implementation of this parliamentary committee recommendation occurred 19 months after it was agreed to and 29 months after the committee's report was released.

3.17 Recommendation No.1 in this audit report (found at paragraph 2.28) is that Finance strengthen its internal planning arrangements, including the setting of implementation timeframes. In the context of its planning, there is also scope for Finance to factor in any implementation timeframes proposed by parliamentary committees.

#### *Auditor-General recommendations*

3.18 As discussed in paragraphs 3.5 and 3.6, Finance established implementation timeframes for only four of the 18 recommendations examined in this audit. The implementation timeframes were for four of the 12 Auditor-General recommendations. As indicated in paragraph 3.6, these four recommendations had 'revised due dates' but not 'original due dates'.

- Two of the four recommendations were closed four months after the 'revised due date'.<sup>75</sup>
- One recommendation had not been closed, however at November 2023 the 'revised due date' had already passed.<sup>76</sup>
- One recommendation had not been closed, and the 'revised due date' had not passed.<sup>77</sup>

3.19 At November 2023, the average time that closed recommendations remained open was 12.5 months.<sup>78</sup> Recommendations with 'implementation ongoing' status had been open for an average of 17.5 months.<sup>79</sup>

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73 These were Recommendation 1 and Recommendation 3 of JCPAA Report 484 *The Administration of Government Grants*. For details, see Appendix 4 of this audit report.

74 Senate Foreign Affairs, Defence and Trade Legislation Committee *Customs Amendment (Banning Goods Produced By Uyghur Forced Labour) Bill 2020*, paragraph 5.11.

75 These were Recommendations 2 and 3 of Auditor-General Report No.46 2021–22 *Management of Staff Leave in the Australian Public Service*. Both recommendations had a 'revised due date' in December 2022 and both were closed in April 2023.

76 This was Recommendation 4 of Auditor-General Report No.46 2021–22 *Management of Staff Leave in the Australian Public Service*. The 'revised due date' was 30 August 2023.

77 This was Recommendation 1 of Auditor-General Report No.30 2021–22 *Procurement by the National Capital Authority*. The 'revised due date' was 30 June 2024.

78 The ANAO considered Auditor-General recommendations to have been open from the tabling date to the date the responsible officer approved the closure request form.

79 Table 3.5 (below) summarises the implementation status of Auditor-General recommendations.

## Were the selected recommendations implemented in full and closed in accordance with requirements?

Of the 18 agreed parliamentary committee and Auditor-General recommendations examined in this audit, eight were implemented (44 per cent), one was largely implemented (six per cent), one was partly implemented (six per cent) and two were not implemented (11 per cent). For six recommendations, implementation was ongoing (33 per cent).

The ANAO's review indicated that the closure of four recommendations that Finance assessed as implemented was not supported by adequate supporting evidence.

There were four recommendations from Auditor-General Report No.1 2022–23 *Award of Funding under the Building Better Regions Fund* that were 'noted' by Finance as requiring government consideration. Finance advised government to implement one recommendation and to not implement three recommendations.

3.20 The ANAO assessed the implementation status of the 18 recommendations examined in this audit at November 2023.

3.21 The assessment approach used by the ANAO is set out in Table 3.2 (below).

**Table 3.2: Implementation status of recommendations — assessment categories<sup>a</sup>**

Category	Explanation
Not implemented	There is no supporting evidence that the agreed action has been undertaken, or the action taken does not address the intent of the recommendation as agreed.
Partly implemented	The action taken was less extensive than the recommendation agreed, as: <ul style="list-style-type: none"> <li>it fell well short of the intent of the recommendation as agreed; or</li> <li>processes were initiated or implemented but outcomes were not achieved.</li> </ul>
Largely implemented	The action taken was less extensive than the recommendation as agreed, as: <ul style="list-style-type: none"> <li>it fell short of the intent of the recommendation as agreed; or</li> <li>processes were initiated or implemented and there is evidence there was also action taken to achieve the outcome.</li> </ul>
Implemented	There is supporting evidence that the agreed action has been undertaken and the action met the intent of the recommendation as agreed.
Implementation ongoing	There is supporting evidence of ongoing action to implement the recommendation and the entity considers that implementation is in progress or ongoing.

Note a: The ANAO assessed implementation status at November 2023.

Source: ANAO documentation.

### Implementation of parliamentary committee recommendations

3.22 Table 3.3 (below) shows the implementation status of the six agreed parliamentary committee recommendations examined in this audit, as indicated in Finance records and as assessed by the ANAO. Appendix 4 of this audit report provides the full text of each agreed recommendation.

**Table 3.3: Implementation status of parliamentary committee recommendations — summary of Finance and ANAO assessments**

Recommendation and report	Committee	Status recorded by Finance	ANAO assessment
Recommendation 3, <i>Customs Amendment (Banning Goods Produced By Uyghur Forced Labour) Bill 2020</i>	FADT <sup>a</sup>	Implemented	Implemented
Recommendation 1, JCPAA Report 484 <i>The Administration of Government Grants</i>	JCPAA	Implementation ongoing	Implemented
Recommendation 2, JCPAA Report 484 <i>The Administration of Government Grants</i>	JCPAA	Implementation ongoing	Implementation ongoing
Recommendation 3, JCPAA Report 484 <i>The Administration of Government Grants</i>	JCPAA	Implementation ongoing	Partly implemented
Recommendation 4, JCPAA Report 484 <i>The Administration of Government Grants</i>	JCPAA	Implementation ongoing	Implemented
Recommendation 5, JCPAA Report 484 <i>The Administration of Government Grants</i>	JCPAA	Implementation ongoing	Implementation ongoing

Note a Senate Foreign Affairs, Defence and Trade Legislation Committee.

Source: ANAO analysis.

3.23 There were three instances where a recommendation’s implementation status as recorded by Finance and the ANAO’s assessment differed. Further details of the ANAO’s assessment are provided in Table 3.4 (below).

**Table 3.4: Joint Committee of Public Accounts and Audit (JCPAA), Report 484 *The Administration of Government Grants***

Recommendation	ANAO assessment
<p>Recommendation 1</p> <p>The Committee notes the recent regulatory changes to require that all grant programs run by corporate and non-corporate Commonwealth entities be administered in accordance with the Commonwealth Grants Rules and Guidelines 2017 [CGRGs], and recommends that the Department of Finance review the operation of the guidelines and associated regulations two years after the tabling of this report to ensure they remain efficient and effective.</p>	<p><b>Implemented</b></p> <p>Finance undertook a review of the CGRGs. This involved consideration of JCPAA and Auditor-General recommendations and was undertaken in consultation with entities involved in the Grants Framework Working Group. While the review activity was focused on integrity, accountability and transparency, not effectiveness and efficiency as stated in the recommendation, the review activities are considered to be in accordance with the intent of the recommendation.</p>
<p>Recommendation 3</p> <p>The Committee recommends that the Department of Finance review the established reporting and compliance system and approach to improve assurance that Commonwealth grant program guidelines are adhered to at all points of grant</p>	<p><b>Partly implemented</b></p> <p>Finance prepared a draft review document and a draft submission to the JCPAA presenting the findings of the review. The draft review was not finalised and it was not provided to the JCPAA. In July 2022 the update recorded in Finance’s</p>



Recommendation	ANAO assessment
administration for all applicable entities and decision makers. The Department of Finance should report to the Committee on the outcome of this review within six months of the tabling of this report.	recommendation tracker stated that 'With the change of Government, this comeback is extinguished. The Recommendation 3 review will be rolled into the broader review of the CGRGs.' <sup>a</sup> As the review was not finalised and Finance did not report to the Committee on its outcomes, the recommendation is considered partly implemented.
<p>Recommendation 4</p> <p>The Committee recommends that the Department of Finance review the official record-keeping requirements of the Commonwealth Grants Rules and Guidelines 2017 with a view to addressing probity issues, including a requirement for all parties involved in grant administration to disclose and record any conflicts of interest. Further, changes should be made to ensure records are kept of the reasoning for decisions of a relevant Minister(s) to approve or reject grant applications and recommendations, including ministerial panels. This is particularly important where a Minister approves a grant that a relevant official/entity has recommended be rejected or assessed as ineligible.</p>	<p><b>Implemented</b></p> <p>Finance undertook a review of official record keeping requirements of the CGRGs which considered probity issues and record keeping related to decisions by Ministers.</p>

Note a: As outlined in footnote 46, Finance advised the ANAO in October 2023 that 'This entry was recorded in error' and that 'Finance is aware that the JCPAA is a statutory joint committee and the effects of dissolution on joint standing committees ... does not apply.'

Source: ANAO analysis of Finance documentation.

### Closure of parliamentary committee recommendations

3.24 As outlined in Table 3.3 (above), the implementation status recorded by Finance for all the JCPAA recommendations examined in this audit was 'implementation ongoing'. Accordingly, none had gone through Finance's closure processes.

3.25 As discussed in paragraph 2.45, Finance does not have a recommendation closure process for non-JCPAA parliamentary committee recommendations.

### Implementation of Auditor-General recommendations

3.26 Table 3.5 (below) shows the implementation status of the 12 agreed Auditor-General recommendations examined in this audit, as indicated in Finance records and as assessed by the ANAO. Appendix 5 of this audit report provides the full text of each agreed recommendation.

**Table 3.5: Implementation status of Auditor-General recommendations — summary of Finance and ANAO assessments**

Recommendation and report	Status recorded by Finance	ANAO assessment
Recommendation 1, Auditor-General Report No.17 <i>2021–22 Australian Government Advertising: May 2019 to October 2021</i>	Implemented	Not implemented
Recommendation 1, Auditor-General Report No.21 <i>2021–22 Operation of Grants Hubs</i>	Implemented	Largely implemented
Recommendation 2, Auditor-General Report No.21 <i>2021–22 Operation of Grants Hubs</i>	Implementation ongoing	Implementation ongoing
Recommendation 3, Auditor-General Report No.21 <i>2021–22 Operation of Grants Hubs</i>	Implementation ongoing	Implementation ongoing
Recommendation 1, Auditor-General Report No.30 <i>2021–22 Procurement by the National Capital Authority</i>	Implementation ongoing	Implementation ongoing
Recommendation 2, Auditor-General Report No.46 <i>2021–22 Management of Staff Leave in the Australian Public Service</i>	Implemented	Implemented <sup>a</sup>
Recommendation 3, Auditor-General Report No.46 <i>2021–22 Management of Staff Leave in the Australian Public Service</i>	Implemented	Not implemented
Recommendation 4, Auditor-General Report No.46 <i>2021–22 Management of Staff Leave in the Australian Public Service</i>	Implementation ongoing	Implementation ongoing
Recommendation 1, Auditor-General Report No.1 <i>2022–23 Award of Funding under the Building Better Regions Fund</i>	Implementation ongoing	Implemented <sup>b</sup>
Recommendation 2, Auditor-General Report No.1 <i>2022–23 Award of Funding under the Building Better Regions Fund</i>	Implementation ongoing	Implemented <sup>b</sup>
Recommendation 3, Auditor-General Report No.1 <i>2022–23 Award of Funding under the Building Better Regions Fund</i>	Implementation ongoing	Implemented <sup>b</sup>
Recommendation 5, Auditor-General Report No.1 <i>2022–23 Award of Funding under the Building Better Regions Fund</i>	Implementation ongoing	Implemented <sup>b</sup>

Note a: Finance closed this recommendation in April 2023. The ANAO's assessment was that the recommendation was implemented with the establishment of documented procedures in October 2023.

Note b: Finance's response to these recommendations was: 'noted'. The ANAO assessed whether Finance undertook the actions it committed to in its response to the recommendation. Finance's response to each recommendation was as follows: 'The Department of Finance will brief the Government on the ANAO's findings and recommendations.' Finance undertook the briefing actions it committed to. Further information on actions taken in response to these recommendations is provided in Appendix 6 of this audit report.

Source: ANAO analysis of Finance information.

3.27 There were seven instances where a recommendation's implementation status as recorded by Finance and the ANAO's assessment differed. Further details of the ANAO's assessment are provided in Table 3.6, Table 3.7 and Table 3.8 (below) and in paragraphs 3.28 to 3.30.

**Table 3.6: Implementation status of recommendations in Auditor-General Report No.17 2021–22 Australian Government Advertising: May 2019 to October 2021**

Recommendation	ANAO assessment
<p>Recommendation 1</p> <p>The Department of Finance clarify the application of certification requirements for public relations activities under the 2020 <i>Australian Government Guidelines on Information and Advertising Campaigns by non-corporate Commonwealth entities</i>.</p>	<p><b>Not implemented</b></p> <p>Finance held an information session for government communication officers in November 2022. The documentation relating to this information session included references to public relations activities, and a statement that the <i>Australian Government Guidelines on Information and Advertising Campaigns by non-corporate Commonwealth entities</i> apply to public relations activities. Finance’s closure request form for this recommendation stated that the recommendation was implemented through this activity. The documentation does not show that Finance clarified the application of certification requirements for public relations activities.</p> <p>In October 2023 Finance advised the ANAO that: ‘At the time of new Governance arrangements being established, Finance considered the Guidelines were clear on the inclusion of public relations as it relates to certification, and that clarifying it in guidance documents (available on the portal) was appropriate’. Finance has not provided guidance documents that meet the intent of the recommendation.</p> <p>As Finance did not clarify the application of certification requirements to public relations activities, Finance did not implement the agreed recommendation.</p>

Source: ANAO analysis of Finance documentation.

**Table 3.7: Implementation status of recommendations in Auditor-General Report No.21 2021–22 Operation of Grants Hubs**

Recommendation	ANAO assessment
<p>Recommendation 1</p> <p>Department of Finance and the hubs<sup>a</sup> agree a methodology to capture and report performance information that demonstrates the efficiency and effectiveness of grants administration through the hubs.</p>	<p><b>Largely implemented</b></p> <p>Finance developed a Benefits Measurement Plan (BMP) for grants administration. The BMP includes measures for a range of outcomes, including ‘improved efficiency and reduced administrative costs to Government’.<sup>b</sup></p> <p>Finance provided evidence of officials from the grants hubs endorsing the BMP, however endorsement was provided by junior officers and Finance was unable to provide documentation showing agreement to the BMP by senior management of either hub.<sup>c</sup> Finance’s actions fell short of the intent of the recommendation.</p> <p>Finance advised the ANAO in October 2023 that since receiving endorsement of the BMP it ‘provided the hubs with a final copy of the BMP with the baseline data’ and is in the process of collecting 2022–23 data. Finance’s internal reporting on the baseline data collection stated that:</p> <p style="padding-left: 40px;">Eight of the 40 measures within the Plan were not able to be reported on in this period due to data not being collected/available during the 2021-22 period, or the inability to report retrospectively. This has been noted against the affected measures, and it is expected the data will be available in the next reporting period.</p> <p style="text-align: center;">...</p> <p>The CGH [Community Grants Hub] has not reported their standard delivery timeframes in line with the agreed measure at 1.1B-4 despite previous agreement to the measure following consultation. CGH has</p>

Recommendation	ANAO assessment
	advised that they do not consider this a suitable test of better designed grants, nor a measure that they could ever validate or report on. Finance will continue to work with CGH on adjustments to this measure where possible to gather data in future reporting periods.

Note a: The two grants hubs referred to in this recommendation were the Business Grants Hub operated by the Department of Industry, Science and Resources and the Community Grants Hub operated by the Department of Social Services.

Note b: The measures under this outcome included: 'Standard cost of administering grants'; 'Cumulative net costs/savings achieved from consolidating multiple ICT systems (including ICT infrastructure and personnel)'; 'Number and value of grant opportunities being delivered by hubs at the benefit review date'; and 'Time taken to design and deliver grant opportunities through hubs.'

Note c: Finance documentation indicates that endorsement was provided by officials at the 'Director' (Executive Level 2) level at each entity. The Business Grants Hub is headed by an SES Band 1 officer and the Community Grants Hub is headed by an SES Band 2 officer.

Source: ANAO analysis of Finance documentation.

**Table 3.8: Implementation status of recommendations in Auditor-General Report No.46 2021–22 Management of Staff Leave in the Australian Public Service**

Recommendation	ANAO assessment
<p>Recommendation 3</p> <p>Department of Finance; Department of Industry, Science, Energy and Resources; National Indigenous Australians Agency; and Services Australia establish appropriate controls to ensure the use of maternity and parental leave complies with legislative, award, enterprise agreement and policy requirements, including controls that ensure documentary evidence has been sighted by the approver or recorded in the system.</p>	<p><b>Not implemented</b></p> <p>The closure request form presented to the Audit Committee meeting on 14 April 2023 stated that ‘SDO [Service Delivery Office<sup>a</sup>] have updated their Maternity leave checklist to ensure that all documents (application, estimate date of confinement certificate and fit to work certificate) are file [sic] on the individual personal file.’ Supporting evidence was a checklist dated January 2018. The ANAO compared this checklist with a version of the checklist in use in October 2021, prior to the completion of the performance audit in which the recommendation was made. This checklist did not include any of the updates Finance had indicated had occurred in the closure request form presented to Finance’s Audit Committee on 14 April 2023.<sup>b</sup></p> <p>Finance provided the ANAO with another version of the checklist in August 2023. This version included the addition of instructions around limiting and reopening timesheets and the reinsertion of sections on calculation of maternity leave and superannuation contributions that had been in the October 2021 version. Finance advised the ANAO in October 2023 that: ‘The checklist was provided by SDO payroll. SDO have advised that there is no versioning [sic] control on checklists as they are reviewed and updated regularly’.</p> <p>None of the versions included changes ensuring there were appropriate controls to ensure the use of maternity and parental leave complies with legislative, award, enterprise agreement and policy requirements. Finance advised the ANAO in November 2023 that:</p> <p style="padding-left: 40px;">It has been recognised that HR needs to develop their own checklist to make sure that compliance controls are recorded, as this is not included on the SDO checklist. HR will undertake to have this checklist developed and in use by the end of November 2023.</p> <p>In its response to the recommendation, Finance stated that: ‘Finance will also develop enhanced guidance for managers and staff on the effective management of maternity and parental leave, including record keeping requirements.’ This action was not undertaken. In November 2023 Finance advised the ANAO that:</p> <p style="padding-left: 40px;">This action has not yet been undertaken. The Maternity Leave legislation is currently undergoing a review, and changes are expected. In addition, the new Enterprise Agreement will contain significant changes to maternity and paternity leave. We will develop guidance for managers and staff once the new Enterprise Agreement has been implemented (likely to be Feb/Mar 2024).</p>

Note a: The Service Delivery Office is a shared services hub that is part of the Department of Finance but also provides services to other entities. See Department of Finance, Shared Services Delivery [Internet], Finance, available from <https://www.finance.gov.au/government/shared-services-journey/shared-services-delivery> [accessed 17 October 2023].

Note b: The October 2021 version viewed by the ANAO included sections on calculation of maternity leave and superannuation contributions that were not included in the version referred to in the closure pack.

Source: ANAO analysis of Finance documentation.

## *Implementation status of recommendations in Auditor-General Report No.1 2022–23 Award of Funding under the Building Better Regions Fund*

3.28 In Auditor-General Report No.1 2022–23 *Award of Funding under the Building Better Regions Fund* (BBRF), four recommendations were made to improve aspects of the Commonwealth Grants Rules and Guidelines (CGRGs). The recommendations reflected audit findings that a stronger grants administration framework would guard against the practices employed in the award of BBRF funding that were not consistent with the underlying intent of the framework.<sup>80</sup>

3.29 Finance’s response to each of the four audit recommendations was as follows.

Noted.

Any amendment to the Commonwealth Grants Rules and Guidelines is a matter for consideration by Government. The Department of Finance will brief the Government on the ANAO’s findings and recommendations.

3.30 Finance provided the Minister for Finance with a briefing dated 28 July 2022 on the audit findings and the department’s view on the four recommendations. In doing so, Finance undertook the actions it committed to in its response to the audit report. Finance advised government to implement one of the recommendations and to not implement three of the recommendations. Further information on the actions taken in response to these recommendations is provided in Appendix 6 of this audit report.

### **Closure of Auditor-General recommendations**

3.31 As outlined in Table 3.5 (above), Finance considered that four of the 12 Auditor-General recommendations examined in this audit were ‘implemented’. Finance prepared a closure report for each of these recommendations, which provided the following information:

- details of how the recommendation was implemented;
- date the closure request was approved by the relevant responsible officer (First Assistant Secretary); and
- date the closure request was ‘approved’ by the Audit Committee.<sup>81</sup>

3.32 The closure report for three of the four closed recommendations included links to evidence supporting the recommendation being closed. For one recommendation (Recommendation 1 from Auditor-General Report No.17 2021–22 *Australian Government Advertising: May 2019 to October 2021*) evidence was not provided with the closure request form, nor was it contained in Finance’s recommendation tracker system. This recommendation was closed on 16 June 2023.<sup>82</sup> As outlined in Table 3.5 (above), the ANAO assessed this recommendation as ‘not implemented’.

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80 See paragraph 34 and p. 88 of that audit report.

81 As discussed in paragraph 2.51, in June 2023 Finance’s Audit Committee identified that its correct role was to endorse the closure of recommendations rather than approve their closure (which is a management responsibility).

82 The evidence supporting closure related to actions taken in November 2022. Finance advised the ANAO in September 2023 that:

The closure of the recommendation was missed in the change to procedures where a closure request form was introduced. When the oversight was realised, it was corrected which is the reason for the delay.

3.33 The ANAO assessed that the closure reports for three other recommendations — which Finance considered were ‘implemented’ — did not contain sufficient evidence to support closure.<sup>83</sup> The ANAO assessed that one of these three recommendations was ‘fully implemented’ six months after it was closed by Finance.<sup>84</sup>

3.34 As reported in paragraph 2.48, during this audit (November 2023) Finance introduced a Standard Operating Procedure for audit recommendations, which established a requirement that all closure packs for JCPAA and Auditor-General recommendations be reviewed by the Head of Internal Audit and Finance’s internal audit function prior to being submitted to the Audit Committee for its endorsement.

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Grant Hehir  
Auditor-General

Canberra ACT  
8 February 2024

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83 These were: Recommendation 1 from Auditor-General Report No.21 2021–22 *Operation of Grants Hubs*; and Recommendations 2 and 3 from Auditor-General Report No.46 2021–22 *Management of Staff Leave in the Australian Public Service*.

84 As indicated in ‘Note a’ in Table 3.5, the ANAO considered that this recommendation had been fully implemented in October 2023, six months after it was closed by Finance.





# Appendices

## Appendix 1 Entity response



### Australian Government Department of Finance

Jenny Wilkinson PSM  
Secretary

Our Ref: EC24-000033

Mr Grant Hehir  
Auditor-General for Australia  
Australian National Audit Office  
GPO Box 707  
CANBERRA ACT 2601

Dear Mr Hehir

Thank you for the opportunity to provide comments on the Australian National Audit Office's (ANAO) section 19 performance audit report - *Implementation of Parliamentary Committee and Auditor-General Recommendations — Department of Finance*.

The Department of Finance (Finance) wishes to thank the ANAO for their collaboration and engagement throughout this audit and welcomes the opportunity to continue to improve our internal processes relating to the management and implementation of parliamentary committee and Auditor-General recommendations.

Finance's current governance arrangements focus on agreed recommendations made by the Parliament's Joint Committee of Public Accounts and Audit (JCPAA) and the Auditor-General. We agree with the conclusion expressed through this audit that these same arrangements should be extended to other recommendations regardless of the parliamentary committee which made the recommendation. However, we note that different governance arrangements may be appropriate for administrative recommendations directed to Finance as compared to recommendations directed to the Government which go to matters of legislation and policy.

Finance is committed to effective implementation of parliamentary committee and ANAO recommendations and has already taken steps to address opportunities for improvement identified in this audit.

Yours sincerely

A handwritten signature in blue ink that reads 'J. Wilkinson'.

Jenny Wilkinson  
Secretary

17 January 2024

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## Appendix 2 Improvements observed by the ANAO

1. The existence of independent external audit, and the accompanying potential for scrutiny improves performance. Improvements in administrative and management practices usually occur: in anticipation of ANAO audit activity; during an audit engagement; as interim findings are made; and/or after the audit has been completed and formal findings are communicated.
2. The Joint Committee of Public Accounts and Audit (JCPAA) has encouraged the ANAO to consider ways in which the ANAO could capture and describe some of these impacts. The ANAO's Corporate Plan states that the ANAO's annual performance statements will provide a narrative that will consider, amongst other matters, analysis of key improvements made by entities during a performance audit process based on information included in tabled performance audit reports.
3. Performance audits involve close engagement between the ANAO and the audited entity as well as other stakeholders involved in the program or activity being audited. Throughout the audit engagement, the ANAO outlines to the entity the preliminary audit findings, conclusions and potential audit recommendations. This ensures that final recommendations are appropriately targeted and encourages entities to take early remedial action on any identified matters during the course of an audit. Remedial actions entities may take during the audit include:
  - strengthening governance arrangements;
  - introducing or revising policies, strategies, guidelines or administrative processes; and
  - initiating reviews or investigations.
4. In this context, the below actions were observed by the ANAO during the course of the audit. It is not clear whether these actions and/or the timing of these actions were planned in response to proposed or actual audit activity. The ANAO has not sought to obtain assurance over the source of these actions or whether they have been appropriately implemented.
  - In November 2023 Finance introduced a Standard Operating Procedure for audit recommendations, which established a requirement that all closure packs for JCPAA and Auditor-General recommendations be reviewed by the Head of Internal Audit and Finance's internal audit function prior to being submitted to the Audit Committee for its endorsement.

## Appendix 3 Previous ANAO audits on entities' implementation of parliamentary committee and Auditor-General recommendations

1. This is the sixth in a series of ANAO performance audits that has examined the effectiveness of Australian Government entities' implementation of agreed recommendations made by parliamentary committees and the Auditor-General. The previous audits in the series are listed below.

- Auditor-General Report No.6 2019–20, which tabled in August 2019, examined entities in the Agriculture and Infrastructure portfolios. It found that the four selected entities had not effectively demonstrated implementation of all agreed recommendations examined by the ANAO. The report included four recommendations to improve governance and executive oversight of the implementation of recommendations. Three recommendations were directed to the entities included in the audit, and one to the Department of the Prime Minister and Cabinet, to 'reinforce the responsibility of accountable authorities to monitor and implement agreed parliamentary committee recommendations.'<sup>85</sup>
- Auditor-General Report No.46 2019–20, which tabled in June 2020, examined entities in the Health and Education portfolios. The audit conclusion was that 'Nothing came to the ANAO's attention that the entities had not implemented applicable parliamentary committee and Auditor-General performance audit recommendations.'<sup>86</sup> The ANAO found that the entities had implemented all agreed parliamentary committee recommendations within the scope of the audit. The ANAO also identified that 'general arrangements to respond to, monitor and manage parliamentary committee recommendations required improvement.'<sup>87</sup>
- Auditor-General Report No.34 2020–21, which tabled in April 2021, examined the Department of Defence. Of the 32 agreed recommendations examined in the audit, the ANAO found that 15 were implemented, six were largely implemented, four were partly implemented and seven were not implemented. The audit conclusion was that Defence had appropriate governance arrangements to respond to, monitor and implement Auditor-General performance audit recommendations, and partially appropriate governance arrangements for parliamentary committee recommendations.
- Auditor-General Report No.25 2021–22, which tabled in May 2022, examined the Department of Home Affairs. With respect to the 25 agreed recommendations examined, the ANAO assessed 16 as implemented, two as largely implemented, three as partly implemented, one as not implemented, and three as implementation ongoing. The audit conclusion was that Home Affairs had largely fit-for-purpose arrangements to respond to, monitor and implement agreed recommendations.
- Auditor-General Report No.22 2022–23, which tabled in May 2023, examined entities in the Attorney-General's Portfolio. These were the Attorney-General's Department, the Australian Federal Police and the Office of the Commonwealth Director of Public

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85 Auditor-General Report No.6 2019–20 *Implementation of ANAO and Parliamentary Committee Recommendations*, p. 55.

86 Auditor-General Report No.46 2019–20 *Implementation of ANAO and Parliamentary Committee Recommendations — Education and Health Portfolios*, p. 8.

87 *ibid.*

Prosecutions. Of the 27 agreed recommendations examined in the audit, approximately half were fully or largely implemented. The audit conclusion was that the entities' arrangements, processes and systems for responding to, monitoring, and implementing recommendations were mixed.

## Appendix 4 Agreed parliamentary committee recommendations under review

Ref #	Report name and recommendation number	Date tabled in Parliament	Recommendation
1	Senate Foreign Affairs, Defence and Trade Legislation Committee, <i>Customs Amendment (Banning Goods Produced By Uyghur Forced Labour) Bill 2020</i> , recommendation 3	17 June 2021	The committee recommends the government consider amending the Commonwealth Procurement Rules to include a requirement on due diligence with regards to the possibility of exposure to forced labour and encourages state, territory and local governments and their various business enterprises to do likewise.
2	Joint Committee of Public Accounts and Audit, <i>Report 484 The Administration of Government Grants</i> , recommendation 1	7 December 2020	The Committee notes the recent regulatory changes to require that all grant programs run by corporate and non-corporate Commonwealth entities be administered in accordance with the Commonwealth Grants Rules and Guidelines 2017, and recommends that the Department of Finance review the operation of the guidelines and associated regulations two years after the tabling of this report to ensure they remain efficient and effective.
3	Joint Committee of Public Accounts and Audit, <i>Report 484 The Administration of Government Grants</i> , recommendation 2	7 December 2020	The Committee recommends that the Department of Finance, in consultation with the Australian National Audit Office, revise its Resource Management Guides to: <ul style="list-style-type: none"> <li>• Provide a single consolidated authoritative guide to grants administration in the Australian Government for all corporate and non-corporate Commonwealth entities, including a focus on best practice models and principles;</li> <li>• Provide detailed information in relation to legislative requirements of administering officials, practical advice and best practice examples; and</li> <li>• Provide clear guidance where advice is either mandatory or optional in administering grants programs.</li> </ul>
4	Joint Committee of Public Accounts and Audit, <i>Report 484 The Administration of Government Grants</i> , recommendation 3	7 December 2020	The Committee recommends that the Department of Finance review the established reporting and compliance system and approach to improve assurance that Commonwealth grant program guidelines are adhered to at all points of grant administration for all applicable entities and decision makers. The Department of Finance should report to the Committee on the outcome of this review within six months of the tabling of this report.

Ref #	Report name and recommendation number	Date tabled in Parliament	Recommendation
5	Joint Committee of Public Accounts and Audit, <i>Report 484 The Administration of Government Grants</i> , recommendation 4	7 December 2020	The Committee recommends that the Department of Finance review the official record-keeping requirements of the Commonwealth Grants Rules and Guidelines 2017 with a view to addressing probity issues, including a requirement for all parties involved in grant administration to disclose and record any conflicts of interest. Further, changes should be made to ensure records are kept of the reasoning for decisions of a relevant Minister(s) to approve or reject grant applications and recommendations, including ministerial panels. This is particularly important where a Minister approves a grant that a relevant official/entity has recommended be rejected or assessed as ineligible.
6	Joint Committee of Public Accounts and Audit, <i>Report 484 The Administration of Government Grants</i> , recommendation 5	7 December 2020	The Committee recommends that the Commonwealth Grants Rules and Guidelines 2017 be amended to: <ul style="list-style-type: none"> <li>• emphasise the importance of ensuring that all relevant entities involved in grants administration receive and complete sufficient training, with documented processes to ensure the ongoing quality assurance of assessments;</li> <li>• ensure the timely announcement and communication to stakeholders of grant opportunities and outcomes of grant programs. This should provide for greater consistency in the timing of announcements and notifications, and the provision of appropriate feedback to applicants;</li> <li>• include an eighth key principle for grants administration of “Adherence to published guidelines”. This would uphold the expectations of the Parliament and other stakeholders and provide transparency to applicants when published criteria is amended.</li> </ul>

Source: Senate Foreign Affairs, Defence and Trade Legislation Committee, *Customs Amendment (Banning Goods Produced By Uyghur Forced Labour) Bill 2020*, (2021); Joint Committee of Public Accounts and Audit, *Report 484 The Administration of Government Grants*, (2020).

## Appendix 5 Agreed Auditor-General recommendations under review

Ref #	Report name and recommendation number	Date tabled in Parliament	Recommendation
7	Auditor-General Report No.17 2021–22 <i>Australian Government Advertising: May 2019 to October 2021</i> , recommendation 1	17 February 2022	The Department of Finance clarify the application of certification requirements for public relations activities under the 2020 <i>Australian Government Guidelines on Information and Advertising Campaigns by non-corporate Commonwealth entities</i> .
8	Auditor-General Report No.21 2021–22 <i>Operation of Grants Hubs</i> , recommendation 1	31 March 2022	Department of Finance and the hubs agree a methodology to capture and report performance information that demonstrates the efficiency and effectiveness of grants administration through the hubs.
9	Auditor-General Report No.21 2021–22 <i>Operation of Grants Hubs</i> , recommendation 2	31 March 2022	Department of Finance develop and agree a future plan for the operation of grants hubs, and where this plan differs from the SGGA Program funding proposal, seek authority for changes from government.
10	Auditor-General Report No.21 2021–22 <i>Operation of Grants Hubs</i> , recommendation 3	31 March 2022	To assist in the achievement of the intended benefits of the SGGA Program, Department of Finance and the hubs establish a whole-of-government grants administration and payments dataset and implement arrangements to assure the quality of the data.
11	Auditor-General Report No.30 2021–22 <i>Procurement by the National Capital Authority</i> , recommendation 1	2 June 2022	The Department of Finance develop and issue guidance on applying the definition of 'construction services' when relevant entities are considering which procurement threshold to use for the purposes of the Commonwealth Procurement Rules.
12	Auditor-General Report No.46 2021–22 <i>Management of Staff Leave in the Australian Public Service</i> , recommendation 2	30 June 2022	All entities establish appropriate controls to ensure the use of long service leave complies with legislative, award, enterprise agreement and policy requirements, including controls that ensure long service leave is only broken by permitted types of leave.
13	Auditor-General Report No.46 2021–22 <i>Management of Staff Leave in the Australian Public Service</i> , recommendation 3	30 June 2022	Department of Finance; Department of Industry, Science, Energy and Resources; National Indigenous Australians Agency; and Services Australia establish appropriate controls to ensure the use of maternity and parental leave complies with legislative, award, enterprise agreement and policy requirements, including controls that ensure documentary evidence has been sighted by the approver or recorded in the system.



Ref #	Report name and recommendation number	Date tabled in Parliament	Recommendation
14	Auditor-General Report No.46 2021–22 <i>Management of Staff Leave in the Australian Public Service</i> , recommendation 4	30 June 2022	All entities establish or refine information systems and/or other procedural controls to support the consistent management of flexible leave provisions established in enterprise agreements and determinations.
15	Auditor-General Report No.1 2022–23 <i>Award of Funding under the Building Better Regions Fund</i> , recommendation 1	28 July 2022	The Australian Government amend the Commonwealth Grants Rules and Guidelines to require that, in circumstances where funding decisions may be made by reference to factors that are in addition to, or instead of, the published assessment criteria: <ul style="list-style-type: none"> <li>• applicants be afforded the opportunity to address those other factors as part of their application for funding; and</li> <li>• records be made as part of the decision-making process as to how each competing applicant had been assessed to perform against each of those factors.</li> </ul>
16	Auditor-General Report No.1 2022–23 <i>Award of Funding under the Building Better Regions Fund</i> , recommendation 2	28 July 2022	The Australian Government amend the Commonwealth Grants Rules and Guidelines to strengthen the written advice prepared for approvers on the merits of a proposed grant or group of grants by requiring that advice to include a clear and unambiguous funding recommendation that: <ul style="list-style-type: none"> <li>• identifies the recommended applications that have been assessed as eligible and the most meritorious against the published assessment criteria; and</li> <li>• does not recommend applications for an aggregate value of grant funding that exceeds the total amount available for the particular grant opportunity.</li> </ul>
17	Auditor-General Report No.1 2022–23 <i>Award of Funding under the Building Better Regions Fund</i> , recommendation 3	28 July 2022	The Australian Government amend the Commonwealth Grants Rules and Guidelines to apply the principles for grants administration to situations where stakeholders, such as parliamentarians, play a role in the assessment and award of grant funding.

Ref #	Report name and recommendation number	Date tabled in Parliament	Recommendation
18	Auditor-General Report No.1 2022–23 <i>Award of Funding under the Building Better Regions Fund</i> , recommendation 5	28 July 2022	<p>The Australian Government amend the Commonwealth Grants Rules and Guidelines to require that:</p> <ul style="list-style-type: none"> <li>when advising on the award of grant funding, officials recommend that the decision-maker reject all applications not supported for the award of a grant within the available funding envelope; and</li> <li>the basis for any decisions to not approve applications that were recommended for funding be recorded.</li> </ul>

Source: Auditor-General Report No.17 2021–22 *Australian Government Advertising: May 2019 to October 2021*; Auditor-General Report No.21 2021–22 *Operation of Grants Hubs*; Auditor-General Report No.30 2021–22 *Procurement by the National Capital Authority*; Auditor-General Report No.46 2021–22 *Management of Staff Leave in the Australian Public Service*; Auditor General Report No.1 2022–23 *Award of Funding under the Building Better Regions Fund*.

## Appendix 6 Actions taken in response to recommendations from Auditor-General Report No.1 2022–23 *Award of Funding under the Building Better Regions Fund*

1. Finance’s response to each of the four recommendations directed to it in Auditor-General Report No.1 2022–23 *Award of Funding under the Building Better Regions Fund* was:

Noted.

Any amendment to the Commonwealth Grants Rules and Guidelines [CGRGs] is a matter for consideration by Government. The Department of Finance will brief the Government on the ANAO’s findings and recommendations.

2. As outlined in ‘Note b’ to Table 3.5, Finance undertook the actions it committed to in its responses to the recommendations. This took the form of a submission to the Minister for Finance on 28 July 2022, which stated that:

We support the intent of the recommendations but have concerns about the practical application for entities if accepted verbatim. For example, Recommendations 2 and 5 propose the CGRGs require all meritorious grant applications falling outside the total program funding envelope be recommended for rejection by the decision-maker. There are complexities and subjectivity in assessing the merit and ranking of grant applications. Establishing a ‘hard line’ for entity recommendations, with everything below the line rejected, even those that are meritorious, may result in unintended consequences or adverse outcomes.

...

... We are undertaking work to provide you with options to enhance the CGRGs to improve transparency and accountability in the Commonwealth grants framework, including opportunities to improve the public reporting of grants awarded. We propose the four recommendations to amend the CGRGs be considered as part of a broader review of the CGRGs.

3. In June 2023, Finance sought and received the Finance Minister’s agreement for proposed changes to the CGRGs (under the new title of the Commonwealth Grants Rules and Principles (CGRPs)). Finance advised it would separately seek agreement from the Finance Minister to make changes to the CGRPs under subsection 105C(1) of the *Public Governance, Performance and Accountability Act 2013*. At 13 February 2024, no changes to the CGRGs had been made.

4. The table below summarises the actions taken by Finance in response to each of the four audit recommendations and the ANAO’s assessment of implementation status.

**Table A.1 Actions taken in response to recommendations from Auditor-General Report No.1 2022–23 *Award of Funding under the Building Better Regions Fund***

Recommendation	Actions taken by Finance	ANAO assessment
<p>Recommendation 1</p> <p>The Australian Government amend the Commonwealth Grants Rules and Guidelines to require that, in circumstances where funding decisions may be made by reference to factors that are in addition to, or instead of, the published assessment criteria:</p> <ul style="list-style-type: none"> <li>• applicants be afforded the opportunity to address those other factors as part of their application for funding; and</li> <li>• records be made as part of the decision-making process as to how each competing applicant had been assessed to perform against each of those factors.</li> </ul>	<p>Finance advised the Minister in July 2022 that:</p> <p>The Commonwealth Grants Rules and Guidelines (CGRGs) already contain guidance for instances where it is considered necessary to waive or amend the selection criteria. The ANAO report notes in paragraph 2.22 of the report, that: 'Reflecting the expectations established by the CGRGs, the Department of Finance's grant opportunity guidelines template does not contemplate the inclusion of broad and non-specific criteria such as [any] other factors'. Finance could consider improvements to the guidance it provides to entities.</p> <p>Proposed changes to the CGRGs agreed by the Minister that were relevant to this recommendation included amendments to the paragraph addressing waivers or amendments to the selection criteria established for a grant opportunity. The following proposed new paragraphs were also added.</p> <ul style="list-style-type: none"> <li>• Officials should ensure that grant opportunity guidelines document the circumstances in which the eligibility or assessment criteria set out in grant opportunity guidelines may be waived or amended and what strategies will be used to mitigate any disadvantage to potential grantees from waiving or amending selection criteria.</li> <li>...</li> <li>• Grant opportunity guidelines should not be changed after the grant opportunity is closed to applications. Decisions to deviate from published guidelines and any amended processes should be documented and appropriately communicated, including whether potential grantees will be provided an opportunity to apply or to revise an application, or whether a new grant opportunity will be issued.</li> <li>• It is important that appraisal and selection processes be transparent and free from the risk of bias. It is better practice for all like applications to be assessed using a common appraisal process, and where there is a departure from the approved selection process, the reasons should be documented. Similarly, grant assessors should document when referring to, or relying on, knowledge or documentation other than the application form.</li> </ul> <p>At 13 February 2024 no changes had been made to the CGRGs.</p>	<p>Finance advised the government to not fully implement the recommendation.</p> <p>Finance's insertion of additional better practice guidance goes part of the way towards implementing the recommendation, however not establishing requirements (signified by the term 'must' instead of 'should') means that the recommendation was not implemented as intended.</p>
<p>Recommendation 2</p> <p>The Australian Government amend the Commonwealth Grants Rules and Guidelines to strengthen the written advice prepared for</p>	<p>Finance advised the Minister in July 2022 that:</p> <p>The majority of grants are undertaken through non-competitive processes and there is a risk that strengthening requirements for competitive processes may result in the unintended consequence or adverse outcome of entities choosing non-competitive processes as these are considered easier to implement.</p>	<p>Finance advised the government to not fully implement the recommendation.</p> <p>Finance recommended that the government implement</p>

Recommendation	Actions taken by Finance	ANAO assessment
<p>approvers on the merits of a proposed grant or group of grants by requiring that advice to include a clear and unambiguous funding recommendation that:</p> <ul style="list-style-type: none"> <li>identifies the recommended applications that have been assessed as eligible and the most meritorious against the published assessment criteria; and</li> <li>does not recommend applications for an aggregate value of grant funding that exceeds the total amount available for the particular grant opportunity.</li> </ul>	<p>The second part of the recommendation could be overly restrictive and have some unintended consequences.</p> <p>... Not all applicants accept the offer of a grant, sometimes due to a change in circumstances and sometimes because they cannot negotiate an acceptable grant agreement with the Commonwealth. In these instances, if there are no recommended applications beyond the funding envelope, this could result in less than desirable outcomes such as: an underspend for the grant program; delays to getting funding out; or the need to initiate additional selection processes.</p> <p>Proposed changes to the CGRGs agreed by the Minister that were relevant to this recommendation included revising paragraph 4.7 of the guidelines, to state the following.</p> <p>4.7 When briefing ministers on the merits of a specific grant or group of grants, officials <b>must</b> use the following categories, and may include rankings if appropriate:</p> <ol style="list-style-type: none"> <li>Suitable and recommended: applications or proposals meet the selection criteria and are rated as being the most meritorious. The total amount of funding recommended <b>must</b> be proportional to the total available grant program/opportunity funding and be consistent with the key principle of achieving value with relevant money;</li> <li>Suitable but not recommended: applications or proposals meet the selection criteria and are suitable, however are not the most meritorious and/or are not able to be supported from the available grant program/opportunity funding; and</li> <li>Not suitable and not recommended: applications or proposals do not meet the selection criteria and do not achieve value with relevant money. [Emphasis in original]</li> </ol> <p>At 13 February 2024 no changes had been made to the CGRGs.</p>	<p>the recommendation's first dot point by requiring funding recommendations to clearly identify applications that are the most meritorious.</p> <p>The insertion of a requirement that 'The total amount of funding recommended <b>must</b> be proportional to the total available grant program/opportunity funding' falls short of implementing the recommendation's second dot point, as this still allows entities to recommend applications for an aggregate value of grant funding exceeding the total amount of available funding for the particular grant opportunity.</p>
<p>Recommendation 3</p> <p>The Australian Government amend the Commonwealth Grants Rules and Guidelines to apply the principles for grants administration to situations where stakeholders, such as parliamentarians, play a role in the assessment and award of grant funding.</p>	<p>Finance advised the Minister in July 2022 that:</p> <p>The CGRGs provide for third parties that administer grants on behalf of the Commonwealth but there has been a clarity issue around who is captured under 'third parties' and also what 'undertaking grants administration on behalf of the Commonwealth' captures. The intention of this provision is to ensure that in those instances where, for example, an external committee or panel of experts assesses grant applications, that they are required to do that in line with the published selection criteria and were not to introduce alternative criteria.</p> <p>There is merit in being clearer about what we are trying to capture under the reference to third parties in the CGRGs. However, it may be difficult to determine the line between ministerial staff assessing applications and making recommendations to a minister and ministerial staff providing advice as part of their job.</p> <p>Proposed changes to the CGRGs agreed by the Minister that were relevant to this recommendation included revising the guidelines to state the following.</p>	<p>Finance advised the government to fully implement the recommendation.</p> <p>As recommended, the proposed changes to the CGRGs clarified that the CGRGs apply to stakeholders such as parliamentarians.</p> <p>The application of the CGRGs to ministerial staff, which was raised in Finance's advice to</p>

Recommendation	Actions taken by Finance	ANAO assessment
	<p>2.10 Third parties that undertake any grants administration processes ... on behalf of the Commonwealth are required to adhere to the key principles and applicable requirements of the CGRPs and the published grant opportunity guidelines.</p> <p>2.11 The grants administration processes that third parties may undertake on behalf of the Commonwealth include but are not limited to: assessing applications against particular criteria; recommending or supporting particular grant activities; or distributing relevant money to grantees.</p> <p>Examples of ‘third parties’ listed in the guidelines were proposed to be expanded to also include parliamentarians and sub-contractors, as follows.</p> <p>Examples of third parties, include but are not limited to external committees, parliamentarians, sub-contractors, non-government organisations and corporate Commonwealth entities where they undertake grants administration on behalf of the Commonwealth.</p> <p>At 13 February 2024 no changes had been made to the CGRGs.</p>	<p>government, was not directly addressed in the proposed amendments to the CGRGs.</p>
<p>Recommendation 5</p> <p>The Australian Government amend the Commonwealth Grants Rules and Guidelines to require that:</p> <ul style="list-style-type: none"> <li>when advising on the award of grant funding, officials recommend that the decision-maker reject all applications not supported for the award of a grant within the available funding envelope; and</li> <li>the basis for any decisions to not approve applications that were recommended for funding be recorded.</li> </ul>	<p>Finance advised the Minister in July 2022 that:</p> <p>There are risks with implementing this recommendation as proposed.</p> <p>For example, there may be instances where additional funding is made available at a later date or applicant/s drop out of the process. In these instances, the competitive round which was undertaken is used and those highly suitable applications that missed out on funding can be considered for a grant without having to run another competitive process.</p> <p>If recommendation 5 was implemented, the situation above would need to be reported to the Minister for Finance, even though the application may be highly suitable against the selection criteria.</p> <p>It is unclear that the benefit of this level of prescriptiveness in the CGRGs outweighs the potential administrative costs.</p> <p>We propose to explore with the ANAO and entities potential options, such as enabling entities to provide a reserve list of highly meritorious applicants for use where successful applicants choose not to accept the grant or where additional funding is made available. That reserve list could be limited to avoid the issue of providing a list that is double or triple the funding envelope, which is the ANAO’s area of concern with the Building Better Regions Fund.</p> <p>Proposed changes to the CGRGs agreed by the Minister that were relevant to this recommendation included revising the guidelines to stipulate the following.</p> <p>4.7. When briefing ministers on the merits of a specific grant or group of grants, officials <b>must</b> use the following categories, and may include rankings if appropriate:</p> <ol style="list-style-type: none"> <li>Suitable and recommended: applications or proposals meet the selection criteria and are rated as being the most meritorious. The total amount of funding recommended</li> </ol>	<p>Finance advised the government to not fully implement the recommendation.</p> <p>Finance recommended that the government not implement the recommendation’s first dot point. The revised paragraph 4.7 of the CGRGs does not require officials to recommend decision makers reject all applications not supported within the available funding envelope.</p> <p>Finance recommended that the government implement the recommendation’s second dot point by amending the CGRGs to explicitly require that a minister or ministerial panel <b>‘must</b> record, in writing, the basis for not approving any</p>

Recommendation	Actions taken by Finance	ANAO assessment
	<p><b>must</b> be proportional to the total available grant program/opportunity funding and be consistent with the key principle of achieving value with relevant money;</p> <p>b. Suitable but not recommended: applications or proposals meet the selection criteria and are suitable, however are not the most meritorious and/or are not able to be supported from the available grant program/opportunity funding; and</p> <p>c. Not suitable and not recommended: applications or proposals do not meet the selection criteria and do not achieve value with relevant money. [Emphasis in original]</p> <p>Paragraph 4.10 of the guidelines was also proposed to be amended to state the following.</p> <p>In addition to the requirements under the PGPA Act<sup>a</sup>, where the proposed expenditure relates to a grant or group of grants, the minister or ministerial panel:</p> <p>a. <b>must</b> receive written advice from officials on the merits of the proposed grant or group of grants before approving a grant/s. That advice <b>must</b> meet the requirements of the CGRPs (see paragraph 4.6);</p> <p>b. <b>must</b> record, in writing, the basis for the approval relative to the grant opportunity guidelines and the key principle of achieving value with relevant money;</p> <p>c. <b>must</b> record, in writing, the basis for not approving any grant or group of grants that are recommended for funding and the basis for approving instead any grants or group of grants that are not recommended for funding; and</p> <p>d. <b>must</b> record, in writing, and declare as appropriate, any conflicts of interest relating to a decision to approve a grant. [Emphasis in original]</p> <p>At 13 February 2024 no changes had been made to the CGRGs.</p>	<p>grant or group of grants that are recommended for funding and the basis for approving instead any grants or group of grants that are not recommended for funding.'</p>

Note a: Refer section 71, PGPA Act, Approval of proposed expenditure by a Minister.

Source: ANAO analysis of Finance documentation.