

Implementation and Award of Funding for the Growing Regions Program

Department of Infrastructure, Transport, Regional Development,
Communications and the Arts

Department of Industry, Science and Resources

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Canberra ACT
14 November 2024

Dear President
Dear Mr Speaker

In accordance with the authority contained in the *Auditor-General Act 1997*, the acting Auditor-General undertook an independent performance audit in the Department of Infrastructure, Transport, Regional Development, Communications and the Arts and the Department of Industry, Science and Resources. The report is titled *Implementation and Award of Funding for the Growing Regions Program*. 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



Dr Caralee McLiesh PSM
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

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Audit snapshot

Auditor-General Report No.13 2024–25

Implementation and Award of Funding for the Growing Regions Program



Why did we do this audit?

- ▶ The Growing Regions Program Round 1 was established as a competitive grants program to provide grants to local government entities and eligible not-for-profit incorporated organisations for projects that deliver community and economic infrastructure projects across regional and rural Australia.
- ▶ The program was designed to use a multi-party parliamentary panel to assess Expression of Interest (EOI) applications.
- ▶ This audit provides assurance to the Parliament on the implementation and award of funding for the Growing Regions Program.



What did we find?

- ▶ The implementation and award of funding of the Growing Regions Program was largely effective.
- ▶ The assessment of EOI applications was in accordance with the grant opportunity guidelines, however assessment of full applications was partly in accordance with the guidelines.
- ▶ Funding recommendations and decisions made were largely in accordance with the Commonwealth Grants Rules and Guidelines (CGRGs) except for the advice on undertaking an additional assessment process by Infrastructure and how that represented value for money.



Key facts

- ▶ Funding of \$600 million over three years was announced at the October 2022–23 Federal Budget, with \$300 million available for Round 1.
- ▶ The minister announced the successful projects on 16 May 2024.
- ▶ As at October 2024, the program is being delivered under a Federation Funding Agreement to mitigate the risk of lawful authority of proposed expenditure under the program.



What did we recommend?

- ▶ There were two recommendations to Infrastructure relating to: identifying in the program guidelines how to assess ineligible project types and expenditure to ensure that successful projects reflect the program's policy intent and objectives, and ensuring transparency of assessment processes by applying the processes as set out in the program guidelines.
- ▶ Infrastructure agreed to both recommendations.

311

applications were found suitable for funding by the Business Grants Hub.

54

projects were recommended by Infrastructure to the minister to fund under Round 1.

\$207 m

worth of funding was announced to 40 successful projects.

Summary and recommendations

Background

1. The Growing Regions Program was announced in May 2023 as an open, competitive grants program that provides grants to local government entities and eligible incorporated not-for-profit organisations for capital works projects that aim to deliver community and economic benefits across regional and rural Australia.¹ The Australian Government committed \$600 million to the program over two rounds with \$300 million available in each round.

2. Grants between \$500,000 and \$15 million were available to eligible applicants to deliver priority community and economic infrastructure projects. The objectives of Round 1 of the program are:

- constructing or upgrading community infrastructure that fills an identified gap or need for community infrastructure.
- contributing to achieving a wide range of community socio-economic outcomes; and
- is strategically aligned with regional priorities.

3. The Department of Infrastructure, Transport, Regional Development, Communications and the Arts (Infrastructure) is responsible for the Growing Regions Program. Infrastructure engaged the Department of Industry, Science and Resources, through the Business Grants Hub, to administer the program.

4. The program used a two-stage application process. Applicants were required to submit an Expression of Interest (EOI) application which would first be assessed by the Business Grants Hub to ensure projects met eligibility, project readiness and program suitability requirements before a multi-party parliamentary panel (the panel) assessed how closely all eligible projects aligned with regional priorities. The panel then recommended to Infrastructure which projects should be invited to submit a full application. EOI applications that were assessed as meeting requirements and approved to proceed were invited to submit a full application in stage two. Infrastructure made the final decision on which applicants would be invited to progress to stage two and submit a full application.

5. Round 1 of the Growing Regions Program opened on 5 July 2023 and received 650 EOI applications seeking a total of \$2.7 billion in grant funding, of which 443 applications (\$1.81 billion) were found suitable by the panel to progress to stage two.

6. Full applications opened on 27 November 2023 and closed on 15 January 2024. The Business Grants Hub assessed 311 projects for funding worth \$1.5 billion. Of these projects, Infrastructure recommended 54 projects for funding up to the value of \$300 million. On

1 Minister for Infrastructure, Transport, Regional Development and Local Government and Minister for Regional Development, Local Government and Territories *Guidelines released for new regional grants program*, 6 May 2023, available from <https://minister.infrastructure.gov.au/c-king/media-release/guidelines-released-new-regional-grants-program> [accessed 8 September 2024].

16 May 2024 the Minister for Infrastructure, Transport, Regional Development and Local Government announced funding for 40 successful projects to the value of \$207 million.²

7. This audit is the second of two reports on the effectiveness of the Growing Regions Program. The first audit, Auditor-General Report No.31 2023–24 *Design of the Growing Regions Program*, was presented to the Parliament on 29 May 2024 and examined the effectiveness of Infrastructure’s design and planning for the Round 1 of the Growing Regions Program.

Rationale for undertaking the audit

8. The Growing Regions Program was a new grants program and one of the largest programs administered by Infrastructure. The program also contained a new design feature — a two-stage assessment process with an EOI stage assessed by a multi-party parliamentary panel.

9. Previous ANAO performance audits have identified deficiencies in Infrastructure’s implementation of regional grants programs including program design, providing information to the delegate, and transparency of decision-making.³

10. This audit provides assurance to the Parliament on the implementation and award of funding for Round 1 of the Growing Regions Program and whether Infrastructure implemented lessons learned from previous grants programs.

Audit objective and criteria

11. The objective of the audit was to assess the effectiveness of the implementation and award of funding for Round 1 of the Growing Regions Program.

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

- Were applications assessed in accordance with the grant opportunity guidelines?
- Were funding recommendations and decisions made in accordance with the Commonwealth Grants Rules and Guidelines?

Conclusion

13. The implementation and award of funding for Round 1 of the Growing Regions Program was largely effective. Effectiveness was diminished by Infrastructure undertaking an additional assessment process which was not specified in the grant opportunity guidelines.

14. Assessment of applications for the Growing Regions Program was partly in accordance with the grant opportunity guidelines. The Business Grants Hub assessed EOI applications against the grant opportunity guidelines despite eligibility requirements for projects not being clearly

2 Department of Infrastructure, Transport, Regional Development, Communications and the Arts, *Growing Regions Program*, available from <https://www.infrastructure.gov.au/territories-regions-cities/regional-australia/regional-and-community-programs/growing-regions-program> [accessed 16 July 2024].

3 Auditor-General Report No.1 2022–23 *Award of Funding under the Building Better Regions Fund*, ANAO, Canberra, 2022, available from <https://www.anao.gov.au/work/performance-audit/award-funding-under-the-building-better-regions-fund> and Auditor-General Report No.12 2019–20 *Award of Funding Under the Regional Jobs and Investment Packages*, ANAO, Canberra, 2019, available from <https://www.anao.gov.au/work/performance-audit/award-funding-under-the-regional-jobs-and-investment-packages>.

defined in the guidelines. After the Business Grants Hub had completed its eligibility assessment, the minister through their office, advised Infrastructure of their preference for all 163 applicants found ineligible to be given the opportunity to correct any administrative errors or omissions with their applications. While the panel scored and ranked applications as required under the grant opportunity guidelines, panel members noted difficulty with the definition of what constituted 'regional priorities'. Infrastructure did not consider in its development of the panel assessment process, the implications on a project's average score by having a different number of panel members scoring applications.

15. Full applications were assessed partly in line with the grant opportunity guidelines. In its assessment of full applications, the Business Grants Hub correctly applied the three merit criteria from the grant opportunity guidelines. Infrastructure then completed a further geographical assessment of projects which was not set out in the grant opportunity guidelines. This resulted in Infrastructure removing three projects from the merit list and adding seven. By altering the results of the Business Grants Hub's merit assessment, Infrastructure recommended projects to the minister which were not assessed as the most meritorious under the grant opportunity guidelines.

16. Infrastructure's advice to the minister outlined the assessment process and risks relating to the approval of applications for the Growing Regions Program. The advice did not state how value for money was determined following Infrastructure's additional analysis of the results of the Business Grants Hub's merit assessment. Based on an initial, high-level assessment from the Australian Government Solicitor, Infrastructure advised that there was no lawful authority for the proposed expenditure under the program and proposed that to address that, funding could be awarded under a Federation Funding Agreement rather than as grants. Funding decisions were appropriately documented by the minister and the minister did not approve any projects that were not recommended by Infrastructure. The announcement of successful projects occurred two months after the original timeframes provided to applicants. As at 16 October 2024, the Growing Regions Program Federation Funding Agreement Schedule had been executed with the Western Australian, South Australian, Queensland, Tasmanian, New South Wales and Victorian governments.

Supporting findings

Assessment of applications

17. The Business Grants Hub assessed EOI applications against the grant opportunity guidelines despite eligibility requirements for projects not being clearly defined in the guidelines. After the Business Grants Hub had completed its eligibility assessment, the minister, through their office, advised Infrastructure of their preference for all 163 ineligible applicants to be given an opportunity to correct any administrative errors or omissions. The Business Grants Hub then completed another eligibility assessment on the 58 applications that had been resubmitted. Conflict of interest declarations were completed by all assessors undertaking the EOI assessment. Panel members received training from the Business Grants Hub and attended probity briefings delivered by an external probity advisor engaged by Infrastructure. (See paragraphs 2.3 to 2.33)

18. The panel scored and ranked applications as required under the grant opportunity guidelines, noting difficulty with the definition of what constituted 'regional priorities'. Recommendations were made based on average scores and followed the requirements set out in

the guidelines. Decisions were documented and probity requirements were followed. All panel members were originally required to score each application except where projects were in their electorate or jurisdiction. To assist in managing the panel's workload, part-way through the assessment process there was a change in the scoring approach from having panel members score all applications, to a minimum of three scorers per application. Infrastructure did not consider in its design of the assessment process how different numbers of panel members scoring each application would impact on a project's average score. (See paragraphs 2.34 to 2.66)

19. The Business Grants Hub assessed full applications against the three merit criteria as outlined in the grant opportunity guidelines and awarded each project a final score. The design of the eligibility requirements in the grant opportunity guidelines resulted in projects that potentially did not meet the program's policy intent progressing through the assessment process. The minister did not fund 14 recommended projects which they identified as not suitable for funding as they would be better suited for funding under a different program. (See paragraphs 2.67 to 2.83)

20. Applications were ranked by the Business Grants Hub based on its assessment against the three criteria set out in the grant opportunity guidelines. The Business Grants Hub reported all highly suitable and suitable projects for funding. Following the Business Grants Hub's merit assessment, Infrastructure completed further analysis and assessment of projects for geographical spread and socio-economic outcomes. This further assessment was not approved when the program was designed or set out in the grant opportunity guidelines. This resulted in Infrastructure removing three projects from the Business Grants Hub's full assessment merit list and adding a further seven. (See paragraphs 2.84 to 2.101)

Award of funding

21. An initial high-level assessment by the Australian Government Solicitor obtained by Infrastructure prior to briefing the minister stated that lawful authority for proposed expenditure for the program was not in place. Infrastructure proposed an approach that sought to mitigate this risk. Infrastructure recommended that the minister approve 54 applications up to the limit of the available funding. The recommendation did not state how value for money was determined following an additional analysis of project applications and adjustment of results by Infrastructure. Funding recommendations for Round 1 of the Growing Regions Program did not meet the original timeframes as planned by Infrastructure primarily due to the need to seek legal advice on the lawful authority matter. (See paragraphs 3.1 to 3.22)

22. Reasons for all funding decisions were appropriately documented and informed by written recommendations from Infrastructure. The minister did not award funding to any projects that were not recommended by Infrastructure. All 40 applicants that the minister approved for funding were found to be highly suitable or suitable through the merit assessment process. The minister did not award funding to 14 projects that were recommended by Infrastructure. (See paragraphs 3.23 to 3.33)

Recommendations

**Recommendation no. 1
Paragraph 2.82** The Department of Infrastructure, Transport, Regional Development, Communications and the Arts identifies in the program guidelines how to assess ineligible types of projects and expenditure for the Growing Regions Program to ensure that successful projects reflect the program's policy intent and objectives.

Department of Infrastructure, Transport, Regional Development, Communications and the Arts response: *Agreed.*

**Recommendation no. 2
Paragraph 2.100** The Department of Infrastructure, Transport, Regional Development, Communications and the Arts correctly applies the processes set out in the Growing Regions Program guidelines or updates the guidelines where significant changes to processes are required while the funding opportunity is open for applications.

Department of Infrastructure, Transport, Regional Development, Communications and the Arts response: *Agreed.*

Summary of entity response

23. The proposed report was provided to the Department of Infrastructure, Transport, Regional Development, Communications and the Arts, and the Department of Industry, Science and Resources. Extracts of the proposed report were provided to the Attorney-General's Department. The summary responses are provided below and the full responses are at Appendix 1.

Department of Infrastructure, Transport, Regional Development, Communications and the Arts

The department welcomes the overall conclusion that the implementation and award of funding for Round 1 of the Growing Regions Program was largely effective. The department notes there have been some additional challenges in implementing the Growing Regions Program, including as a result of external factors.

While the department has asked the ANAO to consider the factual basis and emphasis given to some of the findings and commentary in the report, the department acknowledges that aspects of the program could have been improved.

The department agrees to both recommendations in the report and notes they are being implemented in the administration of Round 2 of the program.

Department of Industry, Science and Resources

The Department of Industry, Science and Resources acknowledges the Australian National Audit Office's report on the implementation and award of funding for the Growing Regions Program.

The department notes this audit is the second of two reports on the effectiveness of the Growing Regions Program.

As a provider for Australian Government grants through the Business Grants Hub we will consider the key messages from the audit that are applicable for all Australian Government entities in the co-design and administration of future granting programs.

Attorney-General's Department

The Attorney-General's Department ("the department") notes the extracts of Chapter 1 and Chapter 3 of the proposed ANAO report on the *Implementation and award of funding for the Growing Regions Program*.

The department has no comments on the audit findings in the extract it has viewed. Responsibility for administering the Growing Regions Program rests with the Department of Infrastructure, Transport, Regional Development, Communications and the Arts.

Key messages from this audit for all Australian Government entities

24. Below is a summary of key messages, including instances of good practice, which have been identified in this audit and may be relevant for the operations of other Australian Government entities.

Program design

- To ensure compliance with Australian Government funding requirements, all assessment criteria used to assess applications should be clearly outlined in the program guidelines. Entities should not complete additional assessments that are not set out in the guidelines.
- When designing programs, entities should establish appropriate funding mechanisms are in place to ensure the program has lawful authority for the expenditure.

Audit findings

1. Background

Introduction

1.1 The Growing Regions Program was designed, approved and administered as an open, competitive grants program that provides grants to local government entities and eligible incorporated not-for-profit organisations for capital works projects that aim to deliver community and economic benefits across regional and rural Australia.⁴ The Growing Regions Program is in the process of being transitioned from a grants program administered by the Australian Government to a program administered under a Federation Funding Agreement (see paragraph 3.22). The Australian Government has committed \$600 million to the program over two rounds, with \$300 million worth of funding announced for Round 1.⁵

1.2 Funding between \$500,000 and \$15 million was available to eligible applicants to deliver priority community and economic infrastructure projects. The objectives of Round 1 of the program are:

- constructing or upgrading community infrastructure that fills an identified gap or need for community infrastructure;
- contributing to achieving a wide range of community socio-economic outcomes; and
- strategically aligned with regional priorities.

1.3 The Department of Infrastructure, Transport, Regional Development, Communications and the Arts (Infrastructure) is responsible for the Growing Regions Program. Infrastructure engaged the Department of Industry, Science and Resources, through the Business Grants Hub, to administer the program.

1.4 Round 1 of the program used a two-stage application process. Applicants were first required to submit an expression of interest (EOI) application which would be assessed by the Business Grants Hub to ensure projects met eligibility, project readiness and program suitability requirements before a multi-party parliamentary panel (the panel) assessed how strongly all eligible projects aligned with regional priorities.⁶ The panel then recommended to Infrastructure which projects should be invited to submit a full application. EOI applications that were assessed as meeting requirements and approved to proceed were invited to submit a full application in stage two. Infrastructure made the final decision on which applicants would be invited to progress to stage two and submit a full application.

4 Minister for Infrastructure, Transport, Regional Development and Local Government and Minister for Regional Development, Local Government and Territories, *Guidelines released for new regional grants program*, 6 May 2023, available from <https://minister.infrastructure.gov.au/c-king/media-release/guidelines-released-new-regional-grants-program> [accessed 8 September 2024].

5 The Growing Regions Program initially offered \$300 million in funding evenly across two rounds. \$207 million was approved for projects under Round 1. Authority was provided on 26 July 2024, to reallocate the \$93 million underspend to Round 2. There is now \$393 million available for Round 2.

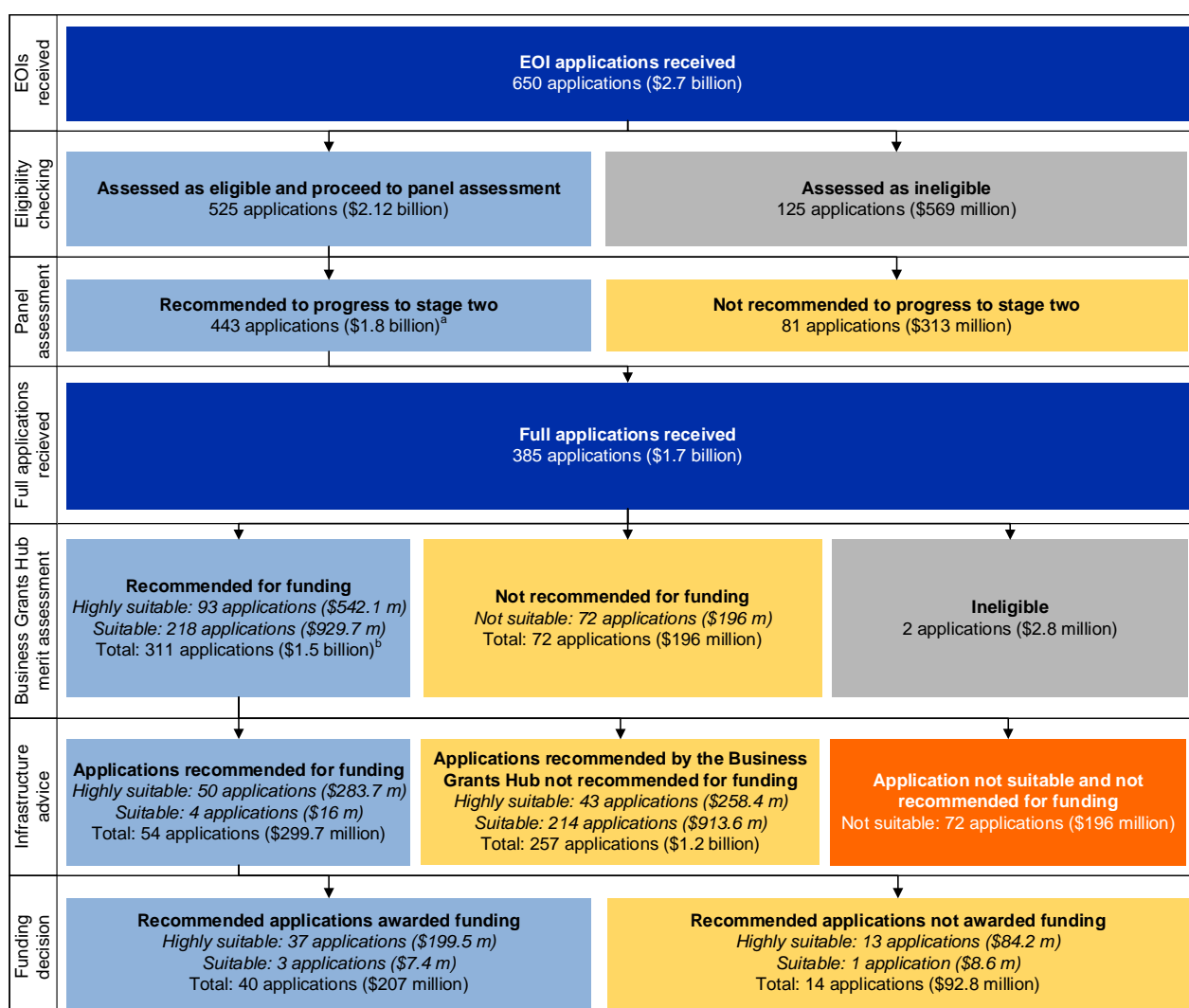
6 The panel was made up of six members — four members of the House of Representatives from the Liberal Party, Labor Party, National Party and an independent member and two senators from the Labor Party.

1.5 Round 1 of the Growing Regions Program opened on 5 July 2023 and received 650 EOI applications seeking a total of \$2.7 billion in grant funding, of which 443 applications (\$1.81 billion) were found suitable by the panel to progress to stage two.

1.6 Full applications opened on 27 November 2023 and closed on 15 January 2024. The Business Grants Hub reported to Infrastructure 311 projects as assessed as suitable for funding worth \$1.5 billion. Of these projects Infrastructure recommended to the minister 54 projects for funding up to the value of \$300 million. On 16 May 2024 the Minister for Infrastructure, Transport, Regional Development and Local Government announced funding for 40 approved projects to the value of \$207 million.⁷

1.7 Figure 1.1 sets out the Growing Regions Program assessment process and outcomes.

Figure 1.1: Growing Regions process and outcomes



Note a: During the assessment process, an applicant withdrew their EOI application.

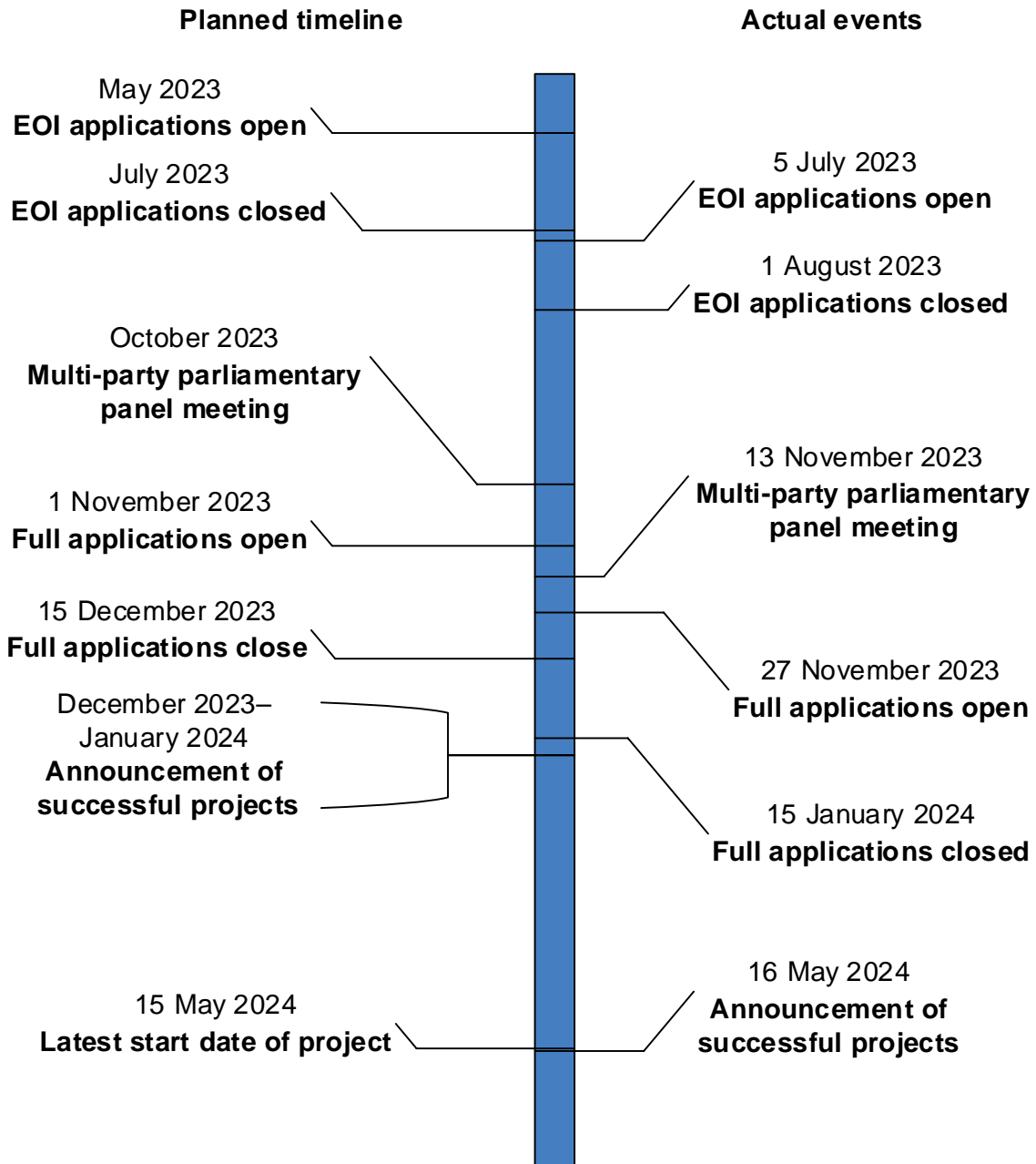
Note b: During the assessment process, an applicant withdrew their full application.

Source: ANAO analysis of department records.

⁷ Department of Infrastructure, Transport, Regional Development, Communications and the Arts, *Growing Regions Program*, available from <https://www.infrastructure.gov.au/territories-regions-cities/regional-australia/regional-and-community-programs/growing-regions-program> [accessed 16 July 2024].

1.8 Figure 1.2 outlines the planned timeline for the program implementation against actual events. The program has experienced delays in implementation due to the panel assessment process and finalisation of the funding model for the program. These delays are further discussed at paragraphs 2.41 and 3.32.

Figure 1.2: Growing Regions Program timeline



Source: ANAO analysis of Infrastructure documentation.

1.9 As at 16 October 2024, the Growing Regions Program Federation Funding Agreement Schedule had been executed with the Western Australian, South Australian, Queensland, Tasmanian, New South Wales and Victorian governments. Guidelines for Round 2 of the Growing Regions Program were publicly released on 16 August 2024.⁸ Applications opened on 5 September 2024 and closed on 10 October 2024.

Previous audit

1.10 This audit is the second of two audits on the effectiveness of the Growing Regions Program. The first audit Auditor-General Report No.31 2023–24 *Design of the Growing Regions Program*, which was presented to the Parliament on 29 May 2024, examined the effectiveness of Infrastructure’s design and planning for the Growing Regions Program. The key findings of the audit are set out below.

- Infrastructure developed program objectives and outcomes which aligned with the government’s objective, consulted with stakeholders, documented lessons learned, and developed grant opportunity guidelines that largely aligned with the Commonwealth Grants Rules and Guidelines 2017.⁹
- While Infrastructure’s design and planning work was largely effective, the department fell short in the following areas: Infrastructure did not inform the minister of all risks associated with an EOI process that utilised a panel process; Infrastructure did not complete the implementation of the program within its original timeline; and the assessment criteria for the EOI process were not clear on defining what constitutes regional priorities.¹⁰
- There were two recommendations to Infrastructure relating to developing performance targets for the program and developing appropriate advice to government and the minister.¹¹

Rationale for undertaking the audit

1.11 The Growing Regions Program was announced as a new grants program and one of the largest competitive grants programs administered by Infrastructure. Round 1 of the program also contained a new design feature — a two-stage assessment process with an EOI stage assessed by a multi-party parliamentary panel.

8 Minister for Infrastructure, Transport, Regional Development and Local Government, *Applications open for Albanese Government’s regional funding program*, 5 September 2024, available from <https://minister.infrastructure.gov.au/c-king/media-release/applications-open-albanese-governments-regional-funding-program> [accessed 8 September 2024].

9 Auditor-General Report No.31 2023–24 *Design of the Growing Regions Program*, ANAO, Canberra, 2024 paragraph 12, available from <https://www.anao.gov.au/work/performance-audit/design-the-growing-regions-program>.

10 *ibid.*, paragraph 13.

11 *ibid.*, page 9. Infrastructure agreed in principle to both recommendations.

1.12 Previous ANAO performance audits have identified deficiencies in Infrastructure’s implementation of regional grants programs including program design, providing information to the delegate and transparency of decision-making.¹²

1.13 This audit provides assurance to the Parliament on the implementation and award of funding for Round 1 of the Growing Regions Program and whether Infrastructure implemented lessons learned from previous grants programs.

Audit approach

Audit objective, criteria, and scope.

1.14 The objective of the audit was to assess the effectiveness of the implementation and award of funding for Round 1 of the Growing Regions Program.

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

- Were applications assessed in accordance with the grant opportunity guidelines?
- Were funding recommendations and decisions made in accordance with the Commonwealth Grants Rules and Guidelines?

1.16 The scope of this audit focused on the implementation and decision making for the award of funding for Round 1 of the Growing Regions Program.

Audit methodology

1.17 The audit methodology involved:

- examining Infrastructure and Business Grants Hub program documents including governance body papers and minutes, internal reporting and reviews, advice on funding decisions relevant emails records, legal advice and reviewing relevant legislation, policies, and guidelines;
- reviewing public submissions received during the course of the audit; and
- meetings with staff from Infrastructure and the Business Grants Hub.

1.18 The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of approximately \$393,980.

1.19 The team members for this audit were Jessica Carroll, Tessa Osborne, Sophie Crandall, Karen Manui and Renina Boyd.

12 Auditor-General Report No.1 2022–23 *Award of Funding under the Building Better Regions Fund*, ANAO, Canberra, 2022, available from <https://www.anao.gov.au/work/performance-audit/award-funding-under-the-building-better-regions-fund> and Auditor-General Report No.12 2019–20 *Award of Funding Under the Regional Jobs and Investment Packages*, ANAO, Canberra, 2019, available from <https://www.anao.gov.au/work/performance-audit/award-funding-under-the-regional-jobs-and-investment-packages>.

2. Assessment of applications

Areas examined

This chapter examines whether applications for the Growing Regions Program were assessed in accordance with the grant opportunity guidelines.

Conclusion

Assessment of applications for the Growing Regions Program was partly in accordance with the grant opportunity guidelines. The Business Grants Hub assessed Expression of Interest (EOI) applications against the grant opportunity guidelines despite eligibility requirements for projects not being clearly defined in the guidelines. After the Business Grants Hub had completed its eligibility assessment, the minister through their office, advised Infrastructure of their preference for all 163 applicants found ineligible to be given the opportunity to correct any administrative errors or omissions with their applications. While a multi-party parliamentary panel (the panel) scored and ranked applications as required under the grant opportunity guidelines, panel members noted difficulty with the definition of what constituted 'regional priorities'. The Department of Infrastructure, Transport, Regional Development, Communications and the Arts (Infrastructure) did not consider in its development of the panel assessment process, the implications on a project's average score by having a different number of panel members scoring applications.

Full applications were assessed partly in line with the grant opportunity guidelines. In its assessment of full applications, the Business Grants Hub correctly applied the three merit criteria from the grant opportunity guidelines. Infrastructure then completed a further geographical assessment of projects which was not set out in the grant opportunity guidelines. This resulted in Infrastructure removing three projects from the merit list and adding seven. By altering the results of the Business Grants Hub's merit assessment, Infrastructure recommended projects to the minister which were not assessed as the most meritorious under the grant opportunity guidelines.

Areas for improvement

The ANAO made two recommendations relating to: identifying in the program guidelines how to assess ineligible project types and expenditure; and ensuring transparency of assessment processes by applying the processes set out in the program guidelines or updating the guidelines where significant changes to processes are required.

2.1 The Commonwealth Grants Rules and Guidelines 2017 (CGRGs) are issued by the Minister for Finance under section 105C of the *Public Governance, Performance and Accountability Act 2013*. The CGRGs state that the objective of grants administration is to 'promote proper use and management of public resources through collaboration with government and non-government stakeholders to achieve government policy outcomes.'¹³

13 Department of Finance, *Commonwealth Grants Rules and Guidelines*, Finance, Canberra, 2017, section 3.5, available from <https://www.finance.gov.au/sites/default/files/2019-11/commonwealth-grants-rules-and-guidelines.pdf> [accessed 8 September 2024].

2.2 Under the CGRGs, officials should develop clear, consistent and well documented grant opportunity guidelines.¹⁴ The ANAO assessed whether the assessment of applications followed the requirements set out in the grant opportunity guidelines for Round 1 of the Growing Regions Program.

Were expression of interest applications assessed in accordance with the guidelines?

The Business Grants Hub assessed EOI applications against the grant opportunity guidelines despite eligibility requirements for projects not being clearly defined in the guidelines. After the Business Grants Hub had completed its eligibility assessment, the minister through their office, advised Infrastructure of their preference for all 163 ineligible applicants to be given an opportunity to correct any administrative errors or omissions. The Business Grants Hub then completed another eligibility assessment on the 58 applications that had been resubmitted. Conflict of interest declarations were completed by all assessors undertaking the EOI assessment. Panel members received training from the Business Grants Hub and attended probity briefings delivered by an external probity advisor engaged by Infrastructure.

Expression of interest assessment process

2.3 The Growing Regions Program introduced a new design feature as part of the assessment process by including a two-stage assessment process that had a panel assessing EOI applications.¹⁵ The intended purpose of the EOI stage was to ensure investments were well-targeted given expectations that the program would be heavily subscribed and aimed to be a ‘simple/non burdensome’ process for applicants.¹⁶ The Minister for Infrastructure, Transport, Regional Development and Local Government stated in an interview in October 2022, that the EOI stage was introduced so that, ‘local communities don’t have to go through that full application and then find basically, they go through huge amounts of work and they don’t get anywhere’.¹⁷

2.4 The Growing Regions Program grant opportunity guidelines specified that applicants must first submit an EOI. The Business Grants Hub in the Department of Industry, Science and Resources would assess applications against all eligibility requirements before then assessing eligible applicants against EOI criterion one — ‘to what extent is your project ready to proceed and how does it align to the program objectives’. The grant opportunity guidelines stated that ‘projects which are assessed as meeting all eligibility requirements will be considered by the multi-party Parliamentary panel’ and that [the Business Grants Hub] would ‘provide [its] analysis of [applicants’ responses to EOI criterion one] to the panel’.

14 *ibid.*, section 8.6.

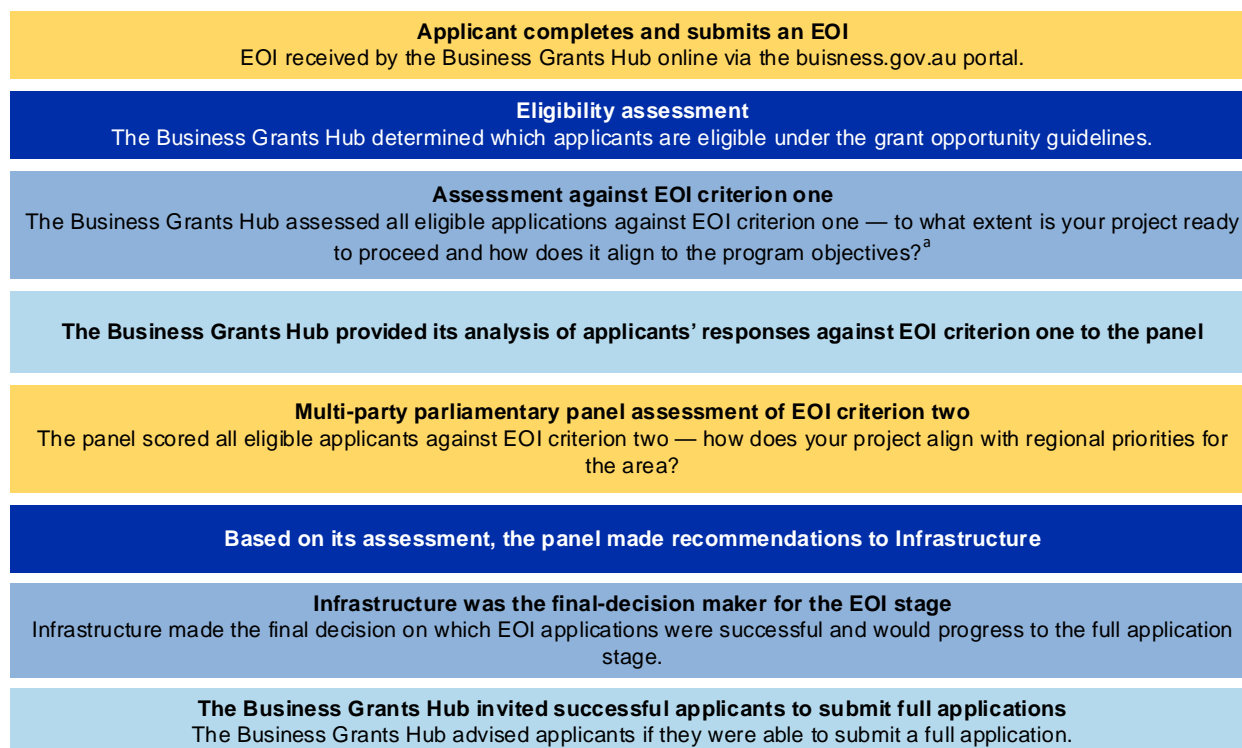
15 The panel was comprised of six members of Parliament — four members of the House of Representatives from the Australian Labor Party, Liberal Party of Australia, National Party, an independent member and two senators from the Labor Party.

16 Auditor-General Report No.31 2023–24 *Design of the Growing Regions Program*, ANAO, Canberra, 2024, paragraph 2.44, available from <https://www.anao.gov.au/work/performance-audit/design-the-growing-regions-program> [accessed 16 July 2024].

17 Interview with Catherine King on ABC Drive Tropical North, 24 October 2022, available from <https://minister.infrastructure.gov.au/c-king/interview/interview-abc-drive-tropical-north>.

2.5 Under the grant opportunity guidelines, the panel would assess all eligible applications against EOI criterion two — ‘how does your project align with regional priorities for the area’ — before it made recommendations to Infrastructure. The grant opportunity guidelines identified Infrastructure as responsible for determining which EOI applications would be invited to progress to stage two and be able to submit a full application.¹⁸ The EOI process is set out in Figure 2.1.

Figure 2.1: EOI assessment process outlined in the grant opportunity guidelines



Note a: As outlined in the grant opportunity guidelines, applications should have identified: how advanced the project designs were; how far the tender process had progressed; the extent to which the project filled an identified gap or need for community infrastructure; and the extent to which the project contributed to achieving a wide range of community socio-economic outcomes.

Source: Infrastructure, *Growing Regions Program grant opportunity guidelines* 6 June 2023.

2.6 The grant opportunity guidelines specified an open call for EOI applications between 5 July 2023 and 1 August 2023. The Growing Regions Program was scheduled to open for full applications on 1 November 2023.

2.7 As part of its administration of the assessment process, the Business Grants Hub required all staff involved in assessment (and the staff conducting quality assurance over those assessments) to complete a conflict of interest declaration. All staff involved in the EOI assessment process completed conflict of interest declarations. The Business Grants Hub advised the ANAO in October 2024 that it provides training to staff through a ‘train the trainer’ model as part of a standard Business Grants Hub process. This involves the Business Grants Hub delivering training to selected staff who then deliver the training to their assessment team colleagues. The Business Grants Hub provided quality assurance over the EOI assessment stage by conducting a review process over the assessments completed by staff.

¹⁸ Auditor-General Report No.31 2023–24 *Design of the Growing Regions Program*, paragraph 1.10.

Design of the eligibility and assessment criteria

2.8 As discussed in Auditor-General Report No.31 2023–24 *Design of the Growing Regions Program*, the definition of ‘regional priorities’ included in the grant opportunity guidelines — ‘priorities identified in local or regional plans such as RDA plans, council plans and state plans’ — was intentionally broad and undefined.¹⁹ The intent of this design was for applicants, through the application process, to identify a priority, gap or need in regional Australia, and demonstrate through their responses to the assessment criteria how their proposed community infrastructure project would fill this identified gap or need. The limitations or exclusions imposed by the grant opportunity guidelines on the types of expenditure the grant funding could be used for was specified in Appendix B of the grant opportunity guidelines (which set out ineligible expenditure). Appendix B set out ‘activities for which other Commonwealth, state, territory or local government bodies have primary responsibility’ as ineligible expenditure.

Assessment of eligibility requirements for the EOI

2.9 Section 4 of the Growing Regions Program grant opportunity guidelines set out the criteria required to determine what entities are eligible.

- Section 4.1 — who is eligible to apply for a grant.
- Section 4.2 — additional eligibility requirements.
- Section 4.3 — who is not eligible to apply for a grant.

2.10 Section 5 of the grant opportunity guidelines set out what the grant money can be used for.

- Section 5.1 — eligible grant activities.
- Section 5.2 — eligible locations.
- Section 5.3 — eligible expenditure.

2.11 The grant opportunity guidelines stated that applications that did not satisfy all the eligibility criteria would not be considered and this could not be waived ‘under any circumstances’.

2.12 Section 8 of the grant opportunity guidelines stated that at the EOI stage, the Business Grants Hub would review EOI applications against the eligibility criteria (section 4 of the guidelines).

2.13 The Business Grants Hub undertook the EOI eligibility assessment where assessors determined:

- whether the applicant applying for funding was an eligible entity type in line with sections 4.1 and 4.2 of the grant opportunity guidelines²⁰;
- whether the project was in an eligible location in line with section 5.2; and
- if it met its selected co-funding group requirements in line with section 3.1.²¹

19 Auditor-General Report No.31 2023–24 *Design of the Growing Regions Program*, paragraphs 2.86 to 2.90.

20 In July 2023, the Business Grants Hub asked Infrastructure to advise whether committees of management were eligible entities — under the guidelines they are both ineligible and eligible entities. The minister through her office agreed to continue on the basis they are eligible as long as the applicants are incorporated and not-for-profit.

21 Section 3 of the grant opportunity guidelines (grant amount and grant period) included: the minimum and maximum grant amount available for each application, three co-funding groups, and the required completion date for projects.

2.14 Assessment of ineligible expenditure as outlined in section 5.3 of the guidelines was not a requirement under the guidelines for the EOI stage. Not assessing eligible expenditure during the EOI stage created a risk that applicants with projects which did not meet the requirements for expenditure then progressed through to the next assessment phase. In the event these applicants were invited to submit a full application, they would be developing and submitting applications which would likely be deemed ineligible. In August 2024, the Business Grants Hub advised the ANAO that:

Ineligible expenditure was not a key consideration in BGH's EOI eligibility assessment because the program guidelines and application form did not provide sufficient detail in which to make a complete assessment on ineligible expenditure. This was required as part of the full application where a more informed assessment could be made at merit assessment.

2.15 The Business Grants Hub's assessment of eligible expenditure is discussed from paragraph 2.77.

2.16 The Business Grants Hub received 650 EOI applications for infrastructure projects. These included projects which involved hospitals and training facilities, that are typically administered by entities identified in the grant opportunity guidelines as ineligible.²² The Business Grants Hub took the approach that because the grant opportunity guidelines did not explicitly exclude any types of activities, and if the applicant was eligible under the grant opportunity guidelines, they could apply for funding for any community infrastructure project including child care centres, medical facilities (including hospitals), training facilities and aged care facilities. Following this approach, 487 EOI applications were found by the Business Grants Hub to be eligible.

Reassessment of all EOI applications found ineligible

2.17 The guidelines state that the Business Grants Hub would not consider applications that do not satisfy all eligibility criteria and cannot waive these criteria 'under any circumstances.' The Business Grants Hub could contact the applicant for clarification if it found an error or any missing information, including evidence that supported the eligibility or merit of the application.

2.18 In early September 2023, after the Business Grant Hub had completed its EOI assessment and notified ineligible applicants on their outcome, the Business Grants Hub and the minister's office received direct inquiries from applicants challenging their ineligibility assessment outcome. On 15 September 2023, the minister through their office advised Infrastructure of their preference for all 163 applicants found ineligible to be given the opportunity by the Business Grants Hub to correct any administrative errors or omissions. This included, for example, instances where the ineligibility related to supporting evidence that was not uploaded or the wrong document was uploaded inadvertently.

2.19 On 19 September 2023, the Business Grants Hub provided the ineligible applicants an opportunity to correct errors and resubmit their application by 21 September 2023. The Business Grants Hub received 58 resubmitted applications for reassessment and 38 of these applications were reassessed as eligible. The final number of EOI applications found eligible after the reassessment was 525.

22 Section 4.3 of the grant opportunity guidelines lists universities, technical colleges, schools, hospitals and aged care organisations as ineligible entities.

2.20 Table 2.1 identifies the types of activities which progressed through to the EOI merit assessment.

Table 2.1: Eligible Round 1 EOI applications by activity type

Categories of activity	Number of applications	Grant value (\$)
Airport	17	110,696,119
Arts and cultural services and facilities	62	247,065,613
Childcare	12	64,676,678
Community facility and services	94	357,416,775
Disability and aged services	27	74,203,184
Energy infrastructure	3	15,123,104
Foreshore and beach infrastructure	9	33,685,125
Health and medical facilities	40	219,193,767
Housing and accommodation	26	133,185,144
Land or industrial development	5	9,735,886
Library	6	43,525,029
Pool	21	87,378,789
Roads and rail	7	39,390,805
School, education, and training	14	40,917,344
Solid waste services and facilities	6	36,425,000
Sports facilities and services	63	203,802,966
Streetscape, parks and area beautification	58	176,263,205
Telecommunications infrastructure	3	16,355,594
Tourism	30	103,716,682
Water services and infrastructure	21	110,863,932
Withdrawn ^a	1	0
Total	525	2,123,620,741

Note a: One applicant withdrew their EOI application.

Source: Documentation prepared by Infrastructure as part of the design for round two of the Growing Regions Program, January 2024.

2.21 The lack of clarity in the grant opportunity guidelines on the types of eligible projects meant that applicants did not specify sufficient information to enable a clear assessment of eligibility. The ANAO identified three examples where projects may not have been consistent with section 5.3, Appendix B of the grant opportunity guidelines— activities for which other Commonwealth, state, territory or local government bodies have primary responsibility — and progressed through to the EOI stage.

- An incorporated not-for-profit association applied for funding to construct a new hospital, which included general practice rooms, radiology, 20 NDIS units and 106 aged care units and a rooftop multifunctional room for rehabilitation.
- A not-for-profit organisation applied for funding to construct a medical centre to provide health services including dialysis, primary health care, aged care, NDIS services, education and training, innovation and enterprise plus other health related deliverables.
- A disability service provider applied for funding to construct 11 Specialist Disability Accommodation Units, a common room and a caregiver's lodge.

Assessment of EOI criterion one

2.22 The grant opportunity guidelines stated that the Business Grants Hub would assess all eligible applications against the unweighted EOI criterion one — 'To what extent is your project ready to proceed and how does it align to the program objectives'. The grant opportunity guidelines also stated that the Business Grants Hub would provide its analysis of all eligible applicants' responses to EOI criterion one to the panel. Auditor-General Report No.31 2023–24 *Design of the Growing Regions Program* noted that the grant opportunity guidelines did not set out how results against EOI criterion one would inform which applications would be invited to submit a full application or how the results of both EOI criteria would be brought together to inform the panel's recommendations or Infrastructure's decision on which applicants are successful.²³

2.23 The Business Grants Hub scored applications either a zero (no) or a one (yes) against EOI criterion one. All 650 EOI applications were assessed and received a score of one (yes).

Establishment of the multi-party parliamentary panel

2.24 As discussed in paragraph 2.5, the EOI process had the panel undertake the assessment of EOI criterion two. The minister selected who would be invited onto the panel and the members were predominantly from regional electorates. On 7 May 2023, the minister wrote to the six invited panel members (five members and one chair) seeking their formal acceptance to participate on the panel. In January 2024, panel members were publicly announced on Infrastructure's website.²⁴ The panel membership comprised:

- Ms Lisa Chesters MP, Member for Bendigo (chair);
- Mrs Bridget Archer MP, Member for Bass;
- The Hon Mark Coulton MP, Member for Parkes;
- Senator Karen Grogan, Senator for South Australia;
- Dr Helen Haines MP, Member for Indi; and
- Senator Deborah O'Neill, Senator for New South Wales.

2.25 The grant opportunity guidelines stated that the indicative timeframe for panel assessment of EOI applications would be four weeks. It was anticipated that the panel would meet in

23 Auditor-General Report No.31 2023–24 *Design of the Growing Regions Program*, paragraphs 2.85 to 2.92.

24 Department of Infrastructure, Transport, Regional Development, Communications and the Arts, *Growing Regions Program - information on the assessment process*, 9 January 2024, available from <https://www.infrastructure.gov.au/sites/default/files/documents/growing-regions-program-round-1-assessment-process.pdf> [accessed 10 January 2024].

mid-October 2023. There were delays in the process and this timeline was extended (see paragraph 2.41).

Role of the panel

2.26 The role of the panel was to recommend which eligible EOI applications would be invited to proceed to the full application process. To support the panel process, terms of reference were developed by Infrastructure.

Panel secretariat

2.27 Secretariat duties for the panel were provided by the Business Grants Hub which provided administrative and logistical support for the operations of the panel and throughout the assessment process. The duties and responsibilities of the Business Grants Hub were outlined in the panel terms of reference and included:

- co-ordinating panel meetings, including liaising with panel members, arranging meeting facilities (with support from the department) and creating meeting agendas;
- distributing assessment packs to the panel, including eligible applications for assessment and materials for documenting comments, scoring and decisions;
- recording minutes and keeping an audit trail of panel meetings and decisions; and
- providing other administrative support as reasonably required by the panel.

2.28 Support was also provided to panel members via emails from the Business Grants Hub and Infrastructure, and through discussions between the panel and the Business Grants Hub where there was regular communication on timeframes and any emerging issues in the panel process.

2.29 Information and training was provided to the panel by the Business Grants Hub and Infrastructure. The training provided relevant information on the panel's duties and responsibilities, expectations of the panel, and a presentation by the Business Grants Hub on how to apply the EOI scoring matrix when assessing applications.

Probity advice

2.30 An external probity advisor (Mills Oakley) was appointed by Infrastructure to provide independent probity services to the panel. All panel members attended two briefings delivered by the probity advisor. The first briefings were held on 4 and 13 July 2023 (individual panel members were required to attend one of these two sessions) where the panel met with the external probity advisor to provide information about the program's probity requirements and the panel's obligations including conflict of interest declarations and confidentiality. The second probity briefing by Mills Oakley occurred on 13 November 2023.

2.31 All panel members and staff who assisted in the process signed conflict of interest forms. Four of the six panel members declared conflicts of interest. Four of the panel members declared a general conflict of interest which was interacting with constituents during the course of their work as an elected representative. Other conflicts of interest declared by panel members are set out below.

- Receipt of gifted lift passes at a ski resort in a panel member's electorate. This conflict was mitigated as panel members could not assess applications from their own electorates.

- Conversations with three organisations that were considering applying for the Growing Regions Program. The panel member also declared they were a sponsor or patron of nine listed sports organisations and, at the time the declaration was made, they had no knowledge if those organisations were intending to apply for the program.
- A panel member's husband serving as a councillor on a local council. At the time the declaration was made, the panel member had no knowledge if that council was intending to apply for the program.

2.32 All conflicts were noted on the conflicts register and signed by the external probity advisor.

2.33 Panel members were not making final funding decisions as their role was restricted to the EOI stage of the assessment process. Because of this, the probity advisor noted that for probity and conflict of interest purposes 'there is less risk due to recommendations being in stage 1 of the application process [and] not stage 2.'

Were recommendations made by the multi-party parliamentary panel in line with the guidelines and documented?

The panel scored and ranked applications as required under the grant opportunity guidelines, noting difficulty with the definition of what constituted 'regional priorities'. Recommendations were made based on average scores and followed the requirements set out in the guidelines. Decisions were documented and probity requirements were followed. All panel members were originally required to score each application except where projects were in their electorate or jurisdiction. To assist in managing the panel's workload, part-way through the assessment process there was a change in the scoring approach from having panel members score all applications, to a minimum of three scorers per application. Infrastructure did not consider in its design of the assessment process how different numbers of panel members scoring each application would impact on a project's average score.

Panel assessment of EOI criteria

2.34 The grant opportunity guidelines stated that 'the multi-party Parliamentary panel [was] established to assess and score eligible EOI's received in stage one of the application process against assessment criterion two – EOI'. The panel would rank projects against the criterion and make a recommendation to Infrastructure on who to invite to apply as part of stage two of the application process. Table 2.2 sets out the scoring matrix.

Table 2.2: Scoring matrix for EOI criterion two

Score 1–5	1	2	3	4	5
	Unable to determine alignment with regional priority	Weak alignment with regional priority	Marginal alignment with regional priority	Strong alignment with regional priority	Very strong alignment with regional priority
How strongly does the project align with the regional priorities?	No information on the project's alignment with regional priorities provided.	Regional priorities identified are vague and not well linked to the project.	The proposed project aligns with the identified regional priorities but only at a high level.	The proposed project specifically and reasonably aligns with regional priorities.	The proposed project specifically and clearly aligns with regional priorities, and priorities are clearly defined.

Source: Growing Regions Program — Round 1 Grant Opportunity Guidelines, Appendix C.

2.35 EOI applications were provided to panel members on 7 September 2023 with a submission due date for their results by 29 September 2023. The Business Grants Hub provided all panel members with an assessment pack. Panel members were provided with a scoring spreadsheet with the application names and ID reference, a one-page overview of the project application developed by the Business Grants Hub and any supporting evidence provided by the applicants for panel members to review as part of the assessment process. Panel members did not see the whole project application.

2.36 There were 525 eligible EOI applications reviewed by the panel members. The number of applications that were initially provided to each panel member for assessment is outlined in Table 2.3.

Table 2.3: Initial distribution of EOI applications to panel members

Panel member	Number of applications allocated
Dr Helen Haines	471
Mrs Bridget Archer	483
Mr Mark Coulton	467
Senator Karen Grogan	445
Senator Deborah O'Neill	354
Ms Lisa Chesters (chair)	483

Source: Infrastructure records.

2.37 The Business Grants Hub was responsible for allocating projects to panel members for assessment. To manage probity risks and ensure transparency, panel members did not assess applications in their own electorate if members of Parliament, or jurisdiction if senators.

2.38 Under the panel's terms of reference each application would be assessed by all panel members (unless the applicant was from their electorate or if there was a declared conflict of interest). On 19 September 2023 following discussions between the Business Grants Hub and panel members regarding the progress of EOI assessments, it became evident that the panel would not

be able to meet the timeframes to assess the EOI applications (29 September 2023). The panel raised concerns with the Business Grants Hub, including:

- the panel ‘did not fully appreciate the volume of work required to undertake the assessment of the applications’;
- a challenge with the assessment process was the ‘lack of quality of applicants’ which were ‘due to the program guidelines being too broad and project scope across applicants too varied across different priority and community groups e.g. First Nations, health and aged care, swimming pools, childcare centres, roads, football fields etc’; and
- the ‘assessment process for the panel should have been more streamlined and less onerous to assess applications’.

2.39 The concerns raised by the panel were escalated to Infrastructure by the Business Grants Hub.

2.40 The Business Grants Hub met with the panel chair to discuss an approach for the remaining unassessed applications to assist the panel’s assessment workload. On 21 September 2023 the Business Grants Hub wrote to panel members advising the panel that there would be additional applications to assess, due to the decision by the minister to allow 163 ineligible applicants to resubmit their applications, resulting in an additional 38 applications for the panel to assess (as discussed previously in paragraph 2.19).

2.41 On 25 September 2023 the Business Grants Hub met with the panel chair to discuss a revised approach to support the panel in completing the remaining assessments, as well as the additional 38 applications. The chair acknowledged that ‘the panel have struggled with the volume and diversity of the applications and that the Minister’s office had already indicated that they were supportive of a changed approach that would support the panel members.’

2.42 Panel members were then instructed by the Business Grants Hub, after consulting with the chair, to stop assessing their allocated applications and return their assessment score sheets to the Business Grants Hub. The panel was advised by the Business Grants Hub that once the final number of unassessed applications had been determined, the Business Grants Hub would reallocate the remaining applications to the panel for assessment and advise the revised timeframes for completion as well as determining the date for the panel meeting in November 2023.

2.43 To assist in managing the panel’s workload, there was also a change to the scoring process as agreed by the panel chair, Business Grants Hub and Infrastructure. Applications would no longer be required to be scored by all panel members and instead would require a minimum of three panel members to score each application to help reduce the workload of individual panel members.

2.44 On 9 October 2023 the Business Grants Hub sent the revised assessment packs to the panel with an updated addendum which explained that the reallocation of incomplete assessments required a minimum of three individual assessor scores. This included the addition of 38 ineligible EOI applications reassessed as eligible. The new due date for the completion and return of panel EOI assessments was by 27 October 2023.

2.45 On 18 October 2023 there were discussions between the panel and Business Grants Hub on how to assess the remaining applications of Mr Coulton, who had resigned from the panel on 10 October 2023. At this discussion, the chair raised further concerns over the workload, including that the ‘expectation of work has been too much, and not adding any value to the process of

assessing the applications'. All but one panel member completed and returned the EOI assessment results to the Business Grants Hub by 27 October 2023.

2.46 Due to panel members being excluded from scoring applications in their electorate or jurisdiction, the number of panel members scoring applications would originally have ranged from four to all six members. After the decision was made to reallocate applications to members and have applications scored by three or four panel members, there were 434 projects assessed by three members and 91 were assessed by four. As only those applications that achieved an average score of three and above were recommended to progress to full application stage, the inclusion of a fourth score could impact the project's overall assessment outcome.²⁵ Infrastructure did not consider the consequences and scoring differences that could occur from averaging a score from four panel members as opposed to three panel members.

Panel recommendations and panel meeting

2.47 The Business Grants Hub prepared an agenda for the in-person panel meeting identifying the applications that required discussion. The panel met on 13 November 2023 to discuss the assessment of applications and provide recommendations. There were 36 applications selected for discussion where there was a score disparity.

2.48 All five panel members attended the meeting, as well as the Business Grants Hub representative, the probity advisor, and Infrastructure. Infrastructure did not attend the discussion on the individual applications and only attended the feedback and observations part of the meeting. Mr Coulton, who had resigned from the panel on 10 October 2023, also attended the panel meeting.

2.49 The chair outlined that the process of moderation 'is not seeking to change scores but achieve consensus on a final average score.' The panel members did not discuss individual applications, assessments or any scoring variances. Instead, it was agreed that applications with an average score of three and above — representing 23 of the 36 identified for moderation — would be recommended to progress to stage two (full application) and those below three would not proceed. All panel members agreed that this approach should be maintained. The probity advisor confirmed this approach met the probity requirements.

Recommended projects

2.50 Consistent with the requirements in the grant opportunity guidelines, once the panel had assessed all applications, the panel ranked the projects and made a recommendation to Infrastructure, through the Business Grants Hub, on which projects should be invited to submit a full application.

2.51 A total of 525 eligible EOI applications were assessed by the panel. At the panel meeting on 13 November 2023, panel members confirmed their final decision that 443 applications (84 per cent of total eligible applications) to the value of \$1.8 billion in funding that achieved an average score of three and above were recommended to progress to stage two. There were 81 projects (15 per cent of total eligible applications) that were not recommended. Table 2.4 sets out the panel's recommendations.

25 For example, an application scored by three panel members with scores of 2, 2 and 4 would be scored an average of 2.7. If that application was scored by four panel members with scores of 2, 2, 4 and 4 it would be scored an average of 3.

Table 2.4: EOI applications assessed and recommended by the panel

	Number
Applications received	650
Eligible applications	525
Ineligible applications	125
Withdrawn applications ^a	1
Recommended by panel	443
Not recommended by panel	81

Note a: Withdrawn by the applicant.

Source: ANAO analysis from department records.

2.52 Recommended applications were ranked from highest to lowest. As the panel decided that all applications with scores of three or above would be recommended there was no further assessment of applications that were scored the same.

2.53 The breakdown of recommended projects by state and territory is shown in Table 2.5.

Table 2.5: Recommendations of EOI applications per jurisdiction

State or territory ^a	Number of eligible applications	Number of recommended applications	Percentage of recommended applications (%)	Total value of recommended funding (\$)	Percentage of recommended funding (%)
New South Wales	146	127	28.7	555,008,375	30.6
Queensland	128	100	22.6	456,384,799	25.2
South Australia	46	42	9.5	120,284,253	6.6
Tasmania	14	11	2.5	39,740,969	2.4
Victoria	81	69	15.6	213,027,490	11.8
Western Australia	85	71	16.0	317,642,711	17.5
Northern Territory	24	23	5.2	104,782,371	5.8
Total	524	443	100.0	1,810,350,404	100.0

Note a: Canberra in the Australian Capital Territory was not eligible for funding under the Growing Regions Program. For reporting purposes, projects in Jervis Bay were included in New South Wales.

Source: ANAO analysis of Business Grants Hub records.

2.54 Of the 49 eligible projects that were in panel members' electorates, 43 projects (88 per cent) were recommended to progress to stage two, which was comparable to the overall average of 85 per cent of eligible projects recommended to progress to stage two.

Assessing regional priorities criterion

2.55 As discussed in paragraph 2.8, the definition of regional priorities in the grant opportunity guidelines — ‘priorities identified in local or regional plans such as RDA plans, council plans and state plans’ — was left intentionally broad and undefined. In June 2023, following the establishment of the panel, concerns were raised by panel members with the minister's office on how to assess regional priorities. On 1 June 2023, the minister's office contacted Infrastructure and relayed concerns that had been raised by the panel:

There is specifically concern about the definition of regional priorities – having a clear definition of what these are and how they will be assessed and a clear and focused matrix – I think support will be needed in helping the Panel assess claims in the EOIs of meeting regional priorities.

2.56 Similar concerns and questions seeking clarification on the assessment of regional priorities were raised at the first probity briefing, an Infrastructure information session, and through discussions between the panel and the Business Grants Hub.

2.57 The grant opportunity guidelines did not specify the type of evidence required to support an applicant's response to the criterion relating to regional priorities, so applicants and panel members had to determine what constituted a regional priority and the types of evidence required to support the response to this criterion.²⁶

2.58 Panel members feedback on the assessment process identified that:

- There was lots of variation and disparity between the detail in the applications. Trawling through them was significant work and links to some documentation didn't work.
- found it confusing that people were applying for housing grants.
- lack of a decision-making matrix felt a bit haphazard.
- suggested that for future rounds the Growing Regions criteria needs to be more specific and tightened around what type of projects it seeks to fund and what other mechanisms might exist to fund projects such as schools, roads etc.
- there was a need for a more robust scoring matrix – it was a lot of work to trim down hundreds of EOIs.
- the process required them to compare women's shelters to air strips, both of which might be regional priorities.
- one panel member “had applied her own sub-criteria to assess applications”.
- felt the process was pointless because the criteria were not tight enough around what a project should be assessed on.

Approved projects to progress to the full assessment stage

2.59 The grant opportunity guidelines state that Infrastructure is the decision-maker for determining which EOI applications are successful and invited to apply for the full application.

26 Auditor-General Report No.31 2023–24 *Design of the Growing Regions Program*, paragraphs 2.86 to 2.90.

2.60 On 16 November 2023 the Business Grants Hub provided Infrastructure with a package of documents on the outcome of the EOI panel assessment process following the panel meeting on 13 November 2023.

2.61 The Business Grants Hub prepared two spreadsheets collating the panel's EOI assessment results. The first spreadsheet contained all the individual panel members' scores against each application, and a separate worksheet identifying the 36 applications that had been selected for discussion in the panel committee meeting held on 13 November 2023. The second spreadsheet summarised the assessment results and included the average score for each application, and if the project was recommended or not recommended based on the cut off average score of three. Applications were ranked from highest to lowest score in accordance with the grant opportunity guidelines.

2.62 The EOI panel assessment results presented to Infrastructure by the Business Grants Hub identified:

- projects recommended for funding;
- projects not recommended for funding; and
- the basis for the recommended/not recommended.

2.63 Once Infrastructure received recommendations from the Business Grants Hub, a briefing was prepared on 16 November 2023 for the delegate (First Assistant Secretary, Regional Development and Local Government). The briefing provided two options to determine the number of successful EOIs that would be invited to submit a full application.

- Option one: EOIs which scored a three and above by the multi-party parliamentary panel are deemed successful and invited to apply for full applications (total 443 projects requesting \$1.81 billion of funding).
- Option two: EOIs which scored 3.5 and above by the multi-party Parliamentary panel are deemed successful and invited to apply for full application (total 294 projects requesting \$1.23 billion of funding).

2.64 The delegate agreed to option one and signed the brief on 21 November 2023 noting on the minute:

I have approved Option 1, noting it is likely a high proportion of applications are likely to be unsuccessful. However, Option 2 does not substantially alter this to the extent that moving away from the Panel recommendations can be supported. Oversubscription should be considered and addressed as part of the program evaluation and in the design for R2 and Thriving Suburbs.

2.65 The Business Grants Hub sent letters to the successful EOI applicants between 22–24 November 2023 inviting them to apply for stage two. Emails were also sent to unsuccessful applicants.

2.66 In a lessons learned document developed for Round 1 of the Growing Regions Program, Infrastructure and the Business Grants Hub outlined concerns about using a panel process for Round 2. Infrastructure noted that 'the EOI stage increased the timeframe of the application process and the administrative impost on the Business Grants Hub and the panel' and applied an administrative burden on applicants. The need for extended timeframes for the panel process

contributed to delays to program implementation and funding announcement (see paragraph 3.32).

Were full applications assessed in accordance with the guidelines including identified appraisal criteria applied to assess the merit of each candidate’s project?

The Business Grants Hub assessed full applications against the three merit criteria as outlined in the grant opportunity guidelines and awarded each project a final score. The design of the eligibility requirements in the grant opportunity guidelines resulted in projects that potentially did not meet the program’s policy intent progressing through the assessment process. The minister did not fund 14 recommended projects which they identified as not suitable for funding as they would be better suited for funding under a different program.

2.67 The grant opportunity guidelines set out that only successful EOI applicants would be able to submit a full application as part of a closed, competitive process.²⁷ Under the grant opportunity guidelines, the Business Grants Hub would reassess applicants’ eligibility before assessing eligible applications against three merit criteria. Table 2.6 outlines the full application merit criteria and their weightings as set out in the grant opportunity guidelines.

Table 2.6: Full application merit criteria and weightings

Full application merit criteria	Weighting
1. Contribution to economic opportunity and social and community inclusion	40 points
2. Alignment with broader Government and regional strategic priorities	20 points
3. Capacity, capability and resources to deliver and sustain the project	40 points

Source: Grant opportunity guidelines, sections 6.5 to 6.7.

2.68 The grant opportunity guidelines stated that applications would only be awarded funding if they scored at least 60 per cent against each criterion. The grant opportunity guidelines also stated that the Business Grants Hub would consider an application’s merit based on how well it met the criteria, how it compared to other applications, the geographical spread of applications and whether the project demonstrated value for money.

2.69 Prior to commencing the stage two assessments, the Business Grants Hub required all staff involved in assessing applications (and the staff conducting quality assurance on assessments) to complete a conflict of interest declaration and a training session for the full application stage assessment. All staff involved in the Business Grants Hub completed conflict of interest declarations. One conflict was identified during the assessment process, so the assessor was removed from the application and it was reassigned.

Full application assessment

2.70 Of the 443 projects that were invited to submit a full application, the Business Grants Hub received 385 full applications (worth \$1.7 billion). As discussed in paragraph 2.9, the Business Grants

²⁷ A closed process involves an entity inviting potential applicants to apply for the program. In contrast, an open process involves an entity making an open call for applications where any eligible potential applicant can apply for funding.

Hub assessed the eligibility requirements from the EOI stage again as part of the full application stage as well as the eligibility requirements in section 5. As a result, 383 applications were assessed as eligible, and two applications were found to be ineligible and removed from consideration.²⁸

2.71 The Business Grants Hub developed two tools for assessors to complete their merit assessment of full applications:

- a merit assessment scoring guide; and
- a merit assessment scoring tool.

2.72 The scoring guide outlined the overall methodology assessors would use when scoring and providing comments on applications.

2.73 Assessors input their scores and comments against each criterion into the scoring tool which then automatically calculated the application's overall score and concluded if the application had met the minimum score requirement to progress. The scoring tool also contained a section for assessors to review the projects' proposed budgets and identify any ineligible expenditure.

2.74 The Business Grants Hub assessed each application against criteria one and two, completed its review of the projects' budgets, then assessed applications against the third criterion. Any project that did not receive at least 60 per cent against each criterion failed the merit assessment. Once the scoring tool and final assessment report for each assessment were completed, the scores, comments and supporting documentation were entered into the Business Grants Hub's grants management system.

2.75 An application's final score was the total sum of its results against all three merit criteria. The Business Grants Hub did not consider geographical spread in its assessment of applications noting it was not a requirement in the grant opportunity guidelines (discussed in paragraph 2.68).

2.76 Table 2.7 outlines the number of applications which received the minimum score for each criterion and the total number which successfully passed the merit assessment.

Table 2.7: Business Grants Hub's full application assessment

Assessment outcomes	Count
Applications that received at least a 60 per cent score against criterion 1 (24 points)	361
Applications that received at least a 60 per cent score against criterion 2 (12 points)	321
Applications that received at least a 60 per cent score against criterion 3 (24 points)	358
Total successful applications	311^a
Total unsuccessful applications	71

Note a: One application was withdrawn by the applicant during the assessment period.

Source: ANAO analysis of the Business Grants Hub records.

²⁸ This was because the Business Grants Hub identified ineligible expenditure items, removed them from the project's total, and as a result, the project's revised budget fell below the minimum threshold to be eligible.

Assessment of ineligible expenditure

2.77 The grant opportunity guidelines provided potential applicants with a list of expenditure items that were ineligible under the Growing Regions Program.²⁹

2.78 In the scoring tool, assessors were required to identify whether all proposed activities and expenditure were eligible as part of reviewing a project's proposed budget, and if not, whether the application's total expenditure still met the minimum threshold³⁰ to be eligible once the ineligible expenditure had been removed. The scoring tool instructed assessors to refer to Appendix A (eligible expenditure) and Appendix B (ineligible expenditure) in the grant opportunity guidelines, responses to the assessment criteria, project budget summary and project description. As noted in paragraph 2.8, 'activities for which other Commonwealth, state, territory or local government bodies have primary responsibility' was included as ineligible expenditure.

2.79 In June 2023, as part of the training module delivered to assessors, the Business Grants Hub identified that:

[the] Ineligible expenditure section of the guidelines indicates that activities for which other Commonwealth, state, territory or local government bodies have primary responsibility are not eligible expenditure items. This could include schools, hospitals, roads etc.[that] may not be the intent of the Growing Regions program.

2.80 In January 2024, as part of developing lessons learned for Round 2 of the program, Infrastructure concluded that:

it [was] difficult to assess eligible activities based on the statement ["activities for which other Commonwealth, state, territory and local governments have primary responsibility"]:

- given the broad intent of the program,
- the scope of the department's own numerous and diverse portfolio responsibilities, and
- similar responsibilities of other government agencies.

2.81 The minister decided to not fund 14 of the 54 recommended projects based on the minister's conclusion that while these projects had merit they were 'likely to be more suitable for a program in another portfolio/jurisdiction' (see from paragraph 3.27). In December 2023, the Business Grants Hub as part of lessons learned, asked Infrastructure to consider specifying the types of activities that were not eligible and to list them in the grant opportunity guidelines. It also noted that:

Appendix B Ineligible Expenditure refers to "activities for which other Commonwealth, state, territories have primary responsibility" ... This is also contradicts when we allow applicants to use funding from other state and territory and local government grants ... we need to consider how the different eligibility criteria overlap and be mindful of closing any loopholes that might exist.

29 Examples of ineligible expenditure were included in Appendix B of the grant opportunity guidelines and included: purchase of land or existing infrastructure; domestic and overseas travel; funding for delivering training or educational courses; activities for which other Commonwealth, state, territory or local government bodies have primary responsibility; and purchase and installation of manufacturing equipment.

30 The minimum threshold for group three was \$500,000. Group three was one of three co-funding groups applicants could apply for funding under the grant opportunity guidelines. Applicants could apply for up to 50 per cent co-funding under group three.

Recommendation no. 1

2.82 The Department of Infrastructure, Transport, Regional Development, Communications and the Arts identifies in the program guidelines how to assess ineligible types of projects and expenditure for the Growing Regions Program to ensure that successful projects reflect the program's policy intent and objectives.

Department of Infrastructure, Transport, Regional Development, Communications and the Arts response: *Agreed.*

2.83 *The guidelines for Round 2 of the Growing Regions Program have been revised to take into consideration lessons learned from Round 1, including in relation to program eligibility and the assessment process.*

Were assessed applications ranked in accordance with the guidelines?

Applications were ranked by the Business Grants Hub based on its assessment against the three criteria set out in the grant opportunity guidelines. The Business Grants Hub reported all highly suitable and suitable projects for funding. Following the Business Grants Hub's merit assessment, Infrastructure completed further analysis and assessment of projects for geographical spread and socio-economic outcomes. This further assessment differed to the process approved when the program was designed or set out in the grant opportunity guidelines. This resulted in Infrastructure removing three projects from the Business Grants Hub's full assessment merit list and adding a further seven.

2.84 The Business Grants Hub ranked all 385 full applications from highest to lowest based on the total score each application received during the merit assessment. In addition to ranking all the applications, the Business Grants Hub categorised each full application as either ineligible, highly suitable, suitable or not suitable based on their scores from the merit assessment outcome. Table 2.8 outlines how the Business Grants Hub used scores to apply these categories, which it recommended to Infrastructure for funding, and the number of full applications in each category.

Table 2.8: Business Grants Hub merit assessment outcomes

Score	Merit assessment outcome	Recommended by the Business Grants Hub?	Total full applications
Did not meet all eligibility requirements	Ineligible	No	2
Scores less than 60% against one or more of the merit assessment criteria	Not suitable	No	72
Scores at least 60% against each merit assessment criterion	Suitable	Yes	218
Scores at least 80% against each merit assessment criterion	Highly suitable	Yes	93

Source: ANAO analysis of Business Grants Hub records.

2.85 On 1 March 2024, the Business Grants Hub provided Infrastructure with the results of the merit assessment of full applications and recommended 311 projects (totalling \$1.5 billion).

Infrastructure’s assessment of full applications

2.86 After receiving the Business Grants Hub’s merit assessment results, Infrastructure used the results to identify the most meritorious projects and then conducted an additional assessment ‘to determine if the merit-based ranking achieved an equitable geographic and socio-economic outcome’. The grant opportunity guidelines specified that ‘if applications were scored the same, [Infrastructure] will consider value for money, alignment to the program objectives, and geographical spread to recommend applications for funding’. Infrastructure’s additional assessment, however, was conducted over the total population of projects recommended by the Business Grants Hub, not just those with the same scores. This assessment process was also not considered in the design of the program or included in the grant opportunity guidelines approved by the minister in May 2023.

2.87 Infrastructure’s additional assessment considered the following factors:

- geographic spread by state and territory;
- geographic spread by remoteness (remote/very remote); and
- First Nations Community Controlled Organisations and low rate-based councils.

2.88 Infrastructure assessed the percentage of Australia’s regional population by state and territory to establish a benchmark using the Greater Capital City Statistical Areas (GCCSAs). The results of this are shown in Table 2.9.

Table 2.9: Infrastructure’s analysis of regional Australia population distribution by state and territory

Area	Total population	Regional population	%
NSW	8,153,584	2,856,495	33.5
Vic	6,613,727	1,582,532	18.6
Qld	5,322,058	2,693,975	31.6
WA	2,785,312	560,837	6.6
SA	1,820,530	402,075	4.7
Tas	571,517	318,824	3.7
NT	250,635	100,943	1.2

Source: Infrastructure’s documentation.

2.89 Infrastructure reviewed the Business Grants Hub’s recommendations which were ranked in order from highest to lowest score, up to the available funding of \$300 million (which resulted in 50 projects to a value of \$298,847,382) and compared the projects against the population benchmarking set in out in Table 2.9). Table 2.10 shows the 50 projects reviewed by Infrastructure by geographic distribution.

Table 2.10: Top 50 projects by geographic area

Area	Number	Value (\$)	Percentage of Business Grants Hub funding recommendation (%)	Percentage of Regional Australia (%)
NSW	9	53,306,687	17.7	33.5
Vic	8	53,004,470	17.7	18.6
Qld	12	61,889,639	20.6	31.6
WA	8	66,961,734	22.3	6.6
SA	8	23,842,015	7.9	4.7
Tas	3	21,342,837	7.1	3.7
NT	2	18,500,000	6.2	1.2
Australia	50	298,847,382	100.0	100.0

Source: ANAO analysis of department records.

2.90 Infrastructure compared the Business Grants Hub's merit assessment against its geographical analysis. Infrastructure assessed that there were three states where the percentage of recommended funding did not reflect the percentage of regional population within that jurisdiction.

- Western Australia — 22 per cent of total potential grant funding; 6.6 per cent of regional Australia's population.
- New South Wales — 17.7 per cent of total potential grant funding; 33.5 per cent of regional Australia's population.
- Queensland — 20.6 per cent of total potential grant funding; 31.6 per cent of regional Australia's population.

2.91 Infrastructure's assessment of the recommendations from the Business Grants Hub also noted that there was one applicant in Queensland that would have two projects funded based on the Business Grants Hub merit assessment. The grant opportunity guidelines did not state that applicants could not be funded for multiple projects. Infrastructure determined 'on the basis of equitable distribution and helping and supporting as many communities as possible', that it would reduce the level of recommended funding for Western Australia and not support one of the two recommended projects for an applicant in Queensland.

2.92 Infrastructure undertook a process between 1 March 2024 and 4 May 2024 to 'redistribute funding to provide a more equitable funding distribution by State/Territory focused on: a) reducing funding to Western Australia; b) increasing funding to New South Wales and Queensland'. Infrastructure reduced the level of funding for Western Australia by removing two projects from the Business Grants Hub's merit assessment recommendations; one valued at \$15 million (ranked 34 on the merit list) and the other \$13.05 million (ranked 46 on the merit list).

2.93 No changes were made to the Business Grants Hub's recommendations for South Australia, Tasmania, Victoria or the Northern Territory.

2.94 To increase grant funding in New South Wales and Queensland, Infrastructure reviewed the merit list and selected the next highest merit assessed projects in these states. This process resulted in seven projects being ‘passed over’ so that Infrastructure could keep the totality of projects within the \$300 million funding envelope. A summary of the key changes to the Business Grants Hub recommendations by the department is outlined in Table 2.11.

Table 2.11: Summary of Infrastructure’s changes to the merit list of projects

Project	Merit score of project	Merit rank	Infrastructure recommendation to minister	Grant amount (\$)
Removal of Western Australia projects				
Project A	89.2	34	Not recommended for funding to assure geographic equity	15,000,000
Project B	88.2	46	Not recommended for funding to assure geographic equity	13,050,000
Removal of Queensland project ^a				
Project C	90.7	21	Not recommended for funding to assure geographic equity	3,108,741
Projects added for New South Wales				
Project D	87.5	54	Recommended for funding to assure geographic equity	8,601,800
Project E	87.5	55	Recommended for funding to assure geographic equity	2,181,534
Project F	87.2	58	Recommended for funding to assure geographic equity	4,493,776
Project G	86.0	73	Recommended for funding to assure geographic equity	1,539,955
Project H	85.3	88	Recommended for funding to assure geographic equity	1,483,112
Projects added for Queensland				
Project I	88.0	51	Recommended for funding to assure geographic equity	5,508,900
Project J	86.6	65	Recommended for funding to assure geographic equity	8,235,000

Note a: On 16 April 2024 Infrastructure identified that the proposed funding recommendation included two projects for an applicant in Queensland. Infrastructure decided that ‘in the interest of equity we should ensure as wide a distribution as possible’ and the lower ranking of the two recommended projects was removed.

Source: ANAO analysis of departmental records.

2.95 Infrastructure maintained records of its decision-making process, and documented the process and analysis it undertook to make changes to the merit assessment list, including incorporating a procedure into its standard operating procedures, which states:

The department reviews the BGH’s merit assessment to determine if the ranking achieves an equitable geographic and socio-economic outcome based on State and Territory and other socio-economic (Co-funding Group 1 and Group 2 within the guidelines) distribution. The

department will provide its recommendations to the Minister, on which grants to approve based on: a) the BGH merit assessment b) geographical and socio-economic distribution and c) the availability of grant funds (\$300 million).

2.96 Table 2.12 shows the distribution of funding by state and territory after Infrastructure's review.

Table 2.12: Department's recommended funding by geographic area

Area	Number of projects	Value (\$)	Percentage of funding (department's recommendation) (%)	Percentage of regional Australia (%)
New South Wales	14	71,606,864	23.9	33.5
Victoria	8	53,004,470	17.7	18.6
Queensland	13	72,524,798	24.2	31.6
Western Australia	6	38,911,734	13.0	6.6
South Australia	8	23,842,015	7.9	4.7
Tasmania	3	21,342,837	7.1	3.7
Northern Territory	2	18,500,000	6.2	1.2
Australia	54	299,732,718	100.0	100.0

Source: ANAO analysis of departmental records.

2.97 As discussed at paragraph 2.86, the assessment undertaken by Infrastructure applied processes that were not set out in the grant opportunity guidelines. Infrastructure's funding recommendations to the minister resulted in projects that were not assessed by the Business Grants Hub as the most meritorious being recommended for funding. Infrastructure changed 10 projects (removing three and adding seven) from the Business Grants Hub's full assessment merit list.

2.98 In advice to the ANAO on 26 July 2024, Infrastructure acknowledged that the process it undertook to assess geographic equity differed to what was outlined in the grant opportunity guidelines and that the grant opportunity guidelines could have been amended to reflect this change. Infrastructure advised the ANAO that this issue will be considered in the design of Round 2 of the Growing Regions Program.

2.99 Grant opportunity guidelines that do not accurately convey the assessment processes are inconsistent with the key principle of probity and transparency under the CGRGs which state that:

Officials should put in place a transparent and systematic application and selection process. Such processes assist in informing decisions and enhancing confidence in the grant opportunity outcomes and grants administration processes, for both stakeholders and the public.³¹

31 Department of Finance, *Commonwealth Grants Rules and Guidelines*, Finance, Canberra, 2017, paragraph 13.9, available from <https://www.finance.gov.au/government/commonwealth-grants/commonwealth-grants-rules-and-guidelines>, [accessed November 2023].

Recommendation no. 2

2.100 The Department of Infrastructure, Transport, Regional Development, Communications and the Arts correctly applies the processes set out in the Growing Regions Program guidelines or updates the guidelines where significant changes to processes are required while the funding opportunity is open for applications.

Department of Infrastructure, Transport, Regional Development, Communications and the Arts response: *Agreed.*

2.101 Design and implementation of Round 2 of the Growing Regions Program has taken account of lessons learned from Round 1 of the program, including ensuring processes in the program guidelines are correctly applied.

3. Award of funding

Areas examined

This chapter examines whether funding recommendations and decisions were made in accordance with the Commonwealth Grants Rules and Guidelines 2017 (CGRGs). It also examines whether the award of funding was timely.

Conclusion

Department of Infrastructure, Transport, Regional Development, Communications and the Arts' (Infrastructure) advice to the minister outlined the assessment process and risks relating to the approval of applications for the Growing Regions Program. The advice did not state how value for money was determined following Infrastructure's additional analysis of the results of the Business Grants Hub's merit assessment. Based on an initial, high-level assessment from the Australian Government Solicitor, Infrastructure advised that there was no lawful authority for the proposed expenditure under the program and proposed that to address that, funding could be awarded under a Federation Funding Agreement rather than as grants. Funding decisions were appropriately documented by the minister and the minister did not approve any projects that were not recommended by Infrastructure. The announcement of successful projects occurred two months after the original timeframes provided to applicants. As at 16 October 2024, the Growing Regions Program Federation Funding Agreement Schedule had been executed with the Western Australian, South Australian, Queensland, Tasmanian, New South Wales and Victorian governments.

3.1 Section 71 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) states that 'A Minister must not approve a proposed expenditure of relevant money unless the Minister is satisfied, after making reasonable inquiries, that the expenditure would be a proper use of relevant money'. The PGPA Act defines 'proper' as efficient, effective, economical and ethical.

3.2 The CGRGs³² contain decision-making and reporting requirements that apply to ministers when a minister exercises the role of spending approver. A key requirement under the CGRGs is that officials must provide written advice to ministers, where ministers exercise the role of an approver. The CGRGs set out that, at a minimum, the advice must:

- explicitly note that the spending proposal considered for approval is a 'grant';
- provide information on the applicable requirements of the grants administration framework, including the legal authority for the grant;
- outline the application and selection process, including the selection criteria, that were used to select potential grant recipients; and
- include the merits of the proposed grant or grants relative to the grant guidelines (including assessment against the eligibility and assessment criteria) and the key consideration of achieving value with public money.

32 On 1 October 2024, the Commonwealth Grants Rules and Principles 2024 (CGRPs) replaced the Commonwealth Grants Rules and Guidelines 2017 (CGRGs). Decisions made under the Growing Regions Program were subject to the Commonwealth Grants Rules and Guidelines 2017 (CGRGs).

Were timely and clear funding recommendations provided to the decision-maker that reflected the results of the assessment process and aligned with the CGRGs?

An initial, high-level assessment by the Australian Government Solicitor obtained by Infrastructure prior to briefing the minister stated that lawful authority for proposed expenditure for the program was not in place. Infrastructure proposed an approach that sought to mitigate this risk. Infrastructure recommended that the minister approve 54 applications up to the limit of the available funding. The recommendation did not state how value for money was determined following an additional analysis of project applications and adjustment of results by Infrastructure. Funding recommendations for Round 1 of the Growing Regions Program did not meet the original timeframes as planned by Infrastructure primarily due to the need to seek legal advice on the lawful authority matter.

Briefing to the minister for the approval of grants

3.3 The grant opportunity guidelines state the Minister for Infrastructure, Transport, Regional Development and Local Government (the minister) decided which grants to approve, taking into account the results of the merit assessment undertaken by the Business Grants Hub and Infrastructure’s recommendations, and the availability of grant funding.

Ministerial briefing alignment with the CGRGs

3.4 Consistent with the CGRGs, Infrastructure provided a written brief and supporting material to the minister for decision on 4 May 2024. Table 3.1 outlines the ANAO’s assessment of the advice provided to the minister for the approval of grants under Growing Regions Program Round 1 against the CGRG mandatory requirements.

Table 3.1: ANAO assessment of ministerial advice with the CGRG mandatory requirements

CGRG paragraph	CGRG requirement	ANAO analysis
Paragraph 4.6 of CGRGs Officials must provide written advice to ministers, where ministers exercise the role of an approver. This advice must, at a minimum:	a) explicitly state that the spending proposal being considered for approval is a grant.	The Growing Regions Program was designed and approved as a grants program. The ministerial brief states that the proposed spending proposal is unlikely to be delivered as a grant due to the risks of lawful authority for the proposed expenditure.
	b) provide information on the applicable requirements of the PGPA Act and Rule and the CGRGs (particularly any ministerial reporting obligations), including the legal authority for the grant.	The ministerial advice stated that ‘the Growing Regions Program Round 1 is covered by Item 617 of ‘Part 4 – Programs’ in Schedule 1AB ‘Arrangements, grants and programs’ of the Financial Framework (Supplementary Powers) Regulations 1997 and this provides the legislative authority for the program. The advice also identifies that aspects of the expenditure do not appear to have any lawful authority for the proposed expenditure (see paragraphs 3.14 to 3.22).

CGRG paragraph	CGRG requirement	ANAO analysis
	c) outline the application and selection process followed, including the selection criteria, that were used to select potential grantees.	The ministerial briefing pack included attachments outlining the selection process, including the selection criteria used to assess applications. Infrastructure did not advise the minister that the geographical assessment it undertook was not included in the grant opportunity guidelines.
	d) include the merits of the proposed grant or grants relative to the grant opportunity guidelines and the key principle of achieving value with relevant money.	The advice recognised this requirement of the CGRGs, also stating that the department was satisfied that the recommended projects fall within the available funding envelope, represent value for money, and are an efficient, effective, economical and ethical use of resources consistent with the policies of the Commonwealth. Infrastructure undertook an analysis of the Business Grants Hub's merit assessment rankings and changed 10 projects (removing three and adding seven) from the full assessment merit list. It was not clearly outlined in the advice how these changes represented value for money relative to the grant opportunity guidelines (see paragraphs 3.10 to 3.11).
Paragraph 4.7 of CGRGs While officials do not have to rank all grants when briefing ministers on the merits of a specific grant or group of grants, officials should, at a minimum, indicate:	a) which grant applications fully meet the section criteria b) which applications partially meet the selection criteria c) which applications do not meet any of the selection criteria.	The department ranked applications based on their merit assessment score. Supporting material attached to the recommendations brief provided additional explanation on the scoring approach and the basis for determining if an application was highly suitable, suitable, or not suitable.

Source: ANAO analysis against CGRG requirements.

Information on the application and assessment process

3.5 The CGRGs require that written advice must outline the application and selection process, including the selection criteria that were used to select potential grant projects. The CGRGs further state that, at a minimum, the advice should indicate which applications: fully meet the selection criteria; partially meet the criteria; or did not meet any of the criteria. While Infrastructure's advice to the minister does not use the terminology of 'fully or partially', a spreadsheet provided with the briefing listed and ranked each application by merit score (out of 100) as assessed by the Business Grants Hub. The spreadsheet identified:

- 93 highly suitable applications;

- 218 suitable applications;
- 72 not suitable applications; and
- two ineligible applications.

3.6 Table 3.2 outlines the score threshold required to be deemed highly suitable, suitable or not suitable for funding. This information was included in the funding recommendation brief to the minister.

Table 3.2: Merit assessment outcome thresholds

Merit assessment outcome	Score	Budget and decision recommendation
Highly suitable	Scores at least 80% against each merit assessment criterion	Recommended
Suitable	Scores at least 60% against each merit assessment criterion	Recommended
Not suitable	Scores less than 60% against one or more of the merit assessment criteria	Not recommended

Source: Infrastructure's advice to the minister.

3.7 As required by paragraph 4.6 (c) of the CGRGs, the funding recommendation brief outlined the application and selection process for the program. The selection process was detailed for stage one (Expression of Interest (EOI)) and stage two (full application). The briefing package also included all merit assessment summaries for each eligible application, including summary information on each application, the scores it was awarded against each of the three criteria, the reasons for that score, and whether the project was recommended or not recommended for funding by Infrastructure.

Infrastructure's funding recommendations

3.8 The briefing requested that the minister:

- note the decision that the Growing Regions Program can continue to be delivered while negotiating schedules under the Federation Funding Agreement, and that Infrastructure will deliver the program through states and territories as a mitigation strategy to address the risk of there being no lawful authority for the proposed expenditure;
- approve 54 projects recommended by the department under Round 1 of the Growing Regions Program, up to the value of \$300 million;
- note the relevant obligations under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and the Commonwealth Grants Rules and Guidelines 2017 as outlined in the advice;
- agree to announce successful projects without referring to the timing of payments; and
- indicate if projects and successful applicants should be announced pre or post the Council of Federal Financial Relations approval of a Federal Funding Agreement negotiation pathway.

3.9 There were 311 projects that the Business Grants Hub had assessed as suitable or highly suitable for funding. Infrastructure recommended 54 specific projects to the minister for funding.

Each of the 54 projects recommended for funding by Infrastructure had been assessed as highly suitable or suitable in the full merit assessment by the Business Grants Hub.

Table 3.3: Projects recommended by Infrastructure

Infrastructure's recommendation	Number of projects
Recommended on merit within \$300 m funding limit	47
Recommended to assure geographic equity — within \$300 m funding limit	7
Total recommended	54
Not recommended — exceeds \$300 m funding limit	244
Not recommended to assure geographic equity	13
Not recommended on merit	72
Ineligible	2
Total not recommended	331
Total projects	385

Source: ANAO analysis of departmental records.

3.10 Infrastructure's brief to the minister stepped through the process it had followed to develop its final funding recommendations, including identifying the three projects it had removed and the seven projects it added from the Business Grants Hub's merit assessment ranking and why, and what factors it had considered in doing so as part of its geographical assessment. Infrastructure did not inform the minister that its additional geographic assessment of applications was not part of the grant opportunity guidelines.

3.11 As discussed in paragraph 2.89, the Business Grants Hub's full assessment had included an overall consideration of whether the project provided value with relevant money which informed how projects were scored and then ranked. Infrastructure then reviewed the Business Grants Hub's final merit assessment rankings and considered whether the top \$300 million in projects (the available funding amount) achieved an 'equitable geographic and socio-economic outcome based on State and Territory and other social economic distribution'. As outlined in Table 2.11, Infrastructure changed 10 projects from the Business Grant Hub's ranked list of full applications. The advice does not outline how these changes represented value for money relative to the grant opportunity guidelines.

Risks and sensitivities

3.12 The risks related to delivering the program via a Federal Funding Agreement were identified in the brief to the minister. The risks included uncertainties around delivery by the states and territories, timing of funding for successful applicants which could create delivery risk and cost escalations, and the inability for projects to commence by the start date included in the grant opportunity guidelines.

Timeframes

3.13 Funding recommendations for Round 1 of the Growing Regions Program did not meet the original timeframes set by Infrastructure.

- On 1 March 2024, the Business Grants Hub provided Infrastructure with a merit assessment summary report listing applications from highest to lowest within the agreed timeframe.
- Recommendations and supporting advice were provided to the minister on 4 May 2024, two months after Infrastructure had received the Business Grants Hub's assessment results, and around three and a half months after applications closed on 15 January 2024. This delay was primarily as a result of the requirement to seek advice on lawful authority.
- The guidelines for Round 1 of the Growing Regions Program stated that 15 May 2024 was the latest start date of projects.
- The minister selected the projects to be funded on 11 May 2024.

Lawful authority for the Growing Regions Program

3.14 Section 3.6 of the CGRGs states that before entering into arrangements (contracts or agreements) for a proposed commitment of relevant money, there must be legal authority to support the arrangement.³³

3.15 As part of the design of the Growing Regions Program, Infrastructure first sought advice from the Australian Government Solicitor (AGS) for a new regional grants program in September 2022. As discussed in Auditor-General Report No.31 2023–24 *Design of the Growing Regions Program*, Infrastructure conducted a risk assessment of the grants program in April 2023.³⁴ As part of this risk assessment, Infrastructure sought further advice from the AGS in April 2023 on the Growing Regions Program. The AGS advised in an initial, high-level assessment that proposed expenditure on projects funded under the Growing Regions Program would be without lawful authority and that there was no existing legislation that reasonably could be relied on to authorise expenditure from the program. The AGS advised that an option to mitigate the latter risk could be by adding an item for the Growing Regions Program to the *Financial Framework (Supplementary Powers) Regulations 1997* (FFSP Regulations).

3.16 On 2 May 2023 during the development of the grant opportunity guidelines, Infrastructure advised the minister that the Growing Regions Program did not have any lawful authority for the proposed expenditure for the program. To mitigate this risk, Infrastructure advised the minister to request the Minister for Finance include the Growing Regions Program as an item under the FFSP Regulations.

33 Department of Finance, *Commonwealth Grants Rules and Guidelines*, Finance, Canberra, 2017, paragraph 3.6, available from <https://www.finance.gov.au/government/commonwealth-grants/commonwealth-grants-rules-and-guidelines> [accessed November 2023].

34 Auditor General Report No.31 of 2023–24 *Design of the Growing Regions Program*, paragraphs 2.102 to 2.104, available from <https://www.anao.gov.au/work/performance-audit/design-the-growing-regions-program> [accessed 16 July 2024].

3.17 In August 2023 the Minister for Finance agreed to adding item 617 to 'Part 4 – Programs' in Schedule 1AB 'Arrangements, grants and programs' to the FFSP Regulations to give legislative authority for government spending under the Growing Regions Program.

3.18 In May 2024, guidance was released to accountable authorities by the Attorney-General's Department on the management of spending programs that may be at risk of having no lawful authority. Subject to some exceptions, programs preliminary assessed as at high risk of having with no lawful authority for expenditure with current contracts in place or where grant opportunity guidelines had been released, could continue while legal advice is being sought on the lawfulness of spending actions under the programs and options to mitigate the risk were developed. Programs where grant opportunity guidelines had not yet been approved could be delivered through Federation Funding Agreements.

3.19 The guidance identified four options which may strengthen the lawful authority for programs including providing a grant of financial assistance to relevant states and territories to continue the program by entering into a Federation Funding Agreement.³⁵

3.20 In the briefing to the minister on 13 May 2024, on the basis of an initial, high-level assessment, Infrastructure noted that some aspects of expenditure under the Growing Regions Program were without lawful authority. The advice to the minister stated that Growing Regions Program Round 1 was covered by the FFSP Regulations but there remained a high risk that proposed expenditure under the program would be without lawful authority.

3.21 Infrastructure stated in its advice to the minister that:

although the Growing Regions Program will not be delivered in its current state as a grant program, the Department of Finance had advised that the requirements of the CGRGs should continue to be met 'as a matter of best practice' until the new arrangements are finalised.

3.22 The advice to the minister stated the program to continue while negotiations with states and territories had commenced to deliver the Growing Regions Program through the Infrastructure Federation Funding Agreement. The advice noted that on this basis, Infrastructure has provided recommendations on successful projects. Infrastructure further advised if the minister proceeded with approving funding to applicants at this time, under the PGPA Act, this may be determined as committing the public spending of money before it is certain jurisdictions will agree to administer the funding to proponents. Infrastructure advised that the minister, in making any public announcement, could not include the proposed delivery mechanism for the Growing Regions Program. Infrastructure also advised the minister that it would be unable to provide full details to proponents on how and when funding would be provided and when projects can commence.

35 A Federation Funding Agreement is a funding agreement between the Commonwealth government and the states and territory governments.

Were funding decisions informed by recommendations and appropriately documented?

Reasons for all funding decisions were appropriately documented and informed by written recommendations from Infrastructure. The minister did not award funding to any projects that were not recommended by Infrastructure. All 40 applicants that the minister approved for funding were found to be highly suitable or suitable through the merit assessment process. The minister did not award funding to 14 projects that were recommended by Infrastructure.

3.23 As the decision-maker, the minister must comply with the CGRGs and in line with section 71 of the PGPA Act, be satisfied after reasonable enquiries that the proposed expenditure would be proper use of relevant money.

3.24 Infrastructure provided the minister with written advice for decision on 4 May 2024, which was signed by the minister on 11 May 2024 with amendments to the recommended list of projects for funding.

3.25 The minister did not agree to the recommendation to approve funding for 54 projects recommended by Infrastructure under Round 1 of the Growing Regions Program, up to the value of \$300 million. The minister approved 40 of the 54 projects recommended by Infrastructure at a value of \$207 million.

3.26 The minister's decision was recorded on an annotated and signed decision sheet which listed each of the 385 projects assessed through the full application stage and if the project had been recommended or not recommended by Infrastructure for funding. The minister recorded her decision if the project was 'approved for funding' or 'not approved for funding'.

3.27 The minister recorded reasons for the 14 projects which the minister did not approve for funding. The reasons provided were:

- The project has merit but likely to be more suitable in another portfolio or jurisdiction. Areas listed by the minister in her comments as potentially being more suitable in other portfolios included housing, health, disability, energy or climate (13 projects).
- The project has merit but the minister was not satisfied the project substantially fulfills the objectives of the program to benefit social and economic outcomes (one project).

3.28 For the 40 projects that the minister approved for funding, all had been found highly suitable or suitable through the Business Grants Hub merit assessment process. There were no projects funded in the minister's electorate. Infrastructure provided the minister with the option to approve other projects that were not recommended by Infrastructure. Infrastructure outlined to the minister that if the minister approved grants which were not recommended for funding, the minister was required to report these decisions to the Minister for Finance. A reporting template was included in the briefing pack. The minister did not use this option. Infrastructure did not provide any further advice to the minister with other projects found highly suitable and suitable that could have been awarded funding.

Funding by state and territory jurisdiction

3.29 The breakdown of funding awarded across each state and territory jurisdiction is shown in Table 3.4.

Table 3.4: Award of funding by jurisdiction

State or territory ^a	Number of eligible applications	Recommended for funding ^b	Total number of funded projects	Percentage of total funded projects (%)	Amount of awarded funding (\$)	Percentage of awarded funding (%)
New South Wales	146	14	10	25.0	43,052,992	20.8
Queensland	128	13	9	22.5	52,983,125	25.6
South Australia	46	8	7	17.5	23,002,015	11.1
Tasmania	14	3	1	2.5	11,000,000	5.3
Victoria	81	8	8	20.0	53,004,470	25.6
Western Australia	85	6	5	12.5	23,911,734	11.6
Northern Territory	24	2	0	–	–	–
Total	524	54	40	100.0	206,954,336	100.0

Note a: Australian Capital Territory was not eligible for funding under the Growing Regions Program and projects in Norfolk Island have been included with NSW.

Note b: This category represents the total number of projects recommended for funding by Infrastructure up to the value of available funding of \$300 million.

Source: ANAO analysis of Business Grants Hub records.

3.30 The ANAO examined the amount of funding awarded by electorate. There were eligible projects submitted from 53 electorates across Australia and 20 of these had successfully funded projects. The 10 electorates awarded the most funding is shown in Table 3.5.

Table 3.5: Ten electorates awarded the most funding

Electorate	Eligible	Percentage eligible (%)	Recommended for funding ^a	Funded	Percentage of awarded funding (%)	Funded amount (\$)	Percentage of total funded projects (%)
Parkes ^b	22	4.19	5	5	12.50	30,566,436	14.77
Nicholls	9	1.71	2	2	5.00	26,356,067	12.74
Kennedy	28	5.33	6	4	10.00	21,132,242	10.21
Barker	19	3.62	4	3	7.50	17,681,960	8.54
Dawson	5	0.95	1	1	2.50	15,000,000	7.25
Monash	5	0.95	1	1	2.50	14,500,000	7.01
Leichhardt	17	3.24	2	2	5.00	14,239,033	6.88
Durack	49	9.33	3	2	5.00	14,226,455	6.87
Bass ^b	5	0.95	3	1	2.50	11,000,000	5.32
Riverina	20	3.81	4	3	7.50	10,327,732	4.99

Note a: This category represents the number of projects recommended for funding by Infrastructure up to the value of available funding of \$300 million.

Note b: Panel member electorates.

Source: ANAO analysis of Business Grants Hub records.

Status of contract negotiations with successful applicants

3.31 The Growing Regions Program grant opportunity guidelines stated that all applicants would be notified in writing of the outcome of their grant application. The Business Grants Hub is responsible for notifying applicants of the outcome of their application. The guidelines outlined that:

- the program would not fund projects that have already commenced works;
- project works could only commence after a funding agreement has been executed; and
- projects must commence by no later than 15 May 2024 and be completed by 31 December 2025.

3.32 Delays in the panel assessment process, decisions on funding and how the Growing Regions Program would operate led to the public announcement of projects not occurring until 16 May 2024.

3.33 Letters were sent to approved and unsuccessful applicants on 16 May 2024, the same day the minister publicly announced the funding. The letters sent to successful applicants included a notification saying that their project had been approved as part of the Growing Regions Program, the government was working towards implementation and further advice would be provided shortly, and projects would not need to start by 15 May 2024. The letter did not outline when the funding would be received or how the funding would be provided. As at 16 October 2024, the Growing Regions Program Federation Funding Agreement Schedule had been executed with the Western Australian, South Australian, Queensland, Tasmanian, New South Wales and Victorian governments.



Rona Mellor PSM
Acting Auditor-General

Canberra ACT
1 November 2024

Appendices

Appendix 1 Entity responses

Department of Infrastructure, Transport, Regional Development, Communications and the Arts



Australian Government

Department of Infrastructure, Transport,
Regional Development, Communications and the Arts

Secretary
Jim Betts

EC24-002041

Ms Rona Mellor PSM
Acting Auditor-General
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

via: OfficeoftheAuditorGeneralPerformanceAudit@anao.gov.au

Dear Ms Mellor

Thank you for providing the Department of Infrastructure, Transport, Regional Development, Communication and the Arts (the department) with the opportunity to comment on the Australian National Audit Office's (ANAO's) proposed audit report on the Implementation and award of funding for the Growing Regions Program.

The department welcomes the report and the ANAO's overall conclusion that the implementation and award of funding for Round 1 of the Growing Regions Program was largely effective.

In respect to the overall conclusion, we note that the Grant Opportunity Guidelines for Round 1 of the program include consideration of 'geographical spread' as part of the merit assessment. Nevertheless, the department acknowledges that greater clarity could have been provided in the Grant Opportunity Guidelines on its role in undertaking this analysis.

More broadly, while we have asked the ANAO to consider the factual basis and emphasis given to some of the findings and commentary in the report, the department acknowledges that aspects of the Growing Regions program could have been improved and we agree to implement the two recommendations.

Our summary response to the audit and our response to the two recommendations is attached.

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Please contact Mr David Mackay, Deputy Secretary, Regions, Cities and Territories, at david.mackay@infrastructure.gov.au if you would like to discuss this response.

I would like to thank the ANAO for the professional manner in which the audit was conducted.

Yours sincerely



Jim Betts

1 November 2024

cc:

David Mackay, Deputy Secretary for Regions, Cities and Territories

Clare Chapple, First Assistant Secretary for Regional Development and Local Government

Department of Industry, Science and Resources



Australian Government
Department of Industry,
Science and Resources

OFFICE OF THE SECRETARY

Meghan Quinn PSM

Ms Rona Mellor PSM
Acting Auditor-General
Australian National Audit Office
GPO Box 707
Canberra ACT 2601

Dear Ms Mellor

Thank you for your correspondence of 24 September 2024 seeking comment from the Department of Industry, Science and Resources (DISR) on the ANAO's proposed audit report for the implementation and award of funding for Round 1 of the Growing Regions Program.

The proposed report, being the second of two reports on the effectiveness of the Growing Regions Program, concludes that the implementation and award of funding of the Growing Regions Program was partly effective.

The department, in its capacity of providing grants administration services to the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (Infrastructure), notes the two recommendations to Infrastructure.

The department will consider these recommendations and other identified areas for improvement to inform the future design of programs consistent with the best practice principles of the Commonwealth Grant Rules and Principles (CGRPs).

The report includes other key messages from the audit that are applicable for all Australian Government entities. The department will consider these messages in the design and administration of future granting programs.

Attached is the department's response to the recommendations.

I would like to thank the Australian National Audit Office for its collaborative approach throughout the audit process.

Yours sincerely

2 | October 2024

Attorney-General's Department**Australian Government**
Attorney-General's Department

Secretary

18 October 2024

Ms Rona Mellor PSM
Acting Auditor-General
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601
By email: OfficeoftheAuditorGeneralPerformanceAudit@anao.gov.au

Dear Ms Mellor

Thank you for the opportunity to provide comments pursuant to section 19 of the *Auditor-General Act 1997* on an extract of the proposed Australian National Audit Office (ANAO) report on the *Implementation and award of funding for the Growing Regions Program*.

The Attorney-General's Department (the department) notes the extracts of Chapter 1 and Chapter 3 of the proposed report seen by the department, which includes the Australian Government Solicitor. The department has no comments on the audit findings present in the extract it has viewed and notes that the Growing Regions Program is administered by the Department of Infrastructure, Transport, Regional Development, Communications and the Arts.

The department would like to thank the ANAO for consulting the department in relation to this audit.

The action officer for this matter is David Lewis PSM, General Counsel (Constitutional), Office of Constitutional Law, who can be contacted on (02) 6141 3650.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Katherine Jones'.

Katherine Jones PSM

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.

- Infrastructure has improved the development of advice to the minister by including detailed advice on program risks (see paragraphs 3.4 to 3.12).
- There was an improvement in record keeping relating to decisions made by Infrastructure and the minister relating to the Growing Regions Program (see paragraphs 3.26 to 3.28).