



Grants Administration

Insights: Audit Lessons

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Introduction

The aim of Audit Lessons is to communicate lessons from our audit work and to make it easier for people working within the Australian public sector to apply those lessons.

This edition is targeted at those responsible for administering or overseeing grants programs.

Update

On 1 October 2024, the [Commonwealth Grants Rules and Principles 2024](#) (CGRPs) replaced the Commonwealth Grant Rules and Guidelines 2017 (CGRGs).

The key changes include:

- new obligations for officials when briefing ministers who are approvers of grants;
- additional reporting requirements when ministers are approvers of grants, including for reporting on GrantConnect;
- clearer criteria for the use and reporting of one-off/ad hoc grants;
- clearer expectations that third parties involved in grants processes, including parliamentarians, must comply with the CGRPs; and
- two new key principles for grants administration:
 - merit-based processes; and
 - consistency with grant guidelines and established processes.

The Department of Finance has prepared [a summary of changes and other facts sheets](#).

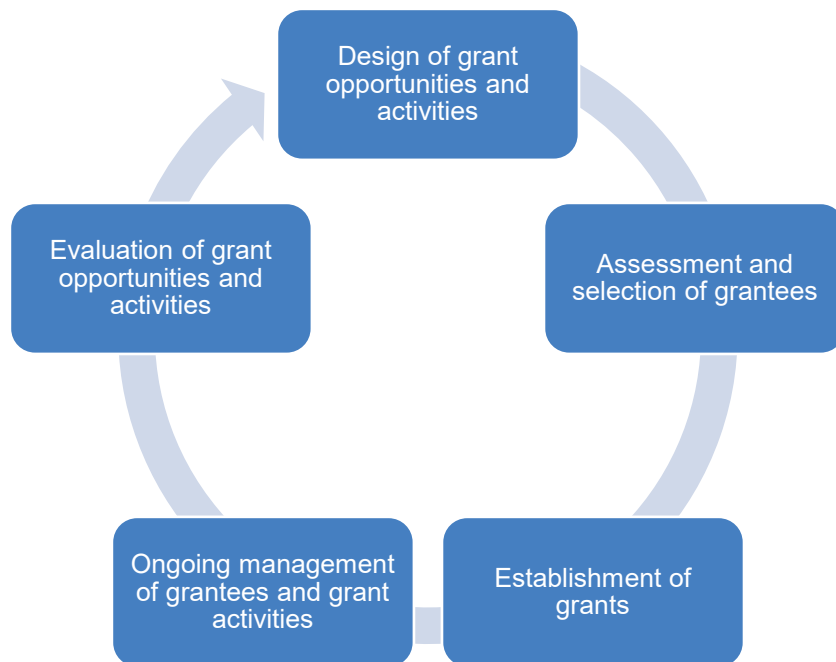
A range of financial arrangements — such as grants or procurements — can be used to address government policy outcomes. The decision to use a particular financial arrangement should be part of a considered process to assess which arrangement is the most appropriate to address the intended policy outcomes. In determining which financial arrangement to use, officials should focus on the substantive purpose and characteristics of the arrangement.¹ Officials must apply the relevant rules framework to the financial arrangement once chosen.

Commonwealth Grants Rules and Guidelines

The *Commonwealth Grants Rules and Guidelines 2017* (CGRGs) establish the overarching Commonwealth grants policy framework and the expectations for all non-corporate Commonwealth entities administering grants.

These apply across the five stages of the grants lifecycle — from design to evaluation.

1 The Department of Finance's Resource Management Guide (RMG) 411: *Grants, Procurements and other financial arrangements* outlines the situations where a financial arrangement is more likely to be a grant.



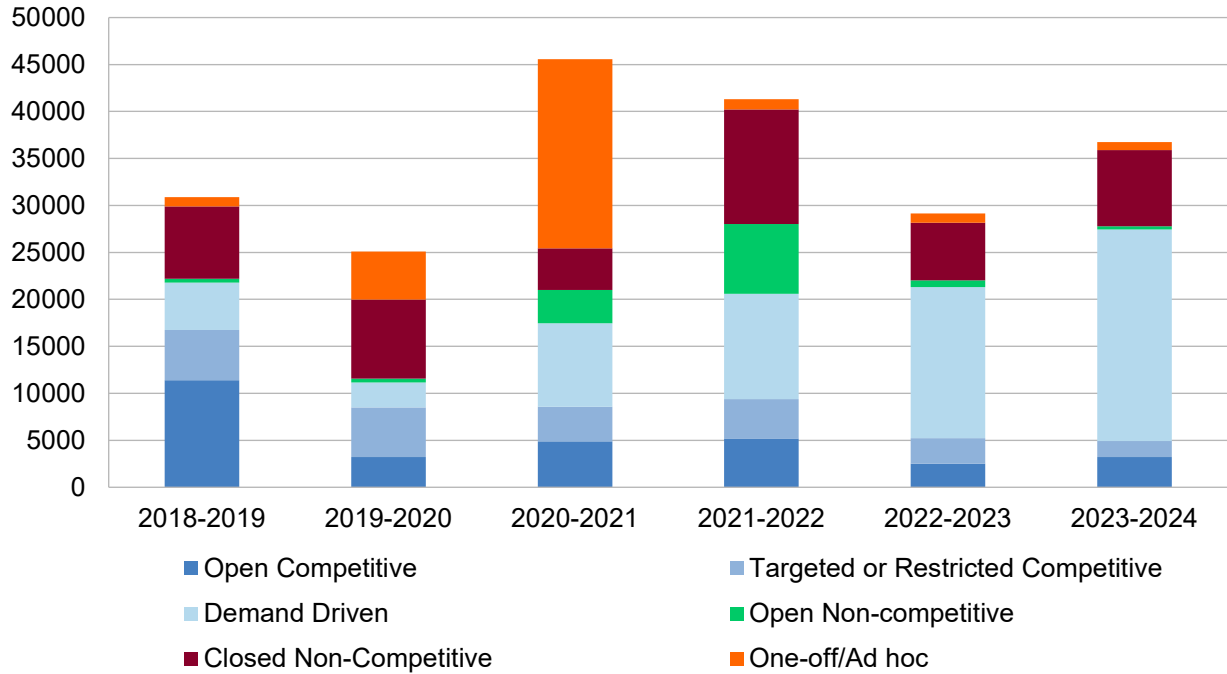
The CGRGs set out seven key principles for grants administration that apply to the grants lifecycle and all grant opportunities.

1. Robust planning and design
2. Collaboration and partnership
3. Proportionality
4. An outcomes orientation
5. Achieving value with relevant money
6. Governance and accountability
7. Probity and transparency

Grants administration in the Commonwealth

Entities are required to report grants information on GrantConnect within 21 days of the grant agreement taking effect.² Grant information on GrantConnect indicates that between 31 December 2017 (when reporting on GrantConnect became mandatory) and 7 June 2024: 215,485 grants were awarded worth \$118.1 billion (not including \$36 billion in variations). Of these, 61,613 grants (worth \$45.5 billion) were awarded through a non-competitive selection process (closed or open).

Number of grants reported on GrantConnect, 2018–19 to 2023–24^a



Note a: Data for 2017–18 is not shown, as reporting became mandatory on 31 December 2017 and the data is therefore incomplete. The data for the year 2023–24 covers 1 July 2023 to 7 June 2024.

Source: ANAO analysis of GrantConnect data.

Grants administration in ANAO reports

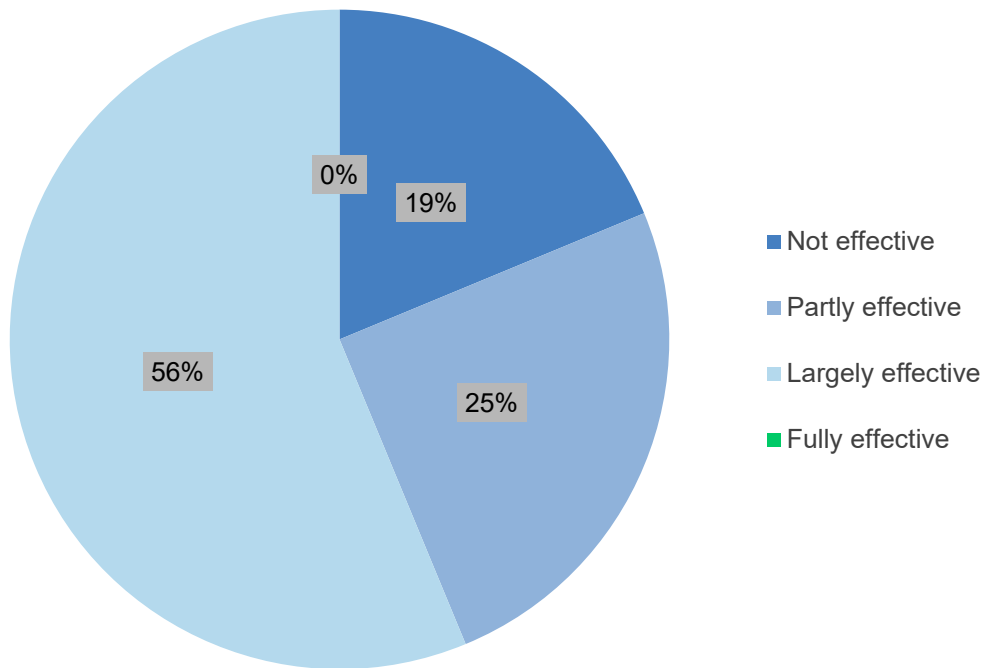
ANAO performance audits regularly assess grants administration in Australian Government entities and often find that entities are not meeting CGRGs requirements.

For 16 performance audits of grants administration that the ANAO conducted between July 2019 to June 2024:

- none were found to be fully effective;
- 56 per cent were found to be largely effective;
- 25 per cent were partly effective; and
- 19 per cent were not effective.

² GrantConnect is the Australian Government’s whole-of-government grants information system, which centralises the publication and reporting of Commonwealth grants in accordance with the CGRGs.

ANAO audit conclusions for audits of grants administration, July 2019 to June 2024



Source: ANAO analysis.

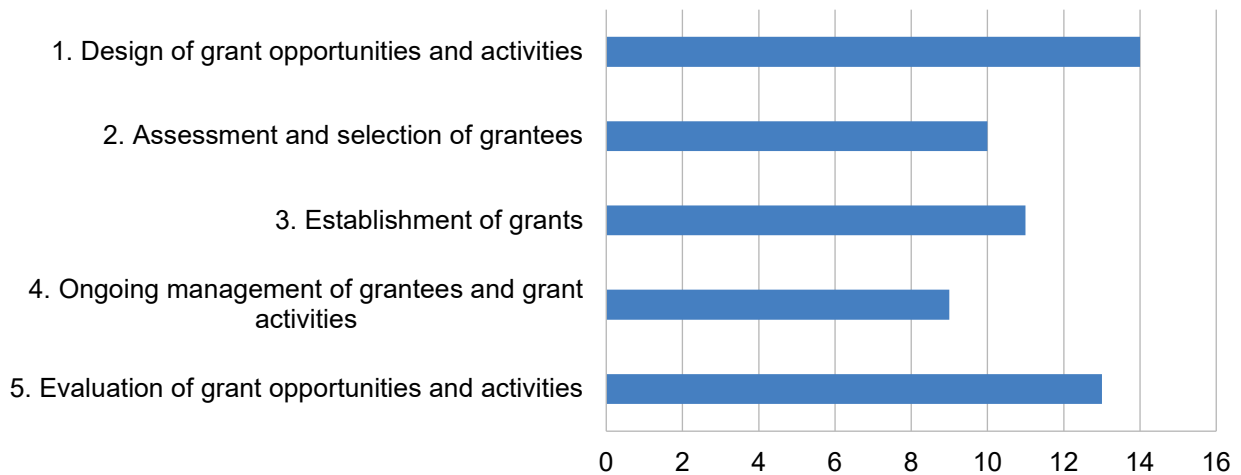
Between July 2019 and June 2024, 57 recommendations were made to improve grants administration for these 16 audits, which related to 10 themes across the grants lifecycle.

Themes of ANAO grants administration recommendations, July 2019 to June 2024



Source: ANAO analysis.

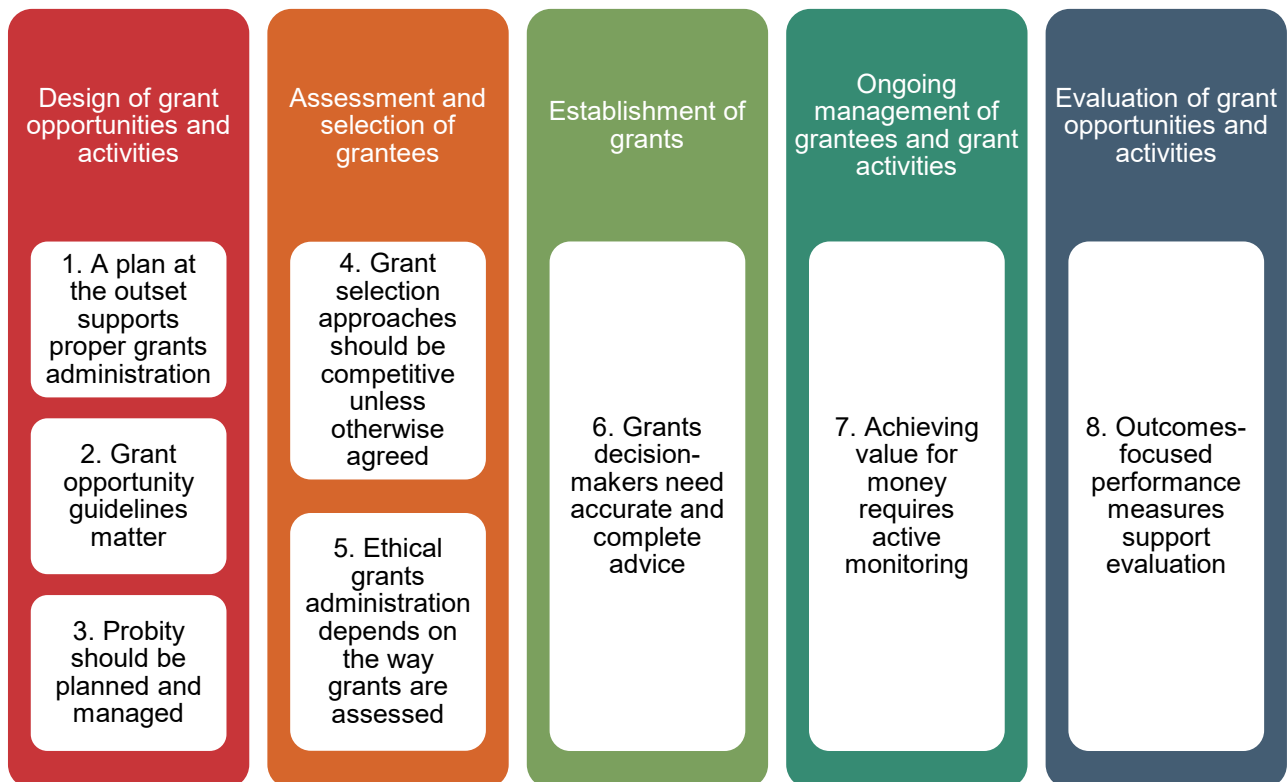
ANAO recommendations across the grants lifecycle, July 2019 to June 2024



Source: ANAO analysis.

Audit Lessons

This edition of Audit Lessons sets out eight lessons aimed at improving grants administration across the five stages of the grants lifecycle, based on insights from ANAO performance audits over the past five years.



The [further reading](#) section provides links to: additional audit lessons related to procurement and grants administration; Department of Finance resources on grants administration; and other resources, such as a 2023 report on the parliamentary inquiry into Commonwealth grants administration.

Design of grant opportunities and activities

Lesson 1: A plan at the outset supports proper grants administration

Robust planning and design is the first key principle for grants administration in the CGRGs. Developing a clear grants administration plan underpins proper — efficient, effective, economical and ethical — grants administration.

In developing a plan, officials should consider elements such as:

- the rationale for grant opportunities, particularly what outcomes are expected and how these will be measured;
- the operational objectives of the grant program;
- the legal framework for the grant program;
- whether eligibility criteria reflect the operational objectives;
- how applications will be assessed and selected;
- what will be included in grant opportunity guidelines;
- how risks will be managed;
- how probity will be managed;
- how value with relevant money will be achieved;
- who the decision makers will be; and
- how grants performance will be measured and reported.

Case study 1. Wildlife and Habitat Bushfire Recovery Program

The Wildlife and Habitat Bushfire Recovery Program (the program) funded 363 projects from January 2020 to July 2023, delivered through 239 grants, 64 procurements and agreements with states and territories. In 2023, the ANAO examined whether the Department of Climate Change, Energy, the Environment and Water's (the department) funding priorities for the program were supported by appropriate planning arrangements. The ANAO found that planning arrangements were appropriate.

- ✓ A panel of experts provided scientific input and identified priority natural assets and recovery actions during the design and implementation of the program. The department used the expert panel's advice to inform \$145.4 million worth of projects. The department, in consultation with the expert panel, developed and used mapping and analysis tools to inform planning decisions.
- ✓ The department put in place arrangements to facilitate stakeholder engagement and used stakeholder recommendations to inform program planning.

To read more, see Chapter 2 of [Wildlife and Habitat Bushfire Recovery Program](#).

Lesson 2: Grant opportunity guidelines matter

The CGRGs (paragraph 4.4) state ‘officials *must* develop grant opportunity guidelines for all new grant opportunities, and revised guidelines where significant changes have been made to a grant opportunity’. Grant opportunity guidelines must be consistent with the CGRGs and be published on GrantConnect.³

Guidelines play a central role in the conduct of effective, efficient and accountable grants administration. Clear and comprehensive guidelines encapsulate in one document all relevant information concerning the program. They must also be published — in most instances — so grant opportunity guidelines serve an essential purpose in informing stakeholders about public expenditure, maintaining a level playing field, and holding administrators to account for the way grants are managed.

Entities should ensure grant opportunity guidelines include clear information on the key elements of the grant program, which may include:

- the objectives of the grant program;
- the grant amount and grant period;
- eligibility requirements;
- assessment/appraisal criteria;
- what the grant money can be used for;
- how to apply; and
- the grant selection process.

Case study 2. Award of Funding under the Building Better Regions Fund

The objectives of the Building Better Regions Fund (BBRF) are to drive economic growth and build stronger regional communities. BBRF is administered by the Department of Infrastructure, Transport, Regional Development, Communication and the Arts (Infrastructure). A total of \$1.38 billion was allocated to 2024–25.

- ✓ A 2022 ANAO audit found that grant opportunity guidelines were developed, approved and published for six rounds of the BBRF.
- ✓ The BBRF guidelines reflected the minimum content requirements set out in the CGRGs. Revisions were made to the guidelines before each new round from lessons learned from previous rounds.
- ✓ The guidelines for each round clearly outlined the way in which funding candidates would be identified, the application process, eligibility requirements, the assessment process (which was to be open competitive), and the assessment criteria.

3 The CGRGs (5.2) included an exception for ad hoc / one-off grants. Grant opportunity guidelines still had to be established, but these did not need to be published on GrantConnect. This exception was not included in the Commonwealth Grants Rules and Principles (CGRPs), which replaced the CGRGs on 1 October 2024. Under the CGRPs (5.2), grant opportunity guidelines must be made publicly available on GrantConnect, except where there is a specific policy reason not to publicise the grant opportunity guidelines.

However, there was room for improvement in the published guidelines.

- × The guidelines did not transparently set out the membership of the panel that was to make decisions about which applications would receive grant funding.
- × The guidelines stated that the decision-making panel may use at its discretion the consideration of a non-exhaustive list of ‘other factors’ to override the results of the merit assessment process, with applicants not asked to specifically address those other factors in their applications for grant funding.
- × Where the panel indicated disagreement with departmental scoring in the first two rounds, it did not revise scores. By the third round, the panel’s written basis for funding decisions made no reference to the merit assessment results, instead focusing on the ‘other factors’ mentioned in the guidelines for the program.

To read more, see paragraphs 2.2 to 2.14 and 4.42 to 4.48 of [Award of Funding under the Building Better Regions Fund](#).

Lesson 3: Probity should be planned and managed

A key principle for grants administration is probity. Probity relates to ethical behaviour. Establishing and maintaining probity involves applying and complying with public sector values and duties such as honesty, integrity, impartiality and accountability. Probity should be managed throughout the grants lifecycle, and mechanisms to ensure that probity is maintained at all times should be appropriately considered at the planning stage.

Arrangements for managing probity should be incorporated into the design of a grant program. Probity in grants administration is achieved by ensuring, among other things:

- probity risks are assessed;
- the grants program and the way it is administered is publicly defensible and lawful⁴;
- there are appropriate safeguards against fraud, unlawful activities and other inappropriate conduct⁵;
- decisions relating to grant opportunities are impartial;
- decisions are appropriately documented; and
- public reporting requirements are complied with.⁶

Case study 3. Probity - Administration of the Community Health and Hospitals Program

The Community Health and Hospitals Program is a \$2 billion grant program that aims to ‘fund projects and services in every state and territory, supporting patient care while reducing pressure on community and hospital services’. The program was announced in December 2018. A 2023 ANAO audit identified that the Department of Health and Aged Care (Health) did

4 Key relevant requirements are set out in Part 1 of the CGRGs (section 3, Resource Management Framework and section 4, Grants-specific Processes and Requirements).

5 Department of Finance, *Commonwealth Grants Rules and Guidelines 2017*, Finance, paragraph 13.3.

6 Public reporting requirements set out in Part 1 of the CGRGs (section 5, Public Reporting).

not effectively manage probity for the Community Health and Hospitals Program, including key ethical requirements in the CGRGs. Key shortcomings included:

- × Health did not establish grant opportunity guidelines for CHHP grants in all instances, and the decision to not develop grant opportunity guidelines in contravention of finance law was made consciously and deliberately by senior officials.
- × In describing the outcomes of the Australian Government Solicitor's legal risk assessments to the minister, Health did not clearly state that, for several grants, the Australian Government Solicitor had indicated that there was no legislation that could reasonably be relied on to authorise expenditure on the proposal.
- × Health failed to correct known inaccuracies in GrantConnect reporting.

To read more, see Appendix 4 of [Administration of the Community Health and Hospitals Program](#).

Assessment and selection of grantees

Lesson 4: Grant selection approaches should be competitive unless otherwise agreed

The CGRGs (paragraph 13.11) allow for a range of approaches for grant assessment and selection, including:

- competitive funding round (open or targeted);
- demand-driven, first-in first-served processes;
- non-competitive process (open or closed); and
- ad hoc/one-off grants.

The CGRGs specify that using a non-competitive approach to allocate grant funding may be appropriate, in particular, when the number of service providers is very limited and these providers have a well-established record of delivering the grant activities.

The CGRGs define 'one-off or ad hoc grants' as those that:

generally do not involve planned selection processes, but are instead designed to meet a specific need, often due to urgency or other circumstances. These grants are generally not available to a range of grantees or on an ongoing basis.⁷

Although the CGRGs incorporate other arrangements, the CGRGs also state that competitive, merit-based processes can achieve better outcomes and value with relevant money and should be used to allocate grants unless specifically agreed otherwise by a minister, accountable authority or delegate.

In selecting an appropriate grant assessment and selection approach, entities should:

- consider which approach is most suitable for maximising value for money in the circumstances — noting that it will be easier to demonstrate value for money where a competitive approach is used;
- ensure that the chosen approach and the way it is approved and implemented is consistent with internal entity guidance — paying particular attention to the requirements for non-competitive approaches;
- document the justification for a non-competitive approach, if such an approach is chosen; and
- report the classification accurately on GrantConnect.

Case study 4. Indigenous Advancement Strategy – Children and Schooling Program and Safety Wellbeing Program

The National Indigenous Australians Agency (NIAA) administers the Indigenous Advancement Strategy's (IAS) 'Children and Schooling' and 'Safety and Well-being' programs.

A 2020 ANAO audit found that the NIAA used both application based and direct approaches (where an organisation is approached by the granting agency) to allocate funding under the

7 Department of Finance, *Commonwealth Grants Rules and Guidelines 2017*, Finance, 'Glossary', p. 41.

IAS. A direct approach is not competitive and does not assess the relative merits of the applicant. IAS grant guidelines stated that NIAA may use a simplified assessment process in the case of a direct approach. However, NIAA policy specified that the simplified process was to be used on an exception basis and needed a strong business justification.

- × The ANAO audit found that despite this guidance, between July 2016 and June 2019, the non-competitive direct approach was used to allocate 90 per cent of 'Children and Schooling' and 95 per cent of 'Safety and Wellbeing' grant funding.
- × Further, 80 per cent of the children and schooling program funding and 87 per cent of the safety and wellbeing program funding was reallocated to the same providers after assessment to determine whether to continue activities already funded. This was inconsistent with the principles of the CGRGs and with NIAA's internal guidance.

The audit found that the use of a non-competitive approach, in addition to allocation of funding to the same providers, restricted the opportunity for new providers to compete for funding and limited NIAA's ability to demonstrate that value for money was being achieved.

To read more, see paragraphs 3.3 to 3.16 of [Indigenous Advancement Strategy — Children and Schooling Program and Safety and Wellbeing Program](#).

Case study 5. Administration of the Community Health and Hospitals Program

The Department of Health and Aged Care (Health) advised the ANAO that it had classified 64 per cent of the Community Health and Hospital Program (CHHP) and associated grants as 'ad hoc/one-off'.

- × Health's classification of grants as 'ad hoc/one-off' did not align with guidance for ad hoc/one-off grants. The CHHP was not responding to an urgent or unforeseen circumstance and the program need was not specific. Health advised the ANAO that 'CHHP and associated grants were government decisions therefore ad/hoc one-off grants were an appropriate classification'. The ANAO notes that the CGRGs (paragraph 13.11) state that one-off grants are made 'usually by Ministerial decision'; however, the CGRGs do not state that grants that are the result of ministerial decisions should be classified as ad hoc.
- × Health did not document the rationale for using ad hoc/one-off or non-competitive grants, as required by the CGRGs.
- × Health sought and received advice from the Department of Finance (Finance) for some grants. Finance noted that the grant opportunity (which was classified as an ad hoc grant) would be more appropriately classified as a 'closed non-competitive' grant on the grounds that the opportunity was only available to those listed in the guidelines. Health noted this, but did not amend its classification of the grant opportunity in line with the advice or explain the rationale for its decision.

To read more, see paragraphs 2.45 to 2.52 of [Administration of the Community Health and Hospitals Program](#).

Lesson 5: Ethical grants administration depends on the way grants are assessed

Entities should establish a transparent and systematic assessment and selection process (CGRGs, paragraph 13.9), which is outlined in the grant opportunity guidelines. The objective of the selection process is to select grant activities that best represent value with relevant money in the context of the objectives and outcomes of the grant opportunity. A fundamental assessment criterion is that a grant should add value by achieving something worthwhile that would not occur without the grant. Assessment is a crucial stage in the grants lifecycle for delivering and demonstrating effective, efficient and ethical grants administration.

When developing assessment criteria for open competitive grants, entities should be clear and specific. Ethical grants administration gives applicants an equal chance to address the criteria in their applications, and supports a transparent, merit-based process. Where assessment criteria are undefined or arbitrary, consideration should be given as to whether the process remains appropriately classified as ‘open competitive’.

Entities should ensure that grant assessments are consistent with the requirements of the CGRGs and the grant opportunity guidelines.

- Assessment plans should establish clear criteria and thresholds for awarding a grant.
- Assessments should be made on the basis of an appropriate level of information about the application and applicant, and due diligence.
- Assessment processes should follow the assessment plan for all applications.
- Where decisions to award grants are made that are not consistent with the outcome from an assessment process, the rationale should be documented.
- Where the ‘inconsistent’ decision is that of a minister, the minister should be advised by the entity administering the grant that the decision is not consistent with the assessment criteria.

Case study 6. Award of Funding under the Regional Jobs and Investment Packages

The Regional Jobs and Investment Packages was a competitive grants program that was established to drive economic growth and create jobs in 10 regions of Australia. Over \$220 million was awarded to 233 projects.

A 2019 ANAO audit found that grant assessment processes were not to the standard required by the grants administration framework.

- ✗ Appropriate checks and controls were not in place for eligibility and merit assessments.
- ✗ The records of eligibility checking were not complete for each application.
- ✗ There were internal inconsistencies for some applications.
- ✗ An assurance review contracted by the Department of Infrastructure, Transport, Cities and Regional Development identified that applicant claims were being taken at face value without appropriate scrutiny. A ministerial panel recorded that more than 20 per cent of applications had been incorrectly scored by the assessors.

To read more, see paragraphs 2.33 to 2.57 of [Award of Funding Under the Regional Jobs and Investment Packages](#).

Establishment of grants

Lesson 6: Grants decision-makers need accurate and complete advice

Officials should support grant funding decision-makers with accurate and complete advice. Officials must provide written advice to ministers, where ministers exercise the role of an approver (CGRGs, paragraph 4.6).

Under the CGRGs, written advice to ministers must, at a minimum:

- explicitly state that the spending proposal being considered for approval is a ‘grant’;
- 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;
- outline the application and selection process (including the selection criteria) used to select potential grantees; and
- 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.

Advice to ministers should also indicate which grant applications fully, partially or did not meet the selection criteria. It should include information on relevant risks and legal advice. When providing advice to ministers and other decision-makers, advice should be accurate, complete and impartial.

Case study 7. Award of Funding under the Supporting Reliable Energy Infrastructure Program

A 2021 ANAO audit examined the advice provided to the Minister for Energy and Emissions Reduction to inform the minister’s decision-making over the Supporting Reliable Energy Infrastructure Program. Grant funding of \$3.3 million and \$2 million was awarded to Shine Energy and Blue Hydro, respectively.

While the Department of Industry, Science, Energy and Resources’ advice on the Blue Hydro grant was largely appropriate, the advice on the Shine Energy grant was partially appropriate.

- ✓ The two funding recommendations briefings met the requirement for advice to be provided in writing, included clear recommendations that funding be awarded to each applicant and provided a record of the basis for the minister’s decisions to award funding.
- ✗ The written briefings recommending that grant funding be approved did not clearly identify the extent to which each grant application had met the selection criteria (material attached to the briefings identified that one application fully met the criteria whereas the other application partially met the criteria).

To read more, see Chapter 4 of [Award of Funding under the Supporting Reliable Energy Infrastructure Program](#).

Ongoing management of grantees and grant activities

Lesson 7: Achieving value for money requires active monitoring

Demonstrating value for money does not end with the awarding of a grant. To ensure that the objectives of the grant activity are met, grant agreements should be supported by ongoing communication, active grants management and risk-based performance monitoring (CGRGs, paragraph 12.12).

In monitoring progress of grant activities against grant objectives, entities should ensure:

- grant agreements include clear and measurable performance indicators;
- the methodology for collecting performance indicator data is robust;
- payments are based on the achievement of established milestones; and
- where a report from a provider serves as a payment milestone, information in the report is verified before accepting the report and making the payment.

Case study 8. Indigenous Advancement Strategy – Children and Schooling Program and Safety and Wellbeing Program

The National Indigenous Australians Agency (NIAA) administers the ‘Children and Schooling’ and ‘Safety and Wellbeing’ programs under the Indigenous Advancement Strategy.

- ✓ The NIAA had mechanisms for monitoring the progress of grant activities, including provider performance reports and site visits.
- ✗ However, the ANAO found that the effectiveness of these mechanisms was limited by poor record-keeping practices and insufficient validation of self-reported provider data. The data reported in providers’ performance reports was self-reported for at least 90 per cent of ‘Children and Schooling’ and 80 per cent of ‘Safety and Wellbeing’ program performance measures. The NIAA did not validate the integrity of providers’ records.
- ✗ The ANAO also noted limited effectiveness of established performance indicators in measuring progress against a grant activity’s objectives. A set of identical performance indicators across programs and sub-programs was developed, which enabled the aggregation of performance data at program level and reporting against program performance measures. However, the indicators were not always relevant to the specific objectives of individual activities and, as a result, were not always effective in measuring outcomes at activity level.
- ✗ Many performance indicators relied on surveys or client feedback forms. Surveys or feedback forms are not always an appropriate data collection tool when administered by a provider due to risks associated with independence and capability.

To read more, see paragraphs 4.18 to 4.33 of [Indigenous Advancement Strategy – Children and Schooling Program and Safety and Wellbeing Program](#).

Evaluation of grant opportunities and activities

Lesson 8: Outcomes-focused performance measures support evaluation

A grants program should have a performance framework that is linked to the entity's strategic direction and key performance indicators (CGRGs, paragraph 10.2). Entities should determine what change or intended outcomes are expected as a result of a grant and then measure and evaluate the actual outcome.

In measuring and evaluating grant program performance, entities should:

- establish clear and realistic objectives for the grant program;
- establish an evaluation plan early;
- include in the evaluation plan performance indicators that reflect the objectives of the grant program (that is, are outcomes-oriented);
- collect baseline data to facilitate robust conclusions about impact;
- ensure that there are appropriate data collection mechanisms in place to support the implementation of the evaluation plan; and
- assess the achievements of the grant program against the established objectives.

Case study 9. Wildlife and Habitat Bushfire Recovery Program

As part of the Australian Government's response to the 2019–20 bushfires, \$200 million was provided for Wildlife and Habitat Bushfire Recovery. The Department of Climate Change, Energy, the Environment and Water (the department) administered the program.

- ✓ A 2023 ANAO audit found that the department had developed a program logic and an evaluation plan for the program. The evaluation plan: identified key elements that would be used to assess and measure achievement and progress against identified outcomes and key activities; and outlined a mid-term assessment to assess progress on shorter term outcomes and identify improvements for the remainder of the program and an end-of-program assessment.
- ✓ The department completed a mid-term review in accordance with the evaluation plan.
- ✓ The department had established a tool for monitoring, evaluation, reporting and improvement. The majority (352 of 363) of the program's projects were recorded in this tool.
- ✗ The ANAO audit found that project progress was not recorded consistently across the program, with many of the projects not reporting against targets or outcomes. This meant that progress data could not be compared or aggregated to provide a program level measurement of progress and performance.

To read more, see paragraphs 4.20 to 4.46 of [Wildlife and Habitat Bushfire Recovery Program](#).

Further reading

ANAO links

[Management of Conflicts of Interest in Procurement Activity and Grants Programs | ANAO Insights](#)

[Procurement and Contract Management | ANAO Insights](#)

[Australian Government Grants Reporting | Australian National Audit Office \(ANAO\)](#)

External links

[Report 495 Inquiry into Commonwealth grants administration – Parliament of Australia \(aph.gov.au\)](#)

[Commonwealth grants | Department of Finance](#)

[Grants, Procurements and other financial arrangements \(RMG 411\) | Department of Finance](#)

[Australian Government Grants – Briefing, Reporting, Evaluating and Election Commitments \(RMG 412\) | Department of Finance](#)

[Publishing and reporting Grants and GrantConnect \(RMG 421\) | Department of Finance](#)

[Commonwealth Grants and Procurement Connected Policies \(RMG 415\) | Department of Finance](#)

[Commitment of Relevant Money \(RMG 400\) | Department of Finance](#)