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Audit Report No.30 1999–2000  
Examination

# **Examination of the Federation Cultural and Heritage Projects Program**

Australian National Audit Office

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Canberra ACT  
3 February 2000

Dear Madam President  
Dear Mr Speaker

The Australian National Audit Office has undertaken an across-agency examination in accordance with the authority contained in the *Auditor-General Act 1997*. I present this report of this examination, and the accompanying brochure, to the Parliament. The report is titled *Examination of the Federation Cultural and Heritage Projects Program*.

Following its tabling in Parliament, the report will be placed on the Australian National Audit Office's Homepage—  
<http://www.anao.gov.au>.

Yours sincerely



P. J. Barrett  
Auditor-General

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

## **AUDITING FOR AUSTRALIA**

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

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## Abbreviations/Glossary

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AAT	Administrative Appeals Tribunal
ANAO	Australian National Audit Office
Coalition	combined Liberal Party, National Party and Northern Territory Country Liberal Party
DOCITA	Department of Communications, Information Technology and the Arts
DOEH	Department of the Environment and Heritage
FTG	Federation Task Group which was made up of officers from DOCITA and DOEH
HORERA	House of Representatives Standing Committee on Environment, Recreation and the Arts
NCCOF	National Council for the Centenary of Federation
PM&C	Department of Prime Minister & Cabinet
the Departments	Communications, Information Technology and the Arts and Environment and Heritage
the Ministers	Ministers for Communications, Information Technology and the Arts and the Environment and Heritage

# Summary





# Executive summary

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## Background to the examination

1. The \$1 billion Federation Fund program was established by the Government to mark the Centenary of Federation. The program consists of three components:

- Federation Major Projects program (\$900 million);
- Federation Cultural and Heritage Projects (FCHP) program (\$70.4 million); and
- Federation Community Projects (FCP) program (\$29.6 million).

2. As part of its planned performance audit coverage in 1999–2000 the Australian National Audit Office (ANAO) had foreshadowed, as a lower priority, an audit of the FCP program as the first of a series of audits of the Federation Fund program.

3. On 12 August 1999 the Leader of the Opposition in the Senate and Shadow Minister for the Centenary of Federation wrote to the Auditor-General asking him to consider according the proposed audit a higher priority and extending it to the whole of the Federation Fund program.

4. In view of the public interest surrounding the FCHP program in particular, the Auditor-General agreed to conduct a preliminary examination of the administration of the FCHP program to ascertain whether a full audit of this aspect of the Federation Fund is warranted at this time.

## Examination objectives

5. The objectives of the examination were to assess the:

- extent to which the administration of the FCHP program complied with better practice in the assessment of applications, especially in relation to the transparency and rigour of the decision-making process;
- equity of the geographic spread of grants to States and electorates;<sup>1</sup> and
- process for the announcement of the results of grant applications.

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<sup>1</sup> Geographic distribution was a factor in the overall assessment of FCHP applications.

**6.** In assessing the administration of the FCHP program the ANAO drew on its latest Better Practice Guide for the Administration of Grants.<sup>2</sup> In addition, the Australian Bureau of Statistics provided assistance in analysing the pattern of the distribution of successful applications.

## Scope and conduct of the examination

**7.** In order to provide Parliament with a timely report and because some projects are only now just getting underway, the examination has not looked at compliance with every aspect of the ANAO Better Practice Guide. Instead, the examination has concentrated on the development of the FCHP program and the grant selection and the announcement processes.

**8.** The examination was conducted in accordance with the ANAO Auditing Standards. The total cost of the examination was \$125 000.

## Overview of the program

**9.** The purpose of the FCHP program, which was announced by the Prime Minister in March 1998, is to fund medium sized cultural and heritage projects with individual grants up to \$5 million. A minimum level of \$500 000 was set as a guide, but this could be varied to fund projects of outstanding significance.

**10.** The FCHP program is jointly administered by the Minister for Communications, Information Technology and the Arts and the Minister for the Environment and Heritage (the Ministers).

**11.** A Federation Task Group (FTG), which was made up of officers from the Department of Communications, Information Technology and the Arts (DOCITA) and the Department of the Environment and Heritage (DOEH), was established to administer the development and assessment phases of the program. A Reference Group made up of senior managers from both Departments acted as a steering committee for the FTG selection process. DOCITA had administrative responsibility for the FTG.

**12.** The National Council for the Centenary of Federation (NCCOF) was the principal source of external advice on the capacity of FCHP applications to suitably mark the Centenary of Federation.

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<sup>2</sup> *Administration of Grants*, Better Practice Guide, Australian National Audit Office, May 1997.

**13.** In April 1998, Cabinet's Federation Fund Committee of Ministers considered a memorandum prepared by DOCITA, DOEH and the Department of Prime Minister and Cabinet (PM&C) outlining proposed administrative arrangements including timetables, announcement and decision processes, minimum grant levels, ministerial decision making responsibility, operational resourcing levels and other operational aspects. Proposed guidelines and assessment criteria for the FCHP program were also included. The Ministers subsequently wrote to the Prime Minister on 22 April seeking approval of revised program guidelines and a revised timetable for the FCHP program that took into account the memorandum prepared by the departments and the discussions that occurred at the Federation Fund Committee of Ministers. The Prime Minister approved the revised guidelines on 14 May.

**14.** All applications were to be assessed against a set of general criteria, which would ensure that the projects were:

- principally capital works (including restoration and conservation) projects of a lasting nature;
- nationally significant;
- appropriate to the Centenary of Federation;

and which:

- had an ongoing economic/employment benefit; and
- were for use by, or available to, a broad cross-section of the community.

**15.** Specific cultural facility and heritage criteria were also developed to ensure that projects selected would have the capacity to meet accepted standards and requirements for heritage restoration and cultural facilities.

**16.** An information and application kit was prepared by the FTG for applicants which included: program guidelines; administration arrangements; timing; general principles; assessment criteria; the application process and conditions of assistance; and an application form. The Ministers reviewed the kit and the Minister for Communications' office approved the kit on 25 May 1998.

**17.** In his letter approving the program guidelines in May 1998, the Prime Minister indicated it was important that the guidelines and administrative arrangements reflected the Auditor-General's guidelines and current best practice for the management of discretionary grant programs. The ANAO Better Practice Guide on the Administration of Grants represents an accumulation of knowledge on the subject and has been compiled from a variety of sources, both local and overseas, including the recommendations of Parliamentary committees. It should be noted,

however, that they are only guidelines. It is normal practice that the responsibility for the development of administrative processes and their implementation rests with the executive government. The FTG met with the ANAO on 27 May to clarify aspects of the ANAO Better Practice Guide.

**18.** Applications were invited at the end of May 1998 through Nominees (State and Territory Governments, the Australian Council of National Trusts, the Australia International Commission on Monuments and Sites (ICOMOS), NCCOF and all Members and Senators of the Commonwealth Parliament) rather than through a general public call for applications.

**19.** Applications closed on 30 June 1998. A total of 741 applications were received requesting \$1542 million in funding. As previously indicated, the Government allocated \$70.4 million to the FCHP program.

**20.** The Ministers endorsed internal departmental selection guidelines and the proposed assessment method on 9 July 1998. Ninety-three applications were assessed by the FTG as ineligible.

**21.** After assessing the applications and allocating a numerical assessment score to each one, the FTG wrote to the Minister for Communications on 14 August 1998 asking that he consult with the Minister for the Environment to select a group of cultural and heritage projects totalling \$70.4 million. No specific projects were recommended for funding but the FTG identified 114 highly rated projects (those rated 15 or more points out of a possible 24) with a good range of project type and a wide geographic spread. The total amount involved with these highly rated projects was some \$263 million.

**22.** NCCOF had forwarded separate advice on its priorities to the Ministers on 7 August 1998. They recommended a total of 47 projects in priority order, by State, valued at \$101.1 million.

**23.** The Ministers reviewed all applications and forwarded a list of their recommended projects to the Prime Minister for approval on 27 August 1998. There were a total of 60 projects recommended by the Ministers comprising 15 Cultural projects, 17 Heritage projects and 28 combined Cultural and Heritage projects. Of the projects recommended to the Prime Minister, 16 had been assessed by the FTG as less than 15 points. The Prime Minister approved the recommended projects on 28 August. A letter dated 30 August was sent to the Ministers advising of the Prime Minister's approval.

**24.** The Federal election was announced on 30 August 1998 for the House of Representatives and half the Senate. The caretaker period commenced on 31 August. During the course of the election campaign, 32 of the 60 successful applications were announced.

**25.** Following the re-election of the Coalition Government, a joint letter was sent by the Ministers to successful and unsuccessful applicants on 13 October 1998 and all the successful FCHP projects totalling \$70.4 million were announced in a joint media release by the Ministers on 15 October.

**26.** The Ministers subsequently advised the FTG on 5 November 1998 of their reasons for selecting the successful projects in an undated memorandum. These reasons have not been made public.

## Summary of findings

**27.** The audit findings primarily relate to the planning for the FCHP program, the assessment and approval of projects and the announcement of successful projects.

### Program planning

**28.** The Ministers advised the ANAO that their support for the development of a program of the nature of the FCHP program was a belief that the Commonwealth could enhance the role that it played in supporting the conservation of cultural heritage places and the development of cultural facilities. DOEH also advised that there is ample evidence on the public record of the need for funding programs of the nature and scale of the FCHP program.

**29.** However, in the planning that was undertaken for the FCHP program, there was no evidence that a needs analysis had been conducted at a State or regional level or between the need for cultural or heritage projects prior to the introduction of the program. The report of House of Representatives Standing Committee on Environment, Recreation and the Arts (HORERA) on the review of Audit Report No.9 1993–94 *Community Cultural, Recreational and Sporting Facilities Program*, drew attention to the importance of a needs analysis to provide a basis for the allocation of funds to proposed projects as a means of dispelling any suggestions of party political bias. The ANAO Better Practice Guide on the Administration of Grant Programs also emphasises the importance of a needs analysis as part of the planning process. Although there is no requirement for such an analysis to be conducted prior to the introduction of a program, a soundly based needs analysis can be of considerable assistance to the development of effective policy and for the later assessment of projects.

## **Assessment process**

**30.** The ANAO was satisfied that the assessment process conducted by the FTG generally complied with the ANAO Better Practice Guide. The assessment process was rigorous, transparent and well documented. For the most part, there was an effective audit trail. However, there were some areas where improvements could have been made, such as the development of criteria to assess geographic distribution, adherence to the program guidelines about not accepting late applications and the documentation of the reasons for the changed decision by the FTG not to provide recommendations to Ministers.

**31.** In relation to their particular focus on the appropriateness of the applications to mark the Centenary of Federation, the NCCOF assessment was rigorous and reasonably transparent. However, it would have provided better assurance if the assessment sheets had been retained as part of the accountability trail, as recommended in the ANAO Better Practice Guide.

**32.** Where Ministers, or their personal staff, are directly involved in the selection process, it is important that the process is also rigorous and transparent. Decisions on successful applications were made by the Ministers who later documented, but did not make public, the reasons for their decisions. It took some two months between the end of August and early November 1998 to document the reasons for the Ministers' decisions which were advised to the FTG. This delay in having the reasons for the Ministers' decisions documented and their reliance on memory and notes taken at the time, and which were not retained, is not conducive to good administrative practice or confidence in the process. It would have been better if the reasons had been recorded at the time the decisions were originally made.

**33.** In the context of grant programs it is considered important for accountability purposes that reasons for selecting particular projects for funding should be documented. In addition, the ANAO considers that it is good practice for the reasons for successful projects to be available to the general public, at least on request. Although, in this case, the Ministers have documented their reasons for approving successful applications, details of their reasons have not been made available for public release. It is difficult to engender confidence in a system of open and transparent decision-making, as part of a sound framework of public accountability, if access to documentation, explaining the reasons for approving particular projects, is not reasonably forthcoming.

**34.** The ANAO recognises that the release of information is always a matter of judgement for those immediately concerned as well as being subject to the applicable law. In relation to grant programs, the ANAO would encourage an open view to be taken of the release of the reasons for decisions for successful applications. In addition there should be a reasonable expectation that assessments and any other relevant information will be provided to both successful and unsuccessful applicants in respect of their own applications, again at least on request. An important part of any deliberation as to whether or not to release relevant information is a consideration of public perceptions and confidence in the decision-making process. An actual or perceived reluctance to release information can be detrimental to democratic governance.

**35.** All approved projects were eligible under the program guidelines.

## **Distribution of grants**

### *Pattern of approvals*

**36.** The pattern of approvals for the number and value of grants approved reflected the proportion of electorates held by the major political parties and independents in the House of Representatives at the time the decisions to approve the grants were made. In addition, an analysis of the distribution of approvals by political party showed the variation in the success rate for projects from electorates held by different political parties was not significantly different to that which could have been expected from the pattern of applications.

**37.** On the other hand, although the largest number of approved projects (25 per cent) were in New South Wales, the success rate of applications from New South Wales (5 per cent) and South Australia (16.3 per cent) was, statistically, significantly different to the national average of 8.1 per cent.

### *Approval of lower rated projects*

**38.** Of the 60 successful projects approved, 16 were not rated highly (that is, rated less than 15 out of a possible 24 points) by the departmental task group. Of these, 11 were in Coalition held electorates and five in Labor held electorates. This proportion reflected the pattern of applications from electorates held by the major parties. Funding for these projects was allocated in a similar proportion.

**39.** However, the number of lower rated projects that were approved in South Australia (5) and New South Wales (2) were, statistically, significantly different to what might have been expected from the pattern of applications.

**40.** An analysis of the value of lower rated projects approved for funding by State and Territories shows Victoria was allocated the largest amount of funding (\$5.1 million), followed by South Australia (\$3.8 million). However, as a percentage of funds sought, the situation was reversed, with the amount allocated to South Australia (5.4 per cent) some six times the national average and Victoria (2.1 per cent) twice the national average.

**41.** It is necessary to make the point, however, that any analysis of the distribution of grants to electorates or States cannot by itself clearly indicate one way or another that there is, or is not, any party political bias. Any apparent weighting could be the result of greater assessed need in terms of the selection criteria in electorates held by a particular side of politics and/or the quality of applications.

### **Announcement of projects**

**42.** Of the 60 successful projects, 32 were announced during the 1998 election campaign. The remaining 28 projects were announced in a media statement detailing all projects after the election on 15 October, some six weeks after approval by the Prime Minister. Of the 32 projects announced during the election, 26 were in Coalition held electorates, five in non-government held electorates and one was a multi-electorate project. The difference between the percentage of approved projects announced in Coalition (70.3 per cent) and Labor (26.3 per cent) held electorates was, statistically, significantly different to the national percentage (53.3 per cent) of approved projects announced prior to the election. Of the 26 projects approved in Coalition held seats, 11 were in marginal electorates. Of the five projects approved in Labor held seats, three were in marginal electorates.

**43.** Given that the decision to approve the grants was made prior to the start of the caretaker convention, their announcement during the lead up to the October 1998 election was not a breach of the convention which is directed first and foremost at avoiding taking decisions that may commit an incoming government.

**44.** The timing of the announcement of successful and unsuccessful applications before and after the election was controlled by the Ministers. Ministers have the prerogative to determine the timing of the announcement of government decisions. However, if Ministers are to control the announcement process, it would seem important, from the perspective of sound public administration, that it is done in such a way that there is no perception that the timing of announcements is being used for party political purposes. This is a particularly sensitive issue for the Parliament and the general public in the lead up to an election, be it a Commonwealth, State or local government election.



**45.** The caretaker convention emphasises that, in order to avoid unnecessary controversy, it is desirable that decisions concerning significant programs be announced prior to the start of the caretaker period. In the case of the FCHP program, there was very little time between the Prime Minister approving the projects and the commencement of the caretaker period to announce the successful projects. However, the FCHP program is a significant program and the timing of the announcement of some, but not all, of the successful projects in the lead up to the October 1998 election has led to a deal of speculation and criticism that could have been avoided.

**46.** From a program administration perspective and, as a matter of good practice, successful and unsuccessful applicants should be advised without delay after a decision on their application has been made. This approach enables applicants to know the outcome of their applications as soon as possible so they can initiate the implementation of their projects or pursue alternative courses, if necessary. It also has the added advantage of avoiding any perception that the timing of the announcements is being used for party political purposes. It would seem preferable for all decisions, when taken, to be announced together, or within a short period of time, to avoid uncertainty and unnecessary speculation.

## **Planned audit coverage**

**47.** The ANAO does not propose to conduct a full audit of the administration of the FCHP program at this time based on this preliminary examination. This examination has addressed the design and establishment of the program, the appraisal and approval process, and the announcement of successful projects. As some funding agreements for the approved projects are still to be put in place and others have only recently been completed, it is too early to audit the monitoring and acquittal of these grants. However, the ANAO will consider auditing selected projects within the Federation Fund program, including the Federation Major Projects program, to commence in the latter part of 2000–01. The Better Practice Guide for the Administration of Grants will also be revised in the light of recent audits of grant programs, including this examination of the FCHP program and any subsequent audit of the Federation Fund program.



# Findings and Conclusions



# 1. Public accountability in the administration of grant programs

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**1.1** The ANAO has conducted a range of audits of the administration of discretionary grant programs. Following Audit Report No.9 1993–94 *Community Cultural, Recreational and Sporting Facilities Program*, the ANAO published a Best Practice Guide for the Administration of Grants.<sup>3</sup> This guide was subsequently revised in May 1997 to ensure its continued relevance to public sector administration.<sup>4</sup> The guide is referred to in guidelines<sup>5</sup> issued by the Department of Finance and Administration that require grant program administrators to ensure that programs are designed in accordance with best practice.

**1.2** The ANAO Better Practice Guide *Administration of Grants* represents an accumulation of knowledge on the subject and has been compiled from a variety of sources, both local and overseas, including the recommendations of Parliamentary committees. Like all ANAO Better Practice Guides, it is revised from time to time to reflect new and emerging issues resulting from audit and other experience. It should be noted, however, that they are only guidelines. It is normal practice that the responsibility for the development of administrative processes and their implementation rests with the executive government.

**1.3** Other ANAO reports of relevance to the administration of grant programs include the following:

- *Local Capital Works Program* (Report No.14 of 1994–95)
- *Administration of Grants in the Australian Public Service* (Report No.32 of 1996–97)
- *Commonwealth Natural Resource Management and Environmental Programs* (Report No.36 of 1996–97)
- *Preliminary Inquiries into the Natural Heritage Trust* (Report No.42 of 1997–98)
- *Networking the Nation—The Regional Telecommunications Infrastructure Fund* (Report No.43 of 1998–99).

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<sup>3</sup> *Best Practice Guide for the Administration of Grants*, Australian National Audit Office, 1994.

<sup>4</sup> *Administration of Grants*, Op. cit.

<sup>5</sup> *Discretionary Grants Central Register User Manual*, Department of Finance and Administration.

1.4 The administration of grant programs has also been the subject of inquiries by Parliamentary Committees. In particular, the House of Representatives Standing Committee on Environment, Recreation and the Arts reviewed the audit of the Community Cultural Recreational and Sporting Facilities Program (CCRSFP) in 1994.<sup>6</sup>

## Transparent process in the administration of grants

1.5 Transparency in process and decision making is central to any public accountability framework and an essential element in our democratic system of government. Such transparency contributes to sound administration and enables the Parliament to be able to scrutinise the actions of officials (elected and non-elected). It also gives the public more confidence in the decisions such officials make on their behalf.

1.6 In the context of the administration of a grant program, Audit Report No.9 1993–94 *Community Cultural, Recreational and Sporting Facilities Program* drew attention to the need for proper administrative procedures as the basis of proper accountability and defensible conduct. This is particularly important when program grants are not provided by specific legislation and there are no specific provisions for decisions to be appealed or reviewed. The Report suggested as a minimum that:

- *administrative processes should be fair and open;*
- *decisions should be based on principle and supported by documented reasons;*  
*and*
- *those involved in making decisions should be accountable for their decisions.*<sup>7</sup>

1.7 A transparent process consists of two essential parts. Firstly, reasons for decisions should be robust and recorded, and secondly, they should be publicly available where the expenditure of public money is involved. Accordingly, the Better Practice Guide suggested that:

1.37 . . . *The design of grant programs should ensure that decisions in relation to the approval or refusal of applications for grants are transparent and well-documented.*

1.38 *The criteria and basis for recommendations and decisions at all stages of the grant process—including appraisal and approval—must be effectively documented. Appraisal forms should provide for the recording of reasons for decisions*

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<sup>6</sup> House of Representatives Standing Committee on Environment, Recreation and the Arts, *The Community Cultural, Recreational and Sporting Facilities Program*, February 1994.

<sup>7</sup> Audit Report No.9 1993–94 *Community Cultural, Recreational and Sporting Facilities Program*, p.16.

*and recommendations. They should be maintained consistently as part of the official record and be accessible under Freedom of Information provisions.<sup>8</sup>*

**1.8** Access to such records must be governed by the applicable legislation. Such legislation is subject to a variety of interpretations involving judgments which, in some cases, can only be resolved ultimately in the courts or by other relevant administrative tribunals.

**1.9** The ANAO Better Practice Guide recognised that administrators of grant programs are vulnerable to complaints of inequitable treatment and of political and other forms of patronage or bias. Well documented, soundly administered and transparent procedures are the key to being able to demonstrate the integrity of the selection process. The availability of such information can in turn provide compelling evidence that sound processes have been observed.

## Public perceptions equally important

**1.10** Public perception about the proper operation of any accountability framework is as important as the effectiveness of the framework itself. As Audit Report No.9 noted:

*2.31 Unwarranted secrecy invites public suspicion and mistrust. It can create an environment where bad administration can flourish.<sup>9</sup>*

**1.11** In its report on the audit of the CCRSFP the HORERA Committee agreed<sup>10</sup> with the comment in the audit report that:

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

**1.12** This principle is equally valid today. Increasingly, higher standards of performance and accountability are expected and should be demonstrated through the activities of agencies, Ministers and the Parliament. The Government's public sector reform agenda is very much directed to this end.

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<sup>8</sup> *Administration of Grants*, Op. Cit., p.16.

<sup>9</sup> Audit Report No 9, Op. Cit., p.14.

<sup>10</sup> House of Representatives Standing Committee on Environment, Recreation and the Arts, Op cit p.35.

**1.13** Integrity and ethical behaviour are at the heart of proper conduct which, in turn, underscores an effective public accountability framework. Any perceived reduction in standards of behaviour by officials undermines the confidence citizens have in their public institutions and, if unchallenged, could encourage behaviour that results in a gradual erosion of standards over time.

**1.14** The administration of grant programs is particularly sensitive in this regard and additional care is necessary by all those involved in their administration that nothing gives rise to any perception that projects are selected on any basis other than merit which is defined by publicly available selection criteria.

## **Government and party political matters**

**1.15** It is well known that the decisions of government often can be a benefit to both the public interest and to the political party in government. As has been observed in another jurisdiction, this overlap is perhaps most pronounced at the Executive level where Ministers represent both government and their political party and there is greater opportunity for the two to be intermingled.<sup>11</sup> Hence, the public concern is that, in making decisions, Ministers are led by the public interest and not by party political interests.

**1.16** It is not uncommon for the selection of grant projects to be made by Ministers rather than departmental officials. The Constitution gives wide powers to Ministers to make decisions to spend public funds. Ministers have the right to form their own judgements and not simply 'rubber stamp' any advice they may receive from officials. But as the HORERA Committee Report noted, Ministers also have a responsibility to be able to demonstrate the basis for their decisions if called upon to do so by the Parliament.<sup>12</sup>

**1.17** Therefore, it is in the interests of good governance that the reasons for decisions to make grants, whether by Ministers or officials, are rigorous, objective and documented and are publicly available, at least on request, where the expenditure of public money is involved. Where Ministers are assessing competing projects and subsequently making decisions, the same standards of rigour and transparency and due process

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<sup>11</sup> South Australian Auditor-General's Supplementary Report for the year ended 30 June 1999, *Civil Proceedings for Defamation Against Ministers of the Crown: Payment of Damages and Costs from Public Funds*, p. 26.

<sup>12</sup> House of Representatives Standing Committee on Environment, Recreation and the Arts, *Op. Cit.*, p.16.



that apply to any departmental assessment should also apply. In this way the decision-making processes can be, and be seen to be, consistent with the standards expected of good public administration and associated accountability.

## Access and equity

**1.18** As noted in earlier audit reports, access and equity are very important elements in the administration of all Commonwealth programs. Questions are frequently raised about the even-handed treatment of grant applications both by Parliament and the general public, for example, in their distribution.

**1.19** Any analysis of the distribution of grant approvals cannot by itself clearly indicate, one way or the other, that projects have been selected on party political grounds. Any apparent weighting may well reflect the need for projects in particular electorates or may reflect the pattern of applications. Similarly, projects in one electorate can benefit residents of other electorates. However, it is incumbent on program managers to be able to demonstrate that all potential applicants have been given sufficient opportunity to apply for a grant and have been treated fairly on the basis of transparent selection criteria.

## Caretaker convention

**1.20** One of the public interest issues raised in the administration of the FCHP program grants concerned the announcement of some, but not all, of the successful applications during the lead up to the October 1998 election.

**1.21** By convention, the Government assumes a caretaker role in the period between the dissolution of the House of Representatives and the time when it is clear which political party will have a majority in the House. The primary aim of the convention is to ensure that decisions are not taken which would bind an incoming government and limit its freedom of action.

**1.22** Such conventions are the oil that ensures the machinery of government works smoothly. They are not legally binding and so rely on the integrity of those involved to ensure they are effective. Hence, the caretaker convention also notes it is desirable that, where the decisions concern significant government initiatives, they be announced in advance of the caretaker period in order to avoid later controversy, particularly when there is a change in government.

**1.23** The approval and announcement of government grants can be a sensitive issue in normal times. In the lead up to an election, such issues become even more sensitive and any contravention of the caretaker convention would put at risk the benefits of an efficient framework of government machinery which has evolved over many years.

## 2. Extent to which the administration of the FCHP program complied with better practice in the assessment of applications

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**2.1** The FCHP program costing \$70.4 million was established within the \$1 billion Federation Fund to provide funding to medium sized cultural and heritage projects with individual grants up to \$5 million.

### Program design and planning

**2.2** The Government's emphasis is on achieving required program outputs and outcomes. The latter are helped by sound, comprehensive program design and planning. Effective planning is the cornerstone of an economic, efficient and effective grant program.

**2.3** An effective grant selection process will maximise the likelihood that those applications which would contribute most effectively to the program's goals are those that are approved.

#### *Needs analysis*

**2.4** The ANAO Better Practice Guide draws attention to the need for departments to consider and analyse all relevant factors and risks by, for example, a needs analysis<sup>13</sup> and to determine the extent to which the program interacts with similar programs administered by other Commonwealth, State and/or local government bodies.<sup>14</sup>

**2.5** This was also the thrust of the first recommendation made by the HORERA Committee in its review of Audit Report No. 9 1993–94. The Committee drew attention to the difficulty the auditors and the Committee had in drawing any conclusions about allegations that projects were selected on a political, rather than on a needs basis. The Committee observed that this problem would not have existed had there been some measures of comparative regional need derived from a national survey.<sup>15</sup> In addition, in commenting on Audit Report No.36 (1996–97) *Commonwealth Natural Resource Management and Environmental Programs*,

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<sup>13</sup> *Administration of Grants*, Op. cit., p. 8.

<sup>14</sup> *Ibid.*, p. 13.

<sup>15</sup> House of Representatives Standing Committee on Environment, Recreation and the Arts, Op. cit., p. 38.

the Joint Committee of Public Accounts and Audit (JCPAA) also strongly supported a rigorous needs assessment process to ensure program funds are well targeted.<sup>16</sup>

**2.6** A needs analysis for a grant program can be considered at two levels, that is at the macro and micro levels. The macro level is concerned with the overall need for the program in the first place; while the micro level is concerned with the need for specific projects at particular locations. Such an analysis could determine, for example, the priorities to be given to the specific mix of projects, the emphasis to be placed on urban, regional and/or rural outcomes or the level of government appropriate to deliver particular outputs and outcomes.

**2.7** The Ministers advised the ANAO that their support for the development of a program of the nature of the FCHP program was born out of a belief that the Commonwealth could enhance the role that it played in supporting the conservation of cultural heritage places and the development of cultural facilities. This belief was based on the view that there was considerable unmet demand for government support for these types of projects—a judgement subsequently verified by the enormous response to the program, with demand exceeding available program funds by over 22 times.

**2.8** DOEH also advised the ANAO that there is ample evidence on the public record over a number of years of the need for funding programs of the nature and scale of the FCHP program.

**2.9** However, there was no evidence that any needs analysis had been conducted by the FTG at a State or regional level or between the need for cultural or heritage projects prior to the introduction of the program. This could have contributed to the situation where, for example, funding of \$0.936 million was approved for the Townsville Maritime Museum.<sup>17</sup> NCCOF did not recommend funding because:

- the project had little relevance to Federation;
- did not demonstrate sustainability after 2001; and
- a new Pandora Museum of Townsville was being built by the State Government at a cost of \$20 million a short distance from the proposed Maritime Museum.

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<sup>16</sup> Report 359 Review of Auditor-General's Reports 1996–97 Fourth Quarter Joint Committee of Public Accounts and Audit, March 1998 p.35.

<sup>17</sup> This project was announced by the Prime Minister on 3 September 1998.

**2.10** NCCOF suggested that the important elements of the Maritime Museum be included in the new Townsville Museum, rather than build two facilities. In its response to the concerns of NCCOF the FTG advised the Ministers that:

*This museum would be focused on local maritime social history. The Acting Head of the Pandora Museum saw the proposal as being complementary to their maritime based approach – ie in the first years of operation there would be a concentration on marine archaeology to retrieve wreckage from the Pandora. The project is very well documented, with realistic time lines and good community support. However, the FTG accepts the [N]COF comment.*

**2.11** The Ministers advised that, despite the FTG’s final comment, they agreed with the FTG’s points in relation to the different roles of the two museums. One is an arm of the Queensland Museum (broad based but concentrating on North Queensland natural and social history and with some maritime projects—in particular the Pandora project). The other is a community based local maritime social history museum with artifacts unlikely to be included within a State museum. It was, and remains, the Ministers’ view that both are valuable resources and that the former is worthy of support despite the creation of the Government museum in Townsville.

*Time frame for applications*

**2.12** To ensure the best grant program outcome, it is important that, among other things, potential applicants are given sufficient time to enable them to prepare high quality applications. Equity considerations require that all applicants are afforded equal time to prepare their applications.

**2.13** In advice to the Government from the relevant departments and PM&C in early April 1998 detailing options for the implementation of the FCHP, the timetable envisaged was as follows:

Mid April	Program announcement
Late-April/early-May	Advertisement calling for applications
Early August	Closing date for submissions
Early October	Projects put forward for Ministerial consideration
Late-October/early-November	Announcement of successful applications

**2.14** Furthermore the latter advice also noted that:

*The timetables reflect the minimum time required to deliver supportable outcomes... Any substantial reduction of the timetables (say by one or two months) would place additional pressure on both the assessment and application processes with the likelihood of less well informed project*

*selection. ... Should the timetable be significantly interrupted for any reason, such as a Federal election held before the end of 1998, the Government would have to consider slipping the remainder of the decision making process under FCHP back to offset at least some of the time lost.*

**2.15** This timetable was subsequently revised when the Ministers wrote to the Prime Minister on 22 April 1998 seeking approval for revised guidelines and a new timetable. Under the revised timetable, projects were to be announced by mid-August rather than late-October/early-November, with 30 June being the closing date for applications. The Ministers advised the ANAO that they proposed a one month application period (as distinct from the three months proposed by departments) taking into account their decision to restrict applications to those submitted by nominated organisations rather than through a general national call for applications. In the Ministers' view, one month was sufficient time for applicants to complete the necessary paper work required by the application forms.

**2.16** A number of letters and representations were received by the FTG criticising the short time frame for the submission of applications. The Minister's office and the FTG acknowledged that the closing date of 30 June 1998 imposed a very tight, but not unrealistic, time frame on applicants. It was considered important to provide a tight time frame for applications to ensure sufficient lead time was available for quality capital works projects to be completed by, or during, 2001.

**2.17** Although the Prime Minister had written to all Members and Senators in early-May 1998 making them aware of the existence of the FCHP, the four week period between the end of May, when applications were called for and 30 June, when applications closed, would generally be regarded as a very short time in which to prepare a well researched and costed application. This may have contributed to the 12.5 per cent of ineligible applications and the 10.3 per cent of applications rated as low by the FTG assessment.<sup>18</sup> On the other hand, the short time frame could have advantaged those applicants who already had proposals prepared. For example, they may have included those who had previously submitted applications to the Major Projects component of the Federation Fund and who were also invited to apply for grants under the FCHP program.

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<sup>18</sup> Rated by the FTG between 1 and 6 points.

### *Program guidelines*

**2.18** The FTG developed comprehensive program guidelines, including selection criteria, and an information kit that was made available to potential applicants. Information sessions on both the FCHP program and the FCP program were held for Members of Parliament in Parliament House during the first week in June 1998. The FTG also developed detailed administrative guidelines for internal use in assessing applications, which were approved by the Ministers on 9 July.

**2.19** However, there was some confusion about whether or not Commonwealth and State government departments and statutory authorities were eligible to apply. The information kit explained that FCHP grants were not available for government departments. Government departments, statutory authorities and Government Business Enterprises that inquired about the program were originally told that they were ineligible. However, in seeking clarification from the Ministers (on 9 July 1998 after the closing date for applications), the FTG was advised that government departments were ineligible but government agencies<sup>19</sup> were eligible. The Ministers advised the ANAO that this decision was based on their concern to ensure projects that were the core responsibility of departments were not included. However, they considered agencies should be eligible to allow scope for funding for State museums, galleries or State owned National Trust properties.

**2.20** DOCITA's Legal Section advised the FTG that the Department was to take steps to correct any misunderstandings and make sure that agencies would be in no doubt about their eligibility. There is no evidence to indicate that, with the exception of the Australian War Memorial, agencies were advised that they were now eligible. In the event, no statutory authorities or agencies were funded under the FCHP program.

### *Definition of geographic distribution*

**2.21** One of the principles underlying the program guidelines was the achievement of a geographic spread of projects. Such a requirement runs counter to an approach to funding projects on the basis of national need or merit. However, it is still possible to allocate a specified amount of funds, by say, individual State and then choose projects that meet the highest priority needs in the particular State based on a needs analysis.

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<sup>19</sup> In this context a broad definition of agencies has been adopted to include statutory authorities and other non-departmental bodies.

**2.22** An assessment of the relative needs in a geographic area can provide an objective justification for the selection of one project over another or, at least, give some indication of the requirement for any apparent geographic weighting. This, in turn, can provide a measure of protection for decision-makers against allegations of political bias. However, in the absence of some definition or, at least, indication in advance of how the geographic criteria is to be met, it is difficult to choose projects that meet such a requirement or to know when the required geographical pattern of distribution has been achieved.

**2.23** There did not appear to be any criteria developed as part of the FCHP program design to assist either the FTG, or any other decision-maker, on how to assess projects against the geographic distribution assessment criteria outlined in the program guidelines. This contrasts with the Networking the Nation (NTN) program, which is also administered by DOCITA, and the programs under the Natural Heritage Trust which are administered by DOEH, where there is a notional allocation of funding by State. In the case of the NTN program, funds were allocated to the States on the basis of the proportion of the population living outside the metropolitan area. As indicated later, there was no specific advice provided to NCCOF when they sought such guidance. On the other hand, unlike NCCOF, the FTG did not appear to seek guidance on this matter.

## **FTG assessment**

**2.24** As noted in Audit Report No.42 1997–98 *Preliminary Inquiries into the Natural Heritage Trust*,<sup>20</sup> projects should be selected on merit in accordance with appropriate criteria as outlined in the program decision-making documentation.

**2.25** All eligible projects submitted for funding under the FCHP program were assessed by the FTG in accordance with the assessment criteria outlined in the program guidelines and approved departmental selection guidelines. The FTG team comprised some ten officers with expertise in the heritage, cultural development and museum fields. Additional information was sought from other Commonwealth agencies, State Government arts and heritage bodies and industry groups, such as Museums Australia, as required.

**2.26** The formal assessment process by the FTG commenced on 13 July 1998 and was completed, one month later, on 13 August.

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<sup>20</sup> Audit Report No. 42 1997–98 *Preliminary Inquiries into the Natural Heritage Trust*, p. x.



**2.27** Other features of the FTG assessment process included the following:

- Details of each project received and a record of the assessment for each project were recorded on a dedicated database, specially designed for the program.
- Each project was categorised as heritage, cultural or cultural/heritage. Applicants were required to address specific heritage or cultural criteria relevant to their project and state in their application.
- Each eligible project was assessed against the published criteria consisting of general criteria and specific cultural or heritage criteria. Projects were given a numerical rating between zero–24 against the general criteria and placed in categories of Low (1–6), Medium (7–12), High (13–18) and Very High (19–24).
- Projects that did not meet the program guidelines and/or criteria were given a zero rating and were deemed ineligible.
- Projects requesting under \$500 000 were given a zero rating, unless they demonstrated outstanding significance, in which case they were assessed against the criteria.
- The Australian Heritage Commission provided an independent assessment of any projects that affected a place in the Register of the National Estate (RNE), with respect to any potential impacts of the proposals on the RNE place. Advice was provided to the FTG and incorporated into the assessment record.

**2.28** A minute was sent by the FTG to the Minister for Communications on 14 August 1998 asking that he consult with the Minister for the Environment to select a group of projects totalling \$70.4 million (with a reserve list of 1 project per category per State/Territory); and enclosing a proposed letter to the Prime Minister seeking endorsement of the Ministers' preferred projects.

**2.29** No specific projects were recommended by FTG for funding but the Minister's attention was drawn to the 114 projects that rated 15 and above and met the specific heritage and cultural criteria outlined in the program guidelines. The total amount requested for this group of projects was \$263 million. As previously indicated, the Government allocated \$70.4 million to the FCHP program. The Minister was advised that projects rated below 15 did not compare well in terms of significance or community benefit to the highest ranked projects; or answer FTG concerns about the ability of the organisation to deliver the project on time and within budget; and/or had ongoing viability problems. However, projects rated below 15 were not ineligible. Projects that were ineligible were allocated a score of zero.

**2.30** Projects were listed within type categories: heritage, cultural, cultural/heritage and particular projects were highlighted if they were heritage listed, or if part funding was a viable option.

**2.31** Eleven projects considered to be of outstanding significance were identified from the under \$500 000 category, seeking funds between \$100 000 to \$548 000 at a total cost of \$3.72 million.<sup>21</sup>

**2.32** A copy of the letter from NCCOF to the Minister for Communications dated 7 August 1998 recommending their priorities for projects to be funded, together with reasons for their recommendations and arguments where their conclusions differed from those of the FTG, was also attached.

**2.33** Lists of all projects by State/Territory by numerical ranking; all projects rated as ineligible; projects submitted by the Australian Council of National Trusts; and a notional FCHP funding distribution by population by State/Territory were also provided in the minute to the Minister for Communications on 14 August 1998. The minute also advised that Ministers could consider funding a greater proportion of one type of project in a particular State, for example more heritage in Tasmania, but keep a balance overall by funding more cultural facilities in another State.

**2.34** Following a request from the Ministers' staff, copies of all applications were subsequently sent to the Ministers' offices also on 14 August 1998.

#### *Numerical rating system*

**2.35** Several of the recommendations by the HORERA Committee related to the comparison of one project with another. The Committee suggested that the selection of projects to fund would be improved if a numerical rating system were introduced to evaluate all of the applications against the selection criteria, which would probably have to be done by departmental officers. This would not prevent a Minister from exercising discretion in the selection of projects but would be a strong indication of what the department would recommend. The assessment process adopted by the FTG included a numerical rating system as indicated earlier.

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<sup>21</sup> The program guidelines noted that a minimum level of \$500 000 had been set for individual grants. However, this could be varied to fund projects of outstanding significance at a lower level.

### *Late applications*

**2.36** The published guidelines state:

*Proposals will not be considered for assessment unless submitted by one of the nominees on behalf of an applicant and is received by DOCA by cob 30 June 1998. No applications will be accepted after this date.*

**2.37** Twenty-nine applications were received after 30 June 1998 and all applications were marked as “Late”.

**2.38** The FTG, acting on advice from the Reference Group, assessed all late applications. DOCITA advised the ANAO that the Reference Group’s advice to assess late applications was based on concerns about rejecting applications without any consideration of their merit for ‘highly bureaucratic reasons’ and in recognition that there could be reasons for accepting late applications in exceptional circumstances. This advice was not documented. One late application was approved.<sup>22</sup>

**2.39** The major causes for the late applications were either that applications were delayed by nominees or the application was not completed until after 30 June 1998. These would seem difficult to describe as exceptional circumstances. Accepting late applications is contrary to the published guidelines.

### *Recommendations to Ministers*

**2.40** In responding to a question from the HORERA Committee during its review of Audit Report No.9 of 1993–94, the then Secretary of the Department of Environment, Sport and Territories agreed that, if a new program along the lines of the CCRSFP were introduced, the Department would carry out a more thorough assessment of the grants so that the Department could actually put recommendations to the Minister.<sup>23</sup>

**2.41** Unlike other major grant programs administered by DOCITA and DOEH, such as Networking the Nation<sup>24</sup> and the Natural Heritage Trust, the FTG did not make recommendations to Ministers but rather provided a list of projects for Ministers to choose from.

**2.42** The original draft administrative arrangements proposed that projects would be ranked into “Strongly Recommended,” “Recommended” and “Not Recommended” categories which would be put to relevant Ministers for approval. The revised guidelines approved by the Prime

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<sup>22</sup> A late application from the National Trust Tuggeranong Homestead was approved.

<sup>23</sup> House of Representatives Standing Committee on Environment, Recreation and the Arts, Op. Cit., p.17.

<sup>24</sup> In the case of Networking the Nation recommendations are actually put to an independent Board rather than the Minister.

Minister in mid-May 1998 envisaged the responsible Departments would jointly prepare recommendations along those lines for consideration by the Ministers.

**2.43** However, rather than presenting the Ministers with a set of recommendations, as was originally envisaged, the FTG presented a list of projects that rated 15 points and over, from which the Ministers could select their preferred projects. DOCITA advised that this was the result of a decision by the Reference Group which considered that the 114 highly rated projects valued at \$263 million was a sufficiently large pool of high quality projects, well in excess of the \$70.4 million available under the program, from which Ministers could select. This change was part of the Departmental Guidelines for the administration of the FCHP program endorsed by the Ministers on 9 July 1998.

**2.44** It is not clear why there was a change in the approved arrangements where the FTG was to put recommendations to the Ministers. There is no record of the reasons for the change on departmental files. The Department advised that it is their understanding that there was no change in the process established in the guidelines approved by the Prime Minister on 14 May 1998. According to DOCITA, there was no intention that departmental officers would recommend specific projects to Ministers. Rather, the provision in the guidelines that states:

*the department will jointly prepare recommendations with Environment Australia for Ministers' consideration*

was seen as a general provision to indicate that departments would put material to the Ministers for their consideration so they could develop their recommendations. This view was reiterated by DOEH.

#### *Quality of assessments*

**2.45** The FTG developed internal guidelines to ensure a consistent approach by assessors and undertook a rigorous assessment process with each application being assessed and reviewed by a minimum of two officers. The Reference Group reviewed all applications identified by the assessors as ineligible.

**2.46** However, several members of NCCOF were not impressed with some aspects of the FTG assessment because they felt the FTG did not fully appreciate the basic purpose of the program. For example, in its advice to Ministers when commenting on the assessment paper prepared by the FTG, NCCOF noted some lack of appreciation by the FTG of the relevance of projects to the Centenary of Federation and the wider history and achievements of the nation.

**2.47** There was certainly a different emphasis between the assessments by NCCOF and the FTG, with the former placing a great deal of emphasis on the historical importance of projects in the history of Federation rather than broadly over the full gamut of selection criteria.

## Conclusion

**2.48** Overall, the ANAO was satisfied that the assessment process conducted by the FTG generally complied with the ANAO Better Practice Guide. The assessment process was rigorous, transparent and well documented. For the most part, there was an effective audit trail. However, there were some areas where improvements could have been made such as the development of criteria to assess geographic distribution, adherence to the program guidelines about not accepting late applications and the documentation of the reasons for the changed decision by the FTG not to provide recommendations to Ministers.

## National Council for the Centenary of Federation assessment

**2.49** NCCOF was the principal source of external advice on the capacity of FCHP applications which would suitably mark the Centenary of Federation.

### *Role of NCCOF*

**2.50** The role of NCCOF was quite clear and well understood by all parties. The Prime Minister wrote to the Chairman of the Centenary of Federation Council on 10 April 1998 outlining the Council's role. The Ministers also wrote to the Chairman on 28 May advising of the administrative arrangements. The Council's role and further details were clarified in subsequent correspondence between the Chief Executive of the Council, the Minister for Communications and the FTG. The FTG wrote to all State Centenary of Federation (COF) Committees on 5 June to advise them of administrative arrangements and the role of the Council.

**2.51** The role of NCCOF was agreed between the Ministers' Offices and the Prime Minister's Office. It was also agreed that the Council would not get the individual FTG project scores, but would know the grouping (ie Very High, High, Medium or Low) allocated. As well, they should provide reasons for recommending any projects which did not fall within the Very High or High categories.

### *NCCOF assessment process*

**2.52** Features of the NCCOF assessment process included the following:

- NCCOF was provided with copies of all applications and a list of FTG rated projects, but not assessors' comments. The Council undertook an independent assessment of projects.
- The Council held two separate meetings extending over a total of three days. At its first meeting, Council members assessed and ranked all applications against the same criteria used by the FTG for assessing the appropriateness of projects to mark the Centenary of Federation. NCCOF deliberately focussed only on the single category of 'Appropriateness for the Centenary' as they considered it would make the selection process more efficient and enabled them to operate within the Council's area of expertise. The Council also consulted extensively with State COF Committees. At the second meeting, the Council examined the assessment paper provided by the FTG and prepared a list of 47 projects totalling \$101.1 million in priority order by State and Territory that represented the Council's priorities and preferences in terms of what it regarded as the most deserving and appropriate applications.

### *Documenting reasons for decisions*

**2.53** Attachments to the letter of 7 August 1998 to the Minister for Communications included: a list of the 47 projects prioritised by the Council within each State/Territory showing both Council and FTG rankings/ratings; and a paper outlining "Assessment Factors" for each State/Territory which documented their reasons for their recommendations but with one exception. The NCCOF Secretariat advised the ANAO that this latter omission of one project was an oversight.

**2.54** Although NCCOF provided reasons for its recommendations, records of individual assessment sheets were not retained as part of an audit trail. This is contrary to the recommended practice in the ANAO Better Practice Guide which notes that appraisal forms should be maintained consistently as part of the official record and be available under the Freedom of Information provisions.

### *Recommendations to Ministers*

**2.55** Unlike the FTG, NCCOF provided the relevant Ministers with recommendations in priority order by State. This was consistent with the role of NCCOF, as indicated by the Prime Minister to the Chairman, that NCCOF would be a principal consultant and key adviser in the process of developing recommendations for consideration by Government.

### *Guidance on geographic distribution*

**2.56** NCCOF asked for guidance on the emphasis that the Government wished to see on the split between cultural and heritage projects, metropolitan and rural projects and on the geographic distribution of projects across Australia. The response from the Minister for Communications dated 7 July 1998 was not specific and indicated that the Government would take into account a broad geographic distribution of funds and a balance between rural, regional and urban projects.

### *Ineligible projects*

**2.57** Included in the 47 projects recommended by NCCOF were three projects seeking \$5.2 million, which had been assessed by the FTG as ineligible. These included applications from sporting organisations to improve sporting facilities and from a State Government agency for a records centre. NCCOF advised that, although the Council was aware that these projects were considered ineligible, it was drawing Ministers' attention to the projects as it felt that, despite the FTG assessment, they were relevant to the Centenary of Federation.

### *Quality of the assessment process*

**2.58** Within the limited scope of its assessment criteria, namely the appropriateness of projects to mark the Centenary of Federation, Council members undertook a thorough assessment of applications with a significant contribution from State representatives.

**2.59** In its letter to the Minister for Communications of 7 August 1998, the Council stated that it was also mindful of the financial capacity of the applicant; the ability of any project to be complete in and of itself or to be able to generate its own revenue; and the extent to which a government and other partners were prepared to provide ongoing commitments in funds and kind. However, there was no evidence to demonstrate such an assessment had been undertaken by Council members.

## **Conclusion**

**2.60** In relation to their particular focus on the appropriateness of the applications to mark the Centenary of Federation, the NCCOF assessment was rigorous and reasonably transparent. However, it would have provided better assurance if the assessment sheets had been retained as part of the accountability trail, as recommended in the ANAO Better Practice Guide.

## Ministerial assessment

**2.61** As noted earlier, the selection of projects was not made by the FTG but by Ministers. Nevertheless, better practice in grant administration would suggest that the same standards applicable to departmental assessments should also apply to Ministerial assessments. The ANAO is not suggesting that Ministers should adopt the identical appraisal process as this would duplicate the work of officials. But, rather, that whatever process is adopted should be rigorous, transparent and each step in the selection process well documented so there is an effective trail that demonstrates the process adopted.

**2.62** As indicated earlier, the Ministers received a Minute from the FTG on 14 August 1998 providing a list of 114 highly rated cultural, cultural/heritage and heritage projects valued at \$263 million from which to select projects for funding under the FCHP program. Attachments to the Minute included summaries of all applications by State and FTG ratings, ineligible applications and significant projects seeking less than \$500 000. Also attached was a copy of the NCCOF advice to the Ministers of 7 August.

**2.63** The Ministers' offices requested copies of all applications and supporting documentation and these were provided on the same day. FTG staff were on standby to assist in the assessment of applications by Ministers and their staff but were not called on to assist.

### *Ministerial assessment process*

**2.64** As it was the Ministers who selected the projects to be recommended to the Prime Minister for approval, the ANAO sought details of the selection process used by the Ministers and their staff. As DOCITA and DOEH were unable to provide details of the selection process by the Ministers, the ANAO wrote to the Ministers seeking their cooperation in providing details.

**2.65** The Ministers advised the ANAO that, during the two-weeks between receipt of the advice from the FTG on 14 August 1998 and the provision of their recommendations to the Prime Minister, they engaged in detailed consideration of the FTG's advice. This included a number of discussions between the Ministers and between their staff. In making decisions, the Ministers said that they principally relied on the information provided by the FTG and NCCOF and, on occasion, the full application submitted. They advised that they had also received representations from proponents and supporters (both verbally and in writing) in relation to some projects during the application and assessment period. However, the Ministers advised that they did not review these representations after 14 August and that some projects were familiar to them personally.



**2.66** In terms of the assessment process, the Ministers advised that they commenced by separately considering all projects not listed as ineligible by the FTG, taking into account the nature of the project and the assessment conducted by the FTG and NCCOF. At the same time, the Ministers' staff undertook a similar exercise.

**2.67** The Ministers advised that they then considered in greater detail those projects that seemed the stronger applications in terms of the program's objectives. In some cases this involved consideration of the original application. In considering these projects, the Ministers said that they looked at the merits of the individual project (and its FTG score or NCCOF ranking), how they related to other projects within that State, the geographical spread of projects in terms of metropolitan and regional areas, the theme of the project and, ultimately, the balance of funding between States and Territories.

**2.68** The Ministers selected 60 projects for approval by the Prime Minister. A list of these projects<sup>25</sup> was forwarded to the Prime Minister for his consideration on 27 August 1998.<sup>26</sup> The Prime Minister approved the projects on 28 August and advised the Ministers accordingly by letter on 30 August.

#### *Documenting the appraisal process*

**2.69** Public accountability is largely dependent on transparency. The latter, in turn, is dependent on the proper maintenance and availability of documentation. In this respect, the Better Practice Guide suggests that the criteria and basis for recommendations and decisions at all stages of the grant process—including appraisal and approval—must be effectively documented (emphasis added).<sup>27</sup> Furthermore, the Better Practice Guide suggests the use of appraisal checklists and standard grant appraisal forms as well as the use of appraisal forms as working documents and cautions against completing them only at the end of the process simply to record the decision to offer the grant.<sup>28</sup>

**2.70** The final recommendation of the HORERA Committee stated that, where additional information is obtained by a Minister and the [departmental] ratings are amended, or if for any other reasons the ratings are amended, the additional information should be added to the file.<sup>29</sup>

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<sup>25</sup> A different list was sent to the FTG which the Ministers have advised was an earlier working document prepared by a staff member and sent in error at the same time as the correct list was being delivered to the Prime Minister.

<sup>26</sup> The original guidelines approved by the Prime Minister envisaged that the Cabinet would consider the recommendations from the Ministers.

<sup>27</sup> *Administration of Grants*, Op. Cit., p. 16.

<sup>28</sup> *Ibid.* p.30.

<sup>29</sup> *Ibid.* p.39

**2.71** Following a discussion between a DOCITA officer and staff in the Minister for the Environment's office on 6 October 1998, the Department received a memorandum from Senators Hill and Alston on 5 November in which the Ministers recorded their reasons for recommending certain projects to the Prime Minister. This included the 16 projects that had been rated below 15 points. The Ministers indicated to the ANAO that it was always their intention to provide a full statement for the official record and that the provision of reasons was not linked to the discussion between their staff and DOCITA.

**2.72** The Ministers also advised that this record was prepared with the assistance of their personal staff from memory and using contemporaneous notes taken by those staff during their assessment process. The document was not prepared earlier because of time constraints and the disruption caused by the Federal election. They believe that, considering the nature of these other events, the finalisation of the document was not an unreasonable time frame, particularly taking into account the unique circumstances of the program which involved a joint decision-making process involving two ministers.

**2.73** The Ministers further advised that the notes taken by their staff were not retained following the completion of the document stating their reasons for decisions. It was the view of the staff that the statement of reasons provided a full account of those matters that were taken into account during the decision-making process and superseded earlier working notes.

#### *Release of reasons for decisions*

**2.74** In the context of grant programs it is considered important for accountability purposes that reasons for selecting particular projects for funding should be documented. In addition, the ANAO considers that it is good practice for the reasons for successful applications to be available to the general public, at least on request. This would be similar to the situation where information concerning public administration was omitted from departmental annual reports but was available on request. Although, the Ministers have documented their reasons for approving successful applications, details of their reasons have not been made available for public release. It is difficult to engender confidence in a system of open and transparent decision-making, as part of a sound framework of public accountability, if access to documentation, explaining the reasons for approving particular projects, is not reasonably forthcoming.

**2.75** The ANAO sought clarification from the Ministers as to why the Ministers chose not to make public the reasons why successful projects had been chosen. The Ministers advised the ANAO that they were

conscious that the ANAO Better Practice Guide did not recommend that reasons be made public, only that they be placed on the official record, where they may be accessed through normal administrative channels, such as the Freedom of Information Act and be subject to audit by the ANAO. The Ministers believe this is the level of disclosure necessary to maintain public confidence in the system. The Ministers' view stems from a belief that it is important that such reasons be as frank as possible. Thus when they disagree with departmental assessments, they consider it important to say why, but they do not think that public disclosure of the fact is helpful. Similarly, they consider it important to encourage officers to be as frank as possible. If officers believe their assessments and conclusions are likely to be publicly released they can be expected to express themselves in cautious and perhaps less helpful terms.

**2.76** The ANAO recognises that the release of information is always a matter of judgement for those immediately concerned as well as being subject to the applicable law. In relation to grant programs, the ANAO would encourage an open view to be taken of the release of the reasons for decisions for successful applications. The ANAO recognises the sensitivities involved in disclosing the deliberative processes of government and the disclosure to the general public of reasons for selecting particular projects would require the separation of the final reasons for decision from the deliberative process in any documentation that is released. On the other hand, there should be a reasonable expectation that assessments and any other relevant information will be provided to both successful and unsuccessful applicants in respect of their own applications, again at least on request. The release of such information to unsuccessful applicants would enable them to improve the quality of their application in the event of any further rounds of funding. The Ministers have indicated that they would not have any objection to information being made available to applicants. An important part of any deliberation as to whether or not to release relevant information is a consideration of public perceptions and confidence in the decision-making process. An actual or perceived reluctance to release information can be detrimental to democratic governance.

#### *Approval of lower rated projects*

**2.77** One of the public interest issues raised in the selection of projects under the FCHP program concerned the approval of 16 projects valued at \$14.4 million that were not rated highly by the FTG. Of the applications assessed by the FTG, 114 were rated highly ie. scored 15 or more points. As a result 70 applications that had been highly rated by the FTG were not funded. Of course, the limited funds available meant not all 70 applications could have been funded.

**2.78** The identity of the 16 projects in question, and the reasons for recommending their approval, have not been publicly disclosed. The Leader of the Opposition in the Senate has requested access to documentation surrounding the administration of the FCHP program and has been granted access to some of the relevant documents, including some with deletions, and has been refused access to others. He has applied to the Administrative Appeals Tribunal (AAT) for a review of the original decision and a subsequent Departmental review which confirmed the original decision.

**2.79** In view of the high level of public interest in these projects, they are listed in Appendix 2. In assessing the 16 projects, the reasons documented by the Ministers indicate that they placed greater weight than the FTG on particular attributes of the projects that were related to the selection criteria. The particular reasons have not been included in the Appendix given the matter is before the AAT for decision. The distribution of the 16 projects is analysed in Tables 10 to 13 in Chapter 3.

**2.80** Table 1 outlines the rating of the 741 applications by the FTG, the total number of projects within each group and the number selected by the Ministers from each group.

**Table 1**  
**Assessment rating of eligible applications**

<b>Rating</b>	<b>Total Projects</b>	<b>Number selected by Ministers</b>
<i>Very high 19–24</i>	15	7
<i>High 13–18</i>	182	41
<i>Medium 7–12</i>	310	12
<i>Low 1–6</i>	76	0
<i>Declined<sup>(a)</sup></i>	65	0
<i>Ineligible</i>	93	0
<b>Total</b>	<b>741</b>	<b>60</b>

Source: ANAO analysis of FCHP database

Note: (a) An application rated as 'declined' was given a zero rating indicating that it had failed the mandatory criteria and therefore was not assessed further against specific criteria.

**2.81** The 16 projects in question ranged from eight to 14 points out of a possible 24 points. The average was 11.3 and the median 11 points. An analysis of the distribution of the approved lower rated projects is discussed in Chapter 4. Fourteen out of the 16 approved lower rated projects were nominated by Commonwealth and State Coalition members of Parliament.

**2.82** As part of proper process, to assist in the transparency of the appraisal process and to explain to those whose applications were not successful but had been rated more highly, the ANAO would expect to

see documented reasons related to the selection criteria and a transparent appraisal process. Such reasons would avoid any perception that some applications had received favoured treatment.

**2.83** Ministers have stated that they were not obliged to accept the advice of the FTG and that they also received advice from other sources. It is not uncommon for Ministers to disagree with the advice or recommendations given to them by officials or seek advice from a range of different sources. In the context of grant programs, it is important that the reasons for selecting particular projects for funding be documented and that decisions should be publicly available, at least on request.

**2.84** It would seem good practice that, where a task group of officials or other experts has been established with an agreed assessment process in place, and where Ministers take a different approach, the reasons for taking a different approach are also adequately documented. This would provide greater public confidence in the selection process and could assist officials in assessing future such applications.

**2.85** As noted earlier, working papers were not retained by the Ministers' staff. However, in documenting their reasons for approving the 16 projects that were rated by the FTG at less than 15 points, the Ministers explained why they disagreed with the FTG assessment. In their undated Memorandum to the FTG recording their reasons for recommending certain projects to the Prime Minister, the Ministers noted that:

*We also sought to ensure that a number of significant themes in Australia's historical and cultural development were represented in recommendations, for example, indigenous heritage, the role of the rural sector and natural resources, our involvement in Antarctica, the impact of rail, major architectural and engineering achievements and events such as the gold rush and the bushranging period.*

**2.86** These themes were present in some of the 16 projects that were approved but they were not specifically part of the published selection criteria. However, the assessment criteria set out in the program guidelines are very broad. An analysis of the reasons given for recommending approval of the lower rated projects did not show any dominant theme relating to the published criteria as was the case, for example, with the findings of the preliminary inquiries into the Natural Heritage Trust.<sup>30</sup> In that latter program the relevant Ministers rejected a

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<sup>30</sup> *Preliminary Inquiries into the Natural Heritage Trust*, Op. Cit., p.15.

number of the recommendations of their Departments because they wanted a greater emphasis placed on projects with on-ground works and those that involved the community in the implementation of projects. These themes were present in many of the reasons given for elevating particular NHT applications.

**2.87** The Ministers also noted that, in considering the projects submitted under the FCHP program, they took into account the assessment of projects by NCCOF. In this respect, the ANAO notes that only two of the 16 approved projects rated at less than 15 points by the FTG had been recommended by NCCOF and these had been afforded only medium to low priority ratings by the Council.<sup>31</sup> In addition, as the ANAO noted earlier, the NCCOF assessment process focused only on one element of the selection criteria, namely appropriateness to the Centenary of Federation, whereas the FTG assessment addressed all selection criteria.

#### *Part funding*

**2.88** Ministers chose to provide less than the full amount of funding sought for 32 projects (some 50 per cent of the total number of approved projects) valued at \$39.2 million. Table 2 shows the number, value and percentage of partially funded projects.

**Table 2**  
**Number of partially funded projects by State**

<i>State</i>	<i>Number of partially funded approved projects</i>	<i>Amount provided for partially funded projects \$m</i>	<i>Percentage of partially funded projects by State</i>
<i>ACT</i>	<i>1</i>	<i>0.5</i>	<i>7.1</i>
<i>NSW</i>	<i>8</i>	<i>8.0</i>	<i>2.7</i>
<i>NT</i>	<i>0</i>	<i>0.0</i>	<i>0.0</i>
<i>QLD</i>	<i>7</i>	<i>9.7</i>	<i>7.2</i>
<i>SA</i>	<i>4</i>	<i>4.5</i>	<i>9.3</i>
<i>TAS</i>	<i>4</i>	<i>3.7</i>	<i>8.2</i>
<i>VIC</i>	<i>5</i>	<i>9.5</i>	<i>3.7</i>
<i>WA</i>	<i>3</i>	<i>3.3</i>	<i>3.6</i>
<b><i>AUST</i></b>	<b><i>32</i></b>	<b><i>39.2</i></b>	<b><i>4.3</i></b>

Source: ABS analysis of FCHP database

**2.89** Although part funding allows more projects to be funded and increases the geographic spread of projects, there is an increased risk that the viability of projects could be compromised.

<sup>31</sup> One project was given a priority rating in its State of five out of 14 and the other a priority rating of 8 out of 11.

**2.90** The Ministers advised that they considered the possibilities of providing part funding during their assessment process to allow a more extensive range of projects to be supported. In doing so, they advised that they considered the nature of the project and whether it appeared to lend itself to partial funding without compromising the viability of the project. In their experience from administering programs of this type, many heritage projects lend themselves to a staged approach and that partial funding can allow valuable work to proceed. Unless a structure is close to complete decay and requires particular funding to ensure the very viability of the place, it is unusual for funding requests not to be able to be broken down into smaller components that can proceed with partial funding. For cultural projects, again, it is often possible for proponents to undertake the staged development of a facility. However, (and particularly for completely new projects) an initial capital base might be required for the project to proceed. The Ministers advised that these factors were taken into account in considering cases for partial funding and in some instances this involved a review of the full application where it was not clear from the project summary that the nature of the project could be assisted by partial funding.

**2.91** The FTG provided comments to the Ministers on five of the individual project assessment reports on the viability of providing part funding. From the Ministers' advice to the ANAO it is clear viability issues were considered in the other cases, however, there is no evidence such consideration was documented. Better practice suggests that, where a decision is made to offer a smaller grant than requested, decision-makers not only directly address the viability question but also document the reasons behind their decisions.

## Conclusion

**2.92** Because public accountability is largely dependent on transparency which in turn is dependent on the proper maintenance and availability of relevant documentation, the ANAO Better Practice Guide emphasises the importance of maintaining documentation covering the whole of the appraisal process. Although it is understandable that, once decisions are formally documented, Ministers' staff would not retain working papers or notes taken at the time decisions were made; the retention and availability of such papers does provide an effective audit trail and protection for all those involved in the selection process against any suggestion that projects have not been selected on their merits.

**2.93** Similarly, the public release of information about reasons for decisions for successful applications, is also considered better practice as it can assist in demonstrating the transparency and rigour of the appraisal and decision-making process. The public release of information is, at the end of the day, often a judgement for those immediately involved or the Courts or other relevant administrative tribunals. However, any perception that information is not reasonably forthcoming can only lead to speculation and unnecessary controversy that could lead to a reduction in public confidence and would be better avoided.

**2.94** Ministers are not obliged to accept the advice of departmental officials and, in the case of the 16 projects that they recommended for approval that had not been highly rated by the FTG, they documented their reasons for disagreeing with the departmental assessment. However, their reasons have not been made publicly available.



## 3. Equity of the geographic spread of grants

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**3.1** As noted in a number of ANAO audit reports, access and equity are very important elements in the administration of all Commonwealth programs. Questions are frequently raised about the even-handed treatment of grant applications both by Parliament and the general public, for example, in their distribution.

**3.2** Of the \$70.4 million allocated to the program, Coalition held electorates (pre-1998 election) received \$45.2 million and Labor held electorates received \$18.1 million.<sup>32</sup> Coalition marginal electorates received \$17.3 million and Labor marginal electorates \$5.5 million. It has been alleged that this reflects a party political bias in the selection process. On the other hand it has been claimed that this allocation represents the proportion of electorates held by the major parties prior to the October 1998 election. In order to address these public interest issues the ANAO analysed the distribution of approved grants. Where possible the ANAO applied a statistical test to the results of the approval process and any differences of statistical significance were identified. Such statistically significant differences are those that cannot be explained by random variation alone.<sup>33</sup>

**3.3** The additional variability associated with different levels of funding means that it was not possible to apply similar statistical tests to the value of funding distributed. It should be recognised, of course, that significantly different results can be lower than expected as well as higher than expected.

**3.4** It is sometimes difficult to attribute particular projects to specific electorates, for example, one approved application covered multiple projects in a number of electorates. Similarly, projects in one electorate can benefit residents of other electorates. In order to minimise the extent of any discrepancies, the allocation of projects to electorates has been agreed with DOCITA. Nevertheless, the ANAO does not consider that any discrepancies that may remain materially affect its analysis.

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<sup>32</sup> The balance of \$7.1 million is made up of funds allocated to electorates held by members of multi-electorate projects.

<sup>33</sup> The ANAO has determined the difference to be statistically significant where the confidence level is at least 90 per cent. Figures in tables have been rounded to one decimal point.

**3.5** The status of electorates is based on the Australian Electoral Commission pre-1998 election classification of divisions.

## The distribution of grants

### *Distribution by State*

**3.6** Tables 3 and 4 show the number and value of approved projects by State and Territory.

**Table 3**

#### **Number of approved projects by State and Territory**

<i>State</i>	<i>Number of approved projects</i>	<i>Number of applications</i>	<i>Percentage of projects approved</i>
<i>ACT</i>	3	14	21.4
<i>NSW</i>	15	300	5.0 <sup>(a)</sup>
<i>NT</i>	1	20	5.0
<i>QLD</i>	9	97	9.3
<i>SA</i>	7	43	16.3 <sup>(b)</sup>
<i>TAS</i>	6	49	12.2
<i>VIC</i>	11	135	8.1
<i>WA</i>	8	83	9.6
<b><i>AUST</i></b>	<b>60</b>	<b>741</b>	<b>8.1</b>

Source: ABS analysis of FCHP database

Notes: (a) Statistically significant (at a 95 per cent confidence level) when compared to the national average

(b) Statistically significant (at a 90 per cent confidence level) when compared to the national average

**3.7** An analysis of Table 3 indicates that, although the largest number of approved projects was in New South Wales followed by Victoria, the success rates for applications in New South Wales and South Australia were significantly different to the national average.

**Table 4****Value of approved projects by State and Territory**

<i>State</i>	<i>Amount approved for projects \$m</i>	<i>Amount requested for projects \$m</i>	<i>Amount approved as a percentage of amount requested</i>
ACT	1.7	36.7	4.6
NSW	20.2	680.6	3.0
NT	2.3	38.8	5.9
QLD	11.5	236.7	4.8
SA	6.5	70.1	9.3
TAS	5.1	87.1	5.9
VIC	15.6	246.8	6.3
WA	7.5	145.5	5.2
<b>AUST</b>	<b>70.4</b>	<b>1542.3</b>	<b>4.6</b>

Source: ABS Analysis of FCHP database

**3.8** Table 4 indicates that, while New South Wales received the largest allocation of program funds, followed by Victoria, it had the lowest percentage of funds approved compared with funds requested. On the other hand, South Australia was allocated the largest percentage of funds requested, which was twice the national average, followed by Victoria.

**Table 5****Actual and per capita distribution of funding provided for approved projects by State and Territory**

<i>State</i>	<i>Approved funding \$m</i>	<i>Percentage of total approved funding</i>	<i>Distribution of total approved funding on per capita basis \$m</i>	<i>Percentage of total approved funding on per-capita basis</i>
ACT	1.7	2.4	1.1	1.7
NSW	20.2	28.6	23.8	33.8
NT	2.3	3.3	0.7	1.0
QLD	11.5	16.3	13.0	18.4
SA	6.5	9.3	5.6	7.9
TAS	5.1	7.3	1.8	2.5
VIC	15.6	22.1	17.5	24.9
WA	7.5	10.7	6.9	9.8
<b>AUST</b>	<b>70.4</b>	<b>100</b>	<b>70.4</b>	<b>100</b>

Source: ABS analysis of FCHP database

**3.9** Table 5 outlines the distribution of funding by State and Territory together with a notional allocation based on a per capita distribution. Tasmania was allocated substantially more than would have been expected on a per capita basis. The Ministers have advised the ANAO

that they believe the distribution to States and Territories has been equitable. On a per capita basis, smaller States received a higher percentage of funds than the larger States. This reflected their conscious intentions. If decisions had been taken solely on the basis of population these States would have done extremely poorly.

**3.10** The Ministers recognised that the low population base of the smaller States and Territories often meant that they had limited resources available to protect heritage places or construct major cultural facilities. They advised that, Tasmania, for example, has—due to its early and unique historical development—a considerable stock of heritage assets which are of both State and national significance but are arguably beyond the capacity of the Tasmanian authorities to preserve because of the State’s low population base. An analysis of the pattern of applications (see Appendix 1) by the ANAO indicates that the largest number of applications categorised as ‘heritage’ by the FTG, came from New South Wales. The latter category of application had a higher success rate than those in Tasmania. However, the ANAO noted that many of the cultural/heritage projects approved in Tasmania had a high heritage component.

*Distribution by political party*

**3.11** Tables 6 and 7 show the total number and value of approved projects in seats held by particular political parties.

**Table 6**

**Number of approved projects in seats held by particular political parties**

<i>Political Party</i>	<i>Number of approved projects</i>	<i>Number of projects</i>	<i>Percentage of projects approved</i>
<i>Labor</i>	19	216	8.8
<i>Coalition</i>	37	485	7.6
<i>Other<sup>(a)</sup></i>	4	40	10.0
<b>AUST</b>	<b>60</b>	<b>741</b>	<b>8.1</b>

Source: ABS analysis of FCHP database

Note (a) Independent and multi-electorate

**Table 7****Value of approved projects in seats held by particular political parties**

<i>Political Party</i>	<i>Amount approved for projects \$m</i>	<i>Amount requested for projects \$m</i>	<i>Amount approved as a percentage of amount requested</i>
<i>Labor</i>	18.1	479.4	3.8
<i>Coalition</i>	45.2	970.8	4.7
<i>Other<sup>(a)</sup></i>	7.1	92.1	7.7
<b>AUST</b>	<b>70.4</b>	<b>1542.3</b>	<b>4.6</b>

Source: ABS analysis of FCHP database

Note (a) Independent and multi-electorate

**3.12** An analysis of Tables 6 and 7 indicates that the pattern of approvals reflected the pattern of applications and the allocations to each political party was not significantly different from the national average for all parties. At the time applications under the FCHP program were called, the Coalition held 63.5 per cent of the seats in the House of Representatives and Labor 33.1 per cent. Independent members accounted for the balance. Coalition held electorates were allocated 61.7 per cent of the number and 64.2 per cent of the value of grants. Labor held electorates were allocated 31.7 per cent of the number and 25.7 per cent of the value.

**3.13** Tables 8 and 9 outline the number and value of approved projects in seats held by particular political parties and the status of electorates.

**Table 8**

**Number of approved projects in seats held by particular political parties and status of electorates**

<i>Political Party and status of electorates</i>	<i>Number of approved projects</i>	<i>Number of project applications</i>	<i>Percentage of project applications approved</i>
<b>Labor</b>			
<i>Safe</i>	6	111	5.4
<i>Fairly safe</i>	8	66	12.1
<i>Marginal</i>	5	39	12.8
<b>Total</b>	<b>19</b>	<b>216</b>	<b>8.8</b>
<b>Coalition</b>			
<i>Safe</i>	15	225	6.7
<i>Fairly safe</i>	8	71	11.3
<i>Marginal</i>	14	189	7.4
<b>Total</b>	<b>37</b>	<b>485</b>	<b>7.6</b>
<b>Independent and Multi-Electorate</b>			
<i>Safe</i>	3	25	12.0
<i>Fairly safe</i>	0	6	0.0
<i>Marginal</i>	0	1	0.0
<i>Multi-Electorate</i>	1	8	12.5
<b>Total</b>	<b>4</b>	<b>40</b>	<b>10.0</b>
<b>AUST</b>	<b>60</b>	<b>741</b>	<b>8.1</b>

Source: ABS analysis of FCHP database

**3.14** An analysis of Table 8 shows that, although the number of projects approved in Coalition held electorates was higher, in terms of the success rate of applications, a slightly larger percentage of projects in Labor held electorates was approved compared with those projects in Coalition held electorates.

**3.15** In terms of marginal electorates, 14 out of the 60 projects approved were in Coalition held marginal electorates and five projects were in Labor held marginal electorates. However, marginal Labor held electorates had almost twice the success rate of marginal Coalition held electorates.

**Table 9****Funding provided for approved projects in seats held by particular political parties and status of electorates**

<i>Political Party and status of electorates</i>	<i>Amount provided for approved projects \$m</i>	<i>Amount requested for projects \$m</i>	<i>Amount approved as a percentage of amount requested</i>
<b>Labor</b>			
<i>Safe</i>	5.0	263.7	1.9
<i>Fairly safe</i>	7.6	137.3	5.5
<i>Marginal</i>	5.5	78.4	7.0
<b>Total</b>	<b>18.1</b>	<b>479.4</b>	<b>3.8</b>
<b>Coalition</b>			
<i>Safe</i>	19.5	471.3	4.1
<i>Fairly safe</i>	8.4	132.9	6.4
<i>Marginal</i>	17.3	366.6	4.7
<b>Total</b>	<b>45.2</b>	<b>970.8</b>	<b>4.7</b>
<b>Independent and Multi-Electorate</b>			
<i>Safe</i>	2.3	47.7	4.8
<i>Fairly safe</i>	0.0	13.5	0.0
<i>Marginal</i>	0.0	3.0	0.0
<i>Multi-Electorate</i>	4.8	27.9	17.1
<b>Total</b>	<b>7.1</b>	<b>92.1</b>	<b>7.7</b>
<b>AUST</b>	<b>70.4</b>	<b>1542.3</b>	<b>4.6</b>

Source: ABS analysis of FCHP database

**3.16** Table 9 shows that projects in Coalition held electorates were allocated more funding and did slightly better than those in Labor held electorates in terms of the percentage of the amount requested. This is because the average grant approved for a project in a Coalition held electorate was \$1.221 million compared to that in a Labor held electorate of \$0.952 million. By way of comparison the average value of an application from a Coalition held electorate was \$2.000 million and Labor \$2.219 million.

**3.17** An analysis of the value of funding approved compared with the amount requested in marginal electorates indicates a similar result to the success rate of approved projects in marginal electorates detailed in Table 8, with projects in Labor held electorates being allocated one and one half times the amount allocated to those in marginal Coalition held electorates.

### *Distribution of approved lower rated projects*

**3.18** Table 10 details the distribution of the lower rated projects that were approved. It compares the number of approved projects with the number of applications by State and Territory. An analysis of the expected distribution based on the number of applications compared with the actual distribution shows that in South Australia and New South Wales the actual result is, statistically, significantly different to the national result.

**Table 10**

#### **Number of lower rated projects approved by State and Territory**

<i>State</i>	<i>Number of lower rated projects approved</i>	<i>Number of projects</i>	<i>Percentage of lower ranked projects approved</i>
<i>ACT</i>	1	14	7.1
<i>NSW</i>	2	300	0.7 <sup>(a)</sup>
<i>NT</i>	0	20	0.0
<i>QLD</i>	1	97	1.0
<i>SA</i>	5	43	11.6 <sup>(b)</sup>
<i>TAS</i>	1	49	2.0
<i>VIC</i>	3	135	2.2
<i>WA</i>	3	83	3.6
<b><i>AUST</i></b>	<b>16</b>	<b>741</b>	<b>2.2</b>

Source: ABS Analysis of FCHP database

Note: (a) Statistically significant (at a 90 per cent confidence level) when compared to the national average

(b) Statistically significant (at a 99 per cent confidence level) when compared to the national average

**3.19** An analysis of the value of lower rated projects approved for funding by State and Territory in Table 11 shows Victoria was allocated the largest amount of funding followed by South Australia. However, as a percentage of funds sought, the situation was reversed, with the amount allocated to South Australia some six times the national average.



**Table 11****Funding provided for lower rated projects by State**

<i>State</i>	<i>Amount provided for lower rated projects \$m</i>	<i>Amount requested for projects \$m</i>	<i>Amount approved as a percentage of amount requested</i>
<i>ACT</i>	<i>0.5</i>	<i>36.7</i>	<i>1.4</i>
<i>NSW</i>	<i>1.6</i>	<i>680.6</i>	<i>0.2</i>
<i>NT</i>	<i>0.0</i>	<i>38.8</i>	<i>0.0</i>
<i>QLD</i>	<i>0.8</i>	<i>236.7</i>	<i>0.3</i>
<i>SA</i>	<i>3.8</i>	<i>70.1</i>	<i>5.4</i>
<i>TAS</i>	<i>0.5</i>	<i>87.1</i>	<i>0.5</i>
<i>VIC</i>	<i>5.1</i>	<i>246.8</i>	<i>2.1</i>
<i>WA</i>	<i>2.3</i>	<i>145.5</i>	<i>1.6</i>
<b><i>AUST</i></b>	<b><i>14.6</i></b>	<b><i>1542.3</i></b>	<b><i>0.9</i></b>

Source: ABS analysis of FCHP database

**3.20** Table 12 shows the distribution of successful lower rated projects in seats held by political parties. No significant statistical differences between the percentage allocated to projects in Coalition or Labor held electorates were detected from the national picture.

**Table 12****Number of lower rated projects in seats held by particular political parties**

<i>Political Party</i>	<i>Number of lower rated Projects</i>	<i>Number of Projects</i>	<i>Percentage of lower rated projects approved</i>
<i>Labor</i>	<i>5</i>	<i>216</i>	<i>2.3</i>
<i>Coalition</i>	<i>11</i>	<i>485</i>	<i>2.3</i>
<i>Other<sup>(a)</sup></i>	<i>0</i>	<i>40</i>	<i>0.0</i>
<b><i>AUST</i></b>	<b><i>16</i></b>	<b><i>741</i></b>	<b><i>2.2</i></b>

Source: ABS analysis of FCHP database

Note (a) Independent and multi-electorate

**3.21** Table 13 summarises the number of approved lower rated projects in seats held by particular political parties, by status of electorates and by value. It shows that 69 per cent of approvals were for projects in Coalition held electorates and they received a similar percentage of the funds allocated.

**Table 13**

**Distribution of lower rated projects in seats held by particular political parties, by status of electorates and by value of projects**

<i>Political Party</i>	<i>Number of Projects</i>	<i>Status of Electorate</i>	<i>Value of Projects \$m</i>
<i>Labor</i>	<b>5</b>	<i>Fairly Safe</i>	<b>3.9</b>
<i>Coalition</i>	<b>5</b>	<i>Marginal</i>	<b>5.1</b>
	<b>2</b>	<i>Fairly Safe</i>	<b>1.6</b>
	<b>4</b>	<i>Safe</i>	<b>3.9</b>
<i>Total</i>	<b>11</b>		<b>10.6</b>
<b>AUST</b>	<b>16</b>		<b>14.5</b>

Source: ABS analysis of FCHP database

## Conclusion

**3.22** The pattern of approvals for the number and value of grants approved reflected the proportion of electorates held by the major political parties and independents in the House of Representatives at the time the decisions to approve the grants were made. In addition, an analysis of the distribution of approvals by political party showed the variation in the success rate for projects from electorates held by different political parties was not significantly different to that which could have been expected from the pattern of applications. On the other hand, although the largest number of approved projects was in New South Wales, the success rate of applications from South Australia and New South Wales was significantly different to the national average.

**3.23** Of the 16 lower rated projects that were approved, 11 were in Coalition held electorates and five in Labor held electorates. This proportion reflected the pattern of applications from electorates held by the major parties. Funding for these projects was allocated in a similar proportion. However, the number of lower rated projects that were approved in South Australia (5) and New South Wales (2) were, statistically, significantly different to what might have been expected from the pattern of applications.

**3.24** It has to be recognised, of course, that any analysis of the distribution of grants to electorates or States cannot by itself clearly indicate, one way or another, that there is, or is not, any party political bias. Any apparent weighting could be the result of greater assessed need in terms of the selection criteria in electorates held by a particular side of politics and/or the quality of applications.

## 4. Announcement of the results of grant applications.

**4.1** One of the public interest issues raised in connection with the FCHP program concerned the timing of the announcement of 32 of the 60 successful applications during the lead up to the October 1998 election. As noted earlier in this report, transparency in decision-making is central to any public accountability framework. As well, public perception about the operation of the accountability framework is as important as the framework itself.

**4.2** Table 14 details the number of successful projects announced prior to the October 1998 election and shows that a much larger percentage of approved projects were announced in Coalition held electorates (70.3 per cent) than in Labor held electorates (26.3 per cent). The difference between the percentage of approved projects announced in Labor and Coalition held electorates was, statistically, significantly different from the national percentage of approved projects announced prior to the election.

**Table 14**

**Number of approved projects announced prior to the October 1998 election**

<i>Political Party</i>	<i>Number of pre-election announced projects</i>	<i>Number of approved projects</i>	<i>Percentage of approved projects announced pre-election</i>
<i>Labor</i>	5	19	26.3 <sup>(a)</sup>
<i>Coalition</i>	26	37	70.3 <sup>(a)</sup>
<i>Independent</i>	0	3	0.0
<i>Multi-Electorate</i>	1	1	100.0
<b><i>All parties</i></b>	<b>32</b>	<b>60</b>	<b>53.3</b>

Source: ABS analysis of FCHP database

Note: (a) Statistically significant (at a 95 per cent confidence level) when compared to the national percentage

**4.3** At the time of the October 1998 election, 37.2 per cent of Coalition held electorates and 30.6 per cent of Labor held electorates were marginal. Table 15 outlines the number of approved projects located in marginal electorates and those projects in marginal electorates that were announced in the lead up to the October 1998 election. Some 74 per cent of approved projects in marginal electorates were announced prior to the election. Of these, 78.6 per cent of projects were in Coalition held marginal electorates and 21.4 per cent were in Labor held marginal electorates.

4.4 Eleven of the 26 projects in Coalition electorates and three of the five projects in Labor held electorates announced prior to the election were in marginal electorates. The small population does not enable any judgement to be made of the statistical significance of the differences.

**Table 15**

**Number of approved projects in marginal electorates announced prior to the October 1998 election**

<i>Political Party</i>	<i>Number of projects in marginal electorates announced pre-election</i>	<i>Number of approved projects in marginal electorates</i>	<i>Percentage of projects in marginal electorates announced pre-election</i>
<i>Labor</i>	3	5	60.0
<i>Coalition</i>	11	14	78.6
<i>Independent</i>	0	0	0
<i>Multi-electorate</i>	0	0	0
<b><i>All parties</i></b>	<b>14</b>	<b>19</b>	<b>73.7</b>

Source: ABS analysis of FCHP database

4.5 Of the 16 approved projects rated by the FTG at fewer than 15 points, 11 were in Coalition held electorates; nine were announced during the election campaign; and five were in marginal coalition held seats. All announcements, including those in Labor electorates, were made by Coalition Ministers, Senators or the local members.

## Caretaker convention

4.6 By convention, the Government assumes a 'caretaker' role in the period between the dissolution of the House of Representatives and the time when it is clear which political party will have a majority in the House. During this period, the Government ensures that decisions are not taken which would bind an incoming government and limit its freedom of action. In the case of the 1998 election, the caretaker period commenced at noon 31 August and expired on 12 October.

4.7 Prior to the start of the caretaker period, the FTG sought advice from DOCITA's legal section regarding the application of the caretaker conventions in situations where decisions are made before the calling of an election but announced afterwards. The internal advice drew on an article that had been included in the PM&C 1986–87 Annual Report that stated:

*The basic conventions are directed at the taking of decisions, and not to their announcement. Accordingly, the conventions are not infringed where decisions taken before the caretaker period are announced during*

*the caretaker period. However, it is desirable, if the decisions concern significant initiatives, that they be announced in advance of the caretaker period in order to avoid controversy.*

**4.8** Advice was also sought from PM&C. PM&C were of the view that the Fund grants would amount to a “significant initiative” and may attract controversy, including questions about why the announcements were not made before entering the caretaker period and whether decisions were in fact made before the caretaker period.

**4.9** PM&C emphasised that, if any announcements were made after an election had been called, the Department could not provide assistance and Commonwealth funds could not be used for any purpose associated with announcements. A low key announcement paid for by the Party was acceptable but the possibility of controversy should be considered by the Minister in deciding how to proceed.

**4.10** This advice was forwarded by DOCITA to the Minister’s office the day before the list of applications and ratings were sent to the Minister’s office by the FTG.

**4.11** Decisions on the timing of the announcements of successful and unsuccessful applications were made by the Ministers. The draft information and application kit prepared by the FTG for the Ministers’ approval outlined a timetable that included the announcement of successful applications. A file note prepared by the FTG on 25 May 1998 noted that, at the request of the Minister for Communications’ office, all reference to the timing of the decision-making process be removed to enable Ministers maximum flexibility in the timing of the announcement of decisions.

**4.12** In a file note dated 1 September 1998, a NCCOF officer noted the Minister for Communications’ office advised that it was expected the final projects would be announced gradually. In response to expressions of concern about the need to inform the Council properly of the Government’s decisions, the Minister’s office advised that they would talk to the Prime Minister’s Office to see what might be possible to inform the Council more formally. Concern was expressed by the NCCOF Chief Executive that the Council needed to be informed properly and not have to follow a trail of press releases. The Chief Executive subsequently wrote that he suspected, over the days and weeks ahead, there would be a series of announcements about Federation Fund projects and possibly including those covered by the FCHP program. He asked for a list of announcements to be maintained.

**4.13** In an internal minute dated 7 September 1998, the NCCOF Chief Executive noted the responsible Ministers had met on 6 September to decide on the announcement process. Announcements were to be made over the next fortnight, with most projects to be announced in the week beginning 14 September with a formal letter dated 14 September going to successful applicants that week. The Government would not be issuing a media release detailing the full list but the information may be put on a website.

**4.14** Concerns were also expressed that Council would feel slighted if not properly informed. It was reported that communities, in Western Australia at least, were delaying their submissions under other Federation Fund programs until they knew how they had fared under the FCHP component. The Ministers advised the ANAO that they do not believe that the six weeks that elapsed between decisions and announcements would have materially affected unsuccessful applicants. The only other Federation Fund program under which applications could have been made around this time was the FCP program. The FCP program sought projects of an entirely different scale to the FCHP program (\$200 000 was allocated in toto per House of Representatives electorate) and the Ministers dispute the basis of these concerns.

**4.15** During the course of the election campaign, and following a request from the Minister's office to DOCITA to prepare letters to successful applicants, it was decided to prepare letters to all successful and unsuccessful applicants for Ministers' signatures for dispatch by the Minister's office. Internal legal advice at the time said that letters should be dispatched when prepared and not held up for better impact. DOCITA advised that draft letters were prepared and forwarded to the Minister for Communications' Office on either 11 or 18 September 1998. Signed letters were actually dispatched by DOCITA on 13 October, the day after the end of the caretaker period.

**4.16** In response to a question from the ANAO concerning the reasons for the timing of the announcements of some, but not all, successful projects, the Ministers advised that it was their practice to arrange announcements of successful projects by ministers and government members for programs of this type. This was the approach they adopted in relation to the FCHP program. By mid-October 1998, however, they had only announced 32 of the 60 projects because of the difficulties in arranging appropriate opportunities and the participation of ministers and members in those announcements. They therefore decided to bring to an end speculation about the remaining successful projects by announcing the balance of the projects (as part of a full list) on 15 October.

**4.17** It is not clear why, if difficulties were being experienced in arranging appropriate opportunities and the participation of ministers and members in those announcements, that the letters that had been prepared by DOCITA to successful and unsuccessful applicants could not have been dispatched in mid-September 1998 when they were originally prepared and forwarded to the Minister's office. In response to this issue the Ministers advised that they would have preferred to have been able to arrange individual announcements for all projects. However, the time constraints imposed on ministers and members because of the election meant that this proved not to be possible within a reasonable time frame. They informed the ANAO that their difficulties in organising individual announcements were not immediately apparent following the Prime Minister's approval of projects. So it was not a case of knowing shortly thereafter that announcements for all projects was not possible within a reasonable time period. When this did become apparent they decided to issue a global media statement which was released on 15 October. The Ministers do not believe that a six-week period between the approval of projects and announcement represents an undue delay.

## Conclusion

**4.18** Given that the decision to approve the grants was made prior to the start of the caretaker convention their announcement was not a breach of the convention which is directed to avoiding taking decisions that may commit an incoming government.

**4.19** Just over 50 per cent of FCHP projects were announced in the lead up to the October 1998 election. The difference between the percentage of approved projects announced prior to the election in Labor and Coalition held electorates was, statistically, significantly different to the national percentage of approved projects announced prior to the election. Of the announcements prior to the election in marginal electorates, 78 per cent were in Coalition held electorates.

**4.20** The timing of the announcement of successful and unsuccessful applications before and after the election was controlled by the Ministers. Ministers have the prerogative to determine the timing of the announcement of government decisions. However, if Ministers are to control the announcement process, it would seem important, from the perspective of sound public administration, that it is done in such a way that there is no perception that the timing of announcements is being used for party political purposes. This is a particularly sensitive issue for the Parliament and the general public in the lead up to an election, be it a Commonwealth, State or local government election.

**4.21** The caretaker convention emphasises that, in order to avoid unnecessary controversy, it is desirable that decisions concerning significant programs be announced prior to the start of the caretaker period. In the case of the FCHP program, there was very little time between the Prime Minister approving the projects and the commencement of the caretaker period to announce the successful projects. However, the FCHP program is a significant program and the timing of the announcement of some, but not all, of the successful projects in the lead up to the October 1998 election has led to a deal of speculation and criticism that could have been avoided.

**4.22** From a program administration perspective and, as a matter of good practice, successful and unsuccessful applicants should be advised without delay after a decision on their application has been made. This approach enables applicants to know the outcome of their applications as soon as possible so they can initiate the implementation of their projects or pursue alternative courses, if necessary. It also has the added advantage of avoiding any perception that the timing of the announcements is being used for party political purposes. It would seem preferable for all decisions, when taken, to be announced together, or within a short period of time, to avoid uncertainty and unnecessary speculation.

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Canberra ACT  
3 February 2000

P. J. Barrett  
Auditor-General



# Appendices



## Appendix 1

**Table 1**

**Analysis of applications and approved projects for New South Wales and Tasmania by project type**

<i>Project Type</i>	<i>Number of Applications Received</i>	<i>Value of projects requested \$m</i>	<i>Applications Approved</i>	<i>Value of projects approved \$m</i>	<i>Percentage of projects approved</i>
<b>Tasmania</b>					
<i>Heritage</i>	12	22.1	1	1.0	8.3
<i>Cultural</i>	14	17.4	0	0	0
<i>Cultural/Heritage</i>	23	47.6	5	4.1	21.7
<b>Total</b>	<b>49</b>	<b>87.1</b>	<b>6</b>	<b>5.1</b>	<b>12.2</b>
<b>New South Wales</b>					
<i>Heritage</i>	55	95.7	7	9.3	12.7
<i>Cultural</i>	133	331.1	4	4.1	3.0
<i>Cultural/Heritage</i>	112	253.7	4	6.7	3.6
<b>Total</b>	<b>300</b>	<b>680.5</b>	<b>15</b>	<b>20.1</b>	<b>5.0</b>

Source: ANAO analysis of FCHP database

## Appendix 2

### List of approved projects rated below 15 points by the FTG

<i>State</i>	<i>Project</i>	<i>Amount approved \$m</i>
NSW	Gilgandra Centennial Celebration of Federation—Gilgandra	1.000
NSW	National Surf Life Saving Institute—Bondi	0.600
VIC	Federation Tapestry—Melbourne	1.600
VIC	Frankston Community Arts & Cultural Centre—Melbourne	1.500
VIC	The Maroondah Heritage Estate—Ringwood	2.000
QLD	Palma Rosa Conservation—Brisbane	0.800
WA	Midland Town Hall Conservation/ Restoration Project—Midland	0.800
WA	Restoration and Repairs to 'Meerilinga' House—West Perth	0.471
WA	The Golden Pipeline of Western Australia—Mundaring to Kalgoorlie	1.000
SA	Seeing and Hearing Beyond Federation—Townsend House—Brighton	0.448
SA	Port Lincoln Civic Hall Redevelopment—Port Lincoln	1.000
SA	Commonwealth Railways Museum—Adelaide	0.560
SA	The Warriparinga Interpretive Centre—Marion	1.450
SA	Mawson Antarctic Collection Appeal—Adelaide	0.300
TAS	Tasmanian School of Fine Furniture—Launceston	0.460
ACT	Restoration, Church of St Andrew—Canberra	0.500

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