

Award of Funding under the Disaster Ready Fund

National Emergency Management Agency

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Canberra ACT

26 May 2025

Dear President
Dear Mr Speaker

In accordance with the authority contained in the *Auditor-General Act 1997*, I have undertaken an independent performance audit in the National Emergency Management Agency. The report is titled *Award of Funding under the Disaster Ready Fund*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit to the Parliament.

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

Yours sincerely



Dr Caralee McLiesh PSM
Auditor-General

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

AUDITING FOR AUSTRALIA

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

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Audit snapshot

Auditor-General Report No.35 2024–25

Award of Funding under the Disaster Ready Fund



Why did we do this audit?

- ▶ The \$1 billion Disaster Ready Fund is described by the Australian Government as its flagship disaster resilience and risk reduction initiative. Funding is awarded in rounds to states and territories for projects to increase understanding of natural hazard disaster impacts; increase resilience, adaptive capacity and/or preparedness; and reduce the exposure risk, harm and/or severity of a natural hazard's impacts.



What did we find?

- ▶ The award of funding under the Disaster Ready Fund was largely effective.
- ▶ Funding guidelines for the first two rounds were largely appropriate.
- ▶ The approach taken to assessing candidate projects was partly appropriate.
- ▶ Funding decisions were appropriately informed and documented.



What did we recommend?

- ▶ There were six recommendations to NEMA addressing improved probity review processes, greater transparency of key program responsibilities in the program guidelines and strengthened assessment processes.
- ▶ The agency agreed or agreed in part to five recommendations, and noted one recommendation.



Key facts

- ▶ Two rounds have been completed.
- ▶ The minister awarded funding to 187 projects in Round 1 on 21 April 2023, and 166 projects in Round 2 on 27 July 2024, and a further 9 projects on 20 November 2024 in Round 2.
- ▶ \$200 million was paid to states and territories in December 2023 for Round 1 projects.
- ▶ Contracts are yet to be executed, and funding yet to be released for projects awarded funding in the second round.
- ▶ Evaluation of the program not expected to 2026.
- ▶ Guidelines for the third round were released in January 2025.

\$1.2 billion

in funding applied for across the two completed funding rounds.

362

projects awarded funding from the 811 proposals that were received.

\$402.15 million

funding awarded to date, of which \$157 million was for systemic risk reduction projects.

Summary and recommendations

Background

1. Established by the *Disaster Ready Fund Act 2019*, the Disaster Ready Fund (DRF) is described by the Australian Government as its flagship disaster resilience and risk reduction initiative. To be eligible for funding, projects must fall under one of two eligible streams: infrastructure project or systemic risk reduction project.¹
2. The National Emergency Management Agency (NEMA) is responsible for administration of the DRF. While anyone can develop a DRF proposal (an ‘applicant’), only state and territory governments are eligible to submit projects to NEMA for potential funding through the ‘lead agency’ in that state or territory. Lead agencies were responsible for coordinating, reviewing, evaluating and submitting applications to NEMA on behalf of project proponents. Lead agencies could also develop project proposals. In addition, payments for projects awarded funding were made by NEMA to the relevant state and territory lead agency, including where the project proponent was not a state or territory entity. The choice to conduct the DRF funding rounds in this way meant that the DRF was not subject to the Commonwealth Grants Rules and Principles and required that the cost of administering the DRF be shared between NEMA and the state and territory lead agencies.
3. NEMA was responsible for conducting an initial eligibility review of applications received from the state and territory lead agencies. Eligible projects were then referred to the DRF Assessment Panel (chaired by NEMA). The panel was to assess applications individually against the published selection criteria, rank proposals and make funding recommendations to the Minister for Emergency Management (the minister) through NEMA’s Coordinator-General.
4. Up to \$1 billion in DRF funding has been announced as available over five years from 1 July 2023 to 30 June 2028 to fund projects. As of January 2025, two funding rounds have been conducted and a third is underway.

Rationale for undertaking the audit

5. The \$1 billion DRF is described by the Australian Government as its flagship disaster resilience and risk reduction initiative. This performance audit was conducted to provide assurance to the Parliament about whether the award of DRF funding is effective and consistent with the published guidelines.

Audit objective and criteria

6. The objective of this audit was to assess whether the award of funding under the DRF was effective and consistent with the published guidelines.
7. To form a conclusion against the objective, the following high-level criteria were applied:
 - Were appropriate guidelines in place?

1 Systemic risk reduction projects involve supporting better understandings of risk, natural hazards and their impacts, strengthening decision-making networks, developing risk reduction strategies, projects that improve land use planning, and projects that build the capacity and capability of businesses.

- Was an appropriate approach taken to assessing candidate projects?
- Were funding decisions appropriately informed and documented?

8. The audit examined the awarding of funding under the DRF across the first two rounds. For the first criterion, the ANAO planned to also examine the development of the Round 3 guidelines. As those guidelines were not finalised and published until 22 January 2025 the ANAO analysis against the first criterion (as set out in Chapter 2) relates to the first two rounds only, so as to meet tabling commitments to the Parliament.

Conclusion

9. The award of funding under the Disaster Ready Fund was largely effective. Across the first two rounds, \$402.15 million in funding was awarded to 362 projects with projects in the systemic risk reduction stream receiving the most funding (ahead of those in the infrastructure stream or those that applied under both streams). The aggregate scores against the three published criteria were a key factor used to decide which applications would be recommended for funding, an approach that is consistent with awarding funding on merit. Improvements to program design and, in particular, strengthened assessment arrangements, would provide greater confidence that the approved projects are those that will make the greatest contribution to the Fund achieving its objectives.

10. Funding guidelines for the first two rounds were in place. The publication of the guidelines was not timely. The guidelines were largely appropriate. The guidelines:

- outlined the way in which funding candidates would be identified;
- set out relevant and appropriate eligibility requirements and appraisal criteria;
- set out how applications would be scored and how the scoring results would be used, albeit with some relevant information about assessment processes not being published;
- identified some, not all, assessment and decision-making responsibilities; and
- identified assessment and decision-making responsibilities in relation to applications assessed as ineligible. The guidelines lack clarity in relation to assessment and decision-making responsibilities for aspects of eligibility checking, and in relation to the co-funding requirements.

11. The approach taken to assessing candidate projects was partly appropriate. The assessment and scoring of applications against the three published selection criteria were the primary input into the ranking of applications and identification of which projects would be recommended for funding. The approach to assessment meant that:

- the processes by which members of the assessment panel are appointed were not open, and the membership was not disclosed in the published guidelines;
- conflicts of interests for those involved in the assessment processes were not consistently identified, declared and managed;
- requests for waivers to the applicant co-contribution requirement were not assessed and decided prior to those applications proceeding to merit assessment; and

- the full panel did not undertake a detailed merit assessment of all applications with adjustments to total scores made during panel meetings not identifying which criteria were affected.
12. Funding decisions were appropriately informed and documented through written briefings. In each round, a clear recommendation was provided to the minister as to which applications should, on the basis of the panel's assessment report, be approved for funding. The minister agreed with the recommendations received.

Supporting findings

Program guidelines

13. Guidelines for the first two rounds were developed, approved and published. There were two key shortcomings in NEMA's approach:
- in both rounds, changes were made to the guidelines after they had been provided to NEMA's probity adviser for sign-off, and also after the guidelines had been approved by the minister, without NEMA obtaining updated probity sign-off or ministerial approval of the changes; and
 - publication was not timely. For the first round, one jurisdiction had opened its application process by the time the guidelines were released. For the second round, one jurisdiction had opened and closed its application process by the time the guidelines were released. The guidelines for the third round were publicly released on 22 January 2025. (See paragraphs 2.3 to 2.18)
14. The guidelines clearly outlined that a closed competitive application process was being employed. This included identifying the key role to be played by state and territory lead agencies to coordinate proposals in each jurisdiction, and for submitting applications to NEMA on behalf of the jurisdiction. It was up to lead agencies to decide how they would seek and coordinate proposals. For the first round, some jurisdictions released guidance and opened public submission and participation processes prior to the release of the DRF guidelines. For the second round, one jurisdiction had opened and closed its application process by the time the guidelines were released. Ministers had decided that NEMA should use the Business Grants Hub in the second round. NEMA procured an off-the-shelf commercial product for that round. (See paragraphs 2.19 to 2.22)
15. Relevant and appropriate eligibility requirements and appraisal criteria were established. (See paragraphs 2.23 to 2.29)
16. The guidelines set out how applications would be scored and how the scoring results would be used. NEMA also developed internal assessment framework documents for each round. There were some differences and/or additions between the internal documents and the published guidelines. (See paragraphs 2.30 to 2.31)
17. The program guidelines did not fully identify assessment and decision-making responsibilities for each round. (See paragraphs 2.33 to 2.36)

18. An evaluation strategy was developed in March 2024, which was after the first round had been completed and after the application stage for the second round had been undertaken. No evaluations are planned until at least 2026. (See paragraphs 2.37 to 2.41)

Assessment of candidate projects

19. Of the 44 applications in the first two rounds assessed as ineligible, 18 (41 per cent) were removed from consideration. The remaining 26 applications assessed as ineligible proceeded to the panel assessment stage, with one removed after the panel identified it as ineligible. (See paragraphs 3.1 to 3.6)

20. Appointments to the DRF Assessment Panel were not open or transparent. (See paragraphs 3.7 to 3.14)

21. Probity advice in the first round was compromised by the ongoing contracting by NEMA of the same firm to also provide advice on the design and conduct of the first two DRF funding rounds. NEMA did not take steps to ensure it was fully aware of, nor did it seek to manage, the potential impact and risk of this arrangement adversely affecting the independence of the probity adviser. (See paragraphs 3.17 to 3.26)

22. Internal NEMA processes for managing conflicts of interest centred around briefing participants on their probity requirements, collating conflict of interest declarations, and reliance on participants to update NEMA if information became available that required the individual to update their declaration. There was no active monitoring and management of potential or actual conflicts of interest beyond those declared by individuals. The conflict of interest registers for the first and second rounds were incomplete and inaccurate. The conflict of interest declarations required by the probity framework were not provided by a number of people in each round including from the Coordinator-General of NEMA in both rounds, the Deputy Coordinator-General in the second round and the lead probity adviser in the first round. There was no register of completed probity briefings. (See paragraphs 3.27 to 3.44)

23. The three appraisal criteria identified in the guidelines for the first two funding rounds were applied to assess the merit of competing candidate projects. The approach to assessment was not fully set out in the published guidelines, as it was not identified that a subset of the panel (four of six panellists in the first round, and three of 12 panellists in the second round) would undertake preliminary assessments of individual applications applying the individual criteria. The resulting average score for each application was provided to the full panel to consider individual applications against the merit criteria on an exception basis. There were shortcomings in the application of the documented assessment framework which meant that not all applications identified as achieving a 'competitive' preliminary assessment score were provided to the panel for full consideration. There were also gaps in the minutes of the panel meetings, with no record of decisions or discussion by the panel for 113 applications. Where there were records, it was common for the records to not explain score changes with relevance to the appraisal criteria, or explain the equity or diversity reasons for adjustments. (See paragraphs 3.45 to 3.71)

24. There were inconsistencies and anomalies in the assessment and decision-making in relation to requests from applicants for a waiver of the requirement that they provide a co-contribution of at least 50 per cent of eligible project expenditure. In the first round, the Program Delegate sought advice from the assessment panel, and waiver decisions reflected the

panel advice. In the second round, no recommendations from the panel were recorded for 24 of the 60 requests for waivers. Of the 89 requests for a full or partial waiver received across the two rounds 80 were assessed, with 44 of the requests granted. The projects approved for DRF funding included 20 where a full or partial waiver was granted. (See paragraphs 3.73 to 3.84)

25. Applications were placed into three lists, a recommended for funding list, a suitable (but not recommended) list, and a list of not suitable projects. Projects were ranked within those lists. This approach was consistent with the requirement in the program guidelines that projects be ranked after they had been assessed against the three published selection criteria. (See paragraphs 3.85 to 3.100)

Funding decisions

26. Timely and clear funding recommendations were provided in writing each round to a delegate of the Coordinator-General. The recommendation was to endorse (in the first round) and approve (in the second round) the recommendations of the panel as set out in its assessment report. (See paragraphs 4.2 to 4.9).

27. Timely and clear funding recommendations were provided to the minister in each of the first two rounds. The recommendations reflected the results of the assessment process, as recorded by the panel in its assessment report for each round (the guidelines required that the recommendations be based on advice from the panel). (See paragraphs 4.10 to 4.17)

28. The minister recorded agreement in full to the funding recommendations in each round. The minister recorded the basis for the funding decision in the format provided by NEMA, referencing the *Disaster Ready Fund Act 2019*, and confirmed satisfaction that the expenditure was a 'proper use of money' in each round (the test set out in the PGPA Act). (See paragraphs 4.19 to 4.24)

29. Distribution of the award of funding in each round was commensurate with scale of applications from each jurisdiction, and the intent of the guidelines to support jurisdictions to achieve baseline funding thresholds. There was no evidence of political factors influencing the distribution of funding. (See paragraphs 4.25 to 4.32)

Recommendations

Recommendation no. 1 The National Emergency Management Agency, when obtaining probity review of funding guidelines:
Paragraph 2.17

- (a) identify in its tasking of the probity adviser the points in the process at which probity sign-off will be required and the framework(s) to be considered when providing those sign-offs;
- (b) ensure the probity review considers all substantive changes made to the guidelines; and
- (c) provide clear and accurate advice to the decision-maker on whether the version of the draft guidelines being considered for approval has been the subject of probity review.

National Emergency Management Agency response: *Agreed*

Recommendation no. 2 The National Emergency Management Agency improve the funding guidelines for the Disaster Ready Fund by:
Paragraph 2.34

- (a) ensuring consistency with its internal assessment framework, including by addressing in the published guidelines all key assessment and decision-making processes; and
- (b) clearly identifying responsibility for each step in the assessment and decision-making processes.

National Emergency Management Agency response: *Agreed in part*

Recommendation no. 3 The National Emergency Management Agency:
Paragraph 3.13

- (a) develop a strategy for the processes to appoint members of the Disaster Ready Fund assessment panel including appropriate procurement processes for members that are to be contracted for their expertise; and
- (b) disclose the membership of the panel in the guidelines for each funding round.

National Emergency Management Agency response: *Agreed in part*

Recommendation no. 4 The National Emergency Management Agency strengthen the identification and management of conflicts of interest for the Disaster Ready Fund.
Paragraph 3.42

National Emergency Management Agency response: *Agreed in part*

- Recommendation no. 5** The National Emergency Management Agency:
- Paragraph 3.70**
- (a) include in the published guidelines for rounds of the Disaster Ready Fund information about the conduct of preliminary assessments and scoring of individual applications prior to the panel meetings; and
 - (b) address in its documented assessment framework the process that will be employed to decide which applications will be assigned to individual panel members for preliminary assessment and scoring.

National Emergency Management Agency response: *Agreed*

- Recommendation no. 6** The National Emergency Management Agency improve the design and administration of future funding rounds of the Disaster Ready Fund by requiring that, where permitted, requests or co-contribution waivers be considered in advance of the merit assessment stage, with only those applications approved for a waiver being provided to the panel for merit assessment.
- Paragraph 3.83**

National Emergency Management Agency response: *Noted*

Summary of entity response

30. The proposed audit report was provided to NEMA. Extracts of the proposed report were also provided to: Maddocks, Australian Government Actuary, Natural Hazards Research Australia, Dr Mark Crosweller and Dr Jessica Weir. The letters of response that were received for inclusion in the audit report are at Appendix 1. Summary response from NEMA is below.

National Emergency Management Agency

The National Emergency Management Agency (NEMA) welcomes the audit and is committed to strengthening its delivery of the Disaster Ready Fund (DRF) in accordance with legislative requirements, government policies and better practice.

In awarding funds for over 350 projects, valued at \$400 million, the first and second rounds of the DRF have supported communities across Australia to reduce disaster risk and build resilience. NEMA welcomes the overall conclusions of the audit the award of funds was largely effective, funding guidelines were largely appropriate and funding decisions were appropriately informed and documented.

NEMA notes six recommendations have been made to improve aspects of program delivery. Of these, NEMA agrees with Recommendations one and five, agrees in part with Recommendations two, three and four and notes Recommendation six.

NEMA also notes various findings throughout the report, several of which are premised on different interpretations of requirements and weightings of principles to those applied by NEMA. While NEMA acknowledges the ANAO's views and will consider these in designing future rounds, NEMA disagrees with some findings and maintains its approach was consistent with a pragmatic interpretation of guideline requirements and struck an appropriate balance between better practice principles.

Key messages from this audit for all Australian Government entities

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

Governance and risk management

- Probity review and sign-off should be planned for and incorporated into processes, with review to incorporate all significant changes, and decision-makers accurately informed about what the probity review and any sign-off relates to (including which iteration of guidelines the sign-off is specific to).
- Transcribing meetings of assessment panels provides a comprehensive record of key inputs to decision-making. It is consistent with accountability and transparency principles of the Commonwealth Grants Rules and Principles, and represents better practise in grants administration. The benefits of transcriptions to entities include: streamlining record keeping; supporting entities to demonstrate the basis for funding recommendations and decisions; and supporting the provision of feedback to unsuccessful applicants (the Commonwealth Grants Rules and Principles outline that feedback promotes transparency in decision-making and improves the capacity of potential grantees to apply for future grant activities).

Program design and implementation

- When assessment is conducted by individuals or parties outside of the decision-makers listed in the guidelines, entities should promote transparency by clearly identifying who is undertaking the assessment and participating in making recommendations to decision-makers.

Procurement

- Sufficient and appropriate records must be maintained at all stages of a procurement, including obtaining contracts for all engagements. Not maintaining adequate records impacts the entity's ability to understand and manage contracts entered into. Record keeping is the responsibility of every public servant and is required by law.

Audit findings

1. Background

Introduction

1.1 Established by the *Disaster Ready Fund Act 2019*, the Disaster Ready Fund (DRF) is the described by the Australian Government as its flagship disaster resilience and risk reduction initiative. The objectives of the DRF are to:

- increase the understanding of natural hazard disaster impacts, as a first step towards reducing disaster impacts in the future;
- increase the resilience, adaptive capacity and/or preparedness of governments, community service organisations and affected communities to minimise the potential impact of natural hazards and avert disasters; and
- reduce the exposure to risk, harm and/or severity of a natural hazard's impacts.²

1.2 The National Emergency Management Agency (NEMA) is responsible for administration of the DRF program. While anyone can develop a DRF proposal (an 'applicant'), under the guidelines, only state and territory governments are eligible to submit projects to NEMA for potential funding through the 'lead agency' in that state or territory. Lead agencies were responsible for coordinating, reviewing, evaluating and submitting applications to NEMA on behalf of project proponents. Lead agencies could also develop project proposals. In addition, payments for projects awarded funding were made by NEMA to the relevant state or territory lead agency, including where the project proponent was not a state or territory entity. The choice to conduct the DRF funding rounds in this way meant that the DRF was not subject to the Commonwealth Grants Rules and Principles and required that the cost of administering the DRF be shared between NEMA and the state and territory lead agencies.

1.3 To be eligible for funding, projects must fall under one of two eligible streams: infrastructure project or systemic risk reduction project.³ There are also project eligibility criteria and expenditure eligibility criteria as well as funding co-contribution requirements. In relation to the latter, unless granted a waiver, applicants are required to provide a co-contribution of at least 50 per cent of eligible project expenditure (either cash or in-kind). In addition, state and territory lead agencies were expected to contribute to the cost of administration of the DRF.⁴

1.4 NEMA was responsible for conducting an initial eligibility review of applications received from the state and territory lead agencies. Eligible projects were then referred to the DRF Assessment Panel (chaired by NEMA with membership as per Appendix 3). The panel was to assess applications individually against the published selection criteria, rank proposals and make funding

2 The objectives are underpinned by the four DRF Investment Principles, established in the second round, which relate to projects being: risk informed; aligned with plans; priority targeted; and diverse and equitable.

3 Systemic risk reduction projects involve supporting better understandings of risk, natural hazards and their impacts, strengthening decision-making networks, developing risk reduction strategies, projects that improve land use planning, and projects that build the capacity and capability of businesses.

4 For the first round, state and territory lead agencies were provided up to \$50,000 in implementation plan costs to assist with administration of the DRF, while in the second round, lead agencies were also required to provide at least a 50 per cent co-contribution for the up to \$3 million of administrative funding provided from within the \$200 million provided for the round (being up to 1.5 per cent of funding awarded to the jurisdiction).

recommendations to the Minister for Emergency Management (the minister) through NEMA's Coordinator-General.

1.5 Up to \$1 billion in DRF funding has been announced as available over five years from 1 July 2023 to 30 June 2028 to fund projects. Up to \$200 million is available under each round. As of January 2025, two funding rounds have been conducted and a third is underway, as summarised in Table 1.1.

Table 1.1: Overview of first three funding rounds

| Date/metric | Round 1 | Round 2 | Round 3 ^a |
|--|---------------------------------|---|---|
| Date applications opened | 10 January 2023 | 22 January 2024 | 22 January 2025 |
| Date applications closed | 6 March 2023 | 29 April 2024 | 13 June 2025 (indicative) ^f |
| Date of DRF Assessment Panel | 3–5 April 2023 | 25–28 June 2024 | 15–18 July 2025 (indicative) ^f |
| Date assessment panel report finalised | 12 April 2023 | 8 July 2024 | 18 July 2025 (indicative) ^f |
| Date funding recommendation provided to minister | 13 April 2023 | 11 July 2024 | 'Early' August 2025 (indicative) ^f |
| Date of minister's funding decision | 21 April 2023 | 27 July 2024 | — ^f |
| Number of projects awarded funding | 187 ^b | 175 ^d | — ^f |
| Total project funding awarded | \$200 million ^c | \$202 million ^d | — ^f |
| Date schedules executed with jurisdictions | 27 September – 15 November 2023 | 12 December 2024 – ongoing ^{e f} | — ^f |
| Date funding paid to jurisdictions | 7 December 2023 | — ^{e f} | — ^f |

Note a: These dates are based on guidelines released on 22 January 2025. ANAO has not audited the conduct of the third round (see paragraph 1.8).

Note b: Two projects, with DRF funding of \$527,874 withdrew from the program after funding was awarded.

Note c: The last project in the recommended list for the first round was recommended for 'partial funding as seed funding to support development costs of the broader [project]', fully awarding the \$200 million budget.

Note d: The last project in the recommended list for the second round was drawn by the panel from the 'Not for Further Consideration' list (the bottom 20 per cent of eligible applications). This project was recommended for partial funding to meet the ACT's baseline funding allocation. The application was awarded \$2.89 million, the largest quantum of funding of those projects awarded funding in the ACT. This represented 38.5 per cent of the total DRF expenditure for the ACT. In awarding funding in the second round, the minister noted that one of the, at that stage, 166 projects recommended for funding had withdrawn and did not award funding to that project, but still sought the full \$200 million to be released from the DRF Fund, with the Prime Minister asking the Minister for Emergency Management 'to reallocate these funds to alternatively suitable DRF Round Two projects' (see paragraphs 4.21-4.23). After the minister made the first funding decisions, five projects awarded a total of \$2,485,055, were withdrawn. The minister awarded funding to a further 9 projects on 20 November 2024.

Note e: As at 5 February 2025, negotiations on contracts with jurisdictions remains ongoing, with Australian Capital Territory and Queensland schedules still to be executed. Funding was expected to be released to most

jurisdictions in February 2025, 10 months after applications closed. Funding to Australian Capital Territory, Queensland, and Tasmania is anticipated to occur later, between March and June 2025.

Note f: Grey cells indicate ongoing processes for which confirmed or completed dates were not available at the time of report drafting.

Source: ANAO analysis of NEMA records.

Rationale for undertaking the audit

1.6 The \$1 billion DRF is described by the Australian Government as its flagship disaster resilience and risk reduction initiative. This performance audit was conducted to provide assurance to the Parliament about whether the award of DRF funding is effective and consistent with the published guidelines.

Audit approach

Audit objective, criteria and scope

1.7 The objective of this audit was to assess whether the award of funding under the Disaster Ready Fund was effective and consistent with the published guidelines. To form a conclusion against the objective, the following high-level criteria were applied:

- Were appropriate guidelines in place?
- Was an appropriate approach taken to assessing candidate projects?
- Were funding decisions appropriately informed and documented?

1.8 The audit examined the awarding of funding under the Disaster Ready Fund across the first two rounds. For the first criterion, the ANAO planned to also examine the development of the Round 3 guidelines. As those guidelines were not finalised and published until 22 January 2025, the ANAO analysis against the first criterion (as set out in Chapter 2) relates to the first two rounds only, so as to meet tabling commitments to the Parliament.

Audit methodology

1.9 The audit methodology involved examination of NEMA records and meetings with NEMA.

1.10 The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of approximately \$512,000.

1.11 The team members for this audit were Hannah Conway, Lauren Abbey, Will Mussared and Brian Boyd.

2. Program guidelines

Areas examined

The ANAO examined whether appropriate program funding guidelines were in place.

Conclusion

Funding guidelines for the first two rounds were in place. The publication of the guidelines was not timely. The guidelines were largely appropriate. The guidelines:

- outlined the way in which funding candidates would be identified;
- set out relevant and appropriate eligibility requirements and appraisal criteria;
- set out how applications would be scored and how the scoring results would be used, albeit with some relevant information about assessment processes not being published;
- identified some, not all, assessment and decision-making responsibilities; and
- identified assessment and decision-making responsibilities in relation to applications assessed as ineligible. The guidelines lack clarity in relation to assessment and decision-making responsibilities for aspects of eligibility checking, and in relation to the co-funding requirements.

Areas for improvement

The ANAO recommended that improvements be made to the timing and coverage of probity review of the funding guidelines as well as improvements to the information included in the program funding guidelines.

2.1 The *Disaster Ready Fund Act 2019* empowers the Emergency Management Minister to make grants of financial assistance. The guidelines that are established for a funding program play a central role in the conduct of effective, efficient and accountable administration. Advice to ministers on the establishment of the DRF identified that program funding guidelines would be put in place. The ANAO examined whether appropriate guidelines were developed, approved and published for each funding round.

2.2 The design of the DRF funding rounds involved state and territory lead agencies being responsible for coordinating, reviewing, evaluating and submitting applications to NEMA on behalf of project proponents. Lead agencies could also develop project proposals. In addition, payments for projects awarded funding were made by NEMA to the relevant state or territory lead agency, including where the project proponent was not a state or territory entity. As the payments were then being made under the *Federal Financial Relations Act 2009* framework, the DRF is not subject to the Commonwealth Grants Rules and Principles (CGRPs, which, from 1 October 2024, replaced the Commonwealth Grants Rules and Guidelines), including the requirements concerning the development and approval of grant guidelines. The Department of Finance advises entities, in its Resource Management Guide 410 that 'Not all grants are subject to the mandatory requirements in the CGRPs, and corporate Commonwealth entities (CCEs) are not required to comply unless they are delivering grants on behalf of a non-corporate Commonwealth entity (NCE). Regardless, entities are strongly encouraged to act in accordance with the CGRPs – particularly the key principles – in relation to all grants.'

Were guidelines for each round developed, approved and published?

Guidelines for the first two rounds were developed, approved and published. There were two key shortcomings in NEMA's approach:

- in both rounds, changes were made to the guidelines after they had been provided to NEMA's probity adviser for sign-off, and also after the guidelines had been approved by the minister, without NEMA obtaining updated probity sign-off or ministerial approval of the changes; and
- publication was not timely. For the first round, one jurisdiction had opened its application process by the time the guidelines were released. For the second round, one jurisdiction had opened and closed its application process by the time the guidelines were released. The guidelines for the third round were publicly released on 22 January 2025.

2.3 NEMA developed guidelines for approval by the minister. The guidelines were based on the Department of Finance's template for grant programs subject to the Commonwealth Grants Rules and Principles (CGRPs).

2.4 The ANAO's analysis focused on the development of guidelines for the first two (completed) rounds. For each round, drafts of the guidelines were provided by NEMA to its contracted probity adviser, Maddocks.⁵

Ministerial approvals

2.5 The Minister for Emergency Management was provided with two iterations of the guidelines for the first round:

- Design principles and the first draft of the guidelines were provided to the minister on 7 December 2022. On 16 December 2022, the minister recorded his agreement to each of NEMA's recommendations for the proposed approach set out in the draft guidelines. The minister also recorded that:
 - NEMA should ensure that states seek proposals from local government, and that he expected to see some local government projects in the final list.
 - He wanted changes to be made to the 'Reporting' and 'Probity and Privacy' sections 'to provide a clearer outline of transparency processes within the DRF, to reflect amendments by Senator Pocock and the Opposition'.

5 Outlined in paragraphs 3.17 to 3.26, Maddocks was engaged to provide legal services, including for the DRF, under four separate work orders. The first work order was for probity advice for the 'Preparing Australia Program', and was used also for probity advice on the DRF. This was reported on AusTender as CN3805913, from 7 July 2021 to 30 June 2023 (after a one-year extension) valued at \$281,038.20. A second contract, for probity advice across a range of unnamed programs, and used for the DRF, was reported on AusTender as CN3986197, from 4 July 2023 to 30 June 2025, valued at \$385,000. Two further work orders were entered into for secondees from Maddocks to be embedded within the NEMA team working on the design of the DRF. These are reported in AusTender as CN3872416 (from 2 May 2022 to 28 October 2022, valued at \$222,472.25), and CN3924423 (from 19 September 2022 to 30 November 2022, valued at \$108,405). The value of these four work orders amounts to 58 per cent of the total reported value of all contracts between Maddocks and NEMA reported on AusTender.

- The second, revised version⁶ was provided on 23 December 2022. This version was approved, without amendment, by the minister on 5 January 2023.

2.6 Before being published, NEMA made changes to the guidelines after they had been approved by the minister. In addition to various editorial and grammatical amendments, the guidelines were also amended to add that the Coordinator-General would provide recommendations to the minister 'based on the advice of the panel'. The changes were not reviewed by persons more senior than Executive Level 2 within NEMA.

2.7 The guidelines were published on 10 January 2023. The guidelines were published after at least one jurisdiction (Western Australia) had released its own guidance and sought applications. All lead agencies sought applications by 10 to 20 February 2023, allowing applicants between four and six weeks to draft applications. (see Appendix 4 for application process and dates for each jurisdiction). Applications were due to be submitted by lead agencies to NEMA by 6 March 2023.

2.8 For the second round, draft guidelines were provided by NEMA to the minister on 8 December 2023. The guidelines were approved on 11 December 2023. Prior to being published, a significant amendment⁷ was made by NEMA to allow Indian Ocean Territories to include funding received through Commonwealth 'Financial Assistance Grants' as part of their co-contribution. NEMA sought approval to the change from one of the minister's advisers on 12 December 2023, and the adviser informed NEMA that the revised guidelines were 'fine'. On 7 February 2025, NEMA advised ANAO that:

While NEMA accepts that this approval did not come directly from the Minister, NEMA liaised directly with the Minister's advisor (as is standard practice) and understood the approval that was provided was by extension ministerial approval.

2.9 The Ministerial Staff Code of Conduct⁸ states that ministerial advisers do not have authority to make decisions on behalf of ministers (also see paragraph 3.36).

2.10 The guidelines for the second round were published on 15 December 2023. One jurisdiction (New South Wales) had opened and closed its application process (mandatory expression of interest process) by the time the guidelines were released (see Appendix 5 for the application process and dates for each jurisdiction). Other lead agencies sought applications by 20 March 2024, allowing applicants at least eight weeks to draft applications. Applications were due to be submitted by lead agencies to NEMA by 29 April 2024. On 7 February 2025, NEMA advised ANAO that, for Round 3, NEMA has:

advised all Lead Agencies that if the state or territory is required to run an EOI process, NEMA's expectation is that the EOI processes should not close before guidelines are released and should

6 This version did not address the minister's request to ensure states seek proposals from local government. It did add two sentences related to the 'Probity and Privacy section' including: 'For the purposes of transparency, the annual report will include details of unsuccessful projects (see Section 12). Applicants will be provided the opportunity to opt out of having their details (including project details) published.'

7 NEMA described the change as 'a minor technical tweak', identified as a result of query from the Indian Ocean Territories on whether 'they could use funding from Financial Assistance Grants (FAGs) as part of their co-contribution'.

8 *Ministerial Staff Code of Conduct*, 2022, item 14 'Recognise that executive decisions are the preserve of Ministers and public servants and not ministerial staff acting in their own right', available from <https://ministers.finance.gov.au/smos/publication/2022/07/07/ministerial-staff-code-conduct> [accessed 20 February 2025].

not be a pre-requisite to applying (ie [*sic*] states and territories must accept new applications after the guidelines have been released).

Probity review

2.11 For the first round, the probity adviser reviewed four versions of the draft DRF Guidelines.

2.12 The versions provided by NEMA to its probity adviser for review did not include the final version provided to the minister for approval on 23 December 2022. This was not identified by NEMA in its advice to the minister recommending to approve the guidelines. NEMA's advice to the minister also did not identify that substantive changes⁹ had been made to parts of the guidelines after the probity adviser's review, without further probity review. These changes were the result of a review of the guidelines by the Deputy Coordinator-General of NEMA the day before the draft guidelines were provided to the minister (see footnote 38).

2.13 For the second round, the initial probity adviser sign-off, dated 30 November 2023, recorded having reviewed three versions of the draft guidelines, with the last version dated 30 November 2023. A fourth probity review was completed on 5 December 2023, in response to amendments made by NEMA, without NEMA obtaining a sign-off from the probity adviser on that version. NEMA advised the minister on 6 December 2023 that:

NEMA's probity partner, Maddocks, has provided probity sign-off and confirmed the DRF Round Two Program Guidelines are consistent with the principles set out in the *Public Governance, Performance and Accountability Act 2013*.¹⁰

2.14 Unlike for the first round, the probity sign-off was not included in the briefing pack to the minister. Similar to the first round, there were deficiencies in NEMA's advice to the minister about the probity review. For the second round, the minister was:

- incorrectly advised by NEMA that the probity adviser had confirmed the guidelines were consistent with the principles set out in the PGPA Act instead of the CGRPs. Rather, the sign-off was that the guidelines were consistent with the Commonwealth Grant Rules and Guidelines (CGRGs, now Commonwealth Grant Rules and Principles, CGRPs), notwithstanding that the DRF is not subject to the CGRGs/CGRPs; and
- not informed that the probity sign-off at the time of the briefing did not relate to the version of the guidelines submitted for ministerial approval.

2.15 A second probity sign-off was provided on 14 December 2023, after the guidelines had been approved by the minister. The probity sign-off by the probity adviser on 14 December explicitly stated that they 'noted an exception ... was introduced ... (which, we understand, remains subject

9 The changes included: identifying who would make the final decision on ineligible expenditure; removing details about the process for waivers or reductions in the co-contribution requirement; changes to one of the selection criteria which made value for money one of three elements to be considered under a criterion, rather than an overarching consideration; and allowing partial funding of applications to be recommended.

10 The probity adviser had queried the amendments, including: suggesting that 'Applicants will need to know this [whether seeking a request for waiver/partial waiver could affect the ranking of the project]'; while 'broadly comfortable' with the panel applying Investment Principle 4 when ranking projects, that 'it will be important for the Assessment Panel to clearly document the reasons for changes to the rankings based on these considerations for audit trail purposes' and that 'It also means that NEMA will need to understand and articulate the relative benefit per capita for every single project, as well as be able to summarise its "theme" and where it will be delivered (geographically)'.

to the minister's approval). The probity adviser provided no view on this amendment. An adviser to the minister approved the amendment (see paragraph 2.8).

2.16 The guidelines for the third round were finalised, approved by the Minister for Emergency Management on 21 January 2025, and publicly released on 22 January 2025.

Recommendation no. 1

2.17 The National Emergency Management Agency, when obtaining probity review of funding guidelines:

- (a) identify in its tasking of the probity adviser the points in the process at which probity sign-off will be required and the framework(s) to be considered when providing those sign-offs;
- (b) ensure the probity review considers all substantive changes made to the guidelines; and
- (c) provide clear and accurate advice to the decision-maker on whether the version of the draft guidelines being considered for approval has been the subject of probity review.

National Emergency Management Agency response: *Agreed*

2.18 *The National Emergency Management Agency (NEMA) recognises the importance of providing accurate and timely probity advice to Disaster Ready Fund (DRF) decision-makers. NEMA has since enhanced its processes and record keeping relating to probity. NEMA has taken the ANAO's recommendations on board in undertaking a probity review of the Round Three Guidelines and will look to embed these practices for rounds four and five.*

Did the guidelines clearly outline the way in which funding candidates would be identified, including any application process?

The guidelines clearly outlined that a closed competitive application process was being employed. This included identifying the key role to be played by state and territory lead agencies to coordinate proposals in each jurisdiction, and for submitting applications to NEMA on behalf of the jurisdiction. It was up to lead agencies to decide how they would seek and coordinate proposals. For the first round, some jurisdictions released guidance and opened public submission and participation processes prior to the release of the DRF guidelines. For the second round, one jurisdiction had opened and closed its application process by the time the guidelines were released. Ministers had decided that NEMA should use the Business Grants Hub in the second round. NEMA procured an off-the-shelf commercial product for that round.

2.19 Reflecting government decisions on the design of the program in October and December 2022, the program guidelines outlined that:

Anyone can develop a DRF proposal, however only Australian state and territory governments are eligible to submit projects to NEMA for potential funding.

2.20 While state and territory lead agencies submitted applications to NEMA, applicants (actual project proponents, some of which were also agencies from state and territories including the lead agencies themselves) were required to submit applications or expressions of interest to each lead agency. Each lead agency ran its own participation process within their jurisdiction. NEMA had no

input into the design and implementation process of each jurisdiction and had no oversight of each jurisdiction's approach. This meant NEMA could not implement the minister's instruction of December 2022 that it ensure that states seek proposals from local government (see paragraph 2.5). Lead agencies allowed local governments to apply through them for DRF funding (see Appendix 4 and Appendix 5), and NEMA circulated draft copies of the guidelines for each round to the Australian Local Government Association.

- For the first round, some jurisdictions released guidance and opened public submission and participation processes prior to the release of the DRF guidelines. Others opened participation processes after NEMA released the DRF guidelines. For some jurisdictions it was not clear whether, or how, based on publicly available information, they encouraged participation in the program. Appendix 4 sets out the different approaches taken by lead agencies to seek applications for the first round.
- For the second round, it was agreed that a common application period would be used for all jurisdictions. Applications were to open on 22 January and close on 20 March 2024. As set out in Appendix 5, some jurisdictions undertook expressions of interest processes prior to the application process. In addition, New South Wales implemented a two-stage application process, with a mandatory expression of interest to be submitted prior to release of the DRF guidelines.
 - The guidelines in the second round also changed the requirement that lead agencies 'must prioritise project proposals' to 'will consider and screen project proposals to ensure submissions comply with the DRF's objectives, eligibility criteria, and selection criteria as outlined in these guidelines, and categorise each proposal as 'Highly Suitable', 'Suitable' or 'Not Suitable'.'

2.21 For the first round, NEMA employed an online application portal that it developed. Lead agencies had issues accessing and logging in to the portal. Feedback from lead agencies to NEMA was that the portal was 'onerous', and had limited drafting, review and reporting functionality. NEMA did not make and retain adequate records of the rationale for the decision to develop an online portal.¹¹

2.22 A different approach was taken for the second round. In March 2023, the Government agreed that NEMA would deliver the DRF through the Business Grants Hub, with costs met from within NEMA's existing resources.¹² In December 2023, NEMA contracted the provider of a commercial off-the-shelf product to: receive applications; record eligibility assessment; allocate applications to panellists for individual assessment; for panellists to record their assessment; and for reporting and extracting information. The procurement process employed by NEMA did not comply with the Commonwealth Procurement Rules. In summary the process was as follows:

11 There was also no record of approval for the portal, IT security clearance or costings. Security issues that stemmed from a lack of appropriate planning resulted in a delay to the opening of the application portal, which opened on 19 January 2023, nine days after the beginning of the application period.

12 The minister was advised on 30 November 2023, when agreeing to parameters for the guidelines for the second round, that 'A procurement process is underway with a tight timeline to secure and on-board a new grants management system for the DRF application and the assessment process. Any delays may impact the Round Two timeline. The software may provide NEMA with broader delivery options for future rounds (i.e. direct applications from all organisations).' The minister was not asked to note or agree to this approach. The minister was not advised that this approach was not consistent with an earlier decision of ministers that the Business Grants Hub be used.

- in August 2023 NEMA met with one potential provider, prior to commencing a two-stage procurement process.
- In October 2023, NEMA received 13 responses to a Request for Information (RFI). None of the responses to the RFI were from the provider NEMA met with in August.
- Four RFI responses were assessed as meeting the mandatory terms for participation, with one assessed as offering better value for money than the other responses.
- NEMA incorrectly applied the Commonwealth Procurement Rules¹³ to issue a Request for Quote (RFQ) on 23 October 2023 to the single respondent to the RFI identified as offering the best value for money, as well as the potential provider it had met with in August that had not responded to the RFI. The RFI stated that 'If a supplier chooses not respond [*sic*] to this RFI, the supplier will not be excluded from responding to any subsequent approach to market or other Government procurement activity'
- One response to the RFQ was received, from the provider NEMA met with in August. That provider was assessed to represent value for money.
- In approving the engagement approval, NEMA added a further \$50,000 (more than one third of quoted cost) to the engagement, \$20,000 for 'initial implementation' costs and \$30,000 for 'unforeseen implementation costs'. NEMA entered into a contract with the provider on 1 December 2023.¹⁴

Were relevant and appropriate eligibility requirements and appraisal criteria established?

Relevant and appropriate eligibility requirements and appraisal criteria were established.

Eligibility requirements

2.23 The guidelines for each round included various eligibility requirements:

- a discrete section titled 'Eligibility Criteria'. The guidelines stated that project applications would not be considered if they do not satisfy all of the eligibility criteria, which related to: eligible hazard types; eligible project types under the two streams (infrastructure projects and systemic risk reduction projects); and eligible project locations;
- another section on 'eligible project expenditure' identifying both the types of expenditure that was eligible for funding, as well as identifying expenditure that was ineligible;

¹³ NEMA applied the provision of the CPRs that permits limited tenders in circumstances where an open approach to the market did not result in any submissions that met the minimum content and format requirements being received. NEMA had received four submissions that met the minimum content and format requirements. On 7 February 2025, NEMA advised ANAO that 'this was an inadvertent error' and 'should have used item 17 of Appendix A to the CPRs as the basis for the Limited Tender'. There is a substantive difference between section 10.3 of the CPRs which outlines the circumstances in which limited tenders may be conducted and Appendix A of the CPRs which sets out particular types of procurements that do not have to comply with Division 2 of the CPRs (and some parts of Division 1). Entities that are relying on Appendix A as the basis for not complying with Division 2 of the CPRs must still comply with (for example) section 5 of Division 1 'encouraging competition'.

¹⁴ AusTender CN4021849, for \$186,148.00 with Our Community Ptd Ltd from 30 November 2023 to 29 November 2024.

- a section on the co-contribution requirements with a clear statement that ‘applicants must contribute at least 50 per cent of eligible project expenditure towards each project.’ The guidelines set out the source and nature of co-contributions that could be applied to meet this requirement. They also explained the process for requesting waivers or reductions to the co-contribution requirement.

2.24 Other eligibility requirements such as application opening and closing dates, and minimum and maximum funding amounts (per-project and per-jurisdiction), were also clearly set out in the guidelines.

Appraisal criteria

2.25 The guidelines for each round included a discrete section titled ‘Selection Criteria’. This section set out three appraisal criteria against which the applications would be assessed.

2.26 The appraisal criteria were each weighted, indicating the relative importance of each of the criteria in the assessment process. The first criterion (‘project details’ in the first round and ‘project alignment with disaster risk’ in the second round) was the highest weighted, at 40 per cent. The other two criteria in both rounds were each weighted 30 per cent, one called ‘likelihood of project success’ which included a value for money aspect, and the other called ‘alignment with existing plans and strategies’.

2.27 The guidelines set out that, after applications were assessed individually against the appraisal criteria, proposals would be ranked. As part of the ranking, the panel ‘may’ consider ‘equity with respect to type of projects and the appropriateness of the geographic and thematic split of projects’ in the first round and in the second round ‘may’ apply DRF Investment Principle 4 by:

giving consideration to equity with respect to the types of projects, the appropriateness of the geographic and thematic split of projects, and relative benefit per capita (population impact), in acknowledgement that the DRF is national in scope with a variety of project activity types. ‘Equity’ does not mean an equal split of funding.

2.28 NEMA’s probity adviser made no comment on this aspect in the drafting of the Round 1 DRF Guidelines. For the second round, the probity adviser initially queried whether the Investment Principles were reflected in the appraisal criteria, before advising that while they were ‘broadly comfortable’ with the panel considering Investment Principle 4, they noted that ‘it will be important for the Assessment Panel to clearly document the reasons for the changes to the rankings based on these [other] considerations for audit trail purposes’. The probity adviser also noted that in order to apply Investment Principle 4, the panel would need ‘to understand and articulate the relative benefit per capita for every single project, as well as be able to summarise its ‘theme’ and where it will be delivered (geographically)’.

2.29 NEMA did not make any edits to the guidelines to address the advice or recommendations of the probity adviser. The final probity sign-off notes that it was subject to NEMA having ‘considered and addressed the comments we made on the documentation we reviewed’ and that ‘in any instances where NEMA has not accepted our suggested amendments to documentation or followed our probity advice, NEMA understands and has accepted any associated risk’.

Did the guidelines clearly set out how applications would be scored, and how the scoring results would be used?

The guidelines set out how applications would be scored and how the scoring results would be used. NEMA also developed internal assessment framework documents for each round. There were some differences and/or additions between the internal documents and the published guidelines.

2.30 For the first round, the guidelines were clear in most aspects of the assessment process. NEMA's internal assessment framework document (approved on 6 March 2023) expanded on and, in some respects, added details and processes not included in the guidelines. As a result, the framework was in places different and/or additional to the information presented publicly in the guidelines. Transparency in guidelines supports equitable access of grant opportunities to applicants by providing potential applicants with relevant information to inform their decision about whether to apply for grant funding.¹⁵ Of note, it was not clear from the published guidelines that:

- NEMA's Pre-Assessment Review Team would undertake an assessment of the 'strength' of a request for waiver or reduction to the co-contribution requirement;
- the Pre-Assessment Review Team would also undertake a 'preliminary categorisation' of the applications against the selection criteria and provide a preliminary weighted score for each application that would be available to panellists when undertaking their assessment;
- in relation to requests from applicants to waive or reduce the co-contribution requirement, it was not clear what information applicants were required to submit, nor how NEMA would assess whether 'rare and exceptional circumstances' existed¹⁶;
- that the draft panel assessment report would include 'any Panel advice on waiver/reduction request', with the Program Delegate and Coordinator-General to 'recommend to the Minister, as the final decision-maker, whether rare and exceptional circumstances apply to any eligible projects and whether requests should be approved';
- membership of the panel was not set out, only that it would comprise of members from a range of listed Commonwealth agencies, and that members 'may also be drawn from non-Commonwealth entities where conflict of interest could be managed' (see paragraph 3.29);

15 Department of Finance, 2024, *Commonwealth Grants Rules and Principles*, section 13, 'Consistency with Grant Guidelines and Established Processes', available from <https://www.legislation.gov.au/F2024L00854/latest/versions> [accessed 20 February 2025].

During the Joint Committee of Public Accounts and Audit (JCPAA) inquiry into Auditor-General Report No.23 of 2019–20, the ANAO suggested to the JCPAA that there would be benefits in the CGRGs being expanded to include an eighth key principle on adherence to published guidelines. The Committee recommended this to government in its Report 484, and this led to this change in the Commonwealth Grants Rules and Principles.

16 In February 2025, NEMA advised ANAO that 'Additional guidance on waivers in the Assessment Framework was provided to assist the Program Delegate with applying the exceptional circumstances test in a consistent manner and in no way altered or departed from the high-level test or process outlined in the Guidelines'. No such test was included in the guidelines, rather there was an absence of clarity on how applicants would be assessed.

- panellists would undertake ‘individual preliminary assessments’ of some, but not all, applications prior to the panel meeting, and that the whole panel would not consider all eligible applications individually against each of the three selection criteria. Rather the panel would discuss applications on an exception basis, changing the score of 71 of the 141 applications considered (50 per cent), and accepting the average weighted total score of four panellists from the individual preliminary assessment for all other projects (76 per cent of eligible projects, being 159 projects not discussed, and 70 discussed with scores not changed)¹⁷; and
- the Coordinator-General delegated his decision-making authority to the Deputy Coordinator-General on 6 April 2023.

2.31 For the second round, as with the first round, an assessment framework, was approved by NEMA¹⁸ to set out ‘the assessment and decision-making processes for applications received’. As with the first round, this assessment framework expanded on details and included processes not set out in the guidelines. Matters set out in the assessment framework that had not been set out in the guidelines included:

- the Program Delegate would only decide eligibility on an ‘issue’ or exception basis, making decisions on eligibility where the NEMA Pre-Assessment Team raised an issue on eligibility and where, once escalated to the DRF Program Director, it was agreed that an eligibility issue existed¹⁹;
- membership of the panel;
- that only eligible projects would be ‘referred to the DRF Assessment Panel’; and
- only two panellists were required to individually assess an application (see paragraphs 3.27–3.38), before a preliminary weighted total score was determined and used for preliminary ranking of applications for the panel meeting. Further, the panel would not consider all eligible applications individually against each of the three selection criteria, rather the panel would discuss applications on an exception basis²⁰, adjusting the score for 48 of the 201 applications considered (23.88 per cent, or 9.9 per cent of all

17 In February 2025, NEMA advised ANAO that: ‘NEMA intended and interpreted this to mean that the *Panel as a body [emphasis in original]* would assess each application against the selection criteria (i.e. in its own right and on its own merits), rather than against other applications (i.e. comparative assessment) or by every single Panel member individually.’ It would be reasonable for such an interpretation to be clearly outlined to applicants, so that the assessment process is transparently described. In this regard, the guidelines, and NEMA’s intent (reflected in the assessment framework) are inconsistent.

18 Three versions of the assessment framework were approved in the second round. The first was approved on 17 April 2024, while applications were open. The second version was approved on 8 May, after applications closed, to incorporate panellist details. The third version was approved on 7 June, during the preliminary assessment period, to incorporate a change to what the panel may include in their considerations (see paragraph 3.97).

19 In February 2025, NEMA advised ANAO that: ‘there was no requirement in either the Guidelines or Assessment Framework for Rounds One or Two for the Program Delegate to agree with Assessment Team checks indicating that an application met eligibility requirements. This was due to the Program Delegate having given approval, through the Assessment Framework’. ANAO notes that approval of a framework and a process is not the exercise of decision-making responsibility, noting that the guidelines stated that ‘The Program Delegate will be the final decision maker on determining eligibility’ rather than solely ineligibility.

20 Exceptions identified in the assessment framework ‘where total scores given to an application differ by 30 points or more’; where ‘one or more Panel Members specifically requests that an application be discussed’; or where ‘one or more individual Panel Members scored an application below 50’.

eligible applications), and accepting the average weighted total score of three panellists from individual preliminary assessment for all other projects (89.88 per cent of eligible projects, being 283 projects not discussed, and 153 discussed but not changed). In February 2025, NEMA advised ANAO that:

NEMA intended and interpreted this to mean that the *Panel as a body* would assess each application against the selection criteria (i.e. in its own right and on its own merits), rather than against other applications (i.e. comparative assessment) or by every single Panel member individually. [NEMA's emphasis]

2.32 NEMA's interpretation was not clearly set out to in the guidelines. As such the guidelines and internal assessment framework are inconsistent. It would be reasonable for such an interpretation to be clearly outlined to applicants, so that the assessment process is transparently described.

Were assessment and decision-making responsibilities clearly identified?

The program guidelines did not fully identify assessment and decision-making responsibilities for each round.

2.33 Table 2.1 sets out the extent to which the guidelines for each round identified assessment and decision-making responsibilities. The guidelines lacked clarity in relation to assessment and decision-making responsibilities for aspects of eligibility checking, and in relation to the co-funding requirements.²¹ Greater information on these responsibilities was included in NEMA's internal assessment framework document than was included in the published guidelines. The guidelines identified assessment and decision-making responsibilities in relation to applications assessed as ineligible.

Table 2.1: Assessment and decision-making responsibilities in guidelines

| Decision-making steps | Round 1 ^a | Round 2 ^a |
|--|---------------------------------|-------------------------------|
| Confirm receipt of application | Not identified ^{b f} | Not identified ^{b f} |
| Acceptance of late submissions | Program delegate | Program delegate |
| Application eligibility decisions | Not identified ^{c f} | Program delegate ^g |
| Decisions on ineligible costs | Program delegate | Program delegate |
| Decide whether evidence for a co-contribution waiver or reduction request is insufficient, which would mean the project was ineligible | Program delegate ^{d g} | Not identified ^f |

21 On 6 March 2023 (the same day applications closed and two months after the Round 1 DRF Guidelines were published), NEMA approved the assessment framework for the first round. This was one month after NEMA had received (on 7 February 2023) its first request for a waiver of the co-funding requirement. As the assessment framework was still in draft at this stage, NEMA had no clear guidance for what information applicants would be asked to provide, or how such requests would be assessed (including the criteria to be applied).

| Decision-making steps | Round 1 ^a | Round 2 ^a |
|--|---|-----------------------------------|
| Existence of exceptional circumstances for a co-contribution waiver or reduction request to be considered ^e | Program delegate — recommend Minister for Emergency Management | Not identified ^f |
| Composition of the DRF Assessment Panel | Program delegate | Program delegate |
| Assessment against merit criteria, and other considerations | DRF Assessment Panel | DRF Assessment Panel |
| Discretion to not recommend baseline funding for a jurisdiction | DRF Assessment Panel | DRF Assessment Panel |
| Recommendations to minister for award of funding | Coordinator-General | Coordinator-General |
| Decision to provide a waiver or reduction to co-contribution requirement. | Minister for Emergency Management | Minister for Emergency Management |
| Decision to award funding | Minister for Emergency Management | Minister for Emergency Management |

Note a: Where there has been inconsistency within the guidelines, ANAO has taken the decision-maker with the highest authority as the final decision-maker for the purposes of the table.

Note b: In February 2025, NEMA advised the ANAO that ‘there was no specific requirement in the guidelines to confirm receipt of applications’.

Note c: The guidelines stated that NEMA’s Pre-Assessment Review Team would undertake an initial eligibility check, but did not identify who would make eligibility decisions.

Note d: The guidelines are not clear if the minister can overturn a decision on eligibility of an application where the Program Delegate has decided that the information provided is insufficient. The minister can explicitly review decisions on exceptional circumstances, but it was not clear the minister can also review decisions on quality of evidence and information provided, where a decision to assess the application ineligible was made.

Note e: The requirement to demonstrate ‘exceptional circumstances’ was removed from the guidelines for the third round.

Note f: Red cells indicate that this step was not included in the guidelines.

Note g: Yellow cells indicate that there was a lack of clarity in the guidelines as to the assessment and decision-making responsibility.

Source: ANAO analysis of published guidelines.

Recommendation no. 2

2.34 The National Emergency Management Agency improve the funding guidelines for the Disaster Ready Fund by:

- (a) ensuring consistency with its internal assessment framework, including by addressing in the published guidelines all key assessment and decision-making processes; and
- (b) clearly identifying responsibility for each step in the assessment and decision-making processes.

National Emergency Management Agency response: *Agreed in part*

2.35 *The National Emergency Management Agency (NEMA) agrees that consistency between published guidelines and internal operational documents is an important element of better practice grants administration.*

2.36 *NEMA also acknowledges that some aspects of the assessment process could have been more clearly or fully articulated in the Round One and Round Two guidelines, and is committed to ensuring that key steps and responsibilities are adequately outlined for future rounds.*

Was an evaluation strategy developed during the design phase of the fund?

An evaluation strategy was developed in March 2024, which was after the first round had been completed and after the application stage for the second round had been undertaken. No evaluations are planned until at least 2026.

2.37 No brief to the minister during the design of the program addressed plans to evaluate the DRF.

2.38 In July 2023, NEMA endorsed an internal agency-wide evaluation strategy. That strategy requires that monitoring and evaluation plans be prepared at program inception stage. This did not occur for the DRF.

2.39 NEMA records included drafts of a 'Monitoring and Evaluation Plan' for the DRF from November 2022. The DRF Monitoring and Evaluation Plan was finalised in March 2024. The first evaluations to occur under this plan are:

- at an enterprise level, by June 2026;
- at a program level, for the first round '2 years after the project schedules have been signed (March 2026)' and for the second round no dates have been included in the plan²²; and
- at a project level, reporting is due quarterly after implementation plans are signed by jurisdictions, with NEMA's enterprise program management office developing and issuing reporting templates and coordinating receipt of reports, and the DRF team responsible for the contract monitoring activities.

2.40 Schedules to contract the award of funding to projects under the first round were executed on 14 September 2023, with approval granted on 2 November 2023 for funds to be transferred in

²² As at January 2025, six of the eight contracts for the second round were in place.

full in December 2023. Implementation plans for projects were continuing to be received and reviewed by NEMA as late as May 2024.²³

2.41 As at January 2025, schedules have been executed with six of the eight jurisdictions. No implementation plans have yet been agreed for any of the projects awarded funding in the second round.

2.42 In February 2025, NEMA advised ANAO that ‘The finalisation of the [Monitoring and Evaluation] plan was impacted by agency changes and the need to incorporate findings from the internal DRF Audit which was completed in late 2023 (delayed due to the Machinery of Government change from NRRRA to NEMA).’

23 In February 2025, NEMA advised ANAO that ‘there were dozens of [Implementation] plans that were assessed [by NEMA] as requiring further information hence the delay in not having all plans endorsed until May 2024.’

3. Assessment of candidate projects

Areas examined

The ANAO examined whether an appropriate approach was taken to assessing candidate projects.

Conclusion

The approach taken to assessing candidate projects was partly appropriate. The assessment and scoring of applications against the three published selection criteria were the primary input into the ranking of applications and identification of which projects would be recommended for funding. The approach to assessment meant that:

- the processes by which members of the assessment panel are appointed were not open, and the membership was not disclosed in the published guidelines;
- conflicts of interests for those involved in the assessment processes were not consistently identified, declared and managed;
- requests for waivers to the applicant co-contribution requirement were not assessed and decided prior to those applications proceeding to merit assessment; and
- the full panel did not undertake a detailed merit assessment of all applications with adjustments to total scores made during panel meetings not identifying which criteria were affected.

Areas for improvement

The ANAO made four recommendations aimed at improving the process for appointing members of the assessment panel, and transparency over its membership; stronger identification and management of conflicts of interest; improvements to conduct of the merit assessment process; and improving the design and implementation of the approach to assessing applicant requests for a waiver of the co-contribution requirement.

The ANAO also suggested that NEMA undertake an assessment and make a record of whether the project budget for each application includes only eligible costs (as per the guidelines).

3.1 Section 71 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) states that 'A Minister must not approve a proposed expenditure of relevant money unless the Minister is satisfied, after making reasonable inquiries, that the expenditure would be a proper use of relevant money'. A key consideration in administering funding programs is to implement a selection process that identifies and recommends for funding those candidates that will provide the greatest value with public money in the context of the objectives of the activity, as set out in the legislation and related program guidelines. Where ministers or other decision-makers agree with the agency funding recommendation that results from the identified assessment process, they are able to point to the assessment and entity advice as representing the reasonable inquiries they have made as required by the PGPA Act, so long as they are satisfied that the assessment was conducted with rigour and in accordance with the guidelines.

Were ineligible applications identified and removed from further consideration?

Of the 44 applications in the first two rounds assessed as ineligible, 18 (41 per cent) were removed from consideration. The remaining 26 applications assessed as ineligible proceeded to the panel assessment stage, with one removed after the panel identified it as ineligible.

3.2 The published guidelines for each round stated that eligible applications must satisfy all eligibility criteria and that the panel would only consider eligible applications. As illustrated by Table 3.1, 95 per cent of applications across the first two rounds were assessed by NEMA as eligible. The Program Delegate did not make a record in either round that the Delegate agreed with the assessment of the Pre-Assessment Team. Decision-making focussed on those 44 applications (5 per cent of applications received) that had been assessed by NEMA's Pre-Assessment Team as ineligible, with the Program Delegate deciding that 18 of these (41 per cent) should be removed from further consideration, and 26 (59 per cent) progressed to the panel for merit assessment. In this latter respect:

- there was an inconsistent approach within each of the two rounds to obtaining further information to inform eligibility assessments:
 - for the first round: the Program Delegate was advised that if they thought there was insufficient information on which to 'make an eligibility determination', NEMA can request further information, but that this 'may take time to obtain' and so 'the application will be flagged as 'eligible pending further advice' and proceed to Panel Assessment pending a final decision by you in accordance with section 3.3.1.6 of the DRF Assessment Framework'. No mention was made in the advice to the Delegate that this approach was inconsistent with the guidelines, which stated the panel would only consider eligible applications; and
 - for the second round: clarification and further information in relation to eligibility was sought in relation to 208 applications (41 per cent of applications received); and
- the guidelines for the second round had been amended from those in the first round to make it clearer that applications decided by the Program Delegate to 'not satisfy all eligibility criteria' would 'not be considered' by the panel. During the panel assessment of application merit, one of the 20 applications assessed by NEMA's Pre-Assessment Team as ineligible that still progressed to the panel was removed from further consideration as ineligible after the panel identified that the co-contribution requirement was not met²⁴).

24 During the panel meeting, a panellist queried the eligibility of the application, noting concerns with the application's calculation to meet the co-contribution requirement of 50 per cent. Applications that did not meet the co-contribution requirement were able to progress to merit assessment where they had sought a waiver or partial waiver (that is, a reduction in the requirement).

Table 3.1: Eligibility assessment results

| Category | Round 1 | Round 2 |
|--|----------------------|-------------|
| Applications received | 308 ^a | 502 |
| Applications assessed as eligible | 294 (95.5%) | 472 (94.0%) |
| Applications assessed as ineligible by the Program Delegate ^b : | 14 (4.5%) | 30 (6.0%) |
| • Ineligible applications removed from further consideration | 8 (57%) | 10 (33%) |
| • Ineligible applications progressed to panel assessment ^b | 6 (43%) ^c | 20 (67%) |

Note a: ANAO located one extra submission, not included in NEMA list of projects, of a project submitted through the online assessment portal. This application was withdrawn. No eligibility decisions or assessment record can be located for the project.

Note b: NEMA advised the ANAO in March 2025 that applications progressed to panel assessment 'pending further advice' or because the application 'involved waiver request which [in NEMA's view] did not render them ineligible'. The guidelines did not in either the first or second round allow for 'pending advice' or 'pending waiver determination'. Rather, the guidelines stated that ineligible applications would not be considered and that the panel would consider only eligible applications for merit assessment (see paragraph 3.2).

Note c: This does not include four additional co-contribution waiver requests which were initially recommended by the Program Delegate, but not recommended after subsequent consideration by the assessment panel (see paragraphs 3.74 to 3.77).

Source: ANAO analysis of NEMA records.

3.3 In response to queries from ANAO for the Program Delegate's decision on eligibility of all applications, NEMA advised on 20 December 2024 that:

Any applications that did not meet all the eligibility criteria, as decided by the Program Delegate, were excluded from further consideration. Applications that passed PAT [preliminary assessment team] eligibility checks progressed to merit assessment stage, as agreed with the Program Delegate through their approval of the Assessment Framework.

3.4 The guidelines included (see paragraph 2.23) a section on 'eligible project expenditure' identifying both the types of expenditure that were eligible for funding, as well as identifying expenditure that was ineligible. The assessment processes did not include a clear and explicit assessment as to whether project budgets included only eligible cost items.²⁵

3.5 No projects assessed as ineligible were awarded funding in either round.

Opportunity for improvement

3.6 As part of the assessment of application eligibility, NEMA strengthen its assessment and make a record of whether the budget for the project includes only eligible costs.

25 For example, in the first round, the budgeted costs for one project, scoring highly against all three appraisal criteria (80 per cent against risk and need, 73 per cent against likelihood of project success, and 78 per cent against alignment with existing plans) was queried by the panel, noting that 'project management costs are excessive, and queried if it is reasonable for landscaping costs to be included in the funding request'. No change was made to the project's score or budget, and it was recommended for and awarded full funding.

Were appointments to the DRF Assessment Panel open and transparent?

Appointments to the DRF Assessment Panel were not open or transparent.

3.7 The guidelines for both rounds, stated that NEMA would ‘establish and chair a DRF Assessment Panel’ and that the panel would be comprised of ‘members agreed by the Program Delegate.’ The guidelines identified that the panel was to perform a key role in the assessment of candidate projects:

- the panel was responsible for the conduct of merit assessments of eligible candidate projects against the published selection criteria to rate (that is, score) them and then rank them;
- for the second round, the panel was responsible for assessing any applicant requests for a waiver of the co-funding requirement; and
- NEMA’s advice to the minister on which applications should be approved was to be based on advice from the panel.

3.8 The guidelines for each round stated that the panellists may be drawn from ‘relevant Australian Government agencies’. The guidelines for the first round further stated that panellists may be drawn from ‘non-Commonwealth entities where conflict of interest is managed’. For the second round, the guidelines stated that panellists may be drawn from ‘advisory bodies (i.e. collaborative research organisations), with expertise in disaster risk reduction and resilience (where real or perceived conflicts of interest can be managed).’

3.9 There was no open or public approach to the market for the selection of panellists. There was no publication by NEMA of the panel members for either round. Appendix 3 sets out the panel members for each of the first two rounds.

3.10 For the first round, the First Assistant Coordinator-General (who became the chair of the panel), agreed on 4 January 2023 (six days before applications opened) to the Program Delegate’s recommendation that the panel include:

- ‘representatives at the EL2 or above level from ... Infrastructure Australia or Department of Infrastructure; the Natural Hazards Research Centre; the Commonwealth Scientific and Industrial Research Organisation [CSIRO]; and an Actuarial Advisor’.
 - Invitations were issued, by the Coordinator-General of NEMA, to the Department and CSIRO between 16 and 31 January 2023. The nominee from the Department was changed after probity briefings and assessment pre-briefings were completed.
 - The actuarial adviser (an individual from the Australian Government Actuary) was engaged through an approach to existing ‘Management Advisory Services’ panel, for a value of \$20,000 excluding GST.
 - It was not evident from NEMA records how Natural Hazards Research Centre was selected to be a panel member. On 31 January 2025, NEMA advised ANAO that ‘The Natural Hazards Research Agency was established as Australia’s national centre for natural hazards resilience and disaster risk reduction. The outcomes of the NHRA’s work may be used by communities and government to build resilience

and enhance capability. NHRA's involvement on the panel was sought due to their unique expertise and the research they undertake in natural hazards resilience and disaster risk reduction.²⁶ NEMA did not pay a fee for assessment services to National Hazards Research Australia, but did pay for travel and accommodation to Canberra.²⁷ There was no contract for this engagement.

- 'an independent disaster risk reduction and resilience advisor', who was a former Director-General of Emergency Management Australia, a predecessor organisation to NEMA. The individual was procured through a non-competitive procurement process, with deficiencies evident in NEMA's procurement approach:
 - the procurement plan states that 'Dr Croweller was recommended to participate by SES within the National Emergency Management Agency, based on previous interactions and engagements on similar activities'. The procurement plan did not set out that the engagements referred to were in an advisory and learning and development capacity. There was no assessment or information as to the individual's experience relevant to grant assessments (in either the procurement plan or value for money assessment);
 - in relation to the 'encouraging competition' principle set out in the CPRs, the procurement plan did not set out the NEMA had taken any steps to satisfy itself that there were no other possible candidates with experience in disaster risk reduction and resilience. In this context, the CPRs state in relation to the 'core rule' of 'achieving value for money' that procurement practices should 'encourage competition and be non-discriminatory'; and
 - a quote for services was sought after the individual had been invited to be a panellist, with NEMA obtaining a second quote before approving expenditure of up to \$16,830 including GST.²⁸

3.11 The advice in the guidelines for the second round about the composition of the panel was similar to that in the first round, with the addition that 'The Panel/s may include a First Nations representative'. For this round, appointments to the panel were undertaken after applications had opened. The number of panel members was increased from six to 12, with a goal of retaining 'at least 50 per cent of Panel members from Round One in the Round Two Panel membership (to the extent possible) to support continuity and consistency in decision making across rounds', including a 'balanced representation of gender' and including First Nations representation.

3.12 Invitations were approved by the Coordinator-General on 4 March 2024 and sent on 5 March. Invitations were issued at the same time to the three entities for which fees would be paid (each was procured by way of a non-competitive procurement approach), and also to the one research entity for which no fees were agreed to be paid (beyond costs for travel to panel meetings

26 Natural Hazards Research Australia were established in July 2021 in a 'joint announcement by the then Minister responsible for Industry and Science, and the then Minister for Emergency Management. It was established with a \$85 million Commonwealth ad hoc grant managed by AusIndustry ... and is an independent research organisation for natural hazards and disaster risk.'

27 As at January 2025, NEMA has reported two procurements from Natural Hazards Research Australia on AusTender, being: CN4064671, for 'Market Research', approved internally as a literature review, to a value of \$15,000; and CN4046060, for the 'Australian Disaster Risk Index', to a value of \$231,370.

28 In January 2025, NEMA confirmed to the ANAO expenditure of \$15,300, excluding GST, for the assessment activities by the panellist for the first round.

and accommodation in Canberra). On 17 April 2024, the Program Delegate approved the final panel composition.

Recommendation no. 3

3.13 The National Emergency Management Agency:

- (a) develop a strategy for the processes to appoint members of the Disaster Ready Fund assessment panel including appropriate procurement processes for members that are to be contracted for their expertise; and
- (b) disclose the membership of the panel in the guidelines for each funding round.

National Emergency Management Agency response: *Agreed in part*

3.14 *NEMA acknowledges the need for greater rigour regarding the procurement being undertaken to meet best practice standards. To address this, NEMA has developed an internal process to appoint the DRF Round Three assessment team. NEMA has also developed procurement plans and clear evaluation criteria which will be included as part of the procurement approval package for the financial delegate's consideration prior to agreeing to the contract, and can be referred to in future.*

Where conflicts of interest existed were they appropriately managed?

Probity advice in the first round was compromised by the ongoing contracting by NEMA of the same firm to also provide advice on the design and conduct of the first two DRF funding rounds. NEMA did not take steps to ensure it was fully aware of, nor did it seek to manage, the potential impact and risk of this arrangement adversely affecting the independence of the probity adviser.

Internal NEMA processes for managing conflicts of interest centred around briefing participants on their probity requirements, collating conflict of interest declarations, and reliance on participants to update NEMA if information became available that required the individual to update their declaration. There was no active monitoring and management of potential or actual conflicts of interest beyond those declared by individuals. The conflict of interest registers for the first and second rounds were incomplete and inaccurate. The conflict of interest declarations required by the probity framework were not provided by a number of people in each round including from the Coordinator-General of NEMA in both rounds, the Deputy Coordinator-General in the second round and the lead probity adviser in the first round. There was no register of completed probity briefings.

3.15 A probity plan was agreed to by the Program Delegate on 5 December 2022 for the first round, and 22 December 2023 for the second round.

3.16 Probity briefings were arranged for program personnel. No register was maintained by NEMA to record attendance. In some instances, key program personnel, including three panellists in each round did not attend the scheduled probity briefing and were advised to view the recording. NEMA has no record that those panellists viewed the recording in the first round. In the second round, each of the three panellists confirmed they had viewed the recording.

Conflicts of interest with the probity adviser

3.17 The firm contracted as probity adviser (Maddocks) was also contracted to provide ‘secondes’, subsequently tasked by NEMA to provide advice on the design of the DRF, including drafting of the amendment bill and program guidelines. Advice on the design of the guidelines was also provided directly by Maddocks, including in its role as probity adviser, for each round.²⁹ The probity plan did not address how the probity adviser or NEMA intended to manage any risks to the independence of the probity advice.

3.18 The probity adviser for the first round provided probity sign-off on the draft Round 1 DRF Guidelines (see paragraphs 2.5–2.6, and paragraphs 2.11–2.12). The same probity adviser was contracted by NEMA for second and third rounds. The procurement process to engage the probity adviser from 1 July 2023, after the expiry of the first Work Order (see footnote 29), was not open, transparent or competitive. It was also inconsistent with the guidance in the CPRs that ‘to maximise competition, officials should, where possible, approach multiple potential suppliers on a standing offer’.

3.19 The NEMA records for the procurement did not address how the engagement of the probity adviser aligned with the probity plans.³⁰ In February 2025, NEMA advised the ANAO that ‘Maddocks was the only tenderer approached for a quote’ and stated that this ‘constituted an open tender’ as the ‘procurement was through the legal services panel (SON3622041)’. While procurements conducted using a panel are able to be publicly reported on AusTender as an open tender, the Commonwealth Procurement Rules are based on principles that include ‘encouraging competition’ with the following guidance provided to entities:

Competition is a key element of the Australian Government’s procurement framework. Effective competition requires non-discrimination and the use of competitive procurement processes.

3.20 NEMA had not been able to provide the ANAO with the contract specific to the provision of general legal advice for the design of the DRF. In January 2025, NEMA advised ANAO that ‘No Head Agreement exists between NEMA/NEMA and Maddocks for the [specific] Work Orders’.³¹ Rather, two work orders for the specified personnel to advise ‘on the operation of legislation, instruments,

29 Maddocks was engaged by NEMA, and its predecessor NEMA, through the whole-of-government ‘Legal Services Panel’ administered by the Attorney-General’s Department (SON3622041) through the issue of 10 separate work orders for the provision of legal services. The value for these 10 work orders was reported on AusTender as \$1.71 million. At least four of these 10 work orders were used to task work on the DRF. Probity advice was to be delivered under two of those work orders. The first work order was specifically for probity advice for the ‘Preparing Australia Program’, and was subsequently also used for probity advice on the DRF. This was reported on AusTender as CN3805913, from 7 July 2021 to 30 June 2023 (after a one-year extension) valued at \$281,038.20. A second contract, for probity advice across a range of unnamed programs, and used by NEMA for the DRF, was reported on AusTender as CN3986197, from 4 July 2023 to 30 June 2025, valued at \$385,000.

30 The probity plan for the second round states that the Senior Responsible Officer, the Assistant Coordinator-General, the same individual holding the role of Program Delegate, was responsible for ‘ensuring a suitably qualified probity adviser is appointed’. There is no similar statement in the probity plan for the first round, rather it is simply stated that a probity adviser was appointed by NEMA.

31 On 27 February 2025, NEMA provided ANAO with the Head Agreement, advising ANAO that ‘The Attorney-General’s Department was responsible for the management of the Standing Offer (SON3622041) not NEMA.’ On 12 March 2025, the Attorney-General’s Department advised the ANAO that NEMA had access to the agreement and all variations since NEMA was established, and prior to that as the National Recovery and Resilience Agency. It is through the portal that NEMA was also able to access fee schedule information, which it should have used to assess the value for money of all engagements through the panel.

guidelines and policies, identifying and advising on relevant legal and associated risks and other duties, as directed by the National Emergency Management Agency' have been provided to the ANAO.³² Both individuals worked on the DRF design, including drafting of the guidelines:

- The first individual was engaged from May 2022, to expire 28 October 2022, with a one-year extension option. The total value of the work order was \$202,247.50 (excluding GST). The daily rate included on the work order was greater than the maximum allowable rate under the head agreement. NEMA did not document how it assessed that the contract was value for money.
- The second individual was engaged to replace the first individual upon their resignation from the provider. The contract commenced September 2022, to expire November 2022, with an option to extend to April 2023. The total value of the work order was \$98,550 (excluding GST). The daily rate included on the work order was greater than the maximum allowable rate under the head agreement. NEMA did not document how it assessed that the contract was value for money.

3.21 NEMA did not to approach the market for these services. In January 2025, NEMA advised ANAO that 'NRRRA directly approached Maddocks for a quote, under the Panel [Whole of Government Legal Services Panel]'. The 'direct approach' is an email to Maddocks, advising the NRRRA was 'required to continue [the individual]'s engagement under a new contract in view of the negotiated expansion of [the individual]'s work ... (being substantially different from the terms of the original contract)'. The work orders for both individuals included a 'Legal Services Provider Response to Order' table, a template option for the provider to 'reject an order' on the basis of a conflict of interest. The provider did not select this option for either work order, with Maddocks advising the ANAO in April 2025 that 'no Maddocks lawyer identified a conflict between a material personal interest (including personal relationship) and their professional duty to NEMA'.³³ NEMA did not consider whether any conflict of interest arose that would require management if it were to issue a 'direct approach' to Maddocks.

3.22 In February 2025, NEMA advised ANAO that the 'secondees were working as part of the NEMA team. They were not giving legal advice that was being supervised or settled by a Maddocks

32 In addition to the two work orders specific to probity advice, a further two work orders were entered into for secondees from Maddocks to be embedded within the NEMA team working on the design of the DRF. These are reported in AusTender as CN3872416 (from 2 May 2022 to 28 October 2022, valued at \$222,472.25), and CN3924423 (from 19 September 2022 to 30 November 2022, valued at \$108,405). The head agreement included a clause providing discounts on individual work orders greater than \$1 million. It is not evident that NEMA considered coordinating its approach to issuing Work Orders to benefit from this contractual discount.

33 In February 2024, the same provider, and eight other providers were approached to 'conduct a review of FFA [Federated Funding Agreements] processes, with the purpose of gathering options to expedite the time it takes from awarding a grant, to getting funding to recipients'. The same provider was selected against the five other quotes received, and was contracted to deliver the review. The provider noted in its quote: 'at this stage, we confirm we are not aware of any conflicts of interest that is relevant should be we [*sic*] appointed as the reviewer. Should we become aware of a potential conflict of interest, we will immediately notify NEMA and will proactively work to resolve the conflict in a way that is satisfactory to NEMA.' The two lead partners for the new work are the two lead partners for the probity and legal advice. The value of the work order for this review was \$105,771.25, excluding GST. This work order is reported on AusTender as CN4053490 (from 6 May 2024 to 31 October 2024, valued at \$116,348.38. In April 2025, Maddocks advised ANAO that 'NEMA paid Maddocks a total of \$65,639.64 GST inclusive for this review, which was 56 per cent of the reported contract value.'). The total value of the five work orders which were used by NEMA for the engagement of services for the DRF program amount to 65 per cent of all Maddocks contracting reporting on AusTender for NEMA.

partner. No legal advice from Maddocks was given in respect of the “DRF design including drafting of the guidelines”. The two lawyers were engaged through a ‘Legal Services Panel’ not a labour hire panel, and the services were not for general program and policy administration but for ‘advising on the operation of legislation, instruments, guidelines and policies, identifying and advising on relevant legal and associated risks and other duties, as directed’.

3.23 The fees agreed for each of the work orders were in excess of the ‘maximum chargeable rate’ established in the contract. When the rates were increased by the Attorney-General’s Department, as allowed in the contract, for the wage price index, the fees for Maddocks increased by between 3.21 and 3.80 per cent. This was higher than the 2.40 per cent agreed by the Attorney-General’s Department.

3.24 NEMA had also been unable to locate the contract with the provider for the probity adviser role relevant to the DRF, advising the ANAO in January 2025, that ‘No Head Agreement exists between NRRR/NEMA and Maddocks for the [specific] Work Orders’.³⁴ Two work orders were provided to the ANAO which relate to probity and general legal advice:

- one from July 2021, with an expiry of 30 June 2022³⁵, with a one-year extension option to provide ‘risk and probity advice in relation to the design, implementation and monitoring and evaluation’ specific to a previous program administered by NRRR (the Preparing Australia Program), with ‘up to 40 days of ad hoc risk and probity related advice’. The value of this work order was for \$232,762 excluding GST; and
- one from July 2023, with an expiry of 30 June 2024, with a one-year extension option to provide ‘legal advice across various projects’. NEMA noted that the provider had ‘been engaged by the Agency since July 2021 and have a strong understanding of NEMA’s ongoing bodies of work. As a result, NEMA has a strong stakeholder relationship with Maddocks.’ Only one quote was sought for the services, and it was from the existing provider. The value of the work order was for \$250,000 excluding GST.

3.25 None of these four work orders refer to any other contracts between NEMA and the provider, nor do they address what, if any, measures NEMA considered necessary to address risks to the independence of the provider’s ongoing probity advice.³⁶

3.26 In February 2025, NEMA advised ANAO that:

There were no conflicts of interest (Maddocks could accept the instructions because it was not acting for other clients that would be participants in the DRF).

34 See footnote 31.

35 Three variations have been made to this work order. The first variation was made on 16 July 2021, to amend the ‘nominated personnel’ that Maddocks would use to deliver services; the second variation was made on 27 June 2022 to enact the one-year extension option within the work order, amending the cessation date to 30 June 2023, and removing two ‘nominated personnel’ from the work order. A third variation was made 27 June 2023, to increase the value of the work order ‘by \$25,000 to pay the outstanding invoices for this financial year’ as payment was made against this work order (to a value of \$68,315.25) for ‘Maddocks secondees, not for probity work’.

36 The AusTender reported value of the four work orders (two for probity advice, and two for general legal services) amount to 58 per cent of the total report value of all contracts between Maddocks and NEMA reported on AusTender.

Conflicts of interest declarations

3.27 The probity plans for each round required the Program Delegate to ensure that NEMA maintained a register of conflicts of interest declarations and a register of confidentiality deed polls. Responsibility to decide how to manage any declared conflicts of interest rested with the Program Delegate.³⁷

3.28 Consistent with the probity plans, NEMA maintained a register of conflict of interest declarations and deeds of confidentiality for each round. The content, structure and detail in these registers varied between rounds. For each round, the registers were not accurate or complete.

3.29 For the first round, there was no declaration from the Coordinator-General of NEMA (who was to make recommendation to the minister, this responsibility was delegated to the Deputy Coordinator-General³⁸ on 6 April 2023). There was also no annual conflict of interest recorded by the Coordinator-General in NEMA's specified IT system. In January 2025 NEMA advised ANAO that

the Coordinator-General does not make conflict of interest declarations in [NEMA's specified IT System] – he makes these directly to the Minister in lieu of annual reporting

3.30 This approach is inconsistent with NEMA's Conflict of Interest policy and associated guideline. This is also inconsistent with the probity plans for each of two DRF rounds, which specifically require the Coordinator-General to make a declaration in the template provided. Any declarations to the minister, including any planned actions to manage any declarations, are not accessible to the DRF team managing conflicts of interest on the program. These declarations were not used for the management of conflicts of interest on the DRF.

3.31 On 27 February 2025, NEMA further advised ANAO that:

The COIs [*conflicts of interest*] identified [*for the Coordinator-General*] for Round Two, which the ANAO states would have also been relevant for Round One, related to the Coordinator-General's roles on the QRA and NSWRA Boards, so are role-based (i.e. in his capacity as the Coordinator-General) and would not constitute being a material personal interest requiring disclosure to the Minister.

3.32 NEMA did not comment on this being a disclosure required under the probity plans for each DRF Round, or the Coordinator-General's former role as CEO of the Queensland Reconstruction Authority, prior to becoming Coordinator-General for NEMA. On 12 December 2024, ANAO requested all missing conflict of interest declarations. NEMA undertook to provide ANAO with the declarations made by the Coordinator-General on 24 January 2025, and further confirmed this on 27 February 2025. Two declaration were provided in March 2025, one from February 2023, the second from August 2024, neither were declarations to the minister. Neither of these declarations included the Coordinator-General's former employment.

37 The probity plans for each round made no reference to the January 2023 or April 2024 NEMA Conflict of Interest Policy or the associated guideline. The policy requires agency officials (including all SES and the Coordinator-General), contractors and consultants to: 'regularly assess' and recognise 'matters that may give risk to a conflict of interest'; and declare and 'disclose interests' through a specified NEMA IT system, on an at least annual basis. The DRF team, managing conflicts of interest on the program do not have access to these records, or the planned actions to manage any declared conflicts. These declarations were not used by the DRF team to collate, review, monitor and manage reported conflicts.

38 In the first round, the Deputy Coordinator-General completed a conflict of interest declaration, on 13 April 2023, on the same day she approved recommendations for the award of funding to the minister (see paragraph 2.12).

3.33 Declarations were also missing for: the lead probity adviser and three team members; and 14 NEMA staff that records show were involved in the conduct of the round. The ANAO also identified declarations from six program personnel that had not been included on the register.

3.34 The register for the first round did not record decisions by the Program Delegate in relation to identified conflicts including for three panel members, who each raised potential conflicts of interest including: being on regional boards that may be applying for funding and potential engagement with potential applicants. Conflicts declared by panellists during the second round's panel meeting, were also not consistently recorded on the register, or consistently managed. One panellist, participated in panel discussion on a project, despite declaring an ongoing role at a university named as a delivery partner on that project.³⁹ Another panellist, from an advisory body, advised the panel during the panel assessment of an application that 'the director ... happens to be on my board.' No conflict was identified⁴⁰ and the panellist continued to participate in merit assessment for the application.

3.35 For the second round, declarations were again not recorded in the register for a number of key individuals including the Coordinator-General of NEMA⁴¹, who was to make recommendation to the minister, until this responsibility was delegated to the Deputy Coordinator-General on 12 June 2024. The delegation was the result of an identified potential conflict of interest which was not recorded in the register⁴² and was equally relevant to the first round (although not declared).

3.36 There was no declaration recording in the register from:

- the Deputy Coordinator-General of NEMA⁴³, who was delegated responsibility for making recommendations to the minister in each round; and
- any ministerial advisers⁴⁴, including those advising on amendments to the guidelines, after the minister approved the guidelines (see paragraphs 2.8-2.9).

39 Another panellist, with a similar conflict on the same project did leave the room, and asked 'Does that mean you too?' to which the remaining panellist replied, 'I assessed it, so probably not.' The chair of the panel advised, 'No, you're good to stay'. There is no record of advice or a decision from the probity adviser or the Program Delegate, who was required under the guidelines and probity plan to manage conflicts of interest, during the meeting.

40 The panel confirmed the average score, with panel chair 'noting there are other summits ... Whether that would be a duplication 'and stating, 'through the implementation plan ... we can work through any concerns we have and ... make sure that they link in with [the advisory body that the panellist noted the director of the application was on the board of] and Monash and NIAA.'

41 See footnote 37.

42 The letter advising the minister that the Coordinator-General had delegated his responsibility was forwarded to the relevant Assistant Director of the DRF team in June 2024. The identified conflict, and subsequent action was not recorded in the register. This did not prompt a review of any other conflicts or to seek updated conflicts.

43 The annual SES declaration (see footnote 37) was made within NEMA's IT System on 15 December 2023, after the minister approved the guidelines; and again on 26 July 2024, while the recommendations on award of funding were with the minister for approval. This is inconsistent with the probity plan for the round. The DRF team managing conflicts of interest on the program did not have access to this annualised declaration, or the planned actions to manage any declared conflicts. This declaration was not used by the DRF team in managing reported conflicts.

44 The definition of program personnel was changed between the two probity plans, with the probity plan for the second round stating that 'DRF officials include Ministerial staff, the Accountable Authority, Agency officials and other personnel engaged to administer or manage parts or all of the Program on behalf of the Agency.'

3.37 The conflict of interest register for the second round, recorded an identified conflict of interest for 10 individuals. It recorded actions to manage the potential conflicts of interest for four of those. All four were panellists.

3.38 The register did not include a potential conflict declared by one of the panellists. The identified potential conflict was for a close connection working in Queensland Department of Treasury. There was no record of a Program Delegate decision about the management of this conflict, and the panellist undertook a preliminary individual assessment of 29 projects located in Queensland.

3.39 There were also 18 program personnel who had made conflict of interest declarations that were not recorded in the register.

3.40 There was no active management of declarations to ensure declarations were up to date. NEMA did not prompt individuals to update declarations at key stages in the administration of the program, and did not review management approaches to ensure they remained appropriate.

3.41 In February 2025, NEMA advised ANAO that it 'accepts that there were gaps in the management of COIs [conflicts of interest] during Rounds One and Two, and agrees that there is room to improve probity processes for future rounds (note: NEMA is already taking steps to address this for Round Three).'

Recommendation no. 4

3.42 The National Emergency Management Agency strengthen the identification and management of conflicts of interest for the Disaster Ready Fund.

National Emergency Management Agency response: *Agreed in part*

3.43 *The National Emergency Management Agency (NEMA) accepts there were some gaps in the management of conflicts of interest (COIs) during Rounds One and Two, including in relation to recordkeeping, obtaining declarations from certain personnel and the timing of some declarations.*

3.44 *NEMA is committed to addressing these issues in accordance with probity principles and duties. For Round Three, NEMA has reviewed and tightened its COI management processes to ensure COIs are declared and recorded in a timely and accurate manner. Consideration will also be given to whether any changes are needed to the Disaster Ready Fund (DRF) probity plan for future rounds.*

Were the identified appraisal criteria applied to assess the merit of each candidate project?

The three appraisal criteria identified in the guidelines for the first two funding rounds were applied to assess the merit of competing candidate projects. The approach to assessment was not fully set out in the published guidelines, as it was not identified that a subset of the panel (four of six panellists in the first round, and three of 12 panellists in the second round) would undertake preliminary assessments of individual applications applying the individual criteria. The resulting average score for each application was provided to the full panel to consider

individual applications against the merit criteria on an exception basis. There were shortcomings in the application of the documented assessment framework which meant that not all applications identified as achieving a ‘competitive’ preliminary assessment score were provided to the panel for full consideration. There were also gaps in the minutes of the panel meetings, with no record of decisions or discussion by the panel for 113 applications. Where there were records, it was common for the records to not explain score changes with relevance to the appraisal criteria, or explain the equity or diversity reasons for adjustments.

3.45 The published program guidelines for each of the first two rounds outlined that the panel was responsible for the conduct of merit assessments of eligible candidate projects against the published selection criteria to rate (that is, score⁴⁵) them (see paragraphs 2.25 to 2.32) and then rank them (paragraph 3.86). Rather than all members of the panel examining each application as suggested by the published guidelines⁴⁶, the internal assessment framework document set out that those applications that progressed through the eligibility checking process would be allocated to a subset of panellists to conduct individual ‘preliminary assessment’ against the appraisal criteria. Using the results of those preliminary assessments, NEMA would then calculate a ‘preliminary average weighted total score’ for each application, to inform discussions at a meeting of the full panel.

3.46 For the first round, the documented assessment framework set out that four panellists would complete a preliminary assessment for each application. Of the 300 applications, 297 (99 per cent) were assessed by the required quorum of four panellists. For the other three applications, NEMA generated a preliminary average weighted total score based on the insufficient number of preliminary assessments and in the meeting sought the panel’s agreement or review of the scores. The panel decided to reduce the aggregate score of two applications each by two points and to retain the preliminary score for the third application. No records were maintained which explained the scoring relative to the individual merit criteria for two of the three applications. For one application, with a score reduced by two points, the panel records an adjustment against the first appraisal criteria. The panel comments focused on concerns about the likelihood of project success (the second appraisal criteria).

3.47 For the second round the documented approach was to:

endeavour to obtain a consistent number of assessments for each application (ideally, at least three Panel member assessment per application). However, where this is not possible (due, for example, to timing, workload, conflict of interest or other constraints), a minimum requirement of two Panel member assessments per application will apply.

3.48 The round two panel had been increased to 12 members, meaning that at a ‘minimum’ 16.7 per cent of the panel would undertake an assessment of each application against the appraisal criteria. Each of the 484 applications assessed by the panel involved a preliminary assessment by three individual panellists.

45 Where scores are reflected in this audit report, the score given is the number reported. Where ANAO has reflected these scores as percentages, ANAO has rounded to the nearest whole number.

46 For the first round the guidelines stated that: ‘The Panel will consider eligible responses ... against the three selection criteria for each application individually’, and for the second round the guidelines stated that: ‘The Panel/s will assess each project proposal individually against the three selection criteria’.

3.49 The approach to allocating applications to individual panellists for preliminary assessment varied between the two rounds. In the first round, there was no approach documented that set out how it was decided which panellists would assess which applications, only that known and identified potential conflicts were attempted to be managed so that panellists with a declared conflict would not assess the relevant application(s). In February 2025, NEMA advised the ANAO that ‘applications were randomly assigned’ and that ‘while decisions regarding this approach were not documented, the approach was nevertheless a considered and legitimate means of distributing applications’. For the second round, the approach sought to leverage individual panellist expertise.⁴⁷ The document outlining the approach for the second round was not endorsed or approved by the Program Delegate and was not consistently implemented.

3.50 For example, in the second round a project for cultural heritage integration into a disaster risk reduction framework was not allocated to the First Nations experts on the panel for individual assessment. At a later stage in the assessment process the total score for this application was reduced, from 83.667 to 71 out of 100, on advice from the First Nations experts on the panel. The recorded rationale for the reduction in the total score related to the applicant not consulting with First Nations stakeholders, ‘maladaptation concerns’ and project design. The individual criterion scores were not adjusted.

Assessment against appraisal criterion

3.51 Applications that are assessed as not satisfactorily meeting the published merit assessment criteria are most unlikely to represent value with public money in terms of the objectives of the granting activity. The program guidelines did not include any threshold scores that applications needed to achieve against the individual selection criteria in order to be considered suitable for possible recommendation. The assessment results largely evidence that the criterion scores were used to recommend for funding the most meritorious applications (see Table 3.2), and not recommend low-scoring applications (with no applications that scored below 50 per cent against a criterion recommended in either round). Recommending for funding applications that scored highest against the three criterion was more strongly evident in the first round than the second round.

47 Panellists with expertise in: Infrastructure were prioritised allocation of projects in the infrastructure stream; and panellists representing First Nations Australians (one from NIAA and one from University of Sydney) were each to be allocated applications with a First Nations focus, however nine applications identified by ANAO as clearly having a First Nations focus were not assessed by either of these panellists.

Table 3.2: Use of criterion scores to identify the most meritorious applications

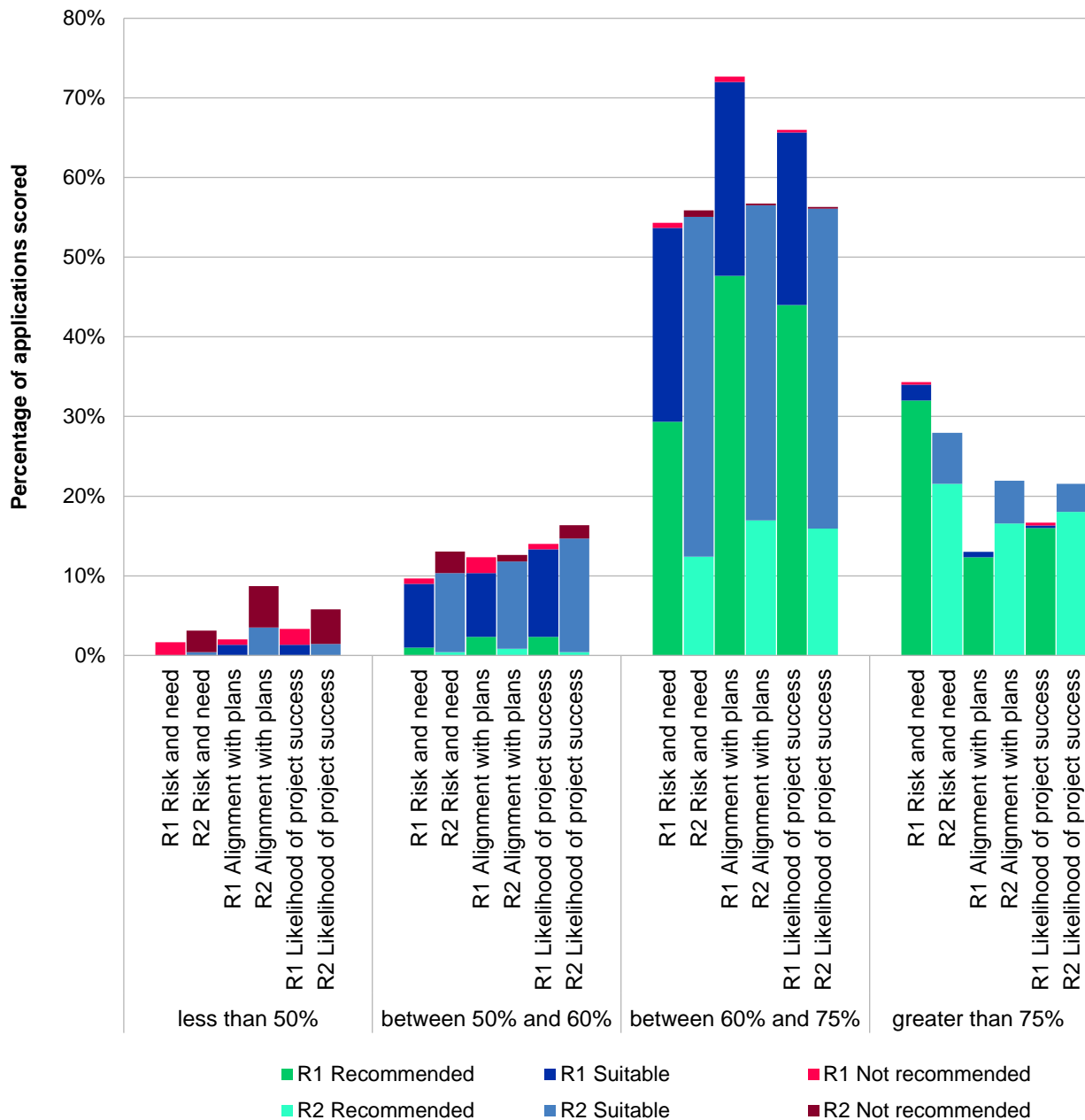
| Criterion | Was preference given to high scoring applications? |
|-------------------------------|--|
| Risk and need | Yes, preference was given to high scoring applications in both rounds. In the first round, 96 of the 103 projects (93%) scoring more than 75% were recommended for funding with six categorised as suitable and one as not recommended. In the second round for the risk and need criterion, 104 of the 135 projects (77%) scoring more than 75% were recommended for funding with the remaining 31 categorised as suitable. |
| Alignment with plans | Yes, preference was given to high scoring applications in both rounds. In the first round, 48 of the 50 applications (96%) scoring more than 75% were recommended for funding with the remaining two, one assessed as suitable and one as not recommended (see paragraph 3.52). In the second round, 80 of the 106 projects (76%) scoring more than 75% were recommended for funding, with the remaining 26 categorised as suitable. |
| Likelihood of project success | Yes, preference was given to high scoring applications in both rounds. In the first round, 37 of the 39 applications (95%) scoring more than 75% were recommended for funding, with two categorised as suitable. In the second round, 87 of the 104 projects (84%) scoring more than 75% were recommended for funding, with the remaining 17 categorised as suitable. |

Source: ANAO analysis of NEMA records.

3.52 As illustrated in Figure 3.1, in both rounds, the majority of projects scored between 60 and 75 per cent for each of the three appraisal criteria. Compared with the first round, in the second round:

- a higher proportion of projects scored greater than 75 per cent against the ‘alignment with plans’ and ‘likelihood of project success’ criteria. Together with a lower proportion of projects scoring between 60 and 75 per cent against those criteria in the second round, the analysis indicates that applications were overall assessed to have better demonstrated alignment with plans and to have better demonstrated the project was likely to succeed;
- a lower proportion of projects scored greater than 75 per cent against the highest weighted criterion (‘risk and need’) than in the first round. The proportion of projects scoring greater than 75 per cent against this criterion remained higher in round two than the proportion of applications scoring greater than 75 per cent against the other two criteria; and
- a higher proportion of projects scoring greater than 75 per cent were not recommended (and approved) for funding because of aggregate score adjustments by the panel (without the criterion scores being adjusted) as well as considering equity and diversity and baseline finding (as per the guidelines).

Figure 3.1: Distribution of appraisal criterion scoring by panellists for both rounds



Source: ANAO analysis of NEMA records.

3.53 The panel did not recommend for funding 38 projects across both rounds categorised as suitable for funding, each scoring more than 75 per cent against the risk and need criterion. The assessment process did not consider or include a review of all projects scoring highly against the risk and need criterion, although it was weighted as the most important criterion. On aggregated total scores, the panel reviewed projects by exception, adjusting total scores, if agreed, rather than adjusting and reflecting their amendments against the criterion scores, including sufficient justification, to then be reflected in a change to the total score. For example:

- one project in the first round, where the Northern Territory sought \$51.75 million in funding for a cyclone shelter construction program, and was scored over 75 per cent

against each of the three criteria. The panel sought further information from the proponent due to the amount of funding sought (which was more than a quarter of the amount available for the round across all jurisdictions). The panel did not recommend the project on the basis that it 'expected more information and evidence, including a business case, and a better quality application for a project of this size and monetary value.' The total score of the project was decreased from 76 to 49 out of 100, with no record made of any reductions to the individual criteria scores; and

- Another project (for a Household Resilience grant program) in round one scored moderately (between 60 and 65 per cent) against each of the criteria and was recommended for and awarded \$20 million in funding (10 per cent of the DRF funding for the round). The project was reviewed by the panel on the basis of two exceptions being met, firstly, that one panellist scored the project poorly, 20 per cent against each of the three criteria; and that discussion was requested by two panellists, one panellist raising concerns whether it was 'legally possible to subsidise another government's grant program – need constitutional approval?', another due to the amount of funding sought. The panel queried the project's value for money, raised concerns with potential for maladaptation, and noted that NEMA already administered funding for an earlier phase of this project, under a different funding mechanism. The total score was increased by 12.25 points with no changes made to the individual criterion scores.

3.54 Of the 152 applications scoring less than 60 per cent against the likelihood of project success (including value for money), seven were recommended and awarded funding in the first round and two were recommended and awarded funding in the second round, consisting of:

- In the first round, two applications scored less than 60 per cent in all three criteria. The panel reviewed the scores, and increased the total scores for both projects (one by seven points and the other by 13.25 points), with no clear record as to why. For one application, (seeking \$2 million), the only comment recorded was that the panel was 'open to partial funding', for the second project, (seeking \$16,500), the panel recorded that funding was recommended 'considering value for money and equity with respect to the types of projects and the appropriateness of the geographic and thematic split of all projects'. Both projects were awarded full funding.
- in the second round, one of three applications for cyclone shelters in the Northern Territory (see paragraph 3.52). The panel reviewed all three applications, each of which were assessed by different panellists, with all three achieving different total scores (65.333, 75.333 and 68.667), and different scores against each criterion. All three scored highly against the need and risk criterion (73 per cent, 83 per cent, and 77 per cent). The chair of the panel commented that 'we'll pick one, and we'll probably pick the one that they've prioritised higher'. The project was initially the lowest scored of the three (65.333), across all criteria, with the panel agreeing to increase its total score by 10 points to match the highest of the three projects.⁴⁸

3.55 In February 2025, NEMA advised ANAO that:

48 The other two projects were not recommended or awarded funding. The panel noted that the originally highest scored project was not recommended on the basis of 'equity and diversity considerations in line with investment principle 4.'

neither the Guidelines nor Assessment Framework were prescriptive about how adjustments to scores should be made (i.e. it was at the discretion of the Panel to adjust individual criteria scores or total scores taking into account the selection criteria, which it did).

Panel assessment

3.56 As illustrated by the examples above, the records of the assessment process do not evidence that, after the 'preliminary average weighted total score' was calculated, the assessment process specifically addressed the three published selection criteria. All recorded discussions by the panel related to changing the total score so as to reflect the panel's assessment of overall merit relative to other applications.

3.57 In preparing for the panel meetings, NEMA developed a Not for Further Consideration List of applications with a preliminary weighted total score of less than 50 out of 100 for the first round (seven applications, of which six were included in panel pack) and less than 60 out of 100 for the second round (96 applications).

3.58 NEMA also prepared a 'preliminary ranked list' based on the average 'preliminary scores for each application', consisting of 293 applications for the first round and 388 applications for the second round. The assessment frameworks stated that 'individual project application[s] will be reviewed and discussed by exception'. Three exceptions were described in in the framework, where:

- at least one panellist had specifically requested that the application be discussed (92 applications in the first round and 125 applications in the second round);
- individual preliminary scores of panellists deviated by more than 25 points in the first round (100 applications) or 30 points in the second round (88 applications); and/or
- one or more panellists scored an application less than 50 points in the individual preliminary assessment (61 applications in the first round and 55 applications in the second round).

3.59 For the first round, 159 'competitive' applications were identified for discussion in the panel meeting based on their total score (the panel report listed 146⁴⁹). Of those 159 applications:

- no comments or record of discussion was included in the panel minutes for 14 applications;
- the panel changed the total score of 53 applications with varying levels of explanation for the change recorded. For 29 applications, reference was made to one of the three criteria, or reference considerations relevant to a criterion. For 15 applications, the only record made related to the initial and revised score, with no explanation provided. For the other nine applications, the explanation recorded was 'considering equity with respect to the types of projects and the appropriateness of the geographic and thematic split of all projects in line with section 10.3 of the DRF Guidelines', with no details provided on the specific equity factors that were considered for each project.

49 ANAO analysis is that 17 projects were not included on the panel report of competitive applications flagged for discussion, two of the 17 applications having at least one panellist score the application less than 50 points; seven of the 17 applications having panellist score deviate by more than 25 points; and queries raised by panellists for discussion in panel meeting for eight of the 17 applications. An additional four applications were included on the panel list, all four scoring less than 50 points in total.

- A further 92 have ‘commentary’ recorded in the NEMA records, of which:
 - one states that the score was adjusted ‘to reflect equity and value for money considerations’, but the score was not adjusted;
 - two make a reference to matters relevant to the third criterion; and
 - 89 stated ‘Score confirmed by panel. No change’.

3.60 Of the remaining 151 projects in the first round not identified for panel discussion by exception: eight were not recommended for funding; 27 were categorised as ‘Suitable’, and 106 were recommended for funding by the panel. The panel accepted the total weighted average score of the panellists who completed preliminary assessment, with limited records supporting recommendation decisions.

3.61 For example, in the first round, one project for upgrading walking and bike trails in nature reserves scored moderately against each of the criteria (60 per cent against need and risk, 65 per cent against likelihood of success; and 56 per cent against alignment with plans) and was recommended for funding. The project was noted as being ‘too general in its scope and does not prescribe exactly what it is that will be improved’, and another panellist recorded that the project appeared ‘to be more a tourism, revitalisation initiative than one related to Disaster Reduction. Query value for money and specific outputs.’

3.62 There was no record of a panel discussion of the project for upgrading walking and bike trails, until a discussion to ‘achieve baseline funding’ for the ACT (and other jurisdictions). The final score was not adjusted by the panel. In forming its funding recommendations, the panel noted concerns that this project was ‘not true infrastructure’ but agreed that ‘it was proper upgrading to increase resilience’.

3.63 For the second round, 145 ‘competitive applications’ were identified based on their total score to be discussed. Of those 145 applications:

- no comments or record of discussion was included in the panel minutes for 99 applications. Inconsistent with the panel minutes, the transcript of the panel meeting outlined that 98 of those 99 applications were discussed by the panel and, in one instance, the panel asked NEMA to seek further information from the applicant;
- panel comments were recorded against 46 of the applications, with 28 making reference to a particular appraisal criterion or discussing matters relevant to a particular criterion.

3.64 Of the 243 applications not identified to be discussed, NEMA recorded commentary against 14 applications. The transcript of the meeting identified that a further six applications were discussed by the panel, five of which the panel confirmed, and one for which the panel re-scored.

3.65 In the second round, requests for waivers to the eligibility requirement that applicants contribute at least 50 per cent to project costs were not assessed and addressed (including a decision made) prior to proceeding to merit assessment. All 60 applications that included requests for waivers proceeded to individual preliminary assessment by panellists. In the panel meeting, the panel agreed that 25 of the 60 requests were ultimately not recommended by the panel. As such, 25 ineligible applications were assessed by the panel (see paragraphs 3.78–3.82).

3.66 The guidelines for the second round noted that requests for waivers would be considered as part of the assessment of applications in the context of value with relevant money, within the

likelihood of project success criterion. There was no clarity within the guidelines or the assessment framework as to how panellists were to consider views on waivers within the criterion. The records do not evidence that this occurred. Rather, as part of a panellist’s individual preliminary assessment of allocated applications, they were asked to make a preliminary recommendation on the request for waiver (support, not support, or seek discussion), and at the same time, asked to make an assessment against all three appraisal criteria.

3.67 No decisions were made on the request for waiver prior to assessment. As such, panellists were required to make an assumption on whether waivers would be supported or not (based on only their own view, and no agreed decision), when making their assessment against the third criterion. Of the 60 applications seeking a waiver, individual preliminary assessments by panellists agreed that 19 requests be supported, four requests not be supported, and 37 requests be discussed by the panel as a whole, given the three panellists had differing views (see paragraphs 3.78–3.82). For 62 per cent of applications with waivers the panellists were unable to make informed assessments for the third criterion.

3.68 There is no clear alignment between low scores in the third criterion and waivers not being recommended, or high scores in the third criterion and waivers being recommended (see Table 3.3). The shortcoming in the design of the assessment process for applications seeking waivers created a situation where panellists took varying approaches to considering waivers when making their assessment against the likelihood of project success criterion. Panellists only referred to the requests for waivers, against the third criterion, in 19 of the 60 applications assessed. Comments by panellists indicated their varying approaches depending on their view on whether a waiver would be supported or not. For example: ‘There is a co-contribution waiver however, the this [*sic*] aligns with 4 of the waiver elements (remote, low rate base, vulnerable, recent disaster) and as such, justified’; and where the decision on the waiver was less likely, noted contingencies in their comments such as ‘accepting the waiver is endorsed’; and ‘assuming partial waiver’.

Table 3.3: Distribution of criterion three scored for applications seeking waivers to the co-contribution requirement in the second round

| Waivers | Scoring less than 50% | Scoring less than 60% | Scoring less than 75% | Scoring more than 75% | Total |
|-----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------|
| Supported | 1 | 5 | 21 | 7 | 34 |
| Not supported | 5 | 11 | 8 | 1 | 25 |
| No record of recommendation | 0 | 1 | 0 | 0 | 1 |
| Total | 6 | 17 | 29 | 8 | 60 |

Source: ANAO analysis of NEMA records.

3.69 Only projects seeking waivers, and supported by the panel, were recommended for funding. This was not because being recommended for a waiver was a determining factor for the panel to recommend a project for funding, but rather that not being supported for a waiver was a pre-determining factor (the project was ineligible) for projects to not be recommended for funding.

Recommendation no. 5

3.70 The National Emergency Management Agency:

- (a) include in the published guidelines for rounds of the Disaster Ready Fund information about the conduct of preliminary assessments and scoring of individual applications prior to the panel meetings; and
- (b) address in its documented assessment framework the process that will be employed to decide which applications will be assigned to individual panel members for preliminary assessment and scoring.

National Emergency Management Agency response: *Agreed*

3.71 *The National Emergency Management Agency (NEMA) recognises that applicants need adequate information to submit an application, including a clear outline of the selection process, consistent with better practice guidance in the Commonwealth Grants Rules and Principles 2024 (CGRPs).*

3.72 *For Rounds One and Two, NEMA did not publish information about the conduct of preliminary assessments and scoring of individual applications prior to the Panel meetings as NEMA considered this to be a sub-step of the published assessment process and level of detail not needed by applicants. However, noting the ANAO's differing view on this point and recommendation (a), NEMA will publish this information for future rounds in the interests of enhanced transparency. NEMA will also implement part (b) of the recommendation in developing the Round Three Assessment Framework.*

Were co-funding waiver requests transparently assessed, with clear advice provided to decision-makers on whether any waivers should be granted?

There were inconsistencies and anomalies in the assessment and decision-making in relation to requests from applicants for a waiver of the requirement that they provide a co-contribution of at least 50 per cent of eligible project expenditure. In the first round, the Program Delegate sought advice from the assessment panel, and waiver decisions reflected the panel advice. In the second round, no recommendations from the panel were recorded for 24 of the 60 requests for waivers. Of the 89 requests for a full or partial waiver received across the two rounds 80 were assessed, with 44 of the requests granted. The projects approved for DRF funding included 20 where a full or partial waiver was granted.

3.73 For the first round, requests to waive or reduce (a partial waiver) the co-contribution requirement (see paragraph 2.23) would only be considered in 'rare and exceptional circumstances at the discretion of the Program Delegate'. In the second round, requests would only be considered in 'exceptional circumstances at the discretion of the Panel'. The guidelines did not set out what factors would be considered when determining the merit of a request to waive or reduce the co-contribution requirement.

Table 3.4: Assessment of co-funding waivers

| | Round 1 | Round 2 |
|--|--|---|
| Circumstances in which a waiver may be considered | Rare and exceptional circumstances | Exceptional circumstances |
| Assessment to be undertaken by | Preliminary Assessment Team | Assessment Panel |
| Recommendations to be made by | Program Delegate | Assessment Panel |
| Number of requests received | 28 | 61 |
| Assessment context | Separate assessment by Program Delegate. | As part of value for money considerations under the third selection criterion 3 'Likelihood of project success' |
| Number of requests assessed | 20 | 60 |
| • Number of requests supported | 10 | 34 ^a |
| • Number of requests not supported | 10 | 26 ^b |
| Number of approved projects where co-funding requirement was waived: | 5 | 15 |
| • In full | 4 | 3 |
| • In part | 1 | 12 |

Note a: Three of the co-contribution waivers supported by the panel were recommended with conditions.

Note b: One co-contribution waiver request was submitted for a project application placed on the Not For Further Consideration List. The waiver request for this project was not discussed and no decision was made.

Source: ANAO analysis of NEMA records.

Approach to assessment

Round 1

3.74 The first list of 20 requests for waivers or reductions to the co-contribution eligibility requirements was provided to the Program Delegate on 27 March 2023. It was recommended that the Delegate grant 14 requests and not grant six requests. All 20 projects, including those where the DRF Secretariat noted that there was 'no evidence' provided to support claims in business cases for requests to waive or reduce the co-contribution requirements, proceeded to individual panel assessment. Subsequently in relation to these 20 requests, through the panel assessment process it was decided that three requests would not be supported by the panel, and subsequently by the Program Delegate, and, for a fourth project (initially supported by the Program Delegate), the recommendation to provide a waiver or reduction be subject to conditions.

3.75 On 6 April, one day after panel meetings had concluded and scores finalised, the Program Delegate was provided with details of 'one other waiver request ... where the panel's advice (not to grant a waiver) differed from our original recommendation (to grant a waiver).' The Program Delegate's approval was sought to change the Delegate's recommendation to align with the panel's advice. The Program Delegate agreed to change the recommendation to not support a request for

waiver, making the project ineligible. As such 10 projects out of the first list of 20 requesting that the co-contribution eligibility requirement be waived or reduced were recommended by the Program Delegate to the Coordinator-General and minister.

3.76 Of the 10 where the waiver was not recommended by the Program Delegate, an eligibility decision was not recorded. Rather, all 10 were included on the 'Suitable' list provided to the minister, noting the recommendation 'That the co-contribution waiver/reduction request not be granted on the basis that the circumstances do not qualify as rare and exceptional'. No advice was included that if the waiver recommendation be agreed that these projects would be ineligible under the guidelines.

3.77 Five projects with waivers were recommended for and awarded funding. The remaining 15 projects that sought waivers were included on the list of suitable projects.

Round 2

3.78 Of the 62 requests for waivers or reductions to the co-contribution requirement received, 60 were considered in the preliminary individual assessment of the panellists. There was no record of the other two waiver requests being allocated to, or assessed by, panellists.⁵⁰

3.79 In relation to the 60 waiver requests considered by individual panellists:

- there was agreement that waivers be recommended for 19 of the requests, and not be recommended for four requests; and
- the panellists did not agree on 37 requests. Value for money, or benefits of the project with reference to the scale of the commitment, was rarely addressed in the assessment records of three applications. The assessment records referred to examples of exceptional circumstances, including the applicant's ability to raise funds (53 per cent) and the remoteness or at-risk nature of beneficiaries (28 per cent).

3.80 In the panel meeting, NEMA presented the panel with a list of requests for waivers and reductions to the co-contribution requirement. This list was sorted so that the 19 that three of panellists agreed be recommended were listed first, followed by the four that the three panellists agreed not be recommended. The minutes from the panel meeting do not reflect that these 23 requests for a waiver or reduction to the co-contribution requirement were discussed, or that the panel as a whole accepted the recommendations. In February 2025, NEMA advised the ANAO that, 'NEMA staff present at the meeting have clear recollections of this occurring, despite it not being fully captured in the meeting minutes' and 'acknowledges that the meeting minutes were deficient in this regard.'

3.81 A further 37 were listed, ordered based on application number. The panel minutes record that: a waiver or reduction to the requirement be recommended for 15 of the 37 projects and that no waiver or reduction be recommended for 21 of the 37 projects. No decision was recorded for one of the projects as the project was on the 'Not for Further Consideration' list.

3.82 All waiver decisions were recorded on Day 1, prior to the panel considering the relative merits of each project against the appraisal criteria. Not considering the waiver requests in the

50 One project later withdrew, and one withdrew its request for waiver when additional information and clarification was sought.

context of the third selection criterion was inconsistent with the process described in the guidelines for the second round, and with the process set out in the assessment framework.

Recommendation no. 6

3.83 The National Emergency Management Agency improve the design and administration of future funding rounds of the Disaster Ready Fund by requiring that, where permitted, requests or co-contribution waivers be considered in advance of the merit assessment stage, with only those applications approved for a waiver being provided to the panel for merit assessment.

National Emergency Management Agency response: *Noted*

3.84 *Waivers have been replaced with a tiered approach to co-contributions in Round Three. As such, the National Emergency Management Agency (NEMA) notes but will not be implementing the recommendation.*

Were assessed applications ranked in accordance with the program guidelines?

Applications were placed into three lists, a recommended for funding list, a suitable (but not recommended) list, and a list of not suitable projects. Projects were ranked within those lists. This approach was consistent with the requirement in the program guidelines that projects be ranked after they had been assessed against the three published selection criteria.

3.85 For competitive funding programs, ranking involves listing competing eligible applications in priority order based on their relative performance against the published selection criteria. In the event a decision-maker decides not to award funding to one or more of the highest ranked applications (within the available funding), the decision-maker is able to draw on the ranked list of eligible applications to select the 'next best' (in terms of the published selection criteria) applications.

3.86 The guidelines for both rounds stated that applications for DRF funding would be ranked. The ranking process was to follow the assessment of applications individually against the three published selection criteria and be based on the assessment (scoring) of applications against the criteria.⁵¹

3.87 NEMA provided the panel with a provisional ranking of projects based on average weighted individual preliminary assessment scores. On the last day of the meeting for each round, NEMA provided the panel with a ranked list based on final panel agreed scores. The panel was not asked to agree a final ranking of all projects during the panel meeting.

3.88 After the meetings, the panel endorsed the 'Panel Assessment Report'. In respect to ranking, the reports:

- stated that a preliminary ranking of projects was provided to the panel, this was revised based on score adjustments stemming from panel discussion on the most competitive applications.

51 The guidelines for the second round provided that, in addition to the scores against the three published criteria, the panel's ranking 'may apply Investment Principle 4' and equity considerations.

- stated that the preliminary ranked list was reviewed, and:

where necessary, adjusted by the Panel to ensure that all funding requirements and any additional considerations under the Guidelines were met. These included ensuring that all states and territories received their baseline funding allocations, where possible, and that there was *[added in the round two report: diversity and]* equity with respect to the types of projects and the appropriateness of the geographic and thematic split, *[added in the round two report: and any other relevant considerations]*. This was directly aligned to Investment Principle 4 under the Guidelines *[deleted from the second round report: in acknowledgement that the DRF is national in scope]*. Funding recommendations were then agreed as a Panel *[deleted from the round two report: based on the final ranked list]*.
- advised that the list of funding recommendations provided to the minister ‘are listed in rank order (highest to lowest)’. For the first round, it was recorded that ‘two highly ranked projects’ were excluded from the list of recommended projects; and in the second round, three projects were recorded as excluded. The reports for each round explain the exclusion ‘on the basis that co-contribution waivers had been sought but were not supported by the Panel or Program Delegate.’⁵²

3.89 The briefs to the minister to recommend funding in both first and second rounds did not state that the list of recommended applications was ‘ranked’. The brief for the first round stated that the list was ‘ordered by score (highest to lowest)’ and for the second round that it was ‘order by outcome and score (highest to lowest)’. The DRF Assessment Panel report described the lists as ranked. The briefs did not advise the minister that under the guidelines, the applications were required to be ranked.

3.90 In response to ANAO queries about the lack of ranking in the final list of projects, NEMA advised ANAO in December 2024, that for both rounds:

final scores were used to generate a final ranked list and provisional set of funding recommendations, which were presented to the Panel on day 3 *[4 for Round 2]* of the Panel meeting. Funding recommendations were then reviewed and adjusted, where necessary, taking into account relevant considerations and requirements under the Guidelines, including baseline funding allocations and equity *[‘and diversity in line with Investment Principle 4 for Round 2]*.

The outcome of this process ... was a list of funding recommendations sorted by score, which was in turn presented in the Panel Report to the Minister as three separate lists sorted by score (i.e. Suitable and recommended list, suitable but not recommended list, and not suitable and not recommended list).⁵³

52 ‘or Program Delegate’ was not included in the documented reasoning in the report for the second round.

53 Further advice to the ANAO from NEMA was that:

NEMA also notes that the DRF Program is not bound by CGRG rules (not a “grant” for CGRG purposes as the DRF provides financial assistance to a State in accordance with section 96 of the Australian Constitution — see section 2.6g of the CGRGs) and that, even it was *[sic]*, there was no requirement to present the minister with a ranked list as per section 4.7 of the CGRGs, which states “officials do not have to rank all grants when briefing ministers on the merits of a specific grant or group of grants”.

NEMA’s advice was at odds with advice it included to the minister in the funding recommendations briefing for the first round where it recommended the minister follow the CGRGs ‘for good governance and transparency reasons’. An attachment to the briefings for both of the first two rounds addressed the requirements of the CGRGs that apply to ministers when they are approving expenditure on grants.

3.91 Applications were sorted by NEMA. This sorting first separated applications based on panel recommendations (separate lists of projects recommended, suitable but not recommended, not recommended, and not for further considerations). Within each list NEMA then sorted applications by final agreed merit score, and then by application identification number (where applications had the same merit score). This approach had different implications for the sorting of applications in each round.

3.92 In the second round, applications identification numbers were allocated in the order in which they were entered into the application system. The first entered was allocated the lowest number. This had the effect of prioritising the order of the applications with the same merit score on the basis of their entry by their applicant. The guidelines did not identify that earlier entered applications would be ranked higher.

3.93 A different numbering and sequencing convention had been used for the first round. Application identification numbers for the first round all started with the prefix 'DRF', this was followed by an initial identifying number, allocated by NEMA to specific jurisdictions:

- New South Wales was allocated '1';
- Victoria was allocated '2';
- Queensland was allocated '3';
- South Australia was allocated '4';
- Western Australia was allocated '5';
- Tasmania was allocated '6';
- Northern Territory was allocated '7'; and
- Australian Capital Territory was allocated '8'.

3.94 The remaining four digits in the application identification number were allocated sequentially to the opening of the draft application form in the submission portal. So, application number DRF10001 would be the first application drafted by NSW, while DRF89999, would be the 9,999th application drafted by Australian Capital Territory. As a consequence of this identification convention, and the decision to sort applications by score then by application identification numbers, applications from New South Wales were ranked the highest (where they had the same score as applications from other jurisdictions), followed by Victoria, Queensland, South Australia, Western Australia, Tasmania, Northern Territory and, lastly, the ACT. This approach was not outlined in the assessment framework.

3.95 There was no methodology to ensure that the states allocated the numbers earlier in the numbering system were not advantaged in the ordering process. For the first round, 65 applications were awarded the same merit score. The impact of prioritisation through application identification numbering sequence had an impact on applications scoring 68.600. Of the four projects scoring 68.600, applications numbers for those not recommended for funding were: DRF10213; DRF10259; DRF30309; and DRF30151. It is not clear from records why DRF10259 was determined to be recommended for partial funding (see Table 1.1). For the \$3.3 million recommended to that project two other projects scored 68.600 could have been awarded full funding instead.

3.96 In February 2025, NEMA advised the ANAO, that staff recollected that 'two of the four projects were from Queensland ..., which stood to receive the largest share of Round One funding

based on other funding recommendations and were therefore not favoured by the Panel for equity reasons' and that the 'sort order played no part in this decision'.

3.97 The panel in making its funding recommendations, applied considerations on baseline funding above merit scores of projects, resulting in funding recommend to lower scored applications. Across both rounds, 26 projects were recommended for funding to support attainment of baseline funding for two jurisdictions, with other more meritorious projects not awarded funding. For example:

- In the first round, one project scored moderately against each of the three criteria (62.5 per cent against need and risk, 57.5 per cent against likelihood of project success, and 57.5 per cent against alignment with existing plans). The panellists assessing the project noted 'concerns about the suitability of the budget', and that the application was 'very light on information'. The panel considered the project in the context of baseline funding, querying the outcome if a 'jurisdiction does not have enough meritorious projects' and concluding that the project was 'important, and it is encouraging that the proponent is thinking laterally about this issue'. The project's score was not changed from 59.5 out of 100, and was the lowest scored project awarded funding in the round, with no other projects in that jurisdiction considered suitable by the panel (two projects from the jurisdiction were categorised as not recommended).⁵⁴
- In the second round, one project scored moderately against each of the three criteria (63 per cent against need and risk, 67 per cent against likelihood of project success, and 63 per cent against alignment with existing plans). The panellists assessing the project noted that 'No evidence is offered in support of the claims made in the application' and that the application 'notes property damage but does not present investigation regarding overall extent of benefit' of the project. The panel did not consider the project until considering baseline funding for the jurisdiction, and the only recorded consideration for the project was 'recommendation changed to Recommended to achieve baseline funding and taking into account value for money. Investment Principle 4. Infrastructure project.'

3.98 On 20 November 2024, while contract negotiations with jurisdictions on awarded funding was ongoing, NEMA advised the Minister for Emergency Management that three projects had withdrawn, and a fourth project has 'requested a project rescope ... to reduce the value' of the project. A further two other projects had withdrawn earlier. NEMA advised the minister that other recommended projects be funded 'in merit order of highest ranked infrastructure projects [*emphasis in original*] ... that excludes applications that exceed the available funding envelope that aligns with Investment Principle 4 (Section 2.4 of the DRF Program Guidelines); enabling a mix of projects across geographic areas, and project types, while ensuring Tasmania achieves its baseline funding'. NEMA further advised the minister that under this approach 'Four of the top six applications are recommended in merit order with the exception of two applications that exceed the available budget'.

3.99 In addition to committing the remaining funds in 'merit order of highest ranked infrastructure projects' NEMA also noted that 'with the withdrawal [of a Tasmanian project] Tasmania no longer achieves its baseline funding of \$7.5 million [*emphasis in original*]' and advised

54 The panel noted that 'even if all eligible projects were recommended for funding (total value \$7,482,524), these still would not reach the \$7.5M baseline funding threshold.'

that 'in order for Tasmania to retain its baseline funding, it is recommended that you fund the next meritorious project for the equivalent funding amount'. This was the lowest scored of the projects under revised considerations and NEMA recommended 'the project from Tasmania receiving a reduction [to funding] to achieve full DRF Round Two investment. NEMA has contacted Lead Agencies (under embargo) to confirm these projects can proceed.' NEMA noted that '33 meritorious applications with scores between 70.667 and 64.333' would not be considered. No consideration was given in the advice to the relative need (for example, the scores against the need and risk criterion) of each of the respective projects.

3.100 Variations to projects awarded funding in the first round have not yet resulted in any reallocations.

4. Funding decisions

Areas examined

The ANAO examined whether funding decisions were appropriately informed and documented.

Conclusion

Funding decisions were appropriately informed and documented through written briefings. In each round, a clear recommendation was provided to the minister as to which applications should, on the basis of the panel's assessment report, be approved for funding. The minister agreed with the recommendations received.

4.1 Grants from the DRF are awarded under the legislative authority provided by Section 20 of the *Disaster Ready Fund Act 2019*. Section 71 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) governs the approval of proposed expenditure by ministers, in particular requirements that the minister be satisfied that the expenditure would be a proper use of relevant money, and that the minister record the terms of expenditure approvals.

Were timely and clear funding recommendations provided to the Coordinator-General that reflected the results of the assessment process and consistent with the opportunity guidelines?

Timely and clear funding recommendations were provided in writing each round to a delegate of the Coordinator-General. The recommendation was to endorse (in the first round) and approve (in the second round) the recommendations of the panel as set out in its assessment report.

4.2 The guidelines for each round set out that, based on advice from the panel, NEMA's Coordinator-General would recommend projects to the minister for funding approval.

4.3 The guidelines provided that the Coordinator-General's power to make recommendations to the minister could be delegated. The Coordinator-General delegated his responsibility to make funding recommendations to the minister for each of the two rounds. The delegations in each round were to a Deputy Coordinator-General.

First round

4.4 The record for the first round was a minute of 13 April 2023 to the Deputy Coordinator-General Disaster Recovery and Resilience. This minute was provided one day after the panel endorsed its assessment report, which was one week after the last day the panel had met.

4.5 The minute recorded that, the day prior, the Deputy Coordinator-General had been provided with a walk through of the suite of documents attached to the advice (comprising a draft brief to the minister and the panel's assessment report of 12 April 2023). The written advice stated that, in the meeting, it was confirmed that sign off had been obtained from the probity adviser and that questions from the Deputy Coordinator-General were answered.

4.6 On 13 April 2023, the Deputy Coordinator-General Disaster Recovery and Resilience recorded her agreement to the recommendation that she endorse the recommendations to the minister as per the panel assessment report.

Second round

4.7 The record for the second round was a minute of 11 July 2024 to the Deputy Coordinator-General Disaster Resilience and Recovery Group. This was three days after the panel endorsed its assessment report⁵⁵, which was eight days after the last day the panel had met.

4.8 The advice to the Deputy Coordinator-General included a draft briefing to the minister (which included attachments such as the panel assessment report).

4.9 Also on 11 July 2024, the Deputy Coordinator-General recorded her agreement to the recommendation that she approve the recommendations to the minister as per the panel assessment report.

Were timely and clear funding recommendations provided to the minister that reflected the result of the assessment process and consistent with the opportunity guidelines?

Timely and clear funding recommendations were provided to the minister in each of the first two rounds. The recommendations reflected the results of the assessment process, as recorded by the panel in its assessment report for each round (the guidelines required that the recommendations be based on advice from the panel).

4.10 Written briefings setting out the funding recommendations of the Deputy Coordinator-General were provided for each round. As required by the guidelines, the recommendations were based on advice from the panel (as set out in its assessment report).

4.11 The briefings were timely, being submitted on the same day that the Deputy Coordinator-General made the decision to endorse/approve the panel's recommendations.

4.12 There were some differences in the information provided to the minister, and with some of the decisions sought from the minister, across the two rounds (see Table 4.1).

55 Endorsement of the panel report was not obtained from two of the 12 panellists. By 8 July 2024, the date of endorsement on the panel report provided to the minister, only the Panel Chair had endorsed the 'penultimate draft' report, with one other panellist providing endorsement on 9 July.

Table 4.1: Decision briefs to minister

| | Round 1 | | Round 2 | |
|---------------------------------------|---------------------------|---|---------------------------|-------------------------------------|
| | Minister decision sought? | Detail provided | Minister decision sought? | Detail provided |
| Withdrawn applications | Not required | No | Note/discuss | In attached panel assessment report |
| Ineligibility list | Note/discuss | In attached panel assessment report | Note/discuss | In attached panel assessment report |
| Waiver and reduction requests | Yes | In attached panel assessment report | No ^a | In attached panel assessment report |
| Recommended list (option 1) | Yes | Separate attachment to brief, and in attached panel assessment report | Yes | In attached panel assessment report |
| Suitable but not recommended list | No | In attached panel assessment report | No | In attached panel assessment report |
| Not suitable and not recommended list | No | In attached panel assessment report | No | In attached panel assessment report |

Note a: Red cells indicate that action was contrary to the requirement in the guidelines.

Source: ANAO analysis of NEMA records.

4.13 The funding recommendation to the minister in the first round also included an alternative option, if the minister made an alternative decision on requests for reductions or waivers to co-contribution requirements. This alternative recommendation was based on the minister making an alternative decision on each of the seven requests relating to recommended projects.

4.14 No such alternative funding recommendation option was provided to the minister for the second round.

4.15 Notwithstanding that the minister was identified in the guidelines as the decision-maker on request for reductions or waivers to the co-contribution requirement in both rounds (see Table 2.1 on page 29), the minister was not asked to agree to the panel's recommendations on such requests in the second round.

4.16 Although the DRF is not subject to the CGRGs/CGRPs as it involves payments to states, NEMA recommended in the first round that the minister align with these rules 'for good governance and transparency reasons'.⁵⁶ As a result, the briefs for each round advised the minister that:

if you choose to fund one or more projects not recommended by the Panel, it is important that you record in writing a brief statement as to why you made a different decision, including how the projects represent compliance with the Guidelines and represent better value for money, in order to maintain an appropriate level of probity, as advised by Maddocks Lawyers, NEMA's Probity Partner.

⁵⁶ In addition, as noted at paragraph 2.2, guidance from the Department of Finance is that 'entities are strongly encouraged to act in accordance with the CGRPs – particularly the key principles – in relation to all grants' irrespective of whether the CGRPs apply.

4.17 As with the advice to the Deputy Coordinator-General, the advice to the minister did not include information that it was the NEMA DRF team that undertook an adjustment activity on panel recommended projects, to adjust the recommended funding amounts. This involved removing implementation plan costs (where they were included)⁵⁷ and ensuring that total implementation plan costs for a jurisdiction did not exceed limit set in the Round 1 DRF guidelines (see Appendix 4). Rather, the advice to the Deputy Coordinator-General and minister advised that the panel undertook the adjustment. The panel endorsed the assessment report which included these adjusted amounts.

4.18 Further advice was provided to the minister on 31 August 2023, (after first being raised with the Program Delegate on 7 June 2023, and after decision on the award of funding was made by the minister), that ‘eight (8) Qld projects have been underfunded by a total of **\$75,200.00** due to errors in our Implementation Plan cost calculations [*emphasis in original*].’ The minister was asked to note that due to this error NEMA would ‘work with the Qld Reconstruction Authority (QRA) to ensure projects are fully funded using DRF efficiencies or alternative sources once Schedules are in place’. The minister was not asked to revise the decision on the amount of funding awarded to each project. It is not clear from the brief that the Commonwealth agreed that it would increase its commitment to fund the shortfall. This brief addressed the error but did not address the adjustments made by NEMA to panel recommendations on funding amounts.

Did the minister record the basis for the funding decisions relative to the opportunity guidelines and the key principle of achieving value with relevant money?

The minister recorded agreement in full to the funding recommendations in each round. The minister recorded the basis for the funding decision in the format provided by NEMA, referencing the *Disaster Ready Fund Act 2019*, and confirmed satisfaction that the expenditure was a ‘proper use of money’ in each round (the test set out in the PGPA Act).

4.19 The minister agreed to the funding recommendations in full, without amendments for each round. The minister agreed the funding recommendations for the first round on 21 April 2023, and the second round on 27 July 2024.

4.20 The Minister for Emergency Management agreed to the funding recommendations of Deputy Coordinator-General that he ‘fully or partially fund 187 projects ... in accordance with your authority under Section 20 of the *Disaster Ready Act 2019*, thereby confirming that you are satisfied that this expenditure represents proper use of relevant money (based on the recommendations outlined in the DRF Assessment Panel Report ...).’⁵⁸ The brief and the attached panel assessment report did not include project specific assessment information other than final total scores.

4.21 In the second round, the minister similarly agreed to the funding recommendation to ‘fully or partially fund 166 projects ... in accordance with your authority under Section 20 of the *Disaster Ready Act 2019*, thereby confirming you are satisfied this expenditure represents proper use of

57 For example, one project, a road to serve a tourist resort, initially sought \$130,835 in funding, this included \$7,800 for implementation plan expenses. In awarding funding, NEMA incorrectly calculated a cost adjustment, and funded the project \$76,086, \$54,749 less than sought.

58 Two projects totalling \$527,874 did not proceed from award to contract execution, and NEMA continues to consider how to address the return and potential reallocation of these funds.

relevant money (based on recommendations outlined in the DRF Assessment Panel Report ...). The minister included a handwritten note, stating 'I understand that [DRF application number] has been withdrawn by the Queensland Government. Rather than delay delivery of the approved projects can those funds be placed into contingency for cost overruns on Round 2 projects. Please advise me ASAP on this.'

4.22 On 29 July 2024, two days after the minister awarded funding in the second round, a ministerial change occurred. On 28 August, the new Minister for Emergency Management announced award of funding to 164 of the 166 recommended projects, after a second project was also withdrawn.

4.23 Subsequent to the announcement a further project was also withdrawn, and another project sought to deliver a revised scope for less funding (as the project was complete or nearly complete). NEMA recommended that funding for the project seeking a revised scope also be withdrawn by the minister. After the minister made the first funding decisions, five projects awarded \$2,485,055 were withdrawn.

4.24 On 12 November 2024, the Deputy Coordinator-General recommended, and on 20 November 2024, the minister agreed 'to fully or partially fund other recommended projects ... in accordance with your authority under Section 20 of the *Disaster Ready Fund Act 2019*'. The minister was provided with two funding options⁵⁹, with the minister agreeing to the recommended approach: to fund in 'merit order of highest ranked infrastructure projects'. This approach had the effect of funding an additional nine projects, with 33 suitable projects remaining not recommended for funding. This option required the minister to:

- not select two highly scored and ranked projects for which the funding amount requested would exceed the available funds, and
- to specifically select, but partially fund, the next highest scored project from Tasmania to replace the withdrawn Tasmanian project, which meant the baseline funding commitment for Tasmania was met.

Was there any evidence of distribution bias in the award of funding?

Distribution of the award of funding in each round was commensurate with scale of applications from each jurisdiction, and the intent of the guidelines to support jurisdictions to achieve baseline funding thresholds. There was no evidence of political factors influencing the distribution of funding.

4.25 Applications were received from and awarded to projects in all States and Territories for both rounds. For the first round, each jurisdiction submitted significantly different numbers of applications (between 12 and 115 applications, seeking between \$19.5 million and \$175.5 million across the jurisdictions), with applications from Queensland representing the largest number in volume and value (37 per cent and 38 per cent), followed by Victoria in volume (14 per cent) and Northern Territory in value (13 per cent). Projects in Queensland also had the largest in volume and

⁵⁹ The second option provided was to fund the 'closest funding match'. This approach was not recommended as it 'would see 79 meritorious applications ... not considered, in favour of seeking to align one significant project ... for funding.'

value of funding awarded (27 per cent and 42 per cent), followed by Victoria in volume (17 per cent) and New South Wales in value (16 per cent) (see Appendix 6).

4.26 For the second round, jurisdictions submitted between 13⁶⁰ and 130 applications (seeking between \$12.1 million and \$226.9 million across the jurisdictions), with applications from Queensland representing the largest number in volume and value (27 per cent and 31 per cent), followed by Victoria (23 per cent and 22 per cent), then WA in volume (13 per cent) and NSW in value (15 per cent). Projects in Queensland had the largest in volume of applications awarded (23 per cent), followed by Victoria (19 per cent). Projects in NSW had the largest value of funding awarded (21 per cent), followed by Victoria (19 per cent), and then WA (18 per cent) (see Appendix 7). In briefing the minister on funding recommendations, NEMA advised the minister that ‘the proportion of total recommended funding has varied comparatively to DRF Round One outcomes for Queensland, Tasmania and Western Australia’. NEMA noted that:

- ‘Queensland has received more funding than any other jurisdiction over both DRF Rounds combined (29 per cent of all DRF funding awarded [at the time of briefing]);’
- While funding for Tasmania decreased from \$14.4 million to \$7.7 million between the two rounds, ‘On a per person basis, Tasmania will still receive more funding under DRF than the average amount awarded per person across Australia.’; and
- ‘Funding for Western Australia will increase significantly under DRF Round Two’, from four per cent of funding in the first round, to 18 per cent of funding in the second round.

4.27 Jurisdictions also varied the type of projects for which they submitted applications. For the first round, NSW applied for the most infrastructure stream projects (64 per cent of NSW projects, 58 per cent of NSW funding sought) while Tasmania submitted more applications for projects focused on Systemic Risk Reduction (57 per cent of Tasmanian projects, or 75 per cent of funding sought by Tasmania). For the second round jurisdictions submitted a more equal distribution in project streaming, with Western Australia submitted the most applications for infrastructure projects (46 per cent of WA applications and 36 per cent of funding sought from WA), while South Australia and ACT submitted more applications for systemic risk reduction projects (57 per cent of SA applications, being 56 per cent of funding sought from South Australia; and 69 per cent of ACT applications, being 41 per cent of funding sought from ACT).

4.28 For both rounds, location data involved applicants selecting specific ‘Local Government Area[s]’ in which the project would be delivered. Applicants were able to select a single local government area, or all local government areas serviced by the project. In the first round, 11 applications selected more than 10 local government areas, and one selected 100 local government areas. In the second round, 112 projects self-declared being ‘multi-LGA projects’.

4.29 For both rounds, applicants were also able to identify if the project was to be delivered ‘state/territory-wide’ in the first round (96 applications), or ‘National’, ‘Multi-jurisdictional’ or ‘state/territory wide’ in the second round (140 applications). With the data collected in this way

60 Two applications were also submitted in the second round, one each from Christmas Island and Cocos (Keeling) Islands. These two applications were not recommended or awarded funding. These applications were submitted through Western Australia’s lead agency, but did not count towards applications from WA, which submitted 63 applications.

NEMA was unable to undertake analysis of the distribution of applications at a metropolitan, regional, rural or remote level.

4.30 For round two, NEMA sought from applications more geographical information, including 'Remoteness Area' with applicants to self-categorise as; 'Inner Regional Australia'; 'Major Cities Of Australia'; 'Outer Regional Australia'; 'Remote Australia'; or 'Very Remote Australia'. NEMA also collected information from applicants on 'Target Groups', 'Population Sub-Groups', and the estimated size of the target groups. This information was used by the panel when considering Investment Principle 4 and considering diversity and equity for recommendations. This information was not provided to the minister.

4.31 NEMA did not collect or present information on electorates to either the panel, the Deputy Coordinator-General or the minister in either round.

4.32 The design of the guidelines encouraged the panel to support jurisdictions to be awarded baseline funding of \$7.5 million. Consistent with this intent, the panel recommended lower scored (less meritorious projects) from jurisdictions where baseline funding was not to be achieved on merit alone. This was consistent with the guidelines, and the applications of equity principles outlined in the guidelines for the first round and with Investment Principle 4 (diversity and equity) in the second round.



Dr Caralee McLiesh PSM
Auditor-General

Canberra ACT
16 April 2025

Appendices

Appendix 1 Entity responses

National Emergency Management Agency



Australian Government
National Emergency Management Agency

Coordinator-General

EC25-001600

Dr Caralee McLiesh PSM
Auditor-General for Australia
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Dr McLiesh

Thank you for the opportunity to provide comments on the Australian National Audit Office's (ANAO) report on the *Award of funding under the Disaster Ready Fund (DRF)*.

Australia's exposure to disaster risk continues to increase and new risks continue to emerge at an accelerated pace, including extreme heat, floods, cyclones and bushfires, with significant impacts on the wellbeing and functioning of our communities, our environment and our economy.

Since its commencement on 1 July 2023, the DRF has been the Australian Government's flagship disaster resilience and risk reduction initiative, providing up to one billion dollars over five years to support Australian communities to better prepare for future disasters. To date, a total of \$400 million in Commonwealth funding has been awarded to over 350 disaster ready projects across Australia.

I welcome the audit's overall conclusions the award of funding under DRF was largely effective, funding guidelines were largely appropriate and funding decisions were appropriately informed and documented.

I also note opportunities to strengthen administration of the program identified in the report and express NEMA's commitment to not only meet relevant legislative and policy obligations, but also embrace better practice principles, where possible.

NEMA agrees with Recommendations one and five, agrees in part with Recommendations two, three and four, and notes Recommendation six. Where NEMA holds views contrary to a recommendation or associated findings, this is outlined in **Attachment A** and **Attachment B** of this letter.

Some key matters NEMA would like to highlight include:

- While the DRF is not strictly subject to the Commonwealth Grants Rules and Principles 1 October 2024, NEMA has sought to apply and strike an appropriate balance, where possible, between relevant principles in its delivery of the DRF. NEMA notes that the ANAO holds differing views, in some cases, on how these principles should be applied and NEMA will consider these alternative perspectives in designing future rounds.
- NEMA notes certain findings in the report are premised on the ANAO's interpretations of guideline requirements. For example, in assessing applications, the ANAO has interpreted the guidelines to mean that all panel members should have examined each application. NEMA, however, took a more pragmatic interpretation, taking into account the wording of the guidelines, including practical considerations such as the capacity of panel members to assess large numbers of applications in a

National Emergency Management Agency

short period of time. NEMA maintains that, understood in this way, the selection process was delivered effectively, efficiently and consistently with the published guidelines.

- NEMA accepts that in some instances, probity and procurement activities fell short of best practice. For example, NEMA accepts that, while not obligated to do so under the Commonwealth Procurement Rules 1 July 2024, it could have sought multiple quotes when engaging probity advisors through the Whole of Government Legal Services Panel. NEMA is addressing this through enhancements to the DRF probity plan, broader governance strategy and future procurements, including those related to probity advisers and panel members for Round Three of the DRF. I am confident that despite these findings, probity advice has not been compromised.
- The stated objective of the audit was to assess whether the award of funding under the DRF was effective and consistent with the published Guidelines. NEMA notes the final audit report and subsequent findings address some matters that are prima facie out of scope – for example, NEMA disagrees with the finding that publication of the Round One Guidelines was not timely on account of preparatory steps undertaken by states and territories before the Guidelines were released. NEMA notes in this regard that such activities were outside the scope of the Guidelines, were entirely at the discretion of state and territory governments, and as such, should have no bearing, in NEMA's view, on the question of whether funding was awarded consistently with the published Guidelines.

Please find enclosed NEMA's summary response for integration within the final report at **Attachment A**, and itemised responses to each recommendation at **Attachment B**.

I appreciate the opportunity to comment on the proposed audit report.

Yours Sincerely



Brendan Moon AM

Coordinator-General

31 March 2025

Enc: Attachment A: Summary Response, Attachment B: Itemised Responses to Actions

National Emergency Management Agency

Australian Government Actuary



Australian Government
Australian Government Actuary

31 March 2025

Dr Caralee McLiesh PSM
Auditor-General for Australia
Australian National Audit Office

Dear Dr McLiesh,

Thank you for providing the Australian Government Actuary with the opportunity to comment on the ANAO's proposed report on the Award of funding under the Disaster Ready Fund.

In 2023 and 2024 the National Emergency Management Agency formed a panel to assess submissions for grants from states and territories for funding under the Disaster Ready Fund. The Australian Government Actuary's role in the Disaster Ready Fund was limited to participation as a panellist for funding rounds one and two.

The Australian Government Actuary is committed to the highest levels of integrity in everything we do. Conflicts of interest are managed in accordance with Australian Public Service Commission guidelines, departmental policy, and applicable requirements of the Disaster Ready Fund panel. Where a conflict is identified, a declaration is made and appropriate management controls implemented. These controls can include, where appropriate, recusal from participation in the related review and decision-making process.

I would like to thank the ANAO for their professional and collaborative approach during this audit.

Yours sincerely,

A handwritten signature in grey ink, appearing to read 'A Bruhn'.

Aaron Bruhn
Assistant Secretary & Senior Actuary
Australian Government Actuary
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Natural Hazards Research Australia

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 Incorporating the Bushfire and Natural Hazards CRC
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1 April 2025

Dr Caralee McLiesh
 Auditor-General for Australia
 Australian National Audit Office

Cc: Mr Brain Boyd – Executive Director



Subject: Proposed audit report – award of funding under the Disaster Ready Fund

Dear Dr McLiesh,

I refer to your email dated 5 March 2025 enclosing an extract of a proposed audit report by the Australian National Audit Office (ANAO).

Thank you for the opportunity to provide a response to the proposed audit report. I confirm you will advise me of any substantive amendments made to the proposed report following consideration of comments from other people and will allow me an opportunity to update my original comments if necessary.

I also confirm you will reproduce this letter as an appendix to the final audit report.

Background

Natural Hazards Research Australia (NHRA) is a public company limited by guarantee. I am the Chief Executive Officer and was appointed to the role in July 2022. NHRA is Australia’s national centre for natural hazard resilience and disaster risk reduction research and is funded in part by the Commonwealth Government.

Invitation and involvement Disaster Ready Fund Round One and Two

On 16 January 2023, I received an invitation from Mr Brendan Moon AM, Coordinator-General of the National Emergency Management Agency (NEMA) inviting NHRA to participate in the Disaster Ready Fund (DRF) Assessment Panel for Round One.

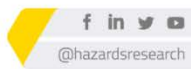
The letter stated NHRA’s involvement in the panel would bring knowledge of research science and evidence applicable to disaster risk. It also stated that the panel would be chaired by NEMA. I accepted the invitation.

On 18 January 2024, I received an email from NEMA seeking NHRA interest in being part of the Round Two panel which I provided. I then received a formal invitation from Mr Brendan Moon AM on 4 March 2024 which I accepted.

This opportunity was viewed by NHRA as part of NHRA’s broader relationship with the Commonwealth and NHRA’s key objective to be a trusted and independent voice to government, emergency managers, industry and the community.

I undertook duties as a panel member in addition to my day-to-day responsibilities as NHRA CEO. I agreed to sit on both panels without seeking to be paid a fee (my travel and accommodation costs were covered by NEMA).

We thank and acknowledge the Traditional Custodians across all the lands on which we work, live and walk, and pay our respects to Elders past, present and emerging. We recognise that these lands and waters have always been places of teaching, research and learning, and that sovereignty has not been ceded.



@hazardsresearch

Panel Process

For both rounds the assessment process was administered by NEMA. I was provided by NEMA with the relevant documentation for each round including Terms of Reference, the DRF guidelines, the DRF Application Assessment Framework and the DRF Probity Plan.

The DRF Assessment Framework and Probity Plan for Round two relevantly states:

- The Panel Chair's role is to ensure that the panel assessment process as outlined in the DRF Guidelines and this Framework is adhered to. During the Panel meeting the Chair will ask members to declare any actual or potential conflicts of interest and ensure appropriate action is taken with respect of any declared conflict of interest in accordance with advice from the Senior Responsible Officer (SRO) and, through the SRO, the Probity Adviser.
- The Probity Adviser's role included supporting the assessment process by attending Panel meetings to advise on any probity matters that may arise including managing conflicts of interest and abiding by all binding rules and requirements.
- During panel meetings, the SRO will provide advice on the management of any conflicts (e.g. members with high conflicts of interest may be asked to leave the room during the Panel's discussion of conflicted applications).

For Round One I was allocated a subset of approximately 120 applications out of roughly 300 applications for scoring. For round two I was allocated a similar number from roughly 500 applications for scoring. The details of the majority of all applications were made available when issuing the meeting agenda shortly before each Panel meeting. I recall the applications were made available for Round 1 on the first day of the panel meeting and one and half business days prior to the Round 2 panel meeting. The short turnaround time meant assessment of applications was often required to be made as applications were being discussed at the Panel meeting.

As a panel member, I complied with my obligations regarding conflicts of interests and followed all protocols nominated by NEMA:

- Prior to the panel's assessments I completed conflict of interest disclosures and confidentiality deeds as provided by NEMA. I also watched or attended the panel induction session including the probity briefings.
- I updated potential conflicts to NEMA throughout the assessment process including before the round 2 panel meeting when I consulted the SRO directly to confirm if NEMA had any concerns with my conflict of interest disclosures.
- During the round 2 panel assessment I recall that I further consulted with the probity advisor regarding my participation in assessing a specific matter before the Panel and whether a potential conflict of interest required management. At this stage, I am not able to recollect which application of the roughly 400 applications listed for discussion at the panel meeting in Round 2 that was the subject of our discussion.
- At all times I followed instructions of the Panel Chair or Senior Responsible Officer.
- I absented myself from assessments in agreement with the Chair where it was determined that a potential conflict could not be appropriately managed.

In regard to the matter specifically referenced in paragraph 3.29:

- The matter arose during the assessment of the application during the panel meeting. I had not assessed this particular application prior, and it was provided to me shortly before the panel meeting along with roughly at-least 260 applications I had not yet seen.



- I had previously declared conflicts of interest that may arise from my role as CEO of NHRA. I further clarified during the Panel meeting, when it came to my attention, a Director of NHRA was also a Director of a company that had submitted an application for review by the Panel.
- At the time, neither the Panel Chair, Deputy Panel Chair, Probity Advisor, Senior Responsible Officer or any other participant in the assessment meeting expressed any concern with the disclosure, and I was allowed to participate in the assessment discussion.
- I recall that my specific contribution to the discussion was regarding risk management and achievement of value for money for the Commonwealth based on coordination across different activities to avoid duplication of effort and funding.
- Ultimately, as confirmed by the extract of footnote 7 in the proposed report, the discussion had no influence as the score for that application was not changed.

I strongly believe I have carried out all my conflict-of-interest obligations to the best of my ability in the circumstances of the process.

Yours sincerely,

A handwritten signature in black ink, appearing to read "AG", written over a light blue horizontal line.

Andrew Gissing
Chief Executive Officer

We thank and acknowledge the Traditional Custodians across all the lands on which we work, live and walk, and pay our respects to Elders past, present and emerging. We recognise that these lands and waters have always been places of teaching, research and learning, and that sovereignty has not been ceded.



Appendix 2 Improvements observed by the ANAO

1. The existence of independent external audit, and the accompanying potential for scrutiny improves performance. Improvements in administrative and management practices usually occur: in anticipation of ANAO audit activity; during an audit engagement; as interim findings are made; and/or after the audit has been completed and formal findings are communicated.
2. The Joint Committee of Public Accounts and Audit (JCPAA) has encouraged the ANAO to consider ways in which the ANAO could capture and describe some of these impacts. The ANAO's corporate plan states that the ANAO's annual performance statements will provide a narrative that will consider, amongst other matters, analysis of key improvements made by entities during a performance audit process based on information included in tabled performance audit reports.
3. Performance audits involve close engagement between the ANAO and the audited entity as well as other stakeholders involved in the program or activity being audited. Throughout the audit engagement, the ANAO outlines to the entity the preliminary audit findings, conclusions and potential audit recommendations. This ensures that final recommendations are appropriately targeted and encourages entities to take early remedial action on any identified matters during the course of an audit. Remedial actions entities may take during the audit include:
 - strengthening governance arrangements;
 - introducing or revising policies, strategies, guidelines or administrative processes; and
 - initiating reviews or investigations.
4. During the course of the audit, the ANAO did not observe changes in NEMA's approach to the award of DRF funding (see also paragraph 1.8).

Appendix 3 Panellists for rounds 1 and 2 of the Disaster Ready Fund

| Name | Title | Employer | Round on panel | Procurement value |
|----------------------------|--|--|----------------|---|
| Hannah Wandel (Chair) | First Assistant Coordinator-General Programs Division | NEMA | Rounds 1 and 2 | – |
| Paul Gloyne (Deputy Chair) | Chief Data Officer | NEMA | Round 2 | – |
| Dr Mark Crossweller | Director | Ethical Intelligence (former Director General of Emergency Management Australia) | Rounds 1 and 2 | Round 1 — \$15,300.00 (Excl GST) Round 2 — \$22,137.50 |
| Dr Aaron Bruhn | Senior Actuary | Australian Government Actuary | Rounds 1 and 2 | Round 1 — \$20,000.00 (Excl GST) Round 2 — \$31,295.00 |
| Andrew Gissing | Chief Executive Officer | Natural Hazards Research Australia | Rounds 1 and 2 | – |
| Diana Hallam | First Assistant Secretary Corporate Service Delivery Program | Department of Infrastructure, Transport, Regional Development, Communications, Sports and the Arts | Round 1 | – |
| Dr Daniel Metcalfe | Director, Environment | CSIRO | Rounds 1 and 2 | – |
| Darran Kennedy | Executive Officer, Remote Australia Project Branch | National Indigenous Australians Agency | Round 2 | – |
| Dr Jessica Weir | Associate Professor, Institute of Culture and Society | Western Sydney University | Round 2 | \$23,760.00 |
| Mary Hodge | Acting Branch Manager, Financial Wellbeing Branch | Department of Social Services | Round 2 | – |
| Nicole Mitchell | Branch Head, Climate Change Policy Branch | Department of Climate Change, Energy, the Environment and Water | Round 2 | – |
| Joanna Piva | Assistant Secretary, Commonwealth Infrastructure Projects | Department of Infrastructure, Transport, Regional Development, Communications, Sports and the Arts | Round 2 | – |
| Dr Paul Cutting | Assistant Secretary, RPM Taskforce | Department of Infrastructure, Transport, Regional Development, Communications, Sports and the Arts | Round 2 | – |

Source: ANAO analysis of NEMA records.

Appendix 4 Application processes for DRF Round 1 by jurisdiction

| Jurisdiction | Applicants | Open for submission | Close of submissions | Assessment/prioritisation by Lead Agency | Links to NEMA DRF Guidelines? |
|--|--|---|----------------------|--|-------------------------------|
| Australian Capital Territory (Justice and Communities Directorate) | Unable to locate publicly available information | | | | |
| Victoria (Emergency Management Victoria) | <ul style="list-style-type: none"> • Victorian government departments • Floodplain management authorities • Municipal councils • Volunteer emergency service organisations • Peak bodies and incorporated associations/organisations with an emergency management purpose, connection or interest • Research institutions • Private and non-government organisations, including small business and associated business groups | Submissions via SmartyGrants 19 January 2023 | 16 February 2023 | Expert panel of Victorian emergency management personnel to prioritise proposals against Victorian assessment criteria | Yes |
| New South Wales (NSW Reconstruction Authority) | <ul style="list-style-type: none"> • NSW government agencies • Large non-government organisations • Medium to small non-government organisations • Peak bodies • Local government • Community groups | Via email 18 January 2023 | 14 February 2023 | NSW Reconstruction Authority will 'screen Project' for completeness and eligibility before providing a 'rating' against NSW specific assessment criteria | Yes |

| Jurisdiction | Applicants | Open for submission | Close of submissions | Assessment/prioritisation by Lead Agency | Links to NEMA DRF Guidelines? |
|---|--|---|----------------------|--|-------------------------------|
| Northern Territory (NT Emergency Services) | 'Any government or non-government organisation can apply for funding if the proposed project delivers benefits to the community' | Expression of interest via email 2 February 2023 | 20 February 2023 | No information provided | Yes |
| Queensland (Queensland Reconstruction Authority) | <ul style="list-style-type: none"> • State agencies • Local councils • Non-government organisations • Universities | Via email 10 January 2023 | 13 February 2023 | No information provided | Yes |
| South Australia (SAFECOM) | <ul style="list-style-type: none"> • State government • Local government • Non-government organisations • Businesses • Community groups | Via email — applications forms provided on request 19 January 2023 | 20 February 2023 | SAFECOM undertakes a 'proposal prioritisation process', details not provided | Yes |
| Tasmania (Department of Premier and Cabinet) | <ul style="list-style-type: none"> • Tasmanian organisations • Local government • Community organisations • Private organisations • Individuals | Expression of interest via email Open date is unclear | 13 February 2023 | Details not provided ^a | Yes |
| Western Australia (Department of Fire and Emergency Services) | 'Any government or non-government organisation can apply for funding if the proposed project delivers benefits to the community' | Expression of interest via email 3 January 2023 | 10 February 2023 | No information provided | No ^b |

Note a: The ANAO was only able to locate evidence on the ACT government's Justice and Communities Directorate website of the Disaster Ready Fund from 23 February 2023, 10 days after applications closed. The capture from 23 February noted that applications were open, despite being closed for some 10 days.

Note b: The guidance from DFES WA noted that 'DRF Guidelines are still being finalised by the Commonwealth'.

Source: ANAO analysis of publicly available records. ANAO has not audited the application process of each state and territory.

Appendix 5 Application processes for DRF Round 2 by jurisdiction

| Jurisdiction | Applicants | Open for submission | Close of submissions | Assessment/prioritisation by Lead Agency | Links to NEMA DRF Guidelines? |
|--|--|--|---|--|-------------------------------|
| Australian Capital Territory (Justice and Communities Directorate) | <ul style="list-style-type: none"> • ACT government agencies • Non-government organisations • Peak bodies • Local government • Universities and research institutions • Community groups • Businesses (noting projects cannot be focused on generating profit or commercial gain) | Via email 22 January 2024 | 20 March 2024 | Assessment by 'ACT Application Assessment Panel' and review by the ACT's executive 'Security and Emergency Management Senior Officials Group' | Yes |
| Victoria (Emergency Management Victoria) | <ul style="list-style-type: none"> • State government departments and agencies • Local government • Floodplain management authorities • Emergency service organisations • Peak bodies and incorporated associations/organisations with an emergency management purpose, connection or interest • Research institution • Private and non-government organisations, including small business and associated business groups | Via SmartyGrants 22 January 2024 | 20 March 2024 | Cross-sector expert panel assessing and prioritising | Yes |
| New South Wales (NSW Reconstruction Authority) | <ul style="list-style-type: none"> • NSW government agencies • Local government • Not-for-profit • Social enterprise | Mandatory EOI via SmartyGrants open 6 November 2023 Invite only from EOI process for application from 22 January 2024 | EOI closed 8 December 2023 Applications closed 20 March 2024 | NSW Reconstruction Authority will 'screen Project' for completeness and eligibility before providing a 'rating' against NSW specific assessment criteria | Yes |

| Jurisdiction | Applicants | Open for submission | Close of submissions | Assessment/prioritisation by Lead Agency | Links to NEMA DRF Guidelines? |
|---|--|--|--|--|-------------------------------|
| Northern Territory (NT Emergency Services) | 'Any government or non-government organisation can apply for funding if the proposed project delivers benefits to the community' | Via email 22 January 2024 | 20 March 2024 | Information not provided | Yes |
| Queensland (Queensland Reconstruction Authority) | <ul style="list-style-type: none"> • State agencies • Local councils • Non-government organisations • Universities | Via email 22 January 2024 | 20 March 2024 | Details not provided | Yes |
| South Australia (SAFECOM) | <ul style="list-style-type: none"> • State government • Local government • Non-government organisations • Businesses • Community groups | 22 January 2024 | EOI closed 1 December 2023 20 March 2024 | Details not provided | Yes |
| Tasmania (Department of Premier and Cabinet) | 'Anyone' | Non-mandatory EOI via SmartyGrants Applications via SmartyGrants open date not clear | 20 March 2024 | 'merit based assessment process to ensure eligibility and alignment with state and local priorities' | Yes |
| Western Australia (Department of Fire and Emergency Services) | 'Any government or non-government organisation can apply for funding if the proposed project delivers benefits to the community' | Non-mandatory EOI via SmartyGrants from 8 November 2023 Applications from 22 January 2024 | EOI closed 22 January 2024 Applications due 20 March 2024 | Details not provided | Yes |

Source: ANAO analysis of publicly available records. The ANAO has not audited the application process of each state and territory.

Appendix 6 Distribution of funding requests, recommendations and award in Round 1

| Jurisdiction | Submissions | | Recommended and awarded funding | | |
|--------------------------------|-------------|-----------------|---|--|--|
| | Number | Funding sought | Number | Funding recommended by Panel | Funding awarded by Minister ^a |
| Australian Capital Territory | 17 (6%) | \$25.1 m (5%) | 13 (76% of ACT applications) | \$6.87 m (27% of ACT funding sought) | -\$16,000 |
| Infrastructure stream | 4 | \$18.17 m | 2 | \$0.76 m | -\$1,939 |
| Systemic Risk Reduction stream | 7 | \$3.02 m | 6 | \$2.18 m | -\$14,061 |
| Both streams | 6 | \$3.935 m | 5 | \$3.94 m | – |
| New South Wales | 25 (8%) | \$62.3 m (14%) | 19 ^a (76% of NSW applications) | \$37.49 m ^a (60% of NSW funding sought) | -\$5.73 m |
| Infrastructure stream | 16 | \$35.98 m | 12 | \$16.45 m | -\$28,421 |
| Systemic Risk Reduction stream | 8 | \$24.88 m | 5 | \$19.57 m | -\$5.70 m ^a |
| Both streams | 1 | \$1.48 m | 1 | \$1.48 m | -\$2,368 |
| Northern Territory | 12 (4%) | \$57.8 m (13%) | 9 (75% of NT applications) | \$4.9 m (8% of NT funding sought) | No change |
| Infrastructure stream | 0 | \$0 | 0 | \$0 | – |
| Systemic Risk Reduction stream | 9 | \$5.74 m | 5 | \$4.57 m | – |
| Both streams | 3 | \$52.1 m | 3 | \$0.335 m | – |
| Queensland | 115 (37%) | \$175.5 m (38%) | 50 (43% of Qld applications) | \$84.31 m (48% of Qld funding sought) | -\$117,734 |
| Infrastructure stream | 45 | \$45.76 m | 23 | \$17.76 m | -\$110,715 |
| Systemic Risk Reduction stream | 31 | \$59.1 m | 11 | \$32.15 m | -\$7,019 |
| Both streams | 39 | \$70.63 m | 16 | \$34.28m | – |
| South Australia | 41 (13%) | \$42.3 m (3%) | 23 (56% of SA applications) | \$22.81 m (54% of SA funding sought) | -\$124,000 |
| Infrastructure stream | 13 | \$18.96 m | 8 | \$10.36 m | -\$42,759 |
| Systemic Risk Reduction stream | 23 | \$15.48 m | 10 | \$4.64 m | -\$56,299 |
| Both streams | 5 | \$7.81 m | 5 | \$7.81 m | -\$24,943 |

| Jurisdiction | Submissions | | Recommended and awarded funding | | |
|--------------------------------|-------------|------------------|--|---|--|
| | Number | Funding sought | Number | Funding recommended by Panel | Funding awarded by Minister ^a |
| Tasmania | 21 (7%) | \$19.5 m (4%) | 19 (90% of Tas applications) | \$14.41 m (74% of Tas funding sought) | -\$31,110 |
| Infrastructure stream | 3 | \$1.99 m | 3 | \$1.99 m | -\$12,657 |
| Systemic Risk Reduction stream | 12 | \$14.66 m | 11 | \$9.63 m | -\$17,494 |
| Both Streams | 6 | \$2.84 m | 5 | \$2.79 m | -\$959 |
| Victoria | 44 (14%) | \$39.5 m (3%) | 31 (70% of Vic applications) | \$26.36 m (67% of Vic funding sought) | -\$4,900 |
| Infrastructure stream | 21 | \$21.1 m | 17 | \$15.12 m | -\$3,115 |
| Systemic Risk Reduction stream | 23 | \$18.37 m | 14 | \$11.24 m | -\$1,785 |
| Both streams | 0 | \$0 | 0 | \$0 | – |
| Western Australia | 33 (11%) | \$39.0 m (8%) | 23 (70% of WA applications) | \$8.88 m (23% of WA funding sought) | No change |
| Infrastructure stream | 11 | \$13.35 m | 9 | \$2.19 m | – |
| Systemic Risk Reduction stream | 14 | \$14.20 m | 10 | \$5.75 m | – |
| Both streams | 8 | \$11.45 m | 4 | \$0.94 m | – |
| Total | 308 | \$460.95m | 187^b (61% of all applications) | \$206.03 m^c (45% of all funding sought) | -\$6.03 m |
| Infrastructure stream | 113 | \$155.30m | 74 | \$64.73 m | -\$199,606 |
| Systemic Risk Reduction stream | 127 | \$155.42m | 74 | \$89.72 m | -\$5.78 m |
| Both streams | 68 | \$150.23m | 39 | \$51.57 m | -\$49,350 |

Note a: After the panel completed its recommendations, the NEMA DRF team undertook an adjustment activity on panel recommended projects, to adjust the recommended funding amounts, removing implementation plan costs (where they were included) and ensuring that total implementation plan costs for a jurisdiction did not exceed the limit set in the Round 1 DRF guidelines. These adjustments were included in the assessment panel report. The act of adjusting and the details of the approach were not included in the assessment panel report.

Note b: Two projects withdrew from the program after funding was award, see paragraph 4.20.

Note c: One application was recommended and awarded partial funding, from a request for \$9.0 million to \$3.3 million 'as seed funding to support development costs of the broader [project]'.

Note: Figures do not add due to rounding.

Source: ANAO analysis of NEMA records.

Appendix 7 Distribution of funding requests, recommendations and award in Round 2

| Jurisdiction | Submissions | | Recommended and awarded funding | |
|--------------------------------|-------------|------------------|---------------------------------|---------------------------------------|
| | Number | Funding sought | Number | Funding recommended by Panel |
| Australian Capital Territory | 13 (2%) | \$12.11 m (2%) | 9 (69% of ACT applications) | \$7.50 m (62% of ACT funding sought) |
| Infrastructure stream | 3 | \$5.68 m | 2 | \$3.50 m |
| Systemic Risk Reduction stream | 9 | \$4.92 m | 7 | \$3.999 m |
| Both Streams | 1 | \$1.52 m | | – |
| New South Wales | 57 (15%) | \$113.20 m (15%) | 27 (47% of NSW applications) | \$41.04 m (36% of NSW funding sought) |
| Infrastructure stream | 17 | \$25.10 m | 7 | \$6.89 m |
| Systemic Risk Reduction stream | 27 | \$58.61 m | 16 | \$25.27 m |
| Both streams | 13 | \$29.48 m | 4 | \$8.88 m |
| Northern Territory | 20 (10%) | \$73.04 m (10%) | 4 (20% of NT applications) | \$16.09 m (22% of NT funding sought) |
| Infrastructure stream | 3 | \$1.20 m | 1 | \$0.54 m |
| Systemic Risk Reduction stream | 10 | \$9.56 m | 2 | \$0.60 m |
| Both streams | 7 | \$62.29 m | 1 | \$14.95 m |
| Queensland | 130 (31%) | \$226.86 m (31%) | 31 (24% of Qld applications) | \$31.33 m (14% of Qld funding sought) |
| Infrastructure stream | 30 | \$55.69 m | 10 | \$19.35 m |
| Systemic Risk Reduction stream | 51 | \$41.91 m | 14 | \$8.93 m |
| Both streams | 49 | \$129.26 m | 7 | \$3.05 m |
| South Australia | 44 (6%) | \$42.25 m (6%) | 18 (41% of SA applications) | \$20.20 m (48% of SA funding sought) |
| Infrastructure stream | 8 | \$8.48 m | 3 | \$4.34 m |
| Systemic Risk Reduction stream | 25 | \$23.85 m | 13 | \$12.01 m |
| Both streams | 11 | \$9.91 m | 2 | \$3.85 m |
| Tasmania | 45 (3%) | \$21.30 m (3%) | 17 (38% of Tas applications) | \$7.57 m (36% of Tas funding sought) |
| Infrastructure stream | 13 | \$6.52 m | 4 | \$4.52 m |
| Systemic Risk Reduction stream | 24 | \$10.56 m | 11 | \$2.46 m |

| Jurisdiction | Submissions | | Recommended and awarded funding | |
|--------------------------------|--------------------------|---------------------------------|--|---|
| | Number | Funding sought | Number | Funding recommended by Panel |
| Both streams | 8 | \$4.23 m | 2 | \$0.59 m |
| Victoria | 110 (22%) | \$160.49 m (22%) | 34 (31% of Vic applications) | \$37.12 m (23% of Vic funding sought) |
| Infrastructure stream | 11 | \$18.45 m | 4 | \$7.20 m |
| Systemic Risk Reduction stream | 45 | \$52.88 m | 18 | \$12.89 m |
| Both streams | 54 | \$89.16 m | 12 | \$17.03 m |
| Western Australia | 63 ^a (13%) | \$74.86 m ^a (10%) | 26 (40% of WA applications) | \$36.19 m (48% of WA funding sought) |
| Infrastructure stream | 29 | \$26.84 m | 10 | \$7.69 m |
| Systemic Risk Reduction stream | 18 | \$10.76 m | 5 | \$1.51 m |
| Both streams | 18 | \$53.37 m | 11 | \$26.99 m |
| Total | 484^a | \$740.23 m^a | 166 (34% of all applications)^b | \$197.04 m^b (27% of all funding sought) |
| Infrastructure stream | 114 | \$147.97 m | 41 | \$54.04 m |
| Systemic Risk Reduction stream | 209 | \$213.05 m | 86 | \$67.67 m |
| Both streams | 161 | \$379.22 m | 39 | \$75.34 m |

Note a: Two applications were also submitted in the second round, one each from Christmas Island and Cocos (Keeling) Islands, one sought \$15.12 million, and the other \$0.99 million in Commonwealth funding, 2 per cent of total funding sought. These two applications were not recommended for or awarded funding. These applications were submitted through Western Australia's lead agency, but did not count towards applications from Western Australia, and so have not been included in these figures for Western Australian submission.

Note b: A further nine projects were awarded \$1.92 million in funding by the Minister for Emergency Management on 20 November 2024, as a result of previously awarded projects withdrawing their applications. This brought the total amount of funding awarded for the second round to \$199,189,389.97 on projects and \$2,955,665.03 on administrative funding allocated to Lead Agencies. See paragraphs 4.21-4.24.

Note: Figures do not add due to rounding.

Source: ANAO analysis of NEMA records.