

# **Administration of the Biodiversity Fund Program**

Department of the Environment

## © Commonwealth of Australia 2014

ISSN 1036–7632 (Print)

ISSN 2203–0352 (Online)

ISBN 0 642 81524 0 (Print)

ISBN 0 642 81525 9 (Online)

Except for the content in this document supplied by third parties, the Australian National Audit Office logo, the Commonwealth Coat of Arms, and any material protected by a trade mark, this document is licensed by the Australian National Audit Office for use under the terms of a Creative Commons Attribution-NonCommercial-NoDerivatives 3.0 Australia licence. To view a copy of this licence, visit

<http://creativecommons.org/licenses/by-nc-nd/3.0/au/>.

You are free to copy and communicate the document in its current form for non-commercial purposes, as long as you attribute the document to the Australian National Audit Office and abide by the other licence terms. You may not alter or adapt the work in any way.

Permission to use material for which the copyright is owned by a third party must be sought from the relevant copyright owner. As far as practicable, such material will be clearly labelled.

For terms of use of the Commonwealth Coat of Arms, visit the *It's an Honour* website at <http://www.itsanhonour.gov.au/>.

Requests and inquiries concerning reproduction and rights should be addressed to:

Executive Director  
Corporate Management Branch  
Australian National Audit Office  
19 National Circuit  
BARTON ACT 2600

Or via email:

[publications@anao.gov.au](mailto:publications@anao.gov.au).



Canberra ACT  
9 December 2014

Dear Mr President  
Dear Madam Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Department of the Environment titled *Administration of the Biodiversity Fund Program*. The audit was conducted in accordance with the authority contained in the *Auditor-General Act 1997*. 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



Ian McPhee  
Auditor-General

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

## AUDITING FOR AUSTRALIA

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

For further information contact:

**The Publications Manager**  
**Australian National Audit Office**  
**GPO Box 707**  
**Canberra ACT 2601**

**Phone:** (02) 6203 7505

**Fax:** (02) 6203 7519

**Email:** [publications@anao.gov.au](mailto:publications@anao.gov.au)

ANAO audit reports and information about the ANAO are available on our website:

<http://www.anao.gov.au>

### **Audit Team**

Bronwen Jaggers  
Meg Banfield  
Reece Pate  
Carissa Louend  
Mark Simpson

# Contents

---

Abbreviations.....	7
<b>Summary and Recommendations .....</b>	<b>9</b>
Summary .....	11
Introduction .....	11
Audit objective and criteria .....	14
Overall conclusion .....	15
Key findings by chapter .....	16
Summary of entity response .....	23
Recommendations .....	24
<b>Audit Findings .....</b>	<b>25</b>
1. Background and Context .....	27
Introduction .....	27
Biodiversity Fund program .....	28
Audit objective, criteria, scope and methodology .....	32
2. Governance Arrangements .....	35
Introduction .....	35
Administration and oversight arrangements .....	35
Program planning .....	37
Risk management .....	38
Performance measurement and reporting .....	40
Conclusion .....	43
3. Access to the Biodiversity Fund Program .....	44
Introduction .....	44
Stakeholder engagement .....	44
Grant guidelines .....	46
Preparing for the assessment and selection process .....	51
Managing probity and conflicts of interest .....	52
Conclusion .....	56
4. Grant Assessment and Selection .....	58
Introduction .....	58
Receipt of applications .....	60
Assessing merit .....	61
Assessing eligibility .....	68
Finalising the grant assessment and selection process .....	71
Conclusion .....	74

5. Selection of Discretionary Grants .....	76
Introduction .....	76
Discretionary grant funding arrangements.....	77
Conclusion .....	82
6. Establishment and Management of Funding Agreements.....	84
Introduction .....	84
Developing and executing funding agreements.....	84
Management of funding agreements .....	91
Milestone payments .....	98
Compliance monitoring .....	100
Conclusion .....	103
<b>Appendices .....</b>	<b>107</b>
Appendix 1: Entity response.....	109
Appendix 2: Assessment of key eligibility criteria in the four funding rounds.....	111
Index.....	113
Series Titles.....	114
Better Practice Guides .....	116

## Tables

Table S.1: Biodiversity Fund program grant funding rounds .....	12
Table 1.1: Biodiversity Fund program grant funding rounds .....	29
Table 1.2: Structure of the report.....	34
Table 3.1: Case study—management of conflict of interest issues during Biodiversity Fund program assessment processes.....	55
Table 4.1: Case study—Moderation Group decision-making process in Biodiversity Fund program Round 2.....	66
Table 5.1: Discretionary grants awarded under the Biodiversity Fund program .....	77
Table 6.1: Budget profile for a Biodiversity Fund program Round 1 project .....	89

## Figures

Figure 1.1: Example of a Biodiversity Fund program project site.....	31
Figure 4.1: Overview of Biodiversity Fund program grant assessment and selection process.....	59
Figure 6.1: Plantings in a fenced-off corridor (including creek bed) to re-establish biodiversity .....	102

# Abbreviations

---

ANAO	Australian National Audit Office
BCD	Biodiversity Conservation Division
CEF	Clean Energy Future
CGGs	Commonwealth Grant Guidelines
Environment	Department of the Environment
EOI	Expression of Interest
Finance	Department of Finance
FMA Act	<i>Financial Management and Accountability Act 1997</i>
KPI	Key Performance Indicator
LSCBB	Land Sector Carbon and Biodiversity Board
LSP	Land Sector Package
MERI	Monitoring, Evaluation, Reporting and Improvement
MERIT	Monitoring Evaluation Reporting and Improvement Tool
MPCCC	Multi-Party Climate Change Committee
NATI	Northern Australia Targeted Investment
NRM	Natural Resource Management
PAES	Portfolio Additional Estimates Statements
PBS	Portfolio Budget Statements
PM&C	Department of the Prime Minister and Cabinet
TFA	Tasmanian Forests Agreement





## **Summary and Recommendations**



# Summary

---

## Introduction

### Establishment of the Biodiversity Fund program

1. In response to the predicted effects of climate change, successive Australian Governments have committed to a target of reducing Australia's carbon emissions to a level that is at least five per cent below the year 2000 emission levels, by 2020.<sup>1</sup> In July 2011, the then Australian Government announced the Clean Energy Future (CEF) initiative, which outlined planned measures to reduce Australia's carbon emissions to meet the 2020 target. The four key elements of the CEF initiative were: the introduction of a carbon price; a package of renewable energy programs; a package of energy efficiency programs; and the Land Sector Package, which included the Biodiversity Fund program.
2. The Biodiversity Fund program was established as a competitive, merit-based grants program, with an initial budget of \$946.2 million over six years from 2011–12 to 2016–17. The 2013–14 Federal Budget subsequently reduced the overall level of funding by \$32.3 million and rephased a further \$225.4 million to 2017–18 and 2018–19. The program was closed to new applicants in December 2013. At that time, there was around \$324 million in committed expenditure on projects funded under completed funding rounds.<sup>2</sup>
3. The objective of the Biodiversity Fund program was to: maintain ecosystem function and increase ecosystem resilience to climate change; and increase and improve the management of biodiverse carbon stores across the country. This objective was to be achieved through grants to land managers for on-ground works, such as revegetation, protection of existing biodiversity, and prevention of the spread of invasive species.

---

1 The then Australian Government ratified the United Nations Framework Convention on Climate Change (UNFCCC) Kyoto Protocol in December 2009, and further outlined emissions reduction targets in its Submission to the Copenhagen Accord in January 2010. Available from: <http://www.climatechange.gov.au/sites/climatechange/files/files/UNFCCC-letter-Jan-2010.pdf> [accessed 24 November 2014]. The current government stated its commitment to the five per cent emissions reduction target in the *Emissions Reduction Fund White Paper*, April 2014, available from: [http://www.environment.gov.au/system/files/resources/1f98a924-5946-404c-9510-d440304280f1/files/emissions-reduction-fund-white-paper\\_0.pdf](http://www.environment.gov.au/system/files/resources/1f98a924-5946-404c-9510-d440304280f1/files/emissions-reduction-fund-white-paper_0.pdf) [accessed 24 November 2014].

2 Mid-Year Economic and Fiscal Outlook 2013–14, 17 December 2013, p. 88.

## Funding rounds and funded projects

4. There were four separate funding rounds completed for the Biodiversity Fund program, prior to the announcement in December 2013 that there would be no further funding rounds. The first round was designed as a 'development round' to test program parameters, with subsequent rounds targeting areas requiring further investment. Table S.1 provides an overview of the four funding rounds.

**Table S.1: Biodiversity Fund program grant funding rounds**

Round Name and Applications Period	Number of Applications Received	Number of Successful Applications <sup>(1)</sup> (with funding agreements in place)	Date Funding Announced and \$ Amount
<b>Round 1</b> 9 December 2011 to 31 January 2012	1530 Full Applications	313	4 May 2012 \$271 million
<b>Northern Australia Targeted Investment (NATI)</b> 5 November 2012 to 4 December 2012	183 Expressions of Interest (EOIs) and 55 Full Applications	3	21 August 2013 \$9.9 million
<b>Round 2</b> 11 February 2013 to 17 April 2013	147 EOIs and 347 Full Applications	18	21 August 2013 \$43.4 million
<b>Investing in Tasmania's Native Forests</b> 20 May 2013 to 12 June 2013	29 Full Applications	0	Not announced
<b>TOTAL</b>	<b>2291 EOIs and Full Applications</b>	<b>334 funded projects</b>	<b>\$324.3 million</b>

Source: ANAO analysis of Environment information.

Note 1: Following the Federal Election on 7 September 2013, there were a number of proposed projects that had been approved for funding under the NATI, Round 2 and Investing in Tasmania's Native Forests rounds, but did not have funding agreements in place at the time that the new Government was sworn in. Funding for these projects did not ultimately proceed.

5. The Department of the Environment (Environment) published program grant guidelines and implemented a broadly consistent application and assessment process across all four funding rounds<sup>3</sup>, with applications

---

3 There were, however, additional EOI steps included in the application process for NATI and Round 2, as outlined in Table S.1.

independently assessed against the published merit criteria by both an internal departmental officer and an external community assessor.<sup>4</sup> Those applications that were highly ranked at the merit assessment stage were subsequently subjected to a moderation process<sup>5</sup>, which was designed to, among other things, ensure that there was an appropriate: geographic distribution of projects; balance of funding across program themes and project types; and mix of large and small scale projects. Applications that were recommended for funding following the moderation process were then assessed for eligibility.<sup>6</sup>

6. Once eligibility was determined, recommended applications were provided to the Minister (the Minister for Sustainability, Environment, Water, Population and Communities and, subsequently, the Minister for Environment, Heritage and Water) for approval.

7. There were over 2200 applications lodged for the four completed funding rounds.<sup>7</sup> Of these, 334 projects were approved and had funding agreements established for a total commitment of around \$324 million over six years from 2011–12 to 2016–17.<sup>8</sup> Grant recipients are located in every state and territory and include: state government agencies; catchment management authorities; local councils; Landcare groups and other environmental interest groups; Indigenous land management groups; co-operatives of public and private landowners; and individual landowners. The period of funding for approved projects is between two and six years, with funding ranging from just over \$7000 to \$5.7 million.

---

4 The two scores were then averaged to provide one merit score for each application. Where the two scores varied by more than 30 per cent, they were reviewed by a 'normalisation panel' which confirmed the averaged score or adjusted it, as considered appropriate.

5 The moderation process was undertaken by a Moderation Group, which comprised an independent chair, three external assessors, and two senior departmental officers.

6 While entities generally assess eligibility prior to the merit assessment stage, Environment elected to conduct eligibility assessments after the merit assessments as a means to reduce the workload that would arise from conducting eligibility assessments of all applications. Eligibility assessments were conducted for 21 per cent of lodged applications in Round 1, 35 per cent of those lodged in the NATI round, six per cent of applications in Round 2, and 21 per cent of applications lodged in the Investing in Tasmania's Native Forests Round.

7 This includes EOIs in the NATI round and Round 2. Successful EOIs were then invited to make a full submission.

8 While funding for new projects has ceased, existing funded projects are to be managed through to their completion.

## Discretionary grants

8. In addition to the grants selected through the competitive merit-based assessment process, there were an additional four discretionary grants awarded under the Biodiversity Fund program, with a total value of \$7.65 million (ranging from \$176 000 to \$6 million).<sup>9</sup> The projects funded through these discretionary grants involved: the provision of vegetation planting guides and workshops in 2012; research services in support of monitoring and evaluation activities; the restoration of native forest in Tasmania; and identifying and documenting new plant and animal species.

## Administrative arrangements

9. The Biodiversity Fund program is administered by Environment.<sup>10</sup> This role has included design of the program, implementation of the grant assessment and selection process for each funding round, and ongoing management of the funded projects. As at 30 June 2014, the division within the department with responsibility for administering Biodiversity Fund program projects (and a range of other Environment programs) had approximately 160 staff.

## Audit objective and criteria

10. The objective of the audit was to assess the effectiveness of the Department of the Environment's administration of the Biodiversity Fund program. To form a conclusion against the objective, the ANAO adopted the following high-level criteria:

- governance arrangements were appropriate;
- grant assessment processes to select funded projects under the program were open, transparent, accountable and equitable;
- negotiation and management of funding agreements with approved applicants was sound; and
- effective monitoring, reporting and evaluation arrangements were established to determine the extent to which the program has achieved its objectives.

---

9 While the availability of discretionary grants had been outlined in the grant guidelines for Round 1, it was not outlined in the guidelines in the following three rounds.

10 The department was formerly the Department of Sustainability, Environment, Water, Populations and Communities, but was changed in September 2013 as part of revised administrative arrangements.

## Overall conclusion

11. The Biodiversity Fund program, administered by the Department of the Environment (Environment), was established as a \$946.2 million competitive, merit-based grants program<sup>11</sup> as part of the Clean Energy Future initiative.<sup>12</sup> The program was designed to protect and enhance biodiversity by providing land managers with grants to undertake on-ground works to revegetate land, protect existing biodiversity, and prevent the spread of invasive species. The program is broad in scope, with funding recipients including individual landholders through to large state government departments, and grants ranging from just over \$7000 to almost \$6 million.

12. In the main, Environment established suitable arrangements for the administration of the Biodiversity Fund program, including: a governance framework that provided appropriate visibility of program delivery to departmental management; generally sound processes and procedures to underpin the complex grant assessment process; and funding agreements and management arrangements with grant recipients that, in general, supported the delivery of funded projects while protecting the Commonwealth's interests. There were, however, shortcomings in aspects of the department's administration of the program, specifically:

- the assessment of each of the eligibility criteria, as outlined in the program's grant guidelines, was not sufficiently robust or transparent. In particular, there was a lack of clarity in the guidelines relating to some eligibility criteria, limited guidance for departmental assessors undertaking the eligibility assessments, and insufficient documentation to demonstrate that an eligibility assessment had been undertaken against all eligibility criteria for each recommended application; and
- the compliance strategy, which was developed relatively early during program implementation, was not fully implemented. While the department adopted a case management approach, the absence of a risk-based compliance monitoring program, as envisaged in the compliance strategy, reduced the assurance that the department had

---

11 There were also discretionary grants available alongside the competitive merit-based funding rounds.

12 In December 2013, the program was closed to new applicants, with unexpended program funds returned to consolidated revenue.

regarding recipients' compliance with the obligations established under their funding agreements.

13. In addition to these shortcomings, the availability of discretionary grant funding as an element of the program alongside the delivery of competitive, merit-based funding rounds increased the risks to the equitable treatment of applicants, as not all applicants for program funding were assessed using common criteria. This underlines the importance of applicants' perspectives being taken into account in the design of grants programs, along with the requirements of government, so that program grant guidelines appropriately inform potential applicants of all program elements to avoid misunderstandings in the way the grants process is to be administered.

14. To strengthen Environment's administration of grants programs, including the ongoing administration of Biodiversity Fund program projects, the ANAO has made two recommendations in relation to the department: strengthening eligibility assessment processes; and implementing risk-based compliance strategies for grants programs.

## Key findings by chapter

### Governance arrangements (Chapter 2)

15. The oversight arrangements established within Environment for the Biodiversity Fund program provided a sound basis to guide the delivery of the program.<sup>13</sup> Environment produced a range of planning documents that were intended to underpin the implementation of the overarching Land Sector Package (of which the Biodiversity Fund program was a key element) and the delivery of individual funding rounds under the Biodiversity Fund program. The development and regular review of a program-level implementation plan would have better positioned the department to address longer-term delivery issues, some of which became evident during the administration of the program, including the impact of the timing of funding rounds, effective implementation of a compliance strategy, and administrative workloads resulting from the grant recipient reporting schedule.

---

13 There was also a range of oversight mechanisms established for the Clean Energy Future initiative and Land Sector Package. The audit did not examine these arrangements in detail.



16. Environment prepared a high-level risk assessment for the Biodiversity Fund program, and also prepared assessments specifically focusing on the four funding rounds conducted for the program. In general, these funding round risk assessments focused on higher-level program implementation risks, and not risks specifically related to each round.<sup>14</sup>

17. The department established key performance indicators (KPIs) for the Biodiversity Fund program that have been included in its Portfolio Budget Statements, and subsequently performance against these indicators was reported in its annual reports. In the earlier years of program implementation (2011–12 to 2013–14), reported information was generally focused on business processes, such as the management of funding rounds. While the more recent inclusion of outcome-focused KPIs will better place the department to report on the extent to which Biodiversity Fund program objectives are being achieved, Environment is at an early stage in the collection of appropriate information to support reporting against these KPIs.

18. The importance of developing a suitable framework that provides meaningful information about the achievement of natural resource programs' objectives has been a consistent theme in the ANAO's audits for over a decade. Environment's adoption of a performance monitoring and reporting framework that seeks to facilitate the gathering of project-level data that can be used to inform reporting on program-level achievements<sup>15</sup>, if implemented as intended, has the potential to provide a sound basis for the department to address an area that has been a gap in the administration of programs. However, at the time of the audit, project-level reporting is in its early stages and the planned on-ground scientific monitoring of a selection of project sites and broad-scale monitoring using satellite imagery and other technologies, which would verify and complement the project-level data being collected by funding recipients, is yet to be implemented.

### **Access to the Biodiversity Fund program (Chapter 3)**

19. Environment consulted with stakeholders during the design of the Biodiversity Fund program's Round 1 and Northern Australia Targeted

---

14 For example, the round being heavily over-subscribed, leading to processing pressures on the department, and problems with the application lodgement system that heightened the risk of inadvertently excluding applicants to the program.

15 This framework is the Monitoring, Evaluation, Reporting and Improvement (MERI) Framework.

Investment (NATI) funding rounds, and conducted surveys of funding applicants after the rounds were completed. The department subsequently used appropriate channels to inform potential applicants about the opportunity to apply for funding, including newspaper advertisements, a dedicated website, email newsletters, and use of existing networks with relevant stakeholders.

20. The grant guidelines for the four rounds of the Biodiversity Fund program appropriately outlined the scope, objectives and intended outcomes of the program. The quality of the guidelines for the three later rounds improved when compared to the Round 1 guidelines, and were more clearly expressed and logically structured. There were, however, areas for improvement across all four sets of guidelines, particularly in relation to the role of the Moderation Group and the potential impact of the moderation process on the competitive, merit-based assessment process, the clarity of eligibility criteria, the discretionary grants available under the program, and information regarding available funding in each round and Environment's preferred budget profile for funded projects.

21. Environment established generally appropriate arrangements to support the grant assessment and selection process, having developed grant assessment plans for each round that outlined key internal procedures. There was, however, a need for clearer guidance for departmental staff undertaking and documenting the eligibility assessments. As was the case with the program's grant guidelines, there was a general improvement in the quality of the grant assessment plans for the three later rounds when compared to Round 1, indicating that Environment had incorporated the lessons learned over the life of the program. In addition, the probity arrangements established and implemented for the Biodiversity Fund program's competitive funding rounds were generally proportionate to the risks of the program, and provided the department with assurance that probity and conflict of interest matters had been adequately managed.

## **Grant assessment and selection (Chapter 4)**

22. The grant assessment and selection process was broadly consistent across all four funding rounds. Environment established suitable arrangements for receiving applications and providing confirmation to applicants, primarily through an online application system. While difficulties were experienced with the online lodgement system for Round 1 applications, Environment managed these issues appropriately.

23. The merit assessments prepared by departmental and external assessors were undertaken broadly in accordance with the published guidelines and internal grant assessment plan, although for Round 1, in around one-third of the assessments reviewed by the ANAO the assessors had not provided written comments in support of the scores awarded. The 'normalisation' process for applications where the assessor scores varied by more than 30 per cent was also appropriately undertaken and documented, although the basis for decisions to amend merit scores could have been better communicated to the decision-maker.

24. The role of the Moderation Group was to review the merit-assessed applications and recommend projects considered suitable for funding, including ensuring: appropriate geographic distribution of projects across Australia; a balance of funding across program themes and project types; large and small scale projects; and appropriate representation of Indigenous groups. The moderation process was undertaken to help ensure the achievement of the Biodiversity Fund program's overall objectives. While recognising the appropriate steps taken by the department to administer the moderation process, including probity oversight, the provision of additional information on the process in the grant guidelines for all funding rounds would have contributed to a more transparent assessment and selection process for applicants.

25. The transparency of the decision-making process in each funding round would have been enhanced had the Moderation Group ranked recommended applications in order of merit, rather than grouping them into 'recommended' and 'reserve' projects.<sup>16</sup> In addition, the department did not retain sufficient documentation to clearly explain the basis for its selection of 18 projects from the Round 1 'reserve' list to be recommended for funding, in preference to other more highly-ranked 'reserve' projects.

26. Applications that were recommended for funding at the conclusion of the moderation process were then assessed for eligibility. As 'threshold' criteria, it is particularly important that eligibility criteria are clearly expressed in the grant guidelines, for agencies to have planned how eligibility assessments are to be undertaken, and for each assessment to be well documented. In this regard, Environment's assessment of all the eligibility

---

16 In the NATI, Round 2 and Investing in Tasmania's Native Forests funding rounds, departmental officers provided a ranked list of recommended projects as part of the briefing to the Minister.

criteria as outlined in the Biodiversity Fund program's grant guidelines was not sufficiently robust or transparent. In particular, the assessment of whether a proposed project could be considered a 'business as usual' activity (and therefore not eligible for funding) was not underpinned by: a clear definition in the published guidelines for Round 1<sup>17</sup>; guidance for departmental staff on conducting this assessment; or sufficient documentation of the assessment of this eligibility criterion for each recommended application. In around one-third of the successful applications reviewed by the ANAO<sup>18</sup>, at least one assessor had indicated that they considered the proposed project may represent a 'business as usual' activity, but the evidence retained by Environment did not indicate that the department followed-up this assessment and, ultimately, no applications were assessed as ineligible against this criterion.

27. Once the merit and eligibility assessment processes were complete, Environment prepared generally appropriate information to support the Minister's (the decision-maker's) approval of grant funding. In relation to Round 1, the Minister was not, however, advised that the recommended list of applications included a number of projects that had initially been identified by the Moderation Group as 'reserve', or that these applications were not the most highly-ranked on the 'reserve' list. The department also notified the successful and unsuccessful applicants of the outcome in each round (although in some rounds, this advice could have been more timely). Relevant information was subsequently published on the department's website regarding funded projects, as required. The quality of feedback provided to unsuccessful applicants improved in the later three rounds, with information provided in relation to areas for improvement against each merit criterion. There was no evidence to indicate that the location of projects by electorate was a consideration in the distribution of funding.

## **Selection of discretionary grants (Chapter 5)**

28. There were four discretionary grants awarded under the Biodiversity Fund program in addition to the four competitive merit-based funding rounds. While the grant guidelines for Biodiversity Fund program Round 1 had foreshadowed the possibility of discretionary grants where a competitive

---

17 While the Round 1 guidelines did not provide a definition of 'business as usual' activities, the guidelines for the subsequent three rounds included information in a glossary.

18 That is, 21 of the 64 Round 1 funded projects reviewed by the ANAO.

approach would not be effective or feasible in delivering the desired outcomes of the program, the guidelines for the remaining rounds did not foreshadow this funding option. In the interests of transparency, there would have been merit in the department including a reference to the possibility of discretionary grants in each round's guidelines and the basis on which applications would be assessed.

29. While all four of the grants had been appropriately approved for funding by the Minister and had funding agreements in place, one grant was awarded at a time when a competitive funding round—that was seeking applications for projects similar to that funded through the discretionary grant—was open. The issues raised by stakeholders with the ANAO in relation to the transparency and equity of this matter illustrate the advantages of implementing merit-based assessment and selection processes for grant programs.

30. In the case of a second discretionary grant, the grant recipient (the Director of National Parks) was involved in recommending the project to the Minister for funding, and Environment has dual ongoing responsibilities involving the delivery of the project<sup>19</sup> as well as being the provider of the funding. Notwithstanding the potential environmental benefits of the project, this situation is unusual and presented a number of risks for Environment—particularly in relation to actual or perceived conflicts of interest—which could have been better managed.

## **Establishment and management of funding agreements (Chapter 6)**

31. The established funding agreements for the Biodiversity Fund program appropriately set out the Australian Government's and grant recipient's obligations. The adoption of proportional compliance obligations based on risk assessments would have, however, provided the means to balance requirements for an appropriate level of assurance with the potential compliance burden on grant recipients.

32. The funding agreement negotiation and execution period for the Round 2, NATI and Investing in Tasmania's Native Forests funding rounds coincided with the 2013 Federal Election 'caretaker' period. While funding

---

19 The Director of National Parks, an Australian Government statutory officer holder, is the funding recipient, with day-to-day project management undertaken by staff from Parks Australia, which is a division within the Department of the Environment.

agreements for the NATI and Round 2 approved applicants were provided to applicants shortly after their approval by the Minister, which meant those applicants were afforded the opportunity to execute agreements, approved applicants in the Investing in Tasmania's Native Forests round were not afforded the same opportunity.<sup>20</sup> The records retained by Environment do not clearly demonstrate the basis for this differential treatment.

33. For a significant proportion of Round 1 grant recipients, the department's re-profiling of their project budget in funding agreements<sup>21</sup>, and the signing of agreements late in the 2011–12 financial year (which effectively shortened their project by one year) created additional challenges in delivering the project as had been originally planned and set out in their approved application. Improved communication with grant recipients regarding these issues—both in the application and funding execution phases—would have assisted recipients in planning the delivery of their proposed projects.

34. The funding agreements set out a schedule of milestone payments that are based on Environment's acceptance of six-monthly progress reports by grant recipients. In general, Environment has adequately documented its review of these reports and only released payments following acceptance of the reports. The submission of a large number of reports twice a year has, however, created challenges for departmental staff in reviewing and accepting these reports prior to approving milestone payments (taking an average of six to seven weeks for approval of milestone payments). The resulting delays have reportedly impacted on the cash-flow of some grant recipients.

35. In December 2013, Environment replaced the existing reporting framework with a new online reporting tool—MERIT. MERIT is a key element of the Biodiversity Fund program's performance monitoring and reporting framework as it seeks to collate comparable data across all projects, to then be correlated and analysed to provide information on the achievement of the Biodiversity Fund program objectives. The transition to MERIT was problematic for some users, and more thorough planning and stakeholder

---

20 Ultimately, the approved applicants in the Investing in Tasmania's Native Forests round did not proceed to funding.

21 To expend the Biodiversity Fund program funding as appropriated to Environment, the department was required to tailor Round 1 funding recipients' individual funding profiles to broadly match the overall allocated funding profile for the program. For example, many grant recipients received less funding in years one and two of their projects than they had planned and set out in their grant application project budget. These recipients subsequently received substantially more funding in year three of their projects (although the overall funding for projects was not changed).

engagement early in the process would have better positioned Environment to assist users to manage this transition.

36. Environment primarily relied on a case management approach (in particular, the review of grant recipient reports) to facilitate compliance monitoring. While Environment had developed a compliance strategy relatively early in the program, it is yet to establish a risk-based compliance monitoring program to provide appropriate assurance in relation to high risk grant recipients'/projects' compliance with their obligations. There is scope for Environment to more effectively target its compliance strategy for the remaining life of Biodiversity Fund program projects, and to ensure that a risk-based approach to compliance is implemented in future grants programs.

## Summary of entity response

37. Environment's summary response to the proposed report is provided below, while the full response is provided at Appendix 1.

The Department is grateful for the opportunity to respond to the audit report and agrees with the two recommendations in the report. The Department notes that the audit has highlighted some areas for future improvement in the grants administration process, particularly in the articulation and assessment of eligibility requirements and in the full implementation of a risk-based compliance strategy to support grants management. The Department has updated its internal processes to improve these areas further and thereby give effect to the audit recommendations, both for the ongoing management of the Biodiversity Fund and for other grants programmes.

The Department also acknowledges the positive findings in the report in relation to the design and implementation of the programme.



# Recommendations

---

## Recommendation No. 1

### Paragraph 4.34

To strengthen the assessment of applicant eligibility under its grants programs, the ANAO recommends that the Department of the Environment:

- provides clear guidance in its grants framework regarding the need to design eligibility criteria for grants programs that are clearly expressed and able to be readily assessed;
- emphasises the importance of assessing all eligibility criteria in all grants rounds conducted; and
- retains sufficient documentation to evidence eligibility assessments.

**Environment response:** *Agreed.*

## Recommendation No. 2

### Paragraph 6.63

To strengthen the monitoring of compliance with the terms and conditions of funding, the ANAO recommends that the Department of the Environment implements risk-based compliance strategies for its grant programs.

**Environment response:** *Agreed.*



## **Audit Findings**



# 1. Background and Context

---

*This chapter provides background information on the Biodiversity Fund program and the Department of the Environment's arrangements for administering the program. It also sets out the audit's approach.*

## Introduction

**1.1** Over recent years, successive Australian governments have committed to reducing the nation's carbon emissions to a level that is at least five per cent below the year 2000 emission levels, by 2020.<sup>22</sup> In July 2011, the then Australian Government announced the Clean Energy Future (CEF) initiative to support households, businesses and communities to transition to a clean energy future. The four elements of the initiative were: the introduction of a carbon price; a package of renewable energy programs; a package of energy efficiency programs, and the Land Sector Package.<sup>23</sup>

**1.2** The \$1.7 billion Land Sector Package (LSP) sought to recognise the important role that farmers and land managers have in reducing carbon pollution and increasing the amount of carbon stored on the land, while maintaining its quality and productive capacity. At the time of its announcement in July 2011, the LSP consisted of the following seven initiatives:

- Biodiversity Fund program (\$946.2 million);
- Carbon Farming Futures (\$429 million);
- Carbon Farming Initiative Non-Kyoto Carbon Fund (\$250 million);

---

22 The then Australian Government ratified the United Nations Framework Convention on Climate Change (UNFCCC) Kyoto Protocol in December 2009, and further outlined emissions reduction targets in its Submission to the Copenhagen Accord in January 2010. Available from: <http://www.climatechange.gov.au/sites/climatechange/files/files/UNFCCC-letter-Jan-2010.pdf> [accessed 24 November 2014].

The current government stated its commitment to the five per cent emissions reduction target in the *Emissions Reduction Fund White Paper*, April 2014, available from: [http://www.environment.gov.au/system/files/resources/1f98a924-5946-404c-9510-d440304280f1/files/emissions-reduction-fund-white-paper\\_0.pdf](http://www.environment.gov.au/system/files/resources/1f98a924-5946-404c-9510-d440304280f1/files/emissions-reduction-fund-white-paper_0.pdf) [accessed 24 November 2014].

23 Key features of the CEF initiative, including the establishment of the Biodiversity Fund program, were agreed by the Multi-Party Climate Change Committee following the 2010 Federal Election. A package of bills to establish key elements of the initiative was introduced to the Parliament in September 2011 and passed in November 2011.

- Regional Natural Resource Management (NRM) Planning for Climate Change Fund (\$44 million);
- Indigenous Carbon Farming Fund (\$22 million);
- Land Sector Carbon and Biodiversity Board (LSCBB) (\$4.4 million); and
- Carbon Farming Skills (\$4 million).

1.3 The Department of the Environment (Environment)<sup>24</sup> was responsible for implementing four elements of the LSP: the Biodiversity Fund program; the Regional NRM Planning for Climate Change Fund; the Indigenous Carbon Farming Fund; and the LSCBB. The other elements of the LSP were to be implemented by the then Department of Agriculture, Fisheries and Forestry or the then Department of Climate Change and Energy Efficiency.<sup>25</sup>

## Biodiversity Fund program

1.4 The Biodiversity Fund program was established as a competitive, merit-based grants program, with grants provided to assist land managers to: store carbon; enhance biodiversity; and build greater environmental resilience by supporting the establishment of native vegetation; or contribute to the improved management of existing native vegetation.<sup>26</sup>

### Program funding

1.5 The then Government initially allocated \$946.2 million to the Biodiversity Fund program over six years from 2011–12 to 2016–17. The 2013–14 Federal Budget subsequently reduced overall program funding by \$32.3 million and rephased a further \$225 million to 2017–18 and 2018–19. The program was closed to new applicants in December 2013, with around \$324 million in committed expenditure on projects funded under completed funding rounds.<sup>27</sup>

---

24 The department was formerly the Department of Sustainability, Environment, Water, Population and Communities, but was changed in September 2013 as part of revised administrative arrangements.

25 As part of revised administrative arrangements, the Department of Climate Change and Energy Efficiency was abolished by the previous government in March 2013.

26 Biodiversity Fund program *Grant Application Guidelines Round 1 2011–12*, p. 8. Available from: <<http://www.environment.gov.au/cleanenergyfuture/biodiversity-fund/publications/biodiversity-fund-guidelines.html>> [accessed 24 November 2014].

27 Mid-Year Economic and Fiscal Outlook 2013–14, 17 December 2013, p. 88.

## Funding rounds

**1.6** Four separate funding rounds were completed for the Biodiversity Fund program (see Table 1.1). The first round was designed as a ‘development round’ to test the program parameters, with subsequent rounds targeting areas requiring further investment. Round 1 was broad in scope, with the majority of the reduced program funding expended in this round (approximately \$271 million was approved, compared with a total of \$53 million for the three subsequent rounds).

**Table 1.1: Biodiversity Fund program grant funding rounds**

Round Name and Applications Period	Number of Applications Received	Number of Successful Applications <sup>(1)</sup> (with funding agreements in place)	Date Funding Announced and \$ Amount
<b>Round 1</b> 9 December 2011 to 31 January 2012	1530 Full Applications	313	4 May 2012 \$271 million
<b>Northern Australia Targeted Investment (NATI)</b> 5 November 2012 to 4 December 2012	183 Expressions of Interest (EOIs) and 55 Full Applications	3	21 August 2013 \$9.9 million
<b>Round 2</b> 11 February 2013 to 17 April 2013	147 EOIs and 347 Full Applications	18	21 August 2013 \$43.4 million
<b>Investing in Tasmania’s Native Forests</b> 20 May 2013 to 12 June 2013	29 Full Applications	0	Not announced
<b>TOTAL</b>	<b>2291 EOIs and Full Applications</b>	<b>334 funded projects</b>	<b>\$324.3 million</b>

Source: ANAO analysis of Environment information.

Note 1: Following the Federal Election on 7 September 2013, there were a number of proposed projects that had been approved for funding under the NATI, Round 2 and Investing in Tasmania’s Native Forests rounds, but did not have funding agreements in place at the time that the new Government was sworn in. Funding for these projects did not ultimately proceed.

**1.7** Environment published program grant guidelines and implemented a broadly consistent application and assessment process across all four funding rounds<sup>28</sup>, with applications independently assessed against the published merit

28 There were, however, additional Expression of Interest steps included in the application process for NATI and Round 2.

criteria by both an internal departmental officer and an external community assessor.<sup>29</sup> Those applications that were highly ranked at the merit assessment stage were subsequently subjected to a moderation process<sup>30</sup>, which was designed to, among other things, ensure that there was an appropriate: geographic distribution of projects; balance of funding across program themes and project types; and mix of large and small scale projects. Applications that were recommended for funding following the moderation process were then assessed for eligibility.<sup>31</sup> Once eligibility was determined, recommended applications were provided to the Minister (the Minister for Sustainability, Environment, Water, Population and Communities and, subsequently, the Minister for Environment, Heritage and Water)<sup>32</sup> for approval.

**1.8** Environment received over 2200 Expressions of Interest (EOIs) and full applications over the four completed funding rounds. Of these, 334 projects received funding at a total cost of around \$324 million over six years from 2011–12 to 2016–17. Awarded funding was broad in range, varying from \$7103 to \$5.72 million—of the 334 awarded grants, 73 (22 per cent) received \$100 000 or less, while 57 (17 per cent) received over \$2 million. Grant recipients included: state government agencies; catchment management authorities; local councils; Landcare groups and other environmental interest groups; Indigenous land management groups; co-operatives of public and private landowners; and individual landowners. Projects are being undertaken in all states and territories, involving activities such as revegetation and pest control (plants and animals), erosion protection and establishment of wildlife corridors. Figure 1.1 shows an example of a Biodiversity Fund program project site visited by the ANAO as part of audit fieldwork.

---

29 The two scores were then averaged to provide a merit score for each application. Where the two scores varied by more than 30 per cent, they were reviewed by a 'normalisation panel' which confirmed the averaged score or adjusted it, as considered appropriate.

30 The moderation process was undertaken by a Moderation Group, which comprised an independent chair, three external assessors, and two senior departmental officers.

31 While entities generally assess eligibility prior to the merit assessment stage, Environment elected to conduct eligibility assessments after the merit assessments as a means to reduce the workload that would arise from conducting eligibility assessments of all applications. Eligibility assessments were conducted for 21 per cent of lodged applications in Round 1, 35 per cent of those lodged in the NATI round, six per cent of applications in Round 2, and 21 per cent of applications lodged in the Investing in Tasmania's Native Forests Round.

32 The Hon. Tony Burke MP was Minister for Sustainability, Environment, Water, Population and Communities from 14 September 2010 to 1 July 2013. The Hon. Mark Butler MP was Minister for Environment, Heritage and Water from 1 July 2013 to 18 September 2013.

**Figure 1.1: Example of a Biodiversity Fund program project site**



Source: ANAO site visits.

Invasive willows cleared from a creek bed, to be followed by revegetation with local native plantings.

## Discretionary grants

**1.9** In addition to the grants selected through the competitive, merit-based assessment process, there were an additional four discretionary grants awarded under the Biodiversity Fund program, with a total value of \$7.65 million (ranging from \$176 000 to \$6 million). The projects funded through these discretionary grants involved: the provision of vegetation planting guides and workshops in 2012; research services in support of monitoring and evaluation activities; the restoration of native forest in Tasmania; and identifying and documenting new plant and animal species.

## Administrative arrangements

**1.10** The Biodiversity Fund program is managed by the Biodiversity Conservation Division (BCD) within Environment. BCD is responsible for the delivery of a number of environmental programs<sup>33</sup>, with the divisional structure aligned to operational activities, such as policy development, program planning, grant assessment and selection exercises, and program implementation rather than individual programs. As at 30 June 2014, BCD had around 160 staff, mostly based in Canberra.<sup>34</sup>

## Audit objective, criteria, scope and methodology

**1.11** The objective of the audit was to assess the effectiveness of the Department of the Environment's administration of the Biodiversity Fund program.

**1.12** To form a conclusion against the objective, the ANAO adopted the following high-level criteria:

- governance arrangements were appropriate;
- grant assessment processes to select funded projects under the program were open, transparent, accountable and equitable;
- negotiation and management of funding agreements with approved applicants was sound; and
- effective monitoring, reporting and evaluation arrangements were established to determine the extent to which the program has achieved its objectives.

**1.13** The ANAO examined Environment's assessment of grant applications and the funding agreements for approved projects under the Biodiversity Fund program. The audit did not examine other aspects of the LSP or related programs.

**1.14** In undertaking the audit, the ANAO:

- reviewed departmental files and program documentation;
- interviewed and/or received written input from departmental staff and relevant stakeholders, including grant recipients, chairs of the assessment Moderation Groups, and peak environment groups;

---

33 These include the Biodiversity Fund program, the former Caring for Our Country initiative, and new programs such as the Green Army and the National Landcare Programme.

34 There are a small number of staff located in Queensland, Victoria, South Australia and Western Australia.



- conducted a survey of a sample of grant recipients to canvas their views on the department's administration of the program;
- undertook site visits to 10 Biodiversity Fund program projects located in regional New South Wales and Victoria; and
- examined a random sample (20 per cent) of unsuccessful and successful grant applications, including the funding agreements of successful applicants.<sup>35</sup>

**1.15** The analysis of grant applications was undertaken to provide additional assurance that: applicants provided the required information; the assessment and selection process was undertaken in accordance with the grant guidelines and was transparent and accountable; and that for funded projects, agreed milestone requirements had been met before payments were released.<sup>36</sup>

**1.16** The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of \$641 000.

---

35 The ANAO examined 20 per cent of all applications (successful and unsuccessful)—471 applications in total. The ANAO also examined the funding agreements and other documentation relating to 72 successful applicants (21.5 per cent of the 334 projects funded under the Biodiversity Fund program).

36 The audit did not examine the integrity of payments made through Environment's Financial Management System, as this type of examination is undertaken during controls testing as part of the ANAO's financial statements audit.

# Report structure

1.17 The structure of the report is outlined in Table 1.2.

**Table 1.2: Structure of the report**

Chapter	Overview
2. Governance Arrangements	Examines the governance and oversight arrangements established and implemented by Environment for the Biodiversity Fund program, as well as the development of a performance monitoring and reporting framework.
3. Access to the Biodiversity Fund Program	Examines access to the Biodiversity Fund program, including stakeholder engagement, development of the program's grant guidelines, and preparation for the grant assessment and selection process.
4. Grant Assessment and Selection	Examines the grant assessment and selection processes implemented by Environment for the four Biodiversity Fund program funding rounds.
5. Selection of Discretionary Grants	Examines the four discretionary grants that were funded under the Biodiversity Fund program.
6. Establishment and Management of Funding Agreements	Examines Environment's development and ongoing management of Biodiversity Fund program funding agreements.

## 2. Governance Arrangements

---

*This chapter examines the governance and oversight arrangements established and implemented by Environment for the Biodiversity Fund program, as well as the development of a performance monitoring and reporting framework.*

### Introduction

**2.1** The administration of programs requires effective governance arrangements to guide and support program delivery. The ANAO examined the governance arrangements implemented by Environment for the Biodiversity Fund program, including oversight arrangements, planning for the program, the assessment of risk and the establishment of a performance monitoring and reporting framework.<sup>37</sup>

### Administration and oversight arrangements

**2.2** The oversight arrangements established within Environment for the delivery of the Biodiversity Fund program were:

- a Project Board chaired by one of Environment's Deputy Secretaries, with representation from senior departmental executives. The Project Board's role was to provide high-level guidance on the planning, implementation and reporting requirements for the four Land Sector Package measures;
- a Project Sponsor (First Assistant Secretary level member of the Project Board who had overall responsibility for the delivery of the Biodiversity Fund program); and
- a Project Manager (Assistant Secretary with day-to-day responsibility for delivering Biodiversity Fund program activities).

---

37 As outlined in Chapter 1, the Biodiversity Fund program was one of a suite of measures being implemented under the Clean Energy Future (CEF) Initiative, which was being delivered by a number of Australian Government agencies. The department advised that there were a range of high-level oversight arrangements for implementation of CEF initiative, including an Inter-departmental Committee, the Clean Energy Future Plan Program Office, a Deputy Secretaries' Steering Group, and Ministerial and Government scrutiny. The high level oversight and implementation arrangements for the CEF initiative as a whole were not examined as part of this audit.

**2.3** Following the announcement of the CEF initiative in July 2011, Environment established a taskforce<sup>38</sup> to commence planning and implementation of Environment's responsibilities under the Land Sector Package, including the Biodiversity Fund program. The taskforce prepared regular performance reports for the Project Board.

**2.4** Subsequently, the taskforce was integrated into the Biodiversity Conservation Division (BCD) in July 2012. The ANAO was informed by the department that the management of funded projects under the Biodiversity Fund program is now considered a 'business as usual' activity and, as such, performance reports are only prepared for the Project Board on an exceptions basis, where issues arise. Overall, the departmental oversight arrangements established for the Biodiversity Fund program provide an appropriate level of oversight.

## **Land Sector Carbon and Biodiversity Board**

**2.5** The LSCBB was established under the *Climate Change Authority Act 2011*, as part of the CEF initiative. In relation to the Biodiversity Fund program, the specific role of the LSCBB was to:

- advise on the development of key performance indicators;
- advise on the implementation of the guidelines;
- consider the assessment process undertaken in relation to the grants program;
- review the grant assessment and selection report for each funding round; and
- provide advice concerning project recommendations made by the Moderation Group to the Minister.

**2.6** Environment provided advice and information to the LSCBB in support of its role in Biodiversity Fund program delivery, and the LSCBB discharged its functions in relation to the program. As required under the *Climate Change Authority Act 2011*, the LSCBB produced an annual report in 2011–12 outlining the measures initiated under the LSP, including the Biodiversity Fund program.<sup>39</sup>

---

38 The taskforce was comprised of 12 staff members, including a senior executive officer and two executive level officers.

39 The Board did not table a report for the 2012–13 period.

## Program planning

2.7 As the responsible administering agency, it was Environment's responsibility to design the approach for the delivery of the Biodiversity Fund program.<sup>40</sup> As previously outlined in Chapter 1, the program's high-level objectives had initially been designed and announced as part of the wider LSP.

### Project plans

2.8 The department adopted a staggered approach to program planning. In October 2011, Environment developed an overarching *Governance and Reporting Project Plan* for the delivery of the LSP, with separate project plans subsequently developed for the Biodiversity Fund program and the other three LSP programs being implemented by the department.

2.9 Environment developed two Biodiversity Fund program project plans over the life of the program. These plans covered Round 1 and the Northern Australian Targeted Investment (NATI) round. The plans included: the program scope; governance arrangements; work plans (to track progress against implementation); communication plans; quality management processes; reporting schedules and escalation triggers. The department also developed risk assessment and treatment plans as attachments to the project plans (discussed later in this chapter).

2.10 Environment informed the ANAO that project plans were not developed for Round 2 and the Investing in Tasmania's Native Forests round, because these rounds were considered 'business as usual' activities, with the planning previously undertaken (particularly for NATI as a targeted investment round) deemed to be sufficient. However, each of the four funding rounds had differing timeframes, areas of targeted focus, and selection processes (including an EOI process for NATI and Round 2), resulting in differing stakeholder groups and risks to implementation. In addition, the department undertook a number of restructures throughout the life of the program that changed Biodiversity Fund program resourcing and program oversight arrangements.

---

40 Environment's internal grants administration framework prescribes the procedures for the establishment, administration and management of grants programs within the department. Planning for grants implementation is to be underpinned by a project plan (or implementation plan) and a risk assessment (in conjunction with the development of the project plan) prior to further development of program design.

**2.11** In light of Biodiversity Round 1 being considered a ‘development round’ ahead of more targeted funding rounds, there would have been merit in the department developing an overarching implementation plan to address high-level implementation issues such as: timeframes; roles and responsibilities; resourcing; risk management; and monitoring and reporting. Lower-level, funding-round specific tasks could have been addressed in individual project plans, if considered necessary. Such an approach would have enabled Environment to address issues, such as program overlaps, and adequately plan to mitigate program level risks.

## **Communication plans**

**2.12** Environment developed two communication plans during the implementation of the Biodiversity Fund program, in conjunction with the project plans developed for Round 1 and the NATI round outlined earlier. The communications plans outlined: the aim of the plan; key messages to be conveyed; target audiences; timelines for communication activities; sensitivities; and potential stakeholder concerns. Communication plans were not, however, prepared for Round 2 and the Investing in Tasmania’s Native Forests round. The establishment of fit-for-purpose plans for each round would have helped to ensure that stakeholders were appropriately informed of the program parameters specific to each round.<sup>41</sup>

## **Risk management**

**2.13** Environment developed a *Land Sector Package Risk Plan* in August 2011, which identified three high level LSP risks: ineffective stakeholder consultations; ineffective governance arrangements; and ineffective administrative arrangements. These identified risks were subsequently used to inform the development of the *Biodiversity Fund Risk Plan*.

## **Biodiversity Fund Risk Plan**

**2.14** The *Biodiversity Fund Risk Plan*<sup>42</sup> identified nine risks in relation to planning and implementation, and outlined existing and planned mitigation controls. These risks comprised a ‘mix’ of higher-level, longer term risks to the

---

41 In the ANAO’s survey of 72 funding recipients, respondents did not raise specific concerns regarding the department’s communications outlining the opportunity to apply for funding.

42 The *Biodiversity Fund Risk Plan* was endorsed as part of the Biodiversity Fund program Round 1 Project Plan.

delivery of the Biodiversity Fund program, and risks related directly to forthcoming grants funding rounds. The plan was updated over time, with additional risks identified and mitigation strategies planned, as the program progressed. The Project Board subsequently considered risks over the course of the Biodiversity Fund program's implementation.

## Funding round risk assessments

**2.15** Environment also developed a risk assessment for each funding round (with the risk in each case determined to be 'low').<sup>43</sup> However, the ANAO noted that, overall, the risk assessments prepared by Environment outlined higher-level program risks, rather than risks related more directly to the implementation of the funding round subject to the assessment.<sup>44</sup> The assessment provided to the Minister for Round 1 replicated the *Biodiversity Fund Risk Plan* (with its nine risks as outlined earlier). The risk plans for the Round 2 and the Investing in Tasmania's Native Forests round were also identical, despite these rounds targeting substantially different geographical areas and potential applicants.

**2.16** To help ensure that risks are sufficiently addressed, risk plans developed for each funding round and mitigation strategies should take into account the risks specific to the effective conduct of each round, accepting that there are likely to be risks that are common to each round. In relation to the Biodiversity Fund program, some risks that commonly occur during the implementation of grants programs were realised, such as problems with the application lodgement system and over-subscription of the program—which led to amendments to the planned assessment process and additional time pressures. Environment would have been better placed to plan for, and address, these risks if the risk plans had more closely reflected the changing and emerging risks specific to each funding round.

---

43 Under the *Commonwealth Grant Guidelines* (CGGs) that were applicable during the Biodiversity Fund program funding rounds, public sector agencies were required to develop a risk assessment for any new or revised grant activity and associated guidelines, in consultation with the Department of Finance and the Department of the Prime Minister and Cabinet. Following the passage of the *Public Governance, Performance and Accountability Act 2013*, the CGGs have been updated (now titled the *Commonwealth Grants Rules and Guidelines*) to align with the new financial framework. The requirement for risk assessments for new or revised grant activities remains.

44 The extent to which risk plans effectively addressed the risks arising from each funding round was also raised in a February 2012 Environment internal audit report. This report commented that the Round 1 risk plan had a high-level (program) risk focus, rather than a more detailed focus on round-related risks. The department's approach to risk management did not, however, change for subsequent funding rounds.

## Performance measurement and reporting

**2.17** The Government's Outcomes and Programs Framework, which was in place at the time of the establishment of the Biodiversity Fund program and during the audit fieldwork<sup>45</sup>, requires agencies to report on the extent to which the programs they administer contribute to established outcomes. A central feature of this approach is the development of clearly specified outcomes, program objectives, deliverables and appropriate key performance indicators (KPIs).

### Performance monitoring

**2.18** Performance information relating to the Biodiversity Fund program was first included in Environment's Portfolio Additional Estimates Statement 2011–12 under the department's Outcome 1, and has been included in the subsequent Portfolio Budget Statements (PBS).<sup>46</sup> Environment has reported against the Biodiversity Fund program KPIs in its annual reports from 2011–12 to 2013–14.

**2.19** In the 2012–13 PBS, Environment acknowledged that the KPIs measured business processes (such as conducting funding rounds), and stated that ongoing (outcome) KPIs were being developed.<sup>47</sup> While deliverables and KPIs outlined in the PBS for the subsequent years continued to focus on implementation activities, indicators that would assist stakeholders to determine progress towards achievement of environmental outcomes were also included. For example, the following KPI was included in the 2013–14 PBS:

Establishing, restoring and/or protecting biodiverse carbon stores by:

- supporting revegetation;

---

45 The *Financial Management and Accountability Act 1997* and the *Commonwealth Authorities and Companies Act 1997* were repealed on 30 June 2014 and replaced by the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) from 1 July 2014. The PGPA Act includes a new whole-of-government Performance Framework which comes into effect on 1 July 2015. Performance reporting for the 2014–15 financial year is to follow the existing Outcomes and Programs Framework. Available from: <<http://www.finance.gov.au/financial-framework/financial-management-policy-guidance/performance-information-and-indicators.html>> [accessed 24 November 2014].

46 Outcome 1 has remained substantially the same over the following years (to 2014–15). In 2011–12 Outcome 1 was 'The conservation and protection of Australia's terrestrial and marine biodiversity and ecosystems through supporting research, developing information, supporting natural resource management, and establishing and managing Commonwealth protected areas'.

47 Department of Sustainability, Environment, Water, Population and Communities, *Portfolio Budget Statements 2012–13*, Program 1.3, Key Performance Indicators—Biodiversity Fund program, p. 45.



- managing and protecting existing biodiverse carbon stores in high conservation value areas; and
- supporting actions that prevent the spread of invasive species across connected landscapes.<sup>48</sup>

**2.20** The department's 2013–14 Annual Report subsequently reported against this KPI, stating that under the Biodiversity Fund program 22 major projects were supported to achieve these objectives.<sup>49</sup>

**2.21** The most recent PBS (2014–15) also included an additional Biodiversity Fund program KPI:

An increase in condition and extent of native vegetation in project areas, (from baseline reported in July 2014) to July 2015.<sup>50</sup>

**2.22** In November 2014, the department informed the ANAO that progress against this indicator would not be reported until the 2015–16 Annual Report, as the varying timeframes for grant recipients to supply monitoring data meant that a full data set to underpin the reporting would not be available for the 2014–15 Annual Report.

**2.23** Environment's establishment of the MERI Framework to collect project data to inform ongoing monitoring and reporting of the Biodiversity Fund program's overall performance is discussed in the following section.

## **Monitoring, Evaluation, Reporting and Improvement (MERI) Framework**

**2.24** Over several decades, successive Australian Governments have implemented large-scale natural resource management programs that have, cumulatively, involved the expenditure of billions in taxpayer dollars. Historically, there has been a lack of information about the overall (program-level) achievement of the stated objectives for these programs. The need to develop and implement a suitable performance framework that

---

48 Department of Sustainability, Environment, Water, Population and Communities, *Portfolio Budget Statements 2012–13*, op. cit., pp. 39–42.

49 Department of the Environment, *Annual Report 2013–14*, Canberra, Australia, p. 32.

50 Department of the Environment, *Portfolio Budget Statements 2014–15*, Program 1.3 Key Performance Indicators—Biodiversity Fund program, p. 50.

provides meaningful information to assess the success (or otherwise) of natural resource programs has been a matter raised in ANAO audits for over a decade.<sup>51</sup>

**2.25** Since 2009, Environment and the Department of Agriculture have been working to develop and implement an outcomes-based reporting framework—the Monitoring, Evaluation, Reporting and Improvement (MERI) Framework—that can be applied across Australian Government funded natural resource management programs.<sup>52</sup> The MERI process is designed to promote continuous involvement, communication and learning rather than viewing evaluation as a single event that occurs at the completion of the program.

**2.26** The Biodiversity Fund program is one of several programs administered by Environment that is applying the MERI Framework, underpinned by three complementary monitoring activities:

- grant recipient monitoring (project-level—discussed in Chapter 6);
- targeted on-ground scientific monitoring (program-level); and
- broad landscape-scale monitoring (program-level).

**2.27** Environment developed a draft Biodiversity Fund Monitoring and Reporting Framework in November 2012.<sup>53</sup> In April 2013, the department released a public strategy document that outlined, at a high-level, the MERI Framework and how it was intended to be implemented as part of the Biodiversity Fund program and the then Caring for Our Country initiative. In mid-2013, Environment finalised a Biodiversity Fund MERI Plan, which included a set of KPIs and key evaluation questions.

**2.28** The plan provided an appropriate basis on which to implement the MERI Framework for the Biodiversity Fund program. The inclusion of a number of new KPIs, which could be used to provide useful information in support of improved performance reporting in the PBS and annual report framework (as discussed earlier), will better place the department to measure program achievements.

---

51 For example, ANAO Audit Report No.36 1996–97: *Commonwealth Natural Resource Management and Environment Programs*, and ANAO Audit Report No.21 2007–08: *Regional Delivery Model for the Natural Heritage Trust and the National Action Plan for Salinity and Water Quality*.

52 Department of the Environment, Water, Heritage and the Arts, *Australian Government Natural Resource Management Monitoring, Evaluation, Reporting and Improvement Framework*, Commonwealth of Australia, 2009, available from: <<http://nrmonline.nrm.gov.au/downloads/mql:2338/content>> [accessed 24 November 2014].

53 This was one year after the launch of the first Biodiversity Fund program funding round, and six months after the first funded projects had commenced.

There was also scope for the department to have developed interim or proxy measures that would have been used to measure performance pending the development of new KPIs.

**2.29** As outlined earlier, the monitoring activities to be undertaken under the MERI Framework also include targeted on-ground scientific monitoring and broad landscape-scale monitoring. Environment has undertaken a range of activities to prepare for and underpin scientific and landscape-scale monitoring as part of the MERI Framework. However, as at November 2014, the on-ground scientific monitoring program had yet to be implemented due to resourcing constraints, with work to progress the implementation of broad-scale monitoring activities at an early stage.

## Conclusion

**2.30** The arrangements established for the Biodiversity Fund program, including a Project Board that received regular progress reports, provided an appropriate level of oversight of the program. Environment also produced a range of planning and risk assessment documents that were intended to underpin the delivery of the overarching LSP and the individual funding rounds under the Biodiversity Fund program. The development and regular review of a program-level implementation plan would have better positioned the department to address longer-term delivery issues. There was also scope for the department to have better refined its risk identification and mitigation processes to address the risks specific to each funding round.

**2.31** The department has established and reported against KPIs for the Biodiversity Fund program, although performance information has generally been focused at the activity level. In recent years, Biodiversity Fund program KPIs have been augmented with additional measures that directly relate to achievement of the program's objectives and the department's broader outcomes, with implementation of the MERI Framework providing the basis for reporting on outcome-level achievements into the future. While the ANAO's review of the implementation of the MERI Framework has been limited to the early stages of the on-ground reporting system, the planned framework, if implemented in its entirety, has the potential to provide a sound basis for the department to report on the outcomes of long-term environmental projects, such as the Biodiversity Fund program.

## 3. Access to the Biodiversity Fund Program

---

*This chapter examines access to the Biodiversity Fund program, including stakeholder engagement, development of the program's grant guidelines, and preparation for the grant assessment and selection process.*

### Introduction

**3.1** An early and important consideration in the design of a grants program is establishing the process by which potential grant recipients will be able to access the program.<sup>54</sup> The ANAO examined Environment's approach to ensuring access to the four rounds of the Biodiversity Fund program, including:

- stakeholder engagement;
- development and content of the grant guidelines;
- preparation for the grant assessment and selection process; and
- planning and implementing the management of probity and conflicts of interest.

### Stakeholder engagement

**3.2** Environment conducted a range of stakeholder engagement activities in developing and implementing the Biodiversity Fund program, including an industry roundtable, consultative meetings, surveys, the dissemination of information in newsletters, and direct correspondence between stakeholders and the department.

### Stakeholder consultation prior to funding rounds

**3.3** Environment held an industry roundtable before the opening of the application period for Round 1, with participating stakeholders including representatives from the revegetation industry, the carbon management industry, nurseries, research bodies (universities and the Commonwealth

---

54 ANAO Better Practice Guide—*Implementing Better Practice Grants Administration*, December 2013, Canberra, p. 32.

Scientific and Industrial Research Organisation), catchment management authorities, Greening Australia, and botanic gardens.

**3.4** The roundtable, which was held on 30 November 2011, introduced stakeholders to the scope and objectives of the Biodiversity Fund program. Environment informed roundtable participants that guidelines for Round 1 would be released before Christmas 2011 and that the funding round would be deliberately broad in scope. The roundtable did not, however, include a consideration of the draft guidelines, as they had already been submitted to the Minister for approval when the roundtable was held.<sup>55</sup>

**3.5** Prior to the launch of the NATI round, the department also held stakeholder meetings in Broome, Darwin and Townsville during July 2012.<sup>56</sup> These meetings canvassed opportunities for biodiversity conservation across northern Australia, with participants providing suggestions for improvement to application and project reporting processes.

## **Informing potential applicants**

**3.6** Stakeholders were provided with information about the Biodiversity Fund program rounds through a range of mechanisms, including newsletters from natural resource management (NRM) bodies, newspaper advertisements, the department's website, and Australian Government Regional Landcare Facilitators.<sup>57</sup>

**3.7** Environment's stakeholder surveys (discussed later) indicated that potential applicants were adequately informed of the opportunity to apply for grants under the Biodiversity Fund program. The ANAO's consultation<sup>58</sup> with stakeholders also indicated that there was strong interest from potential applicants. Further, the large number of applications lodged under each funding round indicated that stakeholders were aware of the program.

---

55 The Minister approved the guidelines on 1 December 2011.

56 Stakeholder meetings were not convened prior to the launch of Round 2 or the Investing in Tasmania's Native Forests round. Environment informed the ANAO that the delivery of these rounds drew upon stakeholder feedback and departmental experience gained through the earlier rounds.

57 Under the Caring for Our Country initiative, Australian Government Regional Landcare Facilitators have been appointed to each of the 56 NRM regions across Australia. Within each region, facilitators advocate for the protection and conservation of natural resources.

58 The ANAO contacted a range of organisations with an interest in environmental management seeking views on the extent to which the Biodiversity Fund program had been adequately advertised to potential applicants. In addition, the ANAO's survey of funded recipients sought comment on access to the program.

**3.8** Additional support tools were made available to potential applicants during application periods, including: online frequently asked questions; the department's Community Information Unit (1800 number); the Biodiversity Fund program website; and direct emails to the Biodiversity Fund program inbox. Feedback to the department from Round 1 participants indicated that this supporting information was, in most cases, useful to potential applicants.

#### *Timing of Round 1 application period*

**3.9** A key concern raised by applicants that had participated in Round 1 was the timing of the application period (9 December 2011 to 31 January 2012). A number of applicants commented to the ANAO that conducting an application round over the Christmas/New Year period created additional difficulties. For example, some applicants experienced problems in negotiating with project partners due to the absence of personnel and a general lack of resources over the holiday period to complete applications. These concerns were also expressed in responses to Environment's post-Round 1 survey, with some applicants stating that the timing of the application period caused considerable stress.

### **Stakeholder consultation after funding rounds—surveys**

**3.10** Environment conducted a number of stakeholder surveys after the completion of funding rounds to seek feedback from both applicants and grant assessors about the implementation process and policy settings for the Biodiversity Fund program.<sup>59</sup> In Round 1, these surveys formed part of Environment's internal review of implementation. In response to the survey results, Environment improved implementation arrangements for later rounds—for example, in relation to the clarity of grant guidelines and the alignment of application forms and assessor scoring tools.

### **Grant guidelines**

**3.11** Agencies are required to develop guidelines for new grant programs and to make them publicly available, to allow eligible persons and/or entities to apply for a grant under the program. The ANAO reviewed the development

---

<sup>59</sup> Surveys of grant applicants were conducted for Round 1, Round 2 and Investing in Tasmania's Native Forests rounds, but not the NATI round. Assessors in Round 1 were surveyed, and assessors who had participated in a number of Environment's grant assessments, including the Biodiversity Fund program, in 2013–14 were also surveyed.

of the Biodiversity Fund program grant guidelines for each funding round to assess the appropriateness of the information provided to potential applicants.

**3.12** The program area with responsibility for developing the guidelines consulted appropriately with key internal stakeholders (including Environment's legal area<sup>60</sup>, other government agencies involved in the LSP, the LSCBB and the Minister's Office) on the content of the guidelines for all four rounds.

**3.13** While the department conducted a stakeholder roundtable shortly before the release of the Round 1 guidelines and also held meetings with stakeholders prior the NATI round (as outlined earlier), draft guidelines were not made available to external stakeholders for comment prior to their publication for any of the funding rounds.<sup>61</sup> Releasing draft guidelines to potential applicants for feedback, as Environment has done for other recent grants programs<sup>62</sup>, would have provided greater assurance regarding the clarity and completeness of the guidelines.

## **Content of the grant guidelines**

**3.14** The guidelines for each of the four rounds clearly outlined the scope, objectives and intended outcomes of the Biodiversity Fund program, as well as the merit selection criteria for each round. Over the course of the four rounds, the guideline documents generally improved in clarity. When compared to Round 1, the guidelines for the three later rounds were more clearly expressed and logically structured. For example, key information for applicants was given prominence in the guidelines for later rounds (such as information about important dates and a summary of key issues for potential applicants to consider prior to applying), while background and general information received less prominence.

---

60 Environment's review of Round 1 acknowledged that the Biodiversity Fund program area sought advice from the legal area on the guidelines at a very late stage in the process and that early engagement with the legal area for future rounds would be preferable.

61 A High Level Land Sector Stakeholder Consultation Group provided advice on the development of guidelines for programs under the LSP. However, the department did not retain evidence to indicate that this group was provided with draft guidelines for the Biodiversity Fund program rounds for comment.

62 For example, see ANAO Audit Report No. 17 2013–14, *Administration of the Strengthening Basin Communities Program*, pp. 44–47 and ANAO Audit Report No. 16. 2013–14, *Administration of the Smart Grid, Smart City Program*, p. 49.



**3.15** Stakeholder feedback on the guidelines was positive overall, with more than 97 per cent of ANAO survey respondents stating that they found the grant guidelines ‘reasonably clear’ or ‘very clear’.

**3.16** There was, however, scope to improve several aspects of the guidelines. Specifically, the provision of greater clarity and additional guidance in relation to the moderation process, eligibility criteria, discretionary grants, and budget information for each round would have enabled potential applicants to make more informed decisions regarding their participation in the program.

### *Moderation process*

**3.17** There was scope for the guidelines, particularly those for Round 1, to have provided greater clarity regarding the role of the Moderation Group and the impact of the moderation process on the outcomes of the assessment and selection process. The Round 1 guidelines did not explicitly outline the role of the Moderation Group, which was an important element in the assessment and selection of applications for funding. The only reference in the Round 1 guidelines to a process that was additional to the initial merit assessment was to ‘consideration [being] given to achieving a reasonable distribution of projects across the country and across themes’.<sup>63</sup> The guidelines in the three subsequent rounds were clearer on the involvement of the Moderation Group, for example the NATI Guidelines stated:

The Moderation Group may consider proposals in the context of:

- effective partnerships and collaboration in achieving biodiversity outcomes across Northern Australia;
- the extent to which proposals complement and support projects already funded under the program and/or other proposals submitted in the round;
- the spread of projects across the Northern Australia investment area; and
- the spread of projects across activity type and organisation.<sup>64</sup>

---

63 Biodiversity Fund program *Grant Application Guidelines Round 1 2011–12*, op.cit., p. 20.

64 *Biodiversity Fund: Northern Australia Targeted Investment 2013–14* [Grant application guidelines], p. 21. Available from: <<http://www.environment.gov.au/cleanenergyfuture/biodiversity-fund/publications/pubs/northern-guidelines.pdf>> [accessed 24 November 2014]. The description of the process changed slightly across the three rounds, but the key points were consistent.



**3.18** The inclusion of information in the grant guidelines on the moderation process for all rounds, including the impact of the process on the outcomes of the assessment and selection process<sup>65</sup>, would have assisted potential applicants to make informed decisions regarding whether to apply, and the number and type of applications that they would lodge.

### *Eligibility criteria*

**3.19** Eligibility or ‘threshold’ criteria are those that must be satisfied in order for an application to be considered for funding. Grant guidelines should clearly identify eligibility criteria so that potential applicants can make an informed decision as to whether to invest resources in developing an application.<sup>66</sup> The guidelines for each of the four rounds included a section outlining who was eligible to apply for funding, as well as the project activities that would be considered ineligible. Eligibility requirements varied from round-to-round, although certain key eligibility criteria were required to be met in all four rounds.

**3.20** When compared to Round 1, the guidelines for the NATI, Round 2 and Investing in Tasmania’s Native Forests round presented the eligibility criteria more clearly. In these later rounds, the addition of glossaries to define key terms such as ‘business as usual’ and ‘in-kind contributions’ also helped to inform potential applicants about eligibility requirements. Notwithstanding the inclusion of this additional information in later rounds, some eligibility criteria were broad and difficult for applicants to interpret and the department to assess—for example, ‘a project not representing “business as usual” activities’. There was scope for Environment to have more clearly outlined requirements to potential applicants and to assist assessors to more easily determine eligibility. This matter is discussed in further detail in Chapter 4, from paragraphs 4.28 to 4.33.

### *Discretionary grants*

**3.21** The grant guidelines for Round 1 of the Biodiversity Fund program had outlined to potential applicants the possibility that discretionary grants would be available ‘where a competitive approach would not be effective or feasible in

---

65 As a result of the moderation process, there was the potential for highly-ranked applications to be excluded: in favour of other highly-ranked applications, but with a lower merit assessment score; and/or where the applicant had another project(s) recommended for funding. The role and activities of the Moderation Group are discussed further in Chapter 4 (paragraphs 4.16 to 4.27).

66 ANAO Better Practice Guide—*Implementing Better Practice Grants Administration*, op. cit., p. 49.

delivering the desired outcomes of the program'.<sup>67</sup> However, the guidelines did not outline the basis upon which applications for a discretionary grant would be assessed and recommended for funding. The guidelines for the subsequent three rounds did not outline the availability of discretionary grants under the program. In the interests of transparency, there would have been merit in including advice to grant applicants on the availability of discretionary grants, and the basis on which they would be made, in the guidelines for all funding rounds. The selection and administration of discretionary grants under the Biodiversity Fund program is discussed further in Chapter 5.

### *Budget information*

**3.22** While the initial total funding (\$946.2 million) for the Biodiversity Fund program across the years 2011–12 to 2016–17 was outlined in the Round 1 guidelines, only the NATI guidelines clearly stated the total allocated budget (\$50 million) for that particular round.<sup>68</sup> The guidelines for the other three rounds did not specify the total funding envelope available. Providing information about the total funding available for a granting activity helps to promote transparent and equitable access to grants, enabling potential applicants to better assess whether it is worthwhile applying for funding.<sup>69</sup> On this matter, a stakeholder commented to the ANAO that:

The government need[s] to be explicit with the amount of dollars allocated to a funding round. Then applicants can make a choice if it is worth applying for funds if they are outside of a priority area.

**3.23** Environment informed the ANAO that, in relation to Round 1, the information was not included in the guidelines because the budgetary environment was uncertain at the time of the release of the guidelines. The department has, however, acknowledged that it is normal practice to include available funding in grant guidelines.

**3.24** The grant guidelines and/or other materials also did not provide guidance to applicants about Environment's preferred funding profile for individual project budgets (for example, if the department had a preference for 10 per cent of the project's total to be expended in year one, 20 per cent in

---

67 Biodiversity Fund program Round 1 Grant Guidelines, December 2011, p. 9.

68 This funding envelope was reduced during the funding round, and a total of \$9.9 million was ultimately approved for funding.

69 ANAO Better Practice Guide—*Implementing Better Practice Grants Administration*, op. cit., p. 45.

year two, and so on). This had particular consequences for projects funded through Round 1 (this issue is discussed in Chapter 6).

## Preparing for the assessment and selection process

**3.25** To prepare for the assessment and selection process, Environment developed grant assessment plans, and recruited assessors and delivered assessor training.

### Grant assessment plans

**3.26** Environment prepared a grant assessment plan for each round of the Biodiversity Fund program to provide guidance to departmental officers and assessors involved in the assessment process, as required by its internal grants administration guide.<sup>70</sup>

**3.27** Overall, the grant assessment plans provided a useful outline of the assessment process for each round. While the Round 1 grant assessment plan generally contained less detail on certain aspects of the grant assessment process, the plans for the NATI, Round 2 and Investing in Tasmania's Native Forests rounds included additional information in relation to the procedures for:

- the receipt and handling of applications, including electronic, hard-copy and handwritten applications;
- handling late applications;
- responding to the failure of the online application form;
- allocation of applications to external and internal assessors (and re-allocation, if necessary); and
- notification and feedback, including the appeals process.

**3.28** The additional detail in these later plans demonstrates that Environment had responded to the lessons learned from Round 1. However, there was scope for improvement in the plans for all rounds in relation to eligibility assessment, with information on eligibility assessment varying across the plans for each of the four rounds. While the plans covered eligibility

---

<sup>70</sup> As part of its overall grants administration framework, Environment issues guidance materials which set out procedures for the establishment, administration and management of grant programs. These documents have been revised on four occasions between 2011 and 2013.

assessment to some extent, the NATI plan provided additional guidance in relation to the eligibility assessment process. Further, not all eligibility criteria, as described in the guidelines for each round, were listed in the relevant grant assessment plans. Conversely, some eligibility criteria were described in the grant assessment plan that had not been set out in the relevant guidelines document.<sup>71</sup> The alignment of the grant guidelines and the assessment plans helps to ensure that the assessment process is conducted in a transparent and accountable manner.<sup>72</sup>

## **Assessor recruitment and training**

**3.29** In accordance with the grant assessment plans for each round, each application was to be assessed by a community (or external) assessor and a departmental (or internal) assessor. Environment recruited community assessors to participate in each of the four rounds, with selection made on the basis of their skills, experience and/or technical knowledge in natural resource management, as well as their local knowledge. These assessors were selected from Environment's existing panel of community assessors.

**3.30** Both internal and external assessors were provided with training prior to the assessment period for each round, which consisted of one day of training in Canberra, an assessor information pack, presentations and opportunities for discussion and questions, as well as mock assessments. Environment's surveys of its assessors indicated that most assessors considered they had been well-prepared for the assessment task and were well-supported by the department during the assessment phase.

## **Managing probity and conflicts of interest**

**3.31** The use of experts can add value to grant assessment and selection processes, particularly where the grants relate to specialised activities such as environmental projects.<sup>73</sup> However, such involvement, particularly if there are links between the expert/s and the pool of potential applicants, can present a higher probity risk in relation to the potential for (actual or perceived) conflicts

---

71 The following eligibility criteria were described in grant assessment plans, but not in the guidelines: proposed on-ground activities being within the target area (for the Investing in Tasmania's Native Forests round); further checks on non-disclosure of any relevant information (for all rounds); and agreement to any recommendations regarding refinement to budget or scope of proposals (for Round 2 and the Investing in Tasmania's Native Forests round).

72 The conduct of eligibility assessment is further discussed in Chapter 4.

73 ANAO Better Practice Guide—*Implementing Better Practice Grants Administration*, op. cit., p. 22.

of interest.<sup>74</sup> The ANAO examined the department's probity planning, the role of the probity adviser in the competitive grant assessment and selection processes, and the steps taken by Environment to manage potential and actual conflicts of interest.

## Probity planning

**3.32** While Environment did not develop a specific probity plan for the Biodiversity Fund program, each round's grant assessment plan included a section describing probity principles<sup>75</sup> that would underpin the administration of the program. Procedures to support these probity principles were included in the grant assessment plans for each round.

**3.33** Environment also engaged a legal services firm to provide probity advice on the Biodiversity Fund program, with the role of the probity adviser described in the grant assessment plans for each round.

## Probity adviser

**3.34** The probity adviser played an active role throughout the four competitive merit-based grant assessment rounds.<sup>76</sup> In particular, the adviser:

- provided input to the development of guidelines, application forms, grant assessment plans and assessment criteria and other supporting materials, such as training for assessors;

---

74 These issues are further examined in ANAO Audit Report No. 47 2013–14 *Managing Conflicts of Interest in FMA Agencies*, June 2014.

75 These five probity principles were:

- program participants will manage and administer a fully defensible assessment process and recommendations to the Minister will be made with the primary objective of achieving an efficient, effective, economical and ethical use of Commonwealth resources;
- any potential or actual conflict of interest will be declared by a program participant, and steps to mitigate any potential risks arising will be developed and implemented as soon as practically possible;
- appropriate standards of confidentiality and security will be maintained by program participants;
- all program participants will meet their legal obligations and at all times act with integrity; and
- all applicants or potential applicants will be treated fairly and consistently, and no applicant will be given any unfair advantage or disadvantage by program participants.

76 The documentation retained by Environment does not indicate that the probity adviser provided advice in relation to the selection and recommendation for funding of four discretionary grants awarded under the program (the selection of discretionary grants is discussed in Chapter 5).

- provided advice on requests for extensions for submitting applications, and on other matters, such as procedures for distributing applications to assessors;
- provided advice in Round 1 on the design and implementation of the 'normalisation' process (which is described in Chapter 4 at paragraph 4.14);
- attended all meetings of the Normalisation Panels and Moderation Groups, and provided advice where requested; and
- prepared a probity report that provided an overview of the processes undertaken for each round and the probity adviser's certification that these processes were defensible from a probity perspective.

**3.35** Given the complex grant assessment and selection process that was implemented for the Biodiversity Fund program, including the involvement of a Moderation Group (discussed further in Chapter 4), having an independent probity adviser in each funding round helped to provide the department with additional assurance regarding the equity, accountability and transparency of the assessment and selection processes.

## **Management of conflicts of interest**

### *Grant assessors*

**3.36** Environment sought the involvement of external or 'community' assessors in the grant assessment process for each funding round because of their broad community and local knowledge, as well as their technical or scientific understanding of the complex issues involved in natural resource management. A risk in this approach was that assessors may have professional and/or personal relationships with applicants that they are required to assess (particularly as Environment intended to allocate applications to external assessors from their regions to draw on their local experience).

**3.37** Environment sought to manage these risks by providing appropriate training and documented guidance to assessors in relation to conflicts of interest. The department also put in place the following procedures, which were outlined in the grant assessment plans for each round:

- a requirement for assessors to make a conflict of interest declaration before commencing the assessment process;

- allocation (and re-allocation if required) of applications among assessors taking into account declared conflicts of interest; and
- a requirement for assessors to declare to the Program Manager any potential conflicts of interest arising during the assessment process as soon as possible.<sup>77</sup>

**3.38** External assessors were also required to complete and sign a privacy and confidentiality deed that provided an undertaking not to access, use, disclose or retain personal or confidential information except as part of their Biodiversity Fund program assessment responsibilities.

**3.39** In a sample reviewed by the ANAO, all assessors had in place a conflict of interest declaration prior to the commencement of their assessment work, as well as a signed privacy and confidentiality deed.<sup>78</sup> The case study below demonstrates how Environment managed conflict of interest situations for assessors.

**Table 3.1: Case study—management of conflict of interest issues during Biodiversity Fund program assessment processes**

During the assessment phase for Round 1, Environment became aware that a community assessor had also submitted an application for funding on the basis that they had been advised during training that they could do so. The probity adviser informed Environment that it would be unfair to exclude this application from consideration, based on the advice the assessor had received during training. However, the probity adviser also noted that it was not ideal for project participants to have dual roles and proposed a number of strategies to minimise the probity risk for a potentially conflicted assessor (including reallocating applications similar in nature to the one submitted by the assessor). Environment did not identify any other assessors who had also submitted an application for funding.

Source: ANAO analysis of Environment information.

### *Moderation Group*

**3.40** Potential conflicts of interest for members of each Moderation Group were to be managed through written declarations<sup>79</sup>, as well as by requiring a

<sup>77</sup> For the NATI round, assessors were expected to report potential conflicts of interest within 24 hours.

<sup>78</sup> The ANAO reviewed 27 declarations, representing approximately 20 per cent of assessors, across all four rounds.

<sup>79</sup> Conflict of interest declarations were completed by the chairs of the Moderation Group in the NATI round, Round 2 and Investing in Tasmania's Native Forests round. However, Environment did not retain documentation to demonstrate that the chair of the Round 1 Moderation Group had signed a conflict of interest declaration. The Round 1 probity report and the Report of the Moderation Group did, however, indicate that the chair had made a conflict of interest declaration.



conflicted group member to leave the room during discussion of relevant applications. These procedures were set out in the grant assessment plans for the NATI, Round 2 and Investing in Tasmania's Native Forests rounds. Probity reports prepared for each funding round indicate that these planned processes were implemented.

## Conclusion

**3.41** Environment facilitated access to each round of the Biodiversity Fund program by planning and conducting stakeholder engagement activities, developing grant guideline documents, and preparing for the grant assessment and selection process. Stakeholder engagement activities to support the Biodiversity Fund program included promotional activities, an industry roundtable prior to Round 1, consultative meetings prior to the NATI round, surveys, and direct correspondence with stakeholders. Overall, Environment established appropriate arrangements to inform potential applicants about the opportunity to apply for funding.

**3.42** Grant guidelines for the four rounds of the Biodiversity Fund program appropriately outlined the scope, objectives and intended outcomes of the program. While the guidelines for the three later rounds were generally clearer and more logically structured, there were areas for improvement across all four guidelines, including: the potential impact of the moderation process on applications recommended for funding; the clarity of eligibility criteria; the availability of discretionary grants, and information regarding the total funding available for each round and the preferred budget profile for projects. While Environment consulted appropriately with key internal stakeholders on draft guidelines, the same opportunity was not provided to external stakeholders. Providing draft guidelines for comment to potential applicants would have provided greater assurance regarding the clarity and completeness of the guidelines.

**3.43** Overall, the grant assessment plans prepared for each round provided a sound basis for implementing the grant assessment and selection process. This included the incorporation of 'lessons learned' from Round 1 in the assessment plans for the subsequent funding rounds. In general, the department also provided appropriate training and support materials for the grant assessors, although there was a need for additional guidance for departmental staff assessing applications against eligibility criteria.



**3.44** Environment established and implemented sound probity arrangements that provided its Executive and the decision-maker with assurance that probity and conflict of interest matters arising in the planning for, and implementation of, the competitive funding rounds had been adequately managed. Probity considerations in relation to the discretionary grants awarded under the program are discussed in Chapter 5.

## 4. Grant Assessment and Selection

---

*This chapter examines the grant assessment and selection processes implemented by Environment for the four Biodiversity Fund program funding rounds.*

### Introduction

**4.1** A competitive, merit-based grant assessment process that is based on clearly-defined selection criteria and is free from claims of political or other bias provides a sound basis on which to select grant recipients. The ANAO examined key aspects of the assessment and selection process implemented for each round of the Biodiversity Fund program, including: receipt of applications; assessing merit; assessing eligibility; and arrangements to finalise the grant assessment and selection process.

### Overview of the assessment and selection process

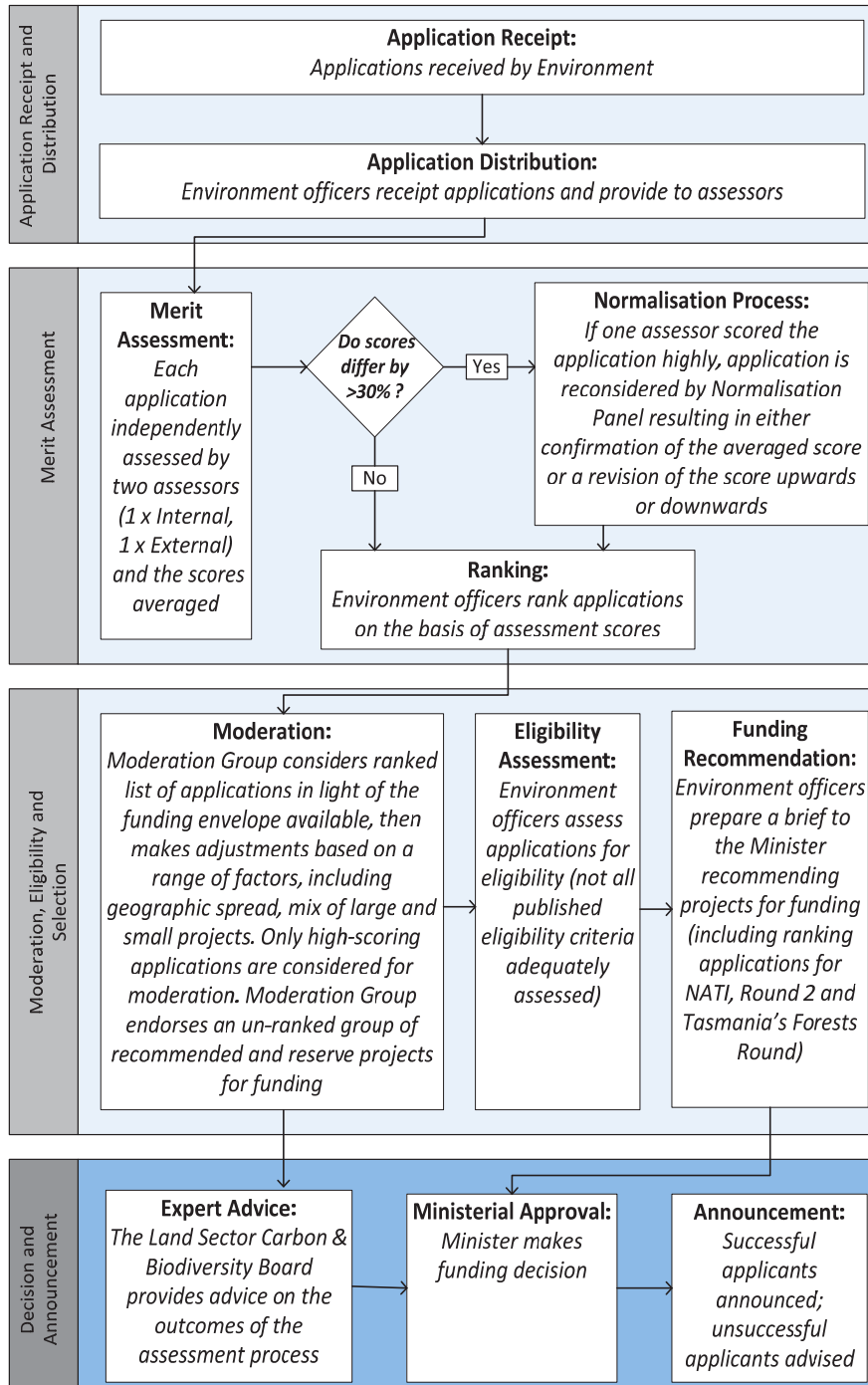
**4.2** Environment implemented a broadly consistent application and assessment process across all four funding rounds<sup>80</sup>, with applications initially assessed against the published merit criteria by both an internal departmental officer and an external community assessor. Those applications that were highly ranked at the merit assessment stage were subsequently subjected to a moderation process, which was designed to, among other things, ensure that there was an appropriate: geographic distribution of projects; balance of funding across program themes and project types; and mix of large and small scale projects. Applications that were recommended for funding following the moderation process were then assessed for eligibility.<sup>81</sup> Once eligibility was determined, recommended applications were provided to the Minister for approval. The grant assessment and selection process for the Biodiversity Fund program is outlined in Figure 4.1 (on the following page).

---

80 There were, however, additional steps included in the application process for NATI and Round 2. NATI applicants were required to submit an Expression of Interest (EOI) prior to being invited to submit a full application, while Round 2 applicants seeking over \$2 million in funding were required to submit an EOI prior to being invited to submit a full application (with applicants seeking less than \$2 million able to apply directly through the full application process).

81 In contrast to a number of grant programs examined by the ANAO, eligibility assessment was not conducted prior to merit assessment.

**Figure 4.1: Overview of Biodiversity Fund program grant assessment and selection process**



Source: ANAO analysis of Environment information.

**4.3** The ANAO examined a 20 per cent random sample of all unsuccessful and successful applications (471 applications in total) and the funding agreements and other documentation for 72 successful applicants. The sample was taken from across all four funding rounds and included the EOI process.

## Receipt of applications

**4.4** The grant guidelines established for each funding round clearly set out the closing date/time for applications. While the department encouraged applicants to complete and submit an online application form, applicants were also able to submit their application as an attachment to an email, or print it and send it in hard copy by post or via a courier, provided it was post-marked prior to the closing date/time.

**4.5** Overall, the receipt of applications was appropriately recorded (via an automatic date/time stamp and system-generated receipt emailed to the applicant, or for those lodged via email or hard-copy, an email receipt to the applicant) in all four rounds. The department did, however, experience significant problems with the receipt of online applications in Round 1.

### Round 1 application submission

**4.6** The closing date/time for Round 1 applications was 5:00pm on Tuesday, 31 January 2012.<sup>82</sup> The information technology (IT) system being used by Environment was unable to process the volume of applications being lodged and the server crashed, which meant that applicants were unable to use the 'submit' button on the online application form.<sup>83</sup>

**4.7** Environment responded to this problem by advising applicants that contacted the Biodiversity Fund program hotline (which had been published in the guidelines and on the website) to email their application or provide it in hard-copy. The department also extended the closing time for online submissions by two hours. While a small number of stakeholders consulted by the ANAO reported that they had experienced difficulty in submitting their application online, they considered that Environment had been responsive in providing an alternative means of submitting the application. There were,

---

82 Australian Eastern Daylight Time (AEDT).

83 Under whole-of-government arrangements, Environment was using another department's server. Initially, the system was not generating the automatic 'application received' receipt, which led to applicants pressing the 'submit' button multiple times. Ultimately, this overloaded the system causing it to crash.

however, around 300 duplicates submitted via the online system and by other means, creating a significant workload for Environment after the closing date.

## Late applications

**4.8** The grant guidelines for each round stated that late submissions would only be considered due to extenuating circumstances.<sup>84</sup> In each round, Environment considered such requests and granted them only if extenuating circumstances could be demonstrated by the applicant. Environment also sought probity advice in relation to the proposed approach for handling requests for extensions.

## Assessing merit

### Initial merit assessment by internal and external assessors

**4.9** In each funding round, the merit assessments undertaken by the internal and external assessors were based on four criteria of equal weighting<sup>85</sup>, which had been outlined in the grant guidelines.<sup>86</sup>

**4.10** The four criteria were each broken down into sub-criteria, against which assessors were required to provide a score from one (lowest) to 10 (highest). The average of these scores was calculated by the department, to provide a score for each criterion. The four high-level criteria scores were then averaged, to provide an overall score for the application.

#### *Written justification for scores awarded*

**4.11** In Round 1, assessors were also required to provide: a written comment against each of the four criteria; an additional 'overall' comment; and comments for the consideration by the Moderation Group and to inform feedback to the applicant. In the subsequent rounds, assessors were only required to provide one 'overall' comment per application.

---

<sup>84</sup> The guidelines for Round 2 and the Investing in Tasmania's Native Forests round were more prescriptive, stating that the maximum period of extension would be 10 business days. The internal review of the administration of Round 1 identified that there was scope to develop clearer internal procedures on acceptable reasons and timeframes for granting extensions.

<sup>85</sup> In the EOI processes for the NATI and Round 2 funding rounds, Criterion 1 had a higher weighting than the other criteria. The four assessment criteria were equally weighted in the full application stage in each round. This was outlined in the grant guidelines.

<sup>86</sup> Across each of the four rounds, the four merit assessment criteria were broadly the same (although wording changed slightly from round to round). They were: 1. Benefits to investment themes; 2. Capacity of applicant to deliver; 3. Ongoing risk management; 4. Value for money.

**4.12** In the 471 applications sampled, the ANAO reviewed whether the assessors (both internal and external) had provided written comments for each application (and for each criterion in Round 1) as required. In the applications reviewed for Round 1, around 35 per cent of both the internal and external assessors did not provide comments against each selection criterion. In subsequent rounds, 97 per cent of the assessors in the sample had provided an overall comment as requested.<sup>87</sup>

**4.13** The comments provided by assessors were of particular importance during the ‘normalisation’ process, where the Normalisation Panel reviewed the score justification when determining whether a new score should be awarded, or the original score maintained.

#### *Normalisation process*

**4.14** Environment recognised the potential for significant variance in some assessments under its assessment model and, after consulting with the probity adviser, decided that for applications where internal/external assessor scores varied by more than 30 per cent, a ‘normalisation’ process would be applied. A Normalisation Panel was established for each round to review those applications that had at least one high score (at least 7.0 or 8.0 depending on the round)—that is, that had a likelihood of being competitive given each funding round was over-subscribed.<sup>88</sup> The panel was to take into consideration scores and comments provided by the assessors in order to make a determination of whether to accept the averaged score, or adjust the score up or down. The normalisation process was overseen by the probity adviser and Environment staff.

**4.15** All applications in the ANAO’s sample that required normalisation were subjected to this process, with either the original score accepted by the Normalisation Panel or a new score awarded.<sup>89</sup> In cases where the score was adjusted up or down, the Normalisation Panel had briefly recorded the reason

---

87 The ANAO’s analysis did not take into account those applications where assessors provided minimal written responses. For example, the ANAO noted a number of instances, across all rounds, where assessors provided cursory written comments such as ‘could have done with more detail’.

88 Around eight per cent of all applications were subject to the normalisation process in Round 1; 11 per cent in the NATI round; six per cent in Round 2; and three per cent in the Investing in Tasmania’s Native Forests round.

89 Of the 471 applications reviewed, 59 (12.5 per cent of the sample) had internal/external assessor scores that varied by more than 30 per cent and also had at least one score above the threshold, therefore, requiring normalisation under the approach adopted by the Normalisation Panels, as outlined in paragraph 4.14.

for the decision—for example, ‘appears to represent better value for money than assessed’. On those occasions where the Panel amended the merit score, the inclusion of additional information for the decision-maker on the reasons for the change, specifically relating to the particular merit of the relevant application against the published criteria, would have improved the transparency of the decision-making process.

## **Merit assessment by the Moderation Group**

**4.16** Following the assessment by internal and external assessors, and the normalisation process, all applications were merit ranked by departmental officers using the scores determined by the assessors or the Normalisation Panel. The highly-ranked applications were then considered by a Moderation Group in each round. The Moderation Group included an independent chair, three external assessors, and two senior departmental staff (the Program Sponsor and the Program Manager).<sup>90</sup> In addition, a small number of Environment officers provided advice and secretariat services, with the probity adviser attending all meetings.

**4.17** Under the grant assessment plan for each round, the role of the Moderation Group was to:

- confirm projects considered suitable for investment;
- ensure appropriate geographic distribution of projects across Australia;
- ensure appropriate balance of funding across program themes and project types;
- ensure an appropriate mix of large and small-scale projects;
- ensure appropriate representation by Indigenous groups;
- address budget allocations for 2011–12 and the impact for the forward estimates (for Round 1 only); and
- address any matters raised by assessors.

---

<sup>90</sup> Environment appointed two independent chairs—one chaired the Round 1 and NATI Moderation Groups, and the second chaired the Round 2 and Investing in Tasmania's Native Forests Moderation Groups. The external assessors participating in the Moderation Groups varied across the rounds, as each round had involved different external assessors with relevant experience and regional knowledge.

### *Moderation tool*

**4.18** Environment developed a ‘tool’ (a spreadsheet with formulae and macros to provide calculations) to assist the Moderation Group in its deliberations and decision-making. The tool was populated with information on each application, including the project name, its description, location (state/territory), type of applicant (for example, state/local government organisation, community group, NRM body, individual), the requested funding amount, and the Biodiversity Fund program themes that the project would address.<sup>91</sup> The (post-normalisation) ranking was also included in the moderation tool. The tool allowed the Moderation Group to run various scenarios—for example, to display the range and characteristics of projects that would be selected if a specified percentage of the available funding was allocated.<sup>92</sup>

### *Processes used to select applications for funding*

**4.19** The Moderation Groups employed a range of methods to determine the selection of recommended projects that both fit the established budget envelope for each round (which had been stipulated by the department for the Round 2, NATI and Investing in Tasmania’s Native Forests rounds) and, in the Moderation Group’s view, provided the appropriate range of projects to meet the Biodiversity Fund program objectives. These methods included:

- selecting the highest-ranked projects to the limit of 80 per cent of the available funding for that round, and then adding or removing projects to provide the Group’s assessment of the best ‘fit’ for the round’s objectives;
- setting a cut-off merit score (for example, 8.0 in Round 1) as an initial selection point, followed by a review of lower-scoring projects (between 7.0 and 8.0) to select a mix to fit the required objectives;
- reviewing high-scoring applications from the same provider or in similar regions, to identify possible duplication and consider the organisation’s capacity to deliver, and also with a view to removing some of these projects to allow for a more even geographic spread; and

---

91 The electorate in which the applicant/project was located was not included in the moderation tool.

92 Both independent chairs of the Moderation Groups interviewed by the ANAO commented very favourably on the moderation tool. The chairs reported that it had helped the Group manage the volume and complexity of information that was involved in the consideration of applications in each funding round.



- reviewing applications from particular types of applicants (for example, Indigenous groups) to ensure high-quality applications were adequately considered for funding.

**4.20** The Moderation Group's process to select recommended projects in Biodiversity Fund program Round 2 is illustrated in the case study at Table 4.1 (on the following page).

**4.21** Overall, the Moderation Group's deliberations and decisions for each funding round were appropriately administered and documented, with documentation including meeting notes taken by an Environment staff member, the Moderation Panel Report that was prepared by the independent chairs (with support from the department and circulated to Moderation Group members), and the Probity Report that was prepared by the probity adviser. The Probity Report included a statement that the adviser considered the processes undertaken had been in accordance with the round's Grant Assessment Plan and was defensible from a probity perspective.

**4.22** While recognising the appropriate steps taken by the department to administer the moderation process, including probity oversight, the provision of additional information on the process in the grant guidelines for all funding rounds (as discussed in Chapter 3 at paragraphs 3.17 to 3.18) would have contributed to a more transparent assessment and selection process for applicants.

**Table 4.1: Case study—Moderation Group decision-making process in Biodiversity Fund program Round 2**

The Moderation Group selected recommended projects for Biodiversity Fund program Round 2 using the following process:

- The Group initially considered the top 21-ranked applications, which would expend the full \$40 million in available funding for the round. However, the Group noted that this selection resulted in an over-representation of projects in South Australia (SA).
- The Group then considered selecting the two highest-ranked applications from each of the round's target areas. This resulted in 16 projects to a value of \$30 million. However, it was noted that the second-ranked application in one of the target areas had scored significantly lower than the other 15 and it was agreed that it would be excluded.
- The Moderation Group then decided to provisionally allocate the remainder of funding to the highest-ranked applications, regardless of location. This resulted in a total of 21 projects to a value of \$40 million. However, SA (and the target areas within SA) were still considered to be over-represented.
- The Group then reviewed the 21 provisionally-recommended applications, in particular applications from the same applicant (including possible duplication of project activities and an assessment of the applicant's capacity to deliver), and projects that appeared to be very similar in location and/or project scope. As a result of this process, two applications (both from SA, scoring over 9) were removed. The next non-SA application on the merit list was added to the list of provisionally-recommended applications. There remained, however, a high number of SA applications on the list of recommended projects.
- The Group agreed to remove the three lowest-ranked SA applications on the provisionally-recommended list, and replace them with three (lower-scoring, but meritorious, in the Group's view) applications from other states/territories. This resulted in a list of 21 selected applications, to a total of just under \$40 million.
- The Moderation Group reviewed each of the highest-ranked SA applications that had been excluded, to verify whether they had greater overall merit than the selected applications from other states, and was satisfied with its decisions.
- The Moderation Group conducted a final consideration of its recommended list of 21 projects to a value of \$40 million and confirmed the selection.<sup>(1)</sup>

Source: ANAO review of Environment information.

Note 1: On request from the department, the Moderation Group subsequently considered creating a second recommended list with a higher budget allocation of \$50 million. Many of the processes outlined above were repeated in creating this secondary list. Ultimately, the Minister approved funding for projects to the value of \$40 million.

### *Recommended applications*

**4.23** In each of the four funding rounds, the Moderation Groups did not provide a ranked listing of recommended applications. Rather, they were grouped as 'recommended' and 'reserve' applications. The department subsequently

created a ranked listing of applications for the NATI, Round 2 and Investing in Tasmania's Native Forests rounds once the moderation process had been completed, with the listing provided to the Minister.<sup>93</sup>

**4.24** The ranked listing of those applications recommended by the Moderation Group for funding, which was prepared by the department for Round 2 and Investing in Tasmania's Native Forests rounds, reflected the initial scores (from highest to lowest) allocated by the merit assessors. However, the listing provided to the Minister for the NATI round was not aligned to the initial merit scores, with lower scoring applications appearing higher in the list than higher scoring applications (for example, an application that scored at 8.45 was ranked at number four in the list, while an application scoring 8.95 was ranked at number seven). While the records retained by Environment did not indicate the basis on which the ranking of NATI round applications was undertaken, the department informed the ANAO that the recommended applications were grouped by state, rather than in merit order.

**4.25** The 'reserve' list was drawn upon in Round 1, as the Moderation Group had recommended that the department 'review further the proposed expenditure in the out-years and consider whether any projects within the reserve list could be included' in the funding recommendation. In response to this recommendation, the department selected 18 projects from the reserve list that could be accommodated in the funding profile. The department's selection was endorsed by the chair of the Moderation Group in an Addendum to the Moderation Group's report, and subsequently included in the list of recommended projects provided to the Minister for consideration (although the 18 projects that had initially been ranked as 'reserve' were not identified as such in the overall list of projects recommended for funding).

**4.26** An addendum to the Moderation Group report briefly stated that the 18 reserve projects had been selected as follows:

- location of the project and whether or not it was within an under-represented geographical area (in particular Western Australia, Victoria and Queensland);
- applicant type and whether or not it was an under-represented group (in particular indigenous applicants and individuals);

---

93 A ranked listing was not prepared by the department for Round 1.

- the project was considered of high quality and represented strong value for money; and
- in addition, funding consideration had to be made to the proposed expenditure in the out-years of the program.

**4.27** The ANAO's review of the reserve list found that the 18 selected projects ranged in score from 7.5 to 8.0.<sup>94</sup> There were 12 projects on the reserve list that were ranked higher than 8.0, but were not selected. Records retained by the department, including the Addendum to the Moderation Group report that was provided to the Minister, do not indicate the basis on which the 18 projects were selected in preference to other (higher scoring) applications on the reserve list. Improved documentation of this process would have enhanced the department's ability to demonstrate that the most meritorious applications, having regard to the program's objectives, were recommended for funding.

## Assessing eligibility

**4.28** It is important that grant assessment and selection processes apply the eligibility criteria that have been communicated to potential grant recipients. In this respect, it is advisable (and the usual practice) to confirm the compliance of each application with the eligibility criteria as the first stage of the assessment process. This ensures that non-eligible applications are excluded from further consideration and limited resources are not expended on merit assessing applications that are subsequently found to be ineligible.

**4.29** In the case of the Biodiversity Fund program, Environment conducted the eligibility assessment for applications at the conclusion of the selection process (rather than at the beginning), assessing only those applications that were likely to receive funding.<sup>95</sup> Environment decided on this approach because of the large number of applications received for Round 1 (over 1500). Delaying the eligibility assessment meant that the number of applications the department was required to assess for eligibility in this round was reduced to around 300. Nevertheless, all applications were subject to merit assessment,

---

94 There were 134 projects on the reserve list, scoring from 7.5 to 9.33. The 18 selected projects included one from Western Australia and one from Victoria, and three from Queensland. The selection did not include any of the three Indigenous projects on the reserve list.

95 Environment advised the ANAO that eligibility checking occurred concurrently with the assessment of applications. While this was the case for a number of eligibility criteria that could be confirmed via the information provided in the application form (for example, the location of the project within Australia's geographic boundaries or a target area), a number of the eligibility criteria were assessed at the conclusion of the moderation process.

which is generally a more detailed, time-consuming and resource intensive process (merit assessment does not however generally assess the extent to which eligibility criteria have been met).

**4.30** While Environment had developed an eligibility checklist to record its assessment of each recommended project's eligibility, the checklist did not include all published eligibility criteria and, in any case, was not used by departmental staff undertaking the assessment. As outlined in Chapter 3, the Grant Assessment Plan and other materials for assessors did not provide sufficient guidance for departmental staff tasked with undertaking the eligibility assessments, such as whether a proposed project represented a 'business as usual' activity.

**4.31** Environment staff undertaking the eligibility assessment of recommended applicants used a range of spreadsheets to record the outcomes of the assessment for specific criteria, such as the applicant being a legal entity and the proposed project including in-kind contributions where the project was to be undertaken on public land. Nevertheless, there was limited evidence retained by the department to indicate that all of the published eligibility criteria had been assessed.<sup>96</sup> For example, to assess whether proposed projects had been previously funded, or had outstanding reports/acquittals, Environment conducted a review of its own records. However, there was no practical way for the department to assess other elements of these criteria relating to whether the projects had received funding from other sources, or had overdue reports/acquittals from previous Australian Government funded projects.

**4.32** Further, while the internal and community assessors had been asked to indicate whether they considered that proposed projects represented 'business as usual' activities and would thus be ineligible for funding<sup>97</sup>, evidence was not retained to demonstrate that Environment had followed up these comments or otherwise assessed this criterion. In 21 out of the 64 Round 1 successful applications reviewed by the ANAO (around one-third of the sample), at least one assessor had indicated that they considered the proposed project may represent a 'business as usual' activity. However, the evidence retained by the

---

96 Key eligibility criteria across the four rounds and the department's assessment are outlined in Appendix 2.

97 This was via a 'Yes' or 'No' response, with no further explanatory text requested from assessors.

department did not indicate that these comments were followed-up and, ultimately, no applications were assessed as ineligible against this criterion.<sup>98</sup>

**4.33** Overall, Environment's assessment of each eligibility criterion as outlined in the Biodiversity Fund program's grant guidelines was not sufficiently robust or transparent. In particular, there was a need to: clearly define all eligibility criteria in the published guidelines; improve guidance for departmental staff on conducting eligibility assessment; and sufficiently document the assessment of each eligibility criterion for each recommended application.

## Recommendation No.1

**4.34** To strengthen the assessment of applicant eligibility under its grants programs, the ANAO recommends that the Department of the Environment:

- provides clear guidance in its grants framework regarding the need to design eligibility criteria for grants programs that are clearly expressed and able to be readily assessed;
- emphasises the importance of assessing all eligibility criteria in all grants rounds conducted; and
- retains sufficient documentation to evidence eligibility assessments.

**4.35** **Environment's response:** *Agreed.*

**4.36** *The Department notes the need for eligibility criteria for grants programmes to be clearly expressed and easily assessed by the Department and acknowledges that, particularly in the early rounds of the Biodiversity Fund, this could have been improved.*

**4.37** *The Department has better articulated eligibility requirements in its current grants rounds (for example for the 25<sup>th</sup> Anniversary of Landcare Small Grants and the first round of the 20 Million Trees competitive grants) and has provided greater guidance for departmental staff in assessing and documenting its consideration of eligibility.*

---

98 Other elements of eligibility assessment relied on declarations by the applicant (for example, that they had written consent of proposed project partners). In such cases, it is important that these undertakings are confirmed in funding agreements and/or reporting and compliance mechanisms.

## Finalising the grant assessment and selection process

### Report to the decision-maker

4.38 Once the agreement of the Moderation Group on a group of recommended projects for funding had been reached, the Chair of the Moderation Panel prepared a report outlining the Group's deliberations and recommendations.<sup>99</sup> Environment then prepared a briefing for the Minister in support of his role as funding decision-maker for the Biodiversity Fund program, which outlined the Moderation Group's recommendations. For each of the four rounds, the material provided by Environment to the Minister included:

- a brief providing background on the funding round under consideration and an overview of the Minister's responsibilities as decision-maker (approver) as required by FMA Regulation 9<sup>100</sup>, and
- a range of supporting documents including:
  - projects recommended for funding;
  - a reserve list of projects (not provided for NATI);
  - the Grant Assessment Plan;
  - the Moderation Group's Grant Assessment and Selection Report;
  - the Probity Report;
  - advice from the LSCBB, which had been separately briefed following the conclusion of the Moderation Group's deliberations; and
  - a merit ranking that had been compiled by Environment officers, not the Moderation Group, for the NATI, Round 2 and Investing in Tasmania's Native Forests rounds.

---

99 The relevant report for each funding round was provided to the LSCBB for review, given it was the board's role to provide advice to the Minister concerning the project recommendations made by the Moderation Group.

100 Under FMA Regulation 9, which was in place at the time of all Biodiversity Fund program grants rounds, a proposal to spend public money (including the awarding of a grant) was to have been considered and approved by an appropriately authorised party before a funding agreement (or other arrangement to spend public money) could be entered into. In this respect, the approver was not to approve a spending proposal unless they were satisfied, after making reasonable inquiries, that the proposal was a proper use of Commonwealth resources, and was not inconsistent with the policies of the Commonwealth.



**4.39** The briefs provided to the Minister did not, however, clearly indicate that the moderation process had resulted in the exclusion of some highly-ranked applications in favour of other highly-ranked applications with a lower merit assessment score (although the moderation process had been outlined in supporting materials provided to the Minister, such as the Moderation Group's report). In addition, the brief for Round 1 did not specify that the recommended group included 18 projects that had initially been identified as 'reserve', and that those reserve projects now included in the recommended list were in preference to a number of other higher-ranked 'reserve' projects. The provision of this information would have better positioned the Minister to discharge his role as decision-maker.

### **Approval of grant funding**

**4.40** In the case of Round 1, Round 2 and the Investing in Tasmania's Native Forests round, the Minister accepted the recommendations of the Moderation Group.

**4.41** For the NATI round, the Moderation Group had made several recommendations based on different levels of expenditure (as requested by the department during deliberations). The Minister considered these recommendations, but did not approve them. In response to a reduced Biodiversity Fund program budget through the re-phasing of funds, the Minister requested that Environment prepare a revised brief outlining funding for one applicant (the highest-ranked) from each of four regions that had been targeted by the funding round. The department prepared a brief in response to the Minister's request. As a result, the applications that were originally ranked as 1, 2, 5 and 10 by the department following the moderation process, were then recommended for funding. The Minister approved the four projects for funding to a value of \$9.9 million.

### **Notification and feedback on assessment outcome**

**4.42** In general, Environment notified applicants within one month of the funding decision via a letter from the Minister (if successful) and by email from the department (if unsuccessful). In Round 1, unsuccessful applicants were informed of the grant outcome prior to successful applicants. In the NATI and Round 2 funding rounds, the department took considerably longer (around one month) to notify unsuccessful applicants of the funding decision, than it did for successful applicants.



**4.43** For all four rounds, feedback was provided to unsuccessful applicants, with the quality of feedback improving after the first round when unsuccessful Round 1 applicants were provided with a generic feedback letter. Round 1 applicants who subsequently sought additional feedback were provided with further information that set out, in general terms, how they could have improved their application, although the feedback was not individually tailored to the specific applicant. For all later rounds, feedback was provided in conjunction with the email from the department advising that the application had been unsuccessful. This feedback outlined how each applicant's particular application performed against specific criteria.

**4.44** To aid in transparency and public accountability for grants programs, public sector entities are required to publish the outcomes of grant assessments on their websites no later than 14 working days after the grant takes effect.<sup>101</sup> Environment published information on the outcomes of the funding decisions on its website within the required time.

## Distribution of funding

**4.45** Open, competitive and merit-based grant assessment and selection processes help to ensure that grants are awarded in a manner that is free from political or other bias. Nonetheless, from time to time concerns are raised by members of the public and/or Parliament in relation to the distribution of Australian Government grant funding, particularly regarding whether grants have been provided to favour one political party over another (although no such concerns have been publicly reported for Biodiversity Fund program grants).

**4.46** The ANAO's analysis of electorate distribution of projects funded under the Biodiversity Fund program<sup>102</sup> indicated that approximately 64 per cent of projects were located in Coalition electorates, 26 per cent in electorates held by the Australian Labor Party, and 10 per cent of projects were in electorates held by Independent members of Parliament (in the 43<sup>rd</sup> Parliament, which was

---

101 Department of Finance and Deregulation, *Commonwealth Grant Guidelines*, June 2013, Canberra, section 5.2, p. 27. Under the 2009 CGGs, which were applicable for Round 1, this timeframe was seven days (Department of Finance and Deregulation, *Commonwealth Grant Guidelines*, July 2009, Canberra, section 4.2, p. 12).

102 The ANAO noted that, in its public reporting on Biodiversity Fund program grants, Environment has reported on the location of each grant recipient (for example, their business address), rather than the project location as is required by the Department of Finance (see Department of Finance and Deregulation, Finance Circular 2013/02, *Australian Government Grants, Briefing and Reporting*, May 2013). The ANAO's analysis of electorate distribution of funding is based on the Biodiversity Fund program project location/s as outlined in grant applications, rather than grant recipients' address.

current at the time of all four Biodiversity Fund program rounds).<sup>103</sup> Further, there was no evidence to suggest that the departmental or community assessors, or the Moderation Group, took into consideration electoral matters when assessing or recommending projects for funding and, apart from the NATI round (as is discussed at paragraph 4.41), the Minister approved the recommended list of applications without amendment.

## Conclusion

**4.47** Environment established appropriate arrangements for receiving applications and providing confirmation to applicants, primarily through an online application system. While difficulties were experienced with the online lodgement system for Round 1 applications, Environment managed these issues appropriately.

**4.48** The merit assessments undertaken by departmental and external assessors generally followed the planned process as outlined in the grant guidelines and the assessment plans—although in Round 1, there was inconsistent provision of written comments in support of scores awarded. While the normalisation process for applications where assessor scores varied by more than 30 per cent was appropriately undertaken, the rationale for decisions to vary the initial merit score could have been recorded in greater detail in the information provided to the decision-maker.

**4.49** The moderation process, which was appropriately administered by the department and overseen by a probity adviser, was undertaken to help ensure that projects recommended for funding would collectively meet the Biodiversity Fund's overall objectives. However, the involvement of the Moderation Group, in particular the extent to which it could influence the selection or exclusion of highly-ranked applications was not adequately explained in the grant guidelines (particularly in Round 1). The provision of this information would have assisted potential applicants to make informed decisions about their applications. Further, the ranking by the Moderation Group of recommended applications in order of merit, rather than 'recommended' and 'reserve', would have added to the transparency of the decision-making process.

---

103 The purpose and objectives of the Biodiversity Fund program, as approved by the Government in 2011, were likely to result in the majority of projects being located in semi-rural, rural, regional and remote areas, which may have contributed to this outcome.

**4.50** Environment elected to implement an assessment and selection model in which the eligibility assessment was conducted following the merit assessment, primarily to help manage workloads. While Environment conducted an eligibility assessment for a number of the criteria as set out in the grant guidelines for each round, there was limited evidence to demonstrate that all eligibility criteria had been adequately assessed. In particular, the department would have been better placed to demonstrate the adequate assessment of more subjective eligibility criteria, such as whether a proposed project could be considered a 'business as usual' activity (and therefore not eligible for funding) if there had been: a clear definition in the published guidelines; guidance for departmental staff on conducting the assessment; and sufficient documentation of the assessment of this eligibility criterion for each recommended application.

**4.51** The briefs and supporting materials prepared by Environment for the Minister were generally appropriate, although they did not specifically highlight the impact of the moderation process on the outcomes of the assessment and selection process, and information regarding the recommendation of initially-ranked 'reserve' projects was excluded in the Round 1 brief. There was no evidence to indicate that the location of applicants and/or projects by electorate was a consideration in the distribution of funding.

**4.52** The department appropriately informed the successful and unsuccessful applicants of the outcome in each round (although in some rounds, this advice could have been more timely). The department also provided more detailed feedback to unsuccessful applicants in the later three rounds, which outlined how the application had performed against each selection criterion.

## 5. Selection of Discretionary Grants

---

*This chapter examines the four discretionary grants that were funded under the Biodiversity Fund program.*

### Introduction

**5.1** In addition to grants made via competitive selection processes, grants may be made on a one-off or ad hoc basis (also referred to as discretionary grants). These types of grants are designed to meet a specific need, often due to urgency or other circumstances.<sup>104</sup> Under the Biodiversity Fund program, four projects were funded on a discretionary basis, with details of each grant outlined in Table 5.1 (on the following page).

**5.2** As outlined in Chapter 3, the grant guidelines for Round 1 of the Biodiversity Fund program had outlined to potential applicants the possibility that discretionary grants would be available ‘where a competitive approach would not be effective or feasible in delivering the desired outcomes of the program’.<sup>105</sup> The guidelines for the subsequent rounds did not refer to the availability of discretionary grants under the program.

**5.3** As the awarding of discretionary grants was undertaken outside of the established funding rounds, the assessment process outlined in the published guidelines did not apply. Environment did not, however, establish an alternative process for assessing applications for discretionary grants under the program.<sup>106</sup> The development of an endorsed and transparent process to manage discretionary grants, including the establishment of a set of criteria against which applications could be assessed, would have enhanced the accountability of the selection and approval process for these grants.

**5.4** The ANAO examined the selection approach adopted by the department for each of the funded projects, to determine whether decisions were transparent, accountable and equitable.

---

<sup>104</sup> Department of Finance and Deregulation, *Commonwealth Grant Guidelines*, July 2009, Canberra, section 2.7, p. 4. The CGGs (the *Commonwealth Grant Rules and Guidelines* from 1 July 2014) apply to all forms of grants, including discretionary grants.

<sup>105</sup> Biodiversity Fund program Round 1 Grant Guidelines, December 2011, p. 9.

<sup>106</sup> In addition, the documentation retained by Environment does not indicate that the probity adviser provided advice in relation to the selection and recommendation for funding of the four discretionary grants awarded under the program.

**Table 5.1: Discretionary grants awarded under the Biodiversity Fund program**

Grant Title (Funding Recipient)	Project Description	\$ Awarded and Time Period	Funding Agreement Endorsed
Workshops and 'how to' Guides (Greening Australia)	Facilitation of regional revegetation workshops and preparation of up-to-date 'how to' guides on restoration and revegetation.	\$176 000 3.5 months	10 January 2012
Scientific Monitoring Guidelines (NERP Environmental Decisions Hub) <sup>(1)</sup>	Design of scientific monitoring guidelines for key Biodiversity Fund program investment areas.	\$275 000 2 years	29 May 2013
Tasmanian Forest Landscape Restoration Project (Environment Tasmania Inc.)	Restore 350 hectares from pine plantation back to biodiverse native forests in North-Eastern Tasmania, and in doing so connect coastal conservation areas with private land and new reserves arising from the Tasmanian Forest Agreement.	\$1.2 million 2 years	24 July 2013
Bush Blitz II (Director of National Parks)	Deliver 20 scientific discovery field expeditions to key locations within Australia's national conservation estate, and support the taxonomic research necessary to identify and describe our unknown biodiversity, and help train early career researchers.	\$6 million 4 years	5 August 2013

Source: ANAO analysis of Environment information.

Note 1: NERP is the National Environmental Research Program, administered by the Department of the Environment. The NERP Environmental Decisions Hub, hosted by the University of Queensland, has received funding of \$11 million (to 2015) from the Australian Government under the NERP Program.

## Discretionary grant funding arrangements

**5.5** The grants awarded to Greening Australia and the NERP Environmental Decisions Hub can be categorised as 'program support' activities—that is, they were to produce materials (a planting guide from Greening Australia) and services (development of scientific monitoring guidelines by the NERP Hub) to support the delivery and monitoring of Biodiversity Fund program projects.

5.6 Environment had appropriately documented its recommendations for the funding of these projects, with the department providing the Minister (as approver) with information to inform his decisions.<sup>107</sup> The department also published information about these discretionary grants on its website. The evidence retained by the department did not, however, indicate whether the requirement to publish grant information within 14 days of funding agreements being executed, as required by the CGGs, was met.

5.7 The latter two directly-funded projects (by proponents Environment Tasmania Inc. and the Director of National Parks) can be characterised as ‘on-ground’ projects that are similar in nature to those funded through the competitive merit-based Biodiversity Fund program funding rounds.

### **Tasmanian Forest Landscape Restoration Project**

5.8 On 24 July 2013, Environment signed a two-year funding agreement with a value of \$1.2 million with Environment Tasmania Inc, a not-for-profit environmental organisation<sup>108</sup>, for the delivery of the Tasmanian Forest Landscape Restoration Project.

5.9 The Tasmanian Forest Landscape Restoration Project was funded in the context of the Tasmanian Forests Agreement (TFA), signed in November 2012.<sup>109</sup> The Australian Government was not a signatory to the TFA<sup>110</sup>, but the then Federal Environment Minister expressed his support for the agreement, and

---

107 The information provided by Environment to the Minister for the Greening Australia and NERP Environmental Decisions Hub grants included a high-level overview of the proposed projects, and the department’s assessment of the projects’ merits and value for money considerations. However, the brief in regard to the Greening Australia grant did not specifically set out the Minister’s financial framework obligations in considering the funding recommendation, as is required by the CGGs.

108 Background information on Environment Tasmania Inc. is available from: <<http://www.et.org.au/>> [accessed 24 November 2014].

109 The TFA was an agreement between representatives of Tasmania’s logging industry and environmental groups, aimed at securing ‘peace’ between these two groups and providing certainty to the logging industry (by identifying over 500 000 hectares of forest to be protected, and environmental groups agreeing to not protest logging in other areas). The TFA was underpinned by legislation passed by the Tasmanian State Parliament in April 2013 but which was subsequently repealed by the new Tasmanian Government in September 2014. The TFA is available from: <[https://www.acfonline.org.au/sites/default/files/resources/ACF-TFA\\_signatoryagreement\\_2012.pdf](https://www.acfonline.org.au/sites/default/files/resources/ACF-TFA_signatoryagreement_2012.pdf)> [accessed 24 November 2014].

110 The TFA is separate to the Tasmanian Forests Intergovernmental Agreement (IGA) between the Australian and Tasmanian Governments, first signed in August 2011, with a new IGA signed in July 2013. The IGAs outline an agreement between the two governments to provide funding in support of structural adjustment packages, and associated measures, for the Tasmanian forestry industry. Further information on the IGAs is available from: <<http://www.environment.gov.au/topics/land/forests/intergovernmental-agreement>> [accessed 24 November 2014].

announced additional Australian Government funding for forestry industry structural adjustment packages and associated measures.<sup>111</sup>

### *Selection process*

**5.10** On 27 May 2013, Environment Tasmania Inc. provided the then Federal Minister for the Environment with a proposal<sup>112</sup> outlining the Landscape Restoration Project and requesting \$1.996 million in Australian Government funding to support the project.<sup>113</sup>

**5.11** At the same time that Environment Tasmania Inc. provided its proposal to the Minister, the Investing in Tasmania's Native Forests funding round, which had been specifically designed by the department (and approved by the Minister) to fund projects in support of the Tasmanian Forests Agreement, was open (the round opened for applications on 20 May 2013 with a closing date of 12 June 2013).

**5.12** Environment did not advise Environment Tasmania Inc. to apply for funding in the open funding round, with the department submitting a brief to its Minister in support of funding the Environment Tasmania Inc. proposal through a discretionary grant on 25 June 2013. The brief stated that the grant was to be funded from the Investing in Tasmania's Native Forests round and included (as an attachment) the department's assessment of the project proposal. As outlined earlier, the department had not established the basis on which discretionary grants would be assessed. In the absence of an endorsed process, the brief outlined the department's view that the proposed project would deliver upon the objectives of the Biodiversity Fund program and that it represented value for money, with the exception of one element of the project, which the department recommended not be funded.

---

111 The department advised the ANAO that these measures built upon the 2011 Tasmanian Forests IGA and were formalised in the 2013 Tasmanian Forests IGA that was signed in July 2013. The Hon. Tony Burke MP, Minister for Sustainability, Environment, Water, Population and Communities, press releases, 11 December 2012, available from: <<http://www.environment.gov.au/minister/archive/burke/2012/mr20121211.html>> and 31 January 2013, available from: <<http://www.environment.gov.au/minister/archive/burke/2013/mr20130131.html>> [accessed 24 November 2014].

112 It is not uncommon for organisations to seek funding directly from Ministers.

113 The letter to the Minister also outlined a proposal for a second project—titled Community Forest Walks—aimed at developing walking tracks in the new reserves established in the Tasmanian Forest Agreement. This project was ultimately funded via the Caring for Our Country initiative, and therefore has been excluded from further ANAO examination in this audit.



**5.13** The brief did not, however, include information that would have informed the Minister that the Investing in Tasmania's Native Forests round had been open at the time the proposal was submitted for consideration, and that the assessment of 29 applications lodged under this round was currently underway.

**5.14** On 26 June 2013, the Minister approved the proposed funding of \$1.2 million for the Tasmanian Forest Landscape Restoration Project. Following negotiations, the funding agreement between Environment Tasmania Inc. and the department was executed on 24 July 2013. The project was also publicly announced on that date in a press release from the Minister.<sup>114</sup>

*Equity and transparency in the funding decision*

**5.15** The Environment Tasmania Inc. project was funded at the same time as the competitive, merit-based assessment process was being undertaken for the Investing in Tasmania's Native Forests round. Ultimately, this funding round was terminated by the new Government as funding agreements had not been executed (and this matter is further examined in Chapter 6).

**5.16** Several applicants in the Investing in Tasmania's Native Forests funding round have informed the ANAO that, in their view, the funding of a project outside of the established competitive, merit-based process did not represent a transparent, accountable and equitable process. The department subsequently informed the ANAO that the option of a discretionary grant was pursued as 'the timing for this grant was necessary to meet pressing government priorities and it was therefore assessed as a one-off/ad-hoc grant'.

**5.17** While organisations are entitled to seek funding directly from Ministers and it is within the authority of Ministers to approve the awarding of funding, the negative reaction from some stakeholders to this decision underlines why merit-based approaches are commonly adopted by government for grant programs. Alternatively, where discretionary grants proposals or program elements are provided for, concerns about equity of access can be alleviated if the basis on which decisions will be made is able to be set out in the grant guidelines. This is particularly the case when grants are available on both a discretionary and merit basis for the same program.

---

<sup>114</sup> The Hon. Mark Butler MP, Minister for the Environment, Heritage and Water, press release, 24 July 2013, available from: <<http://www.environment.gov.au/minister/archive/butler/2013/mr20130724a.html>> [accessed 24 November 2014].



## Bush Blitz II

**5.18** On 5 August 2013, Environment signed a four-year funding agreement to the value of \$6 million with the Bush Blitz II grant recipient—the then Director of National Parks—for the delivery of the Bush Blitz II Project. The Director of National Parks is an Australian Government statutory officer holder<sup>115</sup>, supported by the Parks Australia Division within the Department of the Environment.

**5.19** Bush Blitz II is underpinned by a joint agreement between the Australian Government, BHP Billiton—which is also providing \$6 million over four years for the project, and the Earthwatch Institute—which is managing the project’s volunteer program.<sup>116</sup> The project primarily involves the conduct of plant and fauna surveys within the Australian National Reserve System, which is managed by the Director of National Parks. The surveys aim to document new and undescribed species, using a combination of volunteers (‘citizen science’), and expert researchers. Under the Bush Blitz I project, it has been reported that over 700 new species have been discovered.

### Selection process

**5.20** On 5 April 2013, Environment submitted a brief to its Minister in support of funding the Bush Blitz II project through a discretionary grant. The brief outlined the success of the Bush Blitz I project and the department’s view that the proposed activities and objectives of Bush Blitz II closely aligned with the Biodiversity Fund program’s long-term outcomes. The department recommended that the \$6 million in funding should be sourced from the \$14 million that had been notionally allocated for monitoring Biodiversity Fund program investments.<sup>117</sup> The brief also set out information regarding the

---

<sup>115</sup> The Director of National Parks is a sole corporation established under *the Environment Protection and Biodiversity Conservation Act 1999*. The corporation is constituted by the person appointed to the office named the Director of National Parks. While the applicable Commonwealth financial framework did not allow for grants to be made to Commonwealth entities (see FMA Regulation 3A), as an independent statutory officer-holder, the Director of National Parks was considered by Environment as eligible to receive Commonwealth grants.

<sup>116</sup> Bush Blitz II follows on from Bush Blitz I that was implemented from 2010 to 2013 (and was also partially funded by the Australian Government through the Caring for Our Country initiative). Further information on Bush Blitz I and II, including the partner organisations, is available from: <<http://www.bushblitz.org.au/>> [accessed 24 November 2014].

<sup>117</sup> The ANAO noted in various internal documents references to a component of Biodiversity Fund program funding (\$10 to \$14 million) being set aside for monitoring and evaluation activities. However, in July 2014, Environment informed the ANAO that, as the program had been subject to significant re-profiling and eventual savings (cancellation of future funding rounds), the remaining funds were re-allocated to meet other requirements.

Minister's obligations as approver for the grant, as required by the FMA Act. The brief was co-signed by the First Assistant Secretary of the department's Biodiversity Conservation Division (BCD), which was to be the grant administrator, and the then Director of National Parks, the proposed grant recipient—a most unusual arrangement.

**5.21** The Minister approved the grant on 7 May 2013 and the funding agreement between the department and the then Director of National Parks was signed on 5 August 2013.

### *Managing project risks*

**5.22** Notwithstanding the potential environmental benefits of the project, there are a number of risks in relation to arrangements such as the Bush Blitz II Project, specifically where one division of the Department of the Environment (Parks Australia) is seeking, then managing government granted funds (on behalf of the Director of National Parks) under a program that is being administered by another departmental division (BCD).

**5.23** First, there is a risk to the objectivity of the advice given by the department to the Minister when the recipient of the grant is part of, or closely associated with, the department. A further risk relates to a (perceived or actual) conflict of interest in the department's administration of these two functions, with the potential for the risk to be realised where there was a need for compliance or remedial action to be taken by Biodiversity Fund program project staff. There is also the related issue of the funds being provided for a purpose that could be seen to be encompassed by the normal functions of the Director of National Parks, for which annual funding (over \$41 million in 2013–14) is provided.<sup>118</sup> Overall, the range of risks presented by the funding of the Bush Blitz II project warranted more careful consideration by the department.

## **Conclusion**

**5.24** While the grant guidelines for Round 1 of the Biodiversity Fund program had foreshadowed the possibility of discretionary grants where a competitive approach would not be effective or feasible in delivering the

---

<sup>118</sup> *Environment Protection and Biodiversity Conservation Act 1999*, Section 514B. The budget for the Director of National Parks is outlined in the Department of the Environment *Portfolio Budget Statements 2013–14*, p. 20.

desired outcomes of the program, the guidelines for the remaining rounds did not outline this funding option. In the interests of transparency and equity, there would have been merit in the department including a reference to the possibility of discretionary grants in all round guidelines and the basis on which these grants would be considered and approved.

**5.25** All four of the discretionary grants awarded under the Biodiversity Fund program were appropriately approved for funding by the Minister and had funding agreements in place. However, the grant for the Tasmanian Forest Landscape Restoration Project was awarded at a time when a competitive funding round—that was seeking applications for projects in support of the implementation of the Tasmanian Forests Agreement—was open. The issues raised by stakeholders with the ANAO in relation to the transparency and equity of this matter illustrate the need for careful management of discretionary granting processes, particularly in those circumstances where funding is sought for projects that are similar in nature to those where funding is also available through a competitive process.

**5.26** In the case of the discretionary grant for the Bush Blitz II project, Environment is both provider of the funding and the day-to-day project manager. The involvement of the proposed grant recipient in the advice to the Minister recommending funding of the project was unusual and presents a number of risks for Environment, particularly in relation to actual or perceived conflicts of interest, which could have been better managed.

## 6. Establishment and Management of Funding Agreements

---

*This chapter examines Environment's development and ongoing management of Biodiversity Fund program funding agreements.*

### Introduction

**6.1** Funding agreements (or grant agreements) are used to formalise the provision of funding to a grant recipient. The agreements specify the terms and conditions of the grant, including the expected deliverables from the grant recipient. A well drafted and carefully considered funding agreement, tailored to the specific granting activities, contributes to the achievement of the objectives of the program.

**6.2** The ANAO examined Environment's processes for the development and execution of funding agreements, and management of funded projects including reporting requirements, milestone payments, agreement variations and compliance activities.

### Developing and executing funding agreements

**6.3** In total, 334 projects were funded under the Biodiversity Fund program's competitive funding rounds—313 through Round 1, 18 through Round 2, and three through the Northern Australia Targeted Investment (NATI) round.<sup>119</sup> The ANAO reviewed Environment's approach to developing and executing these funding agreements, including the use of template agreements, negotiating and executing the agreements, issues raised by stakeholders regarding the timing and budget profiles in Round 1 agreements, and variations to funding agreements.

### Funding agreement templates

**6.4** For Round 1 approved projects, Environment developed a short form and long form funding agreement template. The short form funding agreement was for projects with a value of up to \$80 000 and where the term of the agreement

---

<sup>119</sup> While five projects were approved for funding in the Investing in Tasmania's Native Forests round, ultimately none proceeded due to the 2013 Federal Election and a subsequent decision by the incoming Government not to proceed with the funding for projects without a funding agreement in place at the time. This is discussed further in this chapter from paragraphs 6.9 to 6.10.

was up to two years. The long form funding agreement was for projects in excess of two years and where funding exceeded \$80 000. The key clauses included in the short and long form funding agreements were similar, however, the short form had reduced reporting requirements and generally, the total project funding was paid at the commencement of the project. Such an approach is beneficial for proponents of smaller, less complex projects and demonstrates a flexible approach from the funding provider. The ANAO's review of 64 Round 1 funded projects found that all projects had been provided with the appropriate (short or long form) funding agreement.

**6.5** In 2012, subsequent to the completion of Round 1, Environment's standard funding agreement template for grants programs was updated. The updated template was used as the basis for all subsequent Biodiversity Fund program rounds, also taking into account internal legal advice. This revised template provided greater clarity, by including project-specific information early in the agreement, and through the inclusion of additional terms in the definitions list.

## **Negotiating and executing funding agreements**

### *Execution of Round 1, NATI and Round 2 funding agreements*

**6.6** Following the then Minister's approval of funding recommendations, approved applicants in Round 1, NATI and Round 2 were notified of their selection and provided with a copy of the proposed funding agreement. Funding agreements were to be signed and returned to the department within 10 calendar days for Round 1, and 14 days for NATI and Round 2. For the latter funding rounds, this notification and return period overlapped the 'caretaker' period for the 2013 Federal Election, which had consequences for a number of approved projects.<sup>120</sup>

**6.7** Once the announcement of the date of the 2013 Federal Election had been made, government agencies had a short period of time to conclude matters that would not normally be progressed during the caretaker period.<sup>121</sup> Environment attempted to conclude as many of the Round 2 and NATI funding agreements

---

120 Successive governments have accepted that, during the period preceding an election for the House of Representatives, the Government assumes a 'caretaker role'. While the ordinary business of government administration is continued (such as administering pensions and other payments), the Government avoids: making major policy decisions that are likely to commit an incoming government; making significant appointments; and entering into significant contracts or undertakings.

121 The caretaker period commences at the time the House of Representatives is dissolved and continues until the election result is clear or, if there is a change of government, until the new government is appointed. The caretaker period for the 2013 Federal Election commenced at 5:00pm on 5 August 2013.

prior to the commencement of the caretaker period as was possible. The department also sought advice from the Department of the Prime Minister and Cabinet (PM&C) regarding the execution of the outstanding funding agreements. On the basis of PM&C advice, the department proceeded to execute funding agreements that had been returned within the nominated timeframe.

**6.8** Environment informed the ANAO that, following the Federal Election, a briefing was provided to the incoming Minister regarding the outstanding (non-executed) funding agreements for previously approved Biodiversity Fund program projects. There were three outstanding Round 2 projects and one outstanding NATI project, where proponents had not returned executed funding agreements to the department within the nominated period, with a total value of \$5.87 million. The Minister decided not to proceed with executing the outstanding funding agreements and wrote to each applicant advising them of his decision.

#### *Investing in Tasmania's Native Forests round*

**6.9** The Investing in Tasmania's Native Forests round was being concluded at a similar time as the NATI and Round 2 funding rounds. The brief to the Minister recommending the approval of five projects under the Investing in Tasmania's Native Forests round was approved by the Minister on 18 July 2013. While Environment informed the ANAO that, on the date of approval, the department sought the Minister's approval to announce the successful applicants in the Investing in Tasmania's Native Forests round and to provide them with funding agreements, this approval was not given. Nonetheless, on 26 July 2013 the Minister's office provided Environment with signed copies of letters to the five successful applicants advising them of the outcome. The ANAO was advised that the department's usual practice was to wait for the Minister to formally announce the outcomes of a grants selection process, and for the Minister to agree to the letters being dispatched to approved applicants. The letters to approved applicants in the Investing in Tasmania's Native Forests round were not, however, sent by the department.<sup>122</sup>

**6.10** The department informed the ANAO that funding agreements were not provided to approved applicants under the Investing in Tasmania's Native Forests round due to broader matters relating to Biodiversity Fund program

---

<sup>122</sup> The department did, however, inadvertently publish (for a short period of time) the list of successful applicants on its website.

funding that were under consideration by the Government at the time. However, this decision was in contrast with the department's treatment of successful Round 2 applicants who were afforded the opportunity to execute funding agreements during the same period of time. Successful Round 2 applicants (that had been approved for funding by the Minister on 19 July 2013) were advised by an email on 31 July 2013 of their success and provided with funding agreements for signature—allowing those applicants that returned their funding agreement within the 14-day time period to receive funding for their projects.<sup>123</sup>

**6.11** While the records retained by Environment do not demonstrate the basis for this differential treatment, the department has advised that it received verbal approval from the Minister's office to send notification letters for Round 2, but not for the Investing in Tasmania's Native Forests Round.

**6.12** As outlined earlier, the caretaker period for the 2013 Federal Election commenced on 5 August 2013 and, therefore, under the usual caretaker conventions, funding agreements were not provided to the five approved Investing in Tasmanian Native Forests round projects during that period. As part of the briefing to the new Minister as outlined above, the department advised that there were five approved applicants for this round without executed funding agreements in place (with a total value of \$3.84 million). As with the outstanding Round 2 and NATI projects, the Minister decided not to proceed with these projects.

**6.13** A number of stakeholders consulted by the ANAO raised questions as to why none of the projects that were approved in the Investing in Tasmania's Native Forests round received funding. Ultimately, the incoming Government decided not to proceed with the funding of those approved projects that did not have endorsed funding agreements in place, including all approved projects in the Investing in Tasmania's Native Forests round. As mentioned earlier, the records retained by Environment do not demonstrate why successful applicants in Round 2 were provided with funding agreements by Environment shortly after the Minister's approval of funding, but approved applicants in the Investing in Tasmania's Native Forests round were not. Improved documentation of the circumstances underpinning the department's

---

123 The Minister's office had emailed signed copies of letters to the successful Round 2 applicants to Environment on 26 July 2013—the same day it had also provided letters for the successful applicants in the Investing in Tasmania's Native Forests round.



actions in this matter would have better positioned the department to explain the basis on which decisions were taken.

## **Timing and budget profiles for Round 1 funding agreements**

**6.14** In the ANAO's stakeholder interviews and survey, Biodiversity Fund program grant recipients who were funded through Round 1 noted that the timing of execution of their funding agreements, and changes to their project's proposed budget profile (the funding agreement set out differing budget profiles than those requested in project applications), had resulted in challenges in project delivery.

### *Timing of execution of Round 1 funding agreements*

**6.15** The majority of funding agreements for successful Round 1 projects were executed in May or June 2012. However, the financial year 2011–12 was to be counted as 'year one' for Round 1 Biodiversity Fund program projects.<sup>124</sup> The execution of the funding agreements late in the financial year meant that the timeline for projects was, in effect, reduced by one year. For example, applicants who had planned a six-year project were required to deliver the project in five years, as the end date of June 2017 was not extended.

**6.16** This issue caused considerable confusion and concern for a number of Round 1 grant recipients. The impact on shorter-term projects (three years or less) was significant, with grant recipients placed under considerable pressure to complete their project within the required timeframe.

### *Budget profiles*

**6.17** The Biodiversity Fund program's initial funding of \$946.2 million, outlined in the 2011–12 Portfolio Additional Estimates Statements (PAES), was allocated across the six years from 2011–12 to 2016–17, with relatively small amounts (around \$30 million) in the first two years, and a large proportion of the total funding (\$500 million) to be expended in 2013–14 and 2014–15. As outlined in Chapter 3, the grant guidelines for Round 1 outlined the total Biodiversity Fund program funding, but did not provide further guidance to applicants about the department's preferred budget profile (for example, if the

---

<sup>124</sup> The Round 1 grant guidelines and application form did not clearly state that 2011–12 was to be 'Year 1' of the proposed project, but rather asked applicants to outline their requested funding for Year 1, Year 2, and so on. The application forms in subsequent rounds were clearer on this issue. The funding agreements for all rounds clearly set out the proposed funding profile per financial year (not as Year 1, Year 2 and so on).



department had a preference for 10 per cent of the project's total to be expended in year one, 20 per cent in year two, and so on). The draft funding agreement, which was published on Environment's website, also did not contain any guidance regarding budget profiles.

**6.18** In the Round 1 funding agreements, Environment sought to implement budget profiles for funded projects in the first three years (that is 2011–12 to 2013–14 inclusive) that broadly matched the overall appropriated funding profile of the Biodiversity Fund program. This meant that the budget profile that the department developed for each project (and as set out in its funding agreement) generally did not match the profile that grant recipients had requested in their project application (although the total value was the same). Table 6.1 illustrates the total funding profile for approved projects in Round 1, and an example of how this profile was reflected in a three-year funding agreement.

**Table 6.1: Budget profile for a Biodiversity Fund program Round 1 project**

Financial Year	11–12	12–13	13–14	14–15	15–16	16–17	Total
<b>Total funding profile for Biodiversity Fund program Round 1 approved projects<sup>(1)</sup></b>							
Total Round 1 funding per year (\$ million)	\$31.3m	\$21.8m	\$100.9m	\$46.9m	\$38.8m	\$31.5m	\$271.2m
	11.5 % of total	8.0 % of total	37.2 % of total	17.3 % of total	14.3 % of total	11.6 % of total	100 %
<b>Example of the funding profile for a three-year project</b>							
Requested funding in application	\$122 000	\$113 500	\$119 000				\$354 500
	34.4 % of total	32.0 % of total	33.6 % of total				100 %
Scheduled funding as per funding agreement	\$70 600	\$35 300	\$248 500				\$354 500
	19.9 % of total	9.9 % of total	70.1 % of total				100 %

Source: ANAO analysis of Environment information.

Note 1: Figures have been rounded.

**6.19** As the example in Table 6.1 illustrates, Environment scheduled large payments in year three (2013–14) of the Biodiversity Fund program, regardless of grant recipients' originally planned pattern of expenditure.

**6.20** In its covering email to successful grant recipients, which included the funding agreement as an attachment, Environment advised of the changes in the project budget profiles, and more generally, recommended that recipients should consider seeking legal advice before signing the funding agreement.<sup>125</sup> Nonetheless, stakeholders providing feedback to the ANAO, and the ANAO's file review of 64 Round 1 funded projects, indicated that the change in the funding profile was problematic for many (but not all)<sup>126</sup> grant recipients. For example, respondents to the ANAO's survey of grant recipients stated:

The uneven distribution of funds across the years, particularly the excessive amounts in year three made it difficult to resource the program from an organisation perspective as very large in-kind support was required for these years to supplement the dedicated officer delivering the program.

\* \* \*

The split of funding over the 2-3 year period made it difficult to fund some of our larger projects early, and give them enough time to occur. Over 60 per cent of our funding was provided in the last two payments, which made delivery a challenge given climatic conditions for planting.

**6.21** While funding recipients have a responsibility to carefully consider the terms and conditions proposed within funding agreements, there was scope for Environment to have provided clearer guidance to Round 1 applicants about the funding period and proposed budget of funding agreements. For example, the grant guidelines and associated documents could have more clearly indicated that 2011–12 was to be 'year one' of the project, to allow applicants to plan their projects accordingly. Similarly, the guidelines and application form could have outlined matters for applicants to consider when developing their proposed project budget (such as the overall program funding and the department's preference for budget profiles that broadly matched the program's funding).<sup>127</sup>

---

125 As previously noted, recipients had only been given 10 days to sign and return the funding agreement.

126 One survey respondent reported that the funding profile changes had not had any significant impact, another reported that they had negotiated a variation to their funding profile, and a third respondent reported that the change had allowed them more planning time, which ultimately benefited the project's delivery.

127 The guidelines for subsequent rounds provided greater clarity in relation to the potential for the department to refine the scope and/or the funding profile for projects.

## Variations to funding agreements

**6.22** The funding agreement provided for any variations to be made in writing, and to be signed by each party. The agreement also provided for the project plan and budget to be varied, and a provision for grant recipients to make small reallocations of their funding between items as set out in the project budget, without the consent of Environment.<sup>128</sup>

**6.23** Environment established a template Deed of Variation and some procedural guidance for its staff when considering, agreeing to and executing funding agreement variations. A number of grant recipients, particularly those funded under Round 1, sought variations to their funding agreements to help manage a range of issues, including the changed funding profile and the condensed delivery period. Ultimately, the decision to recommend a variation was at the discretion of the relevant grant manager. In the interests of equity for grant recipients, there was scope for Environment to have established common criteria, against which variations related to re-profiling of Round 1 project budgets would be considered.

**6.24** In practice, amendments to project plans and/or budgets have been primarily used to reflect project changes. The ANAO's sample review identified that amendments to project plans and budgets often occurred as a result of the mid-year or annual report review process, where the department and/or the recipient identified that the project was not proceeding as originally planned. For example, seeding could not be carried out at the originally planned time due to adverse weather conditions, and needed to be rescheduled to the following season.

**6.25** Overall, amending the project plans and/or budgets to account for changes to projects that do not fundamentally alter the scope of the project and/or its deliverables or the overall funding level is an effective approach to reduce the administrative burden for both the grant recipient and the department (rather than the formal funding agreement variation process).

## Management of funding agreements

**6.26** A key feature of each Biodiversity Fund program funding agreement is the requirement for recipients to submit a detailed project plan and

---

<sup>128</sup> Funding recipients could re-allocate funds from one expenditure item under their project budget to another, up to a maximum of 10 per cent or \$50 000 of that year's budget.

subsequently a series of project reports to the department for review and acceptance. Environment has used these plans and reports to: establish project outputs and reporting requirements; monitor the progress of project activities; identify and resolve delivery issues; and as the basis for making grant payments. The ANAO reviewed the department's administrative arrangements for managing funding agreements, and its management of project planning, reporting requirements, and milestone payments as set out in the funding agreements.

## Administrative arrangements

**6.27** Environment has allocated the management of all funding agreements to grant management teams within the Biodiversity Conservation Division (BCD).<sup>129</sup> Each individual grant manager is assigned a number of Biodiversity Fund program (and other program) grants to administer.<sup>130</sup> Such an approach has the advantage of allowing grant managers to build their knowledge of projects and recipients over time, which helps to facilitate appropriate oversight and compliance monitoring. It also provides grant recipients with a common point of contact to approach regarding project challenges or issues. In general, the grant recipients that contributed to the audit commented very favourably on their interactions with Environment's grant managers. The high turnover of grant management staff was, however, noted such as the following comment made to the ANAO:

I found the Biodiversity Fund program's staff very helpful, but there seemed to be many staff changes and some of the changes meant we were dealing with inexperienced staff who were still finding their way. Staff stability would have made the whole process much easier.

**6.28** Environment has acknowledged the challenges that staffing changes have created, both for grant recipients and the department in its management of projects.

---

129 At the time of the audit, around two-thirds of Biodiversity Fund program projects had approximately three years of activities remaining.

130 The department has provided its teams of grants managers with a range of materials to support their work in administering the Biodiversity Fund program and other grants, including a *Grant Managers' Handbook* (updated in 2014) and a database (the Grants Management System) that tracks and records funding agreement milestones and associated payments, and can generate reports to inform management.

## Project planning

**6.29** The first requirement for grant recipients following the execution of their funding agreement was the development of a detailed plan (known as a ‘project plan’ in Round 1 and a ‘MERI plan’ in latter rounds) that established the activities and deliverables for their project. Environment was to accept these plans prior to the commencement of project implementation. The MERI plans also included a ‘program logic’ that outlined how the on-ground activities and deliverables would contribute to project outcomes and more broadly, the Biodiversity Fund program high-level outcomes.<sup>131</sup>

**6.30** All of the funded projects reviewed by the ANAO had an accepted project plan or MERI plan in place. For the projects for which the information was available<sup>132</sup>, the average time taken by Environment to review and accept the submitted plans was 38 days—inside the 40 day timeframe outlined in the funding agreements.

## Mid-year and annual reporting

**6.31** The primary interaction between grant recipients and Environment is via a mid-year report (due February each year) and annual report (due in August each year), which outlines progress against the project/MERI plans.

**6.32** The mid-year and annual reports are identical in terms of the information they request from grant recipients. Grant recipients are required to provide information including: an updated risk assessment; progress reports for activities (for example, number of trees planted or hectares revegetated); stakeholder engagement; public engagement events; a project budget, including current expenditure and in-kind contributions; and supporting documentation such as photographs and maps.

**6.33** After submitting the annual report at the end of each financial year, grant recipients are also required to provide Environment with an audited financial statement of project expenditure for that financial year.

**6.34** For Round 1 grant recipients, Environment provided a report template that recipients were required to complete and email to the department. These

---

131 An example of a MERI Plan and program logic is available from: <<http://www.environment.gov.au/cleanenergyfuture/biodiversity-fund/meri/pubs/bf-meri-plan.pdf>> [accessed 24 November 2014].

132 In the case of 22 out of the 64 Round 1 projects reviewed, the documentation retained by the department did not clearly record the date the department had initially received the draft project plan.

arrangements were in place for the first two reports.<sup>133</sup> Since December 2013, all grant recipients have been required to report using a new online reporting tool (MERIT).

**6.35** The Monitoring, Evaluation, Reporting and Improvement Tool (MERIT) is an online reporting tool through which the Biodiversity Fund program mid-year and annual reports are to be submitted by grant recipients. Information from MERIT is to be collated by Environment to inform MERI reporting on the achievement of program outcomes (as discussed in Chapter 2).<sup>134</sup> Environment also intends to make most project-level information publicly available on MERIT, to allow for successes and lessons learned to be shared between projects and programs.

**6.36** The use of MERIT was mandatory for the 21 NATI and Round 2 funded projects, and ‘strongly encouraged’ for all 313 Round 1 projects.<sup>135</sup> Environment conducted some stakeholder consultation in developing the tool<sup>136</sup>, and provided information to grant recipients ahead of the launch, including email newsletters, user guides and a Frequently Asked Questions page. While online training videos were also planned, this did not eventuate.

#### *Methodologies for standardising reporting*

**6.37** The effectiveness of the MERI Framework is dependent on the information collected from individual projects being aggregated to allow for reporting on achievements at the program level. To facilitate this aggregation, the information must be uniform (as far as possible) and based on scientifically-accepted methodologies. All Biodiversity Fund program Round 2 and NATI projects are required to collect and report ecological monitoring data (for example, measurement of native and exotic ground cover, evidence of fauna, over-story and mid-story projected crown cover) in accordance with either a methodology specifically developed for the Biodiversity Fund

---

133 That is, the 2012–13 mid-year (due February 2013) and 2012–13 annual report (due August 2013).

134 As at October 2014, MERIT is being used to collect data from the Biodiversity Fund program (all rounds), and Caring for Our Country Targeted Area Grants and Regional Delivery grants, Reef Rescue and Community Environment Grants programs.

135 A small number of Round 1 users (whose projects were due to finish and were meeting their final reporting requirements) were permitted to submit their reports in the previous format, and departmental grant managers then entered this information into MERIT on the funding recipient’s behalf.

136 Environment commenced development of MERIT in April 2013 in conjunction with a contracted provider, who also hosts the website. In October/November 2013, Environment conducted a series of information workshops in Brisbane, Sydney and Melbourne for a selection of grant recipients, including testing MERIT. The department informed the ANAO that feedback from these workshops was used to refine the system.

program, or one of a range of established methods.<sup>137</sup> The department also encourages all Round 1 grant recipients, particularly those funded to a value of \$500 000 or more, to use its methodology (or one of the established models).

**6.38** Environment informed the ANAO that, as at August 2014, 55 Biodiversity Fund program projects (16.5 per cent of the total 334 funded projects, and 35 per cent of the 156 Biodiversity Fund program projects funded at \$500 000 or more) had provided at least one vegetation assessment using either the *Biodiversity Fund Ecological Monitoring Guide* or one of the other approved methodologies.<sup>138</sup> However, only 12 of the 21 total Round 2 and NATI projects had reported using these methodologies, as is required (although the department advised that the remaining projects were appropriately reporting on 'vegetation condition and the impact of the Biodiversity Fund program investment', via other information collected through MERIT). Overall, there is scope for Environment to improve the implementation of the ecological monitoring methodologies underpinning the MERI reporting framework. Environment has advised that grant managers are receiving training to identify whether the reports submitted by grant recipients are appropriately applying the ecological monitoring methodology.

#### *Departmental approval of reports*

**6.39** A key ongoing task for the Biodiversity Fund program grant managers has been the review and acceptance of the mid-year and annual reports. When mid-year and annual reports are submitted to Environment they are reviewed against a checklist that: identifies whether all required information has been submitted; whether the grant recipient has completed the activities and met targets set out in the project plan or MERI plan; and includes a recommendation on whether the report should be accepted and the relevant milestone payment released. This process often involves follow-up communications between the grant manager and grant recipient, including requests for further information to be submitted.

---

137 The *Biodiversity Fund Ecological Monitoring Guide*, or previously established ecological reporting methodologies: Habitat Hectares; BioMetric: Terrestrial Biodiversity Tool; BioCondition; TasVeg: Tasmanian Vegetation Condition Assessment Method; Bushland Condition Monitoring; and Native Vegetation Condition Assessment and Monitoring for WA. These methods are widely used in state/territory and local government jurisdictions for environmental reporting, and would be familiar to many grant recipients, such as NRM Boards, catchment management authorities, state and local government authorities, and some Landcare groups.

138 The department advised that further refinements to MERIT will allow recipients to identify which of the seven approved methodologies they have used for their vegetation assessments.



**6.40** The reporting schedule for each round of the program has meant that all grant recipients submit reports at the same time. This has resulted in departmental officers having peak reporting periods during the year (334 for the Biodiversity Fund program, in addition to reports from other grants programs) to review in relatively short periods of time.

**6.41** The ANAO examined the department's review and acceptance of mid-year and annual reports for Round 1 funded projects.<sup>139</sup> Overall, the checklists were adequately completed and sufficient evidence had been retained by Environment to evidence that reports were assessed and accepted by the department.<sup>140</sup>

**6.42** The ANAO also examined the time taken by Environment to review and accept the mid-year reports (in the sampled funding agreements) that were due in February 2013. For the Round 1 projects for which the information was available<sup>141</sup>, the ANAO found that the average time taken by the department to review and accept reports was 49 calendar days (seven weeks). For all three funded NATI projects, the average time taken to review and accept reports was 38 calendar days (five and a half weeks), while in the sample of Round 2 projects reviewed, the average time taken was 42 days (six weeks).

**6.43** Environment had not set a benchmark for the timeliness of reviewing mid-year or annual reports and subsequently approving milestone payments. However, the time taken by the department to review and accept reports (around six to seven weeks) has created problems for some grant recipients, particularly smaller organisations. In the feedback provided to the department and directly to the ANAO through stakeholder interviews and a survey, two grant recipients reported that the delay in receiving grant payments had resulted in cash-flow problems for their project, and others noted that while

---

139 The ANAO reviewed Round 1 mid-year reports due in February 2013 and annual reports due in August 2013. Further reports for Round 1, and for the NATI and Round 2 funded projects, were excluded from this analysis due to report assessments not being recorded on hard-copy files, with the introduction of MERIT.

140 In a small number of cases (5 of the 120 cases reviewed where there was evidence of mid-year and annual reports being submitted) there was insufficient evidence retained in the files reviewed by the ANAO to demonstrate that reports had been assessed prior to reports being accepted by the department.

141 The documentation for 28 of the 64 Round 1 projects reviewed by the ANAO (44 per cent of the sample) did not clearly record the date the department had initially received the mid-year report, and/or the date the report was accepted by the department. Therefore, it was not possible to determine the timeframe for acceptance of these reports.



the delays had not impacted their organisation's cash-flow, it could be an issue for smaller proponents.

### *Stakeholder views on Biodiversity Fund program reporting requirements*

**6.44** The majority of respondents to the ANAO survey considered that their project reporting requirements were appropriate for the amount of funding that they were receiving through the Biodiversity Fund program.<sup>142</sup> However, the ANAO noted during its review of a selection of funded projects that the six-monthly reporting framework had placed pressure on some recipients, particularly those that had received funding for more than one project. Similarly, several respondents to the ANAO's survey commented that they had found the reporting requirements too onerous, such as:

In the first two years we received a very small amount of funding yet the project reports required were very onerous and had to be submitted a number of times with slightly different requirements each time, for example how the photographs were saved. Each reporting period saw different requirements.

**6.45** A number of grant recipients interviewed during the audit also commented on the requirement to provide an audited financial statement for every project year.<sup>143</sup> For smaller projects in particular, it had proved challenging to find a qualified accountant with capacity to undertake the work within the timeframe stipulated in the funding agreement. The cost of the financial audit was also considered to be quite high in the context of the project's overall allocation for administrative costs. Accordingly, there would be benefit in Environment considering alternative methods of gaining assurance over project expenditure, based on a risk assessment of grant recipients and the project.

**6.46** Overall, feedback to the ANAO from grant recipients on the intended use of an online reporting tool such as MERIT was positive. In particular, respondents acknowledged the long-term benefits of collating natural resource management information in a single location to allow for outcome-based analysis and reporting.

---

<sup>142</sup> Of the respondents to the survey question, 20 (60 per cent) considered that the reporting requirements were 'appropriate' or 'very appropriate'. Seven considered that the reporting requirements were 'somewhat burdensome', and six considered them to be 'very burdensome' (40 per cent in total).

<sup>143</sup> Requiring grant recipients to provide audited financial statements can be an effective compliance tool, particularly for large-scale, complex and costly projects. However, compliance and verification procedures should be proportionate to the nature of the project and its assessed risks. ANAO Better Practice Guide—*Implementing Better Practice Grants Administration*, December 2013, pp. 86–87.

**6.47** However, a range of issues were encountered by grant recipients in the transition to MERIT for the first reporting period, including:

- unexpected questions that were not included in the previous report templates (for the Round 1 recipients who had already submitted two reports via the 'old' system);
- difficulty in entering information for projects with multiple sites and uploading maps or satellite images; and
- basic issues with functionality (for example, drop-down boxes and the 'submit' button did not work).

**6.48** Environment informed the ANAO that stakeholder feedback provided directly to the department had raised similar concerns and that the department had implemented a process of reviewing and upgrading MERIT in response to the feedback received. In addition, a MERIT reference group comprising a range of users who had provided constructive feedback to the department, was established in April 2014 to assist in refining the system.

## **Milestone payments**

**6.49** The Biodiversity Fund program funding agreement linked payments to the grant recipient's achievement of all relevant milestones as set out in the agreement and the department's acceptance of the mid-year and annual progress reports. Such an approach gives greater control over the project's progress to the funding provider, and can help to ensure the delivery of project activities to a satisfactory standard before the release of payments.

### **Initial payments**

**6.50** The funding agreement included a payment upon execution of the funding agreement, recognising the need for recipients to have access to funds to launch their projects.

**6.51** In the case of Round 1 projects, Environment's planned approach was that no more than 15 per cent of the total project budget would be paid as an up-front payment (or 30 per cent for state/territory government-owned entities, such as government departments or natural resource management organisations). In the ANAO's review of 64 Round 1 funded projects, 19 non-government entities (or 30 per cent of the sample) had received up-front

payments exceeding 15 per cent of their project's total budget and the set limit.<sup>144</sup> These payments ranged from 16 to 30 per cent of the project's total budget, and resulted in payments above the threshold of up to \$37 250. Evidence was not retained by the department to indicate why some grant recipients received a higher up-front payment.

**6.52** While the department did not set limits for the remaining funding rounds, the ANAO noted that, in the sample reviewed, the up-front payment was generally lower than Round 1 payments, with initial payments in the range of five to seven per cent of the total granted funding. An additional payment linked to the department's acceptance of the project MERI plan was also provided shortly after the initial payment for later rounds.

## Progress payments

**6.53** In general, progress payments were required to be made once Environment had accepted relevant reports from the grant recipient. The ANAO examined whether all milestones (as set out in the funding agreements) had been met, including evidence to indicate that the department had reviewed and accepted relevant reports, prior to payments being made for one set of mid-year and annual payments for Round 1.

**6.54** In relation to the mid-year payments, the milestone requirements had generally been met prior to payment being authorised.<sup>145</sup> In relation to the annual payments, the ANAO's analysis indicated that in 20 of the 64 sampled cases (around 31 per cent) payments had been authorised despite not all milestones being met. These milestones were mostly in relation to the recipients' in-kind contributions not being made in accordance with the agreed budget plan. In the NATI round and Round 2, payments had not been made prior to relevant milestones being completed.

**6.55** Under the funding agreements, Environment can withhold payments in cases of under-performance, or because the project is behind schedule and the grant recipient has not expended previous milestone payments. However, in the projects reviewed by the ANAO, where an underspend had occurred, it

---

144 The department decided that grant recipients that had a short-term contract (projects up to two years and whose total project funding was \$80 000 or less) would receive 100 per cent of their total funding in the initial payment and, for this reason, were excluded from this analysis.

145 In one case in the sample reviewed, there was insufficient evidence to demonstrate that the mid-year report had been accepted by the department.

was more common for the department to continue to authorise the milestone payment, after seeking an explanation from the grant recipient and agreeing to the action to be undertaken to remedy the budgeting issues. Environment informed the ANAO that it had determined that there was a higher risk to the success of the project in withholding payments, than to allow leniency in authorising the milestone payment. However, the department also acknowledged that in many of these instances records were lacking detail on the decision made.

## Compliance monitoring

**6.56** Environment completed a range of compliance planning activities in the early stages of Biodiversity Fund program implementation, for example: the preparation of a *Biodiversity Fund Fraud Control Plan* (Fraud Control Plan) that included a detailed compliance strategy and a fraud risk assessment; and draft guidelines for project site visits. These documents were not, however, completed until August 2012, which was after execution of the funding agreements for the 313 Round 1 approved projects (May/June 2012). The earlier finalisation of planned compliance activities would have better positioned Environment to communicate compliance requirements to grant recipients, for example in the grant guidelines and template funding agreements.

**6.57** In addition to compliance planning, the department developed a draft ‘visit priority calculator’ that enabled case managers to enter project attributes (such as the type of organisation, amount of funding, previous history of managing projects, and concerns raised by the grant manager or external complaints). The calculator provided a risk rating for each project to help determine those projects that should be prioritised for site visits. There was, however, no evidence to indicate that the department had systematically used the calculator to risk rate projects and/or recipients to inform a program of site visits or other compliance activities.

## Implementing compliance monitoring arrangements

**6.58** As previously discussed, Environment uses grant recipients’ reports as a key tool to monitor compliance with obligations under the funding agreements. In general, grant monitoring arrangements that are based on self-reporting of compliance provide limited assurance for the funding agency. However, the following additional requirements have helped to provide further assurance on the delivery of Biodiversity Fund program projects:

- photographs were to be included with each mid-year and annual report (from photo-points that had been determined at the project plan/MERI plan stage) to demonstrate progress (for example, weeds cleared, seedlings planted, increase in vegetation and/or condition);
- the mid-year and annual reports also required maps of the individual project site boundaries (which could be used by Environment to compile satellite imagery); and
- audited financial statements were required at the conclusion of each financial year, which would provide additional assurance regarding the appropriate expenditure of project funds.<sup>146</sup>

**6.59** Under the compliance arrangements established for the Biodiversity Fund program, individual grant managers are responsible for identifying and escalating to their supervisors potential compliance and non-performance issues in funded projects. However, the implementation of a number of the compliance activities that had been foreshadowed in the Fraud Control Plan and associated documents has not occurred. For example, while there had been a risk assessment matrix completed for ‘management of Round 1 Biodiversity Fund program projects’, this was generic across all projects, and there was no risk profiling of all individual projects against a set of risk factors, as had been foreshadowed in the Fraud Control Plan.

**6.60** While Environment has undertaken site visits to a number of its Biodiversity Fund program projects, a central listing of site visits has not been established. Therefore, it was not possible to determine the total number of site visits undertaken to date without examining all of the individual project files.<sup>147</sup> While the Fraud Control Plan referred to 100 per cent of high-risk projects being subject to a site visit every 12 months, the records retained by the department did not demonstrate that this had occurred (and as discussed earlier, high-risk projects had not been formally identified). There was also insufficient evidence to demonstrate that case managers visited a minimum of 10 per cent of the projects for which they are responsible, as foreshadowed in the site visits guidance document. While Environment

---

146 As previously discussed, there may be scope for Environment to tailor this requirement based on the assessed risk and size of the project, or to require other documentation to demonstrate project expenditure.

147 In September 2014, Environment informed the ANAO that it had recently implemented changes to its grants management database to facilitate the recording and reporting of Biodiversity Fund program site visits.



officers accompanied the ANAO on visits to 10 Biodiversity Fund program project sites during the audit (see Figure 6.1), these visits were not considered to be compliance activities.

**Figure 6.1: Plantings in a fenced-off corridor (including creek bed) to re-establish biodiversity**



Source: ANAO site visit accompanied by Environment officers.

**6.61** There was also no evidence to indicate that the department used the visit priority calculator, discussed earlier, to target the site visits that had occurred to those grant recipients that presented the highest risk to the achievement of project outcomes or other risks such as potential fraudulent use of grant funding.

**6.62** In a small number of the 72 funded projects reviewed by the ANAO, grant managers had noted on the checklist document used to record the assessment of the mid-year or annual reports 'site visit recommended in next six (or 12) months'. However, there was no evidence to indicate that a visit had subsequently been undertaken.

## Recommendation No.2

**6.63** To strengthen the monitoring of compliance with the terms and conditions of funding, the ANAO recommends that the Department of the Environment implements risk-based compliance strategies for its grant programs.

**6.64** **Environment's response:** *Agreed.*

**6.65** *The Department has updated its case management approach to grants management to adopt a more transparent and consistent risk based approach to compliance with the terms and conditions of funding agreements.*

**6.66** *The Department has updated its grants management database to facilitate the recording and reporting of site visits to allow a whole of programme risk management approach. Work is well underway to implement the risk management tool developed for the Biodiversity Fund in a consistent way across all natural resource management grants and to develop a programme-wide compliance strategy. This will comprehensively embed a risk based compliance strategy with consistent processes across the Department's natural resource management grants.*

## Conclusion

**6.67** The department developed template funding agreements for Biodiversity Fund program grant recipients that appropriately set out the obligations of each party. The funding agreement negotiation and execution period for the Round 2, NATI and Investing in Tasmania's Native Forests funding rounds coincided with the 2013 Federal Election 'caretaker' period. Funding agreements for the NATI and Round 2 approved applicants were provided to applicants shortly after their approval by the Minister, which provided those applicants with the opportunity to execute funding agreements. However, successful applicants in the Investing in Tasmania's Native Forests round were not formally advised of their approval or provided with funding agreements to execute. While the department has advised that the Government's consideration of program funding matters delayed advice to successful applicants, the treatment of the Investing in Tasmania's Native Forests round applicants is in contrast with the treatment of NATI and Round 2 applicants who also received approval at a similar

time.<sup>148</sup> The records retained by Environment do not indicate the basis for this differential treatment.

**6.68** For projects funded under Round 1 of the program, the funding agreements: set out a different pattern of project expenditure than outlined by applicants in their project applications; and were executed late in the 2011–12 financial year (which effectively shortened projects by one year). For a number of Round 1 funding recipients, these issues created additional challenges in delivering the project as had been originally planned. Improved communication with grant recipients—both in the application and funding execution phases—would have assisted recipients in planning the delivery of their proposed projects.

**6.69** While the funding agreements appropriately provide for variations, in practice most changes to project delivery are agreed between the department and the grant recipient via amendments to the project plan and budget allocations, demonstrating a flexible approach which minimises the administrative burden for both parties.

**6.70** Under the funding agreements, self-reporting by grant recipients is the primary mechanism used by Environment to manage recipients' compliance with their obligations. Grant recipients' submission of project reports twice a year to Environment has created additional challenges for departmental staff in reviewing and accepting these reports (334 in total) prior to approving milestone payments. The resulting delays have also reportedly impacted on the cash-flow of some grant recipients.

**6.71** In December 2013, Environment introduced a new online reporting tool for the submission of the six-monthly reports. Given the rollout of online reporting systems can be problematic for some users, as was the case for Biodiversity Fund program grant recipients, there is merit in administering agencies establishing appropriate approaches to planning implementation and engaging with stakeholders early in the process.

**6.72** In general, there was evidence to demonstrate that Environment has reviewed grant recipient reports and only released payments following acceptance of the reports. However, 21 out of 64 (31 per cent) of a sample reviewed by the ANAO, grant recipients had not adequately demonstrated the

---

148 Ultimately, the approved applicants in the Investing in Tasmania's Native Forests round did not proceed to funding.



completion of all the milestones set out in the funding agreement, particularly with regard to in-kind contributions and expenditure of funding from other sources. There was, therefore, scope for Environment to have strengthened its approach to the review and acceptance of all relevant milestones prior to authorising payment.

**6.73** Environment developed a compliance framework relatively early in the implementation of the Biodiversity Fund program, including a tool that could be used to calculate individual projects' risk profile, to inform compliance planning and direct compliance activities to the highest-risk grant recipients/projects. However, the department is yet to implement a risk-based compliance monitoring program that provides appropriate assurance in relation to high risk grant recipients/projects' compliance with their obligations. Accordingly, there was scope for Environment to more effectively target its compliance strategy for the remaining life of Biodiversity Fund program projects.

---



Ian McPhee  
Auditor-General

Canberra ACT  
9 December 2014



# Appendices



## Appendix 1: Entity response



**Australian Government**  
**Department of the Environment**

**Dr Gordon de Brouwer**  
**Secretary**

Mr Mark Simpson  
Acting Group Executive Director  
Performance Audit Services Group  
Australian National Audit Office  
GPO Box 707  
CANBERRA ACT 2601

Dear Mr Simpson

Thank you for your letter of 28 October 2014 providing the Australian National Audit Office (ANAO) Proposed Audit Report on the Administration of the Biodiversity Fund programme.

Pursuant to sub-section 19(4) of the Auditor-General Act 1997, the Department of the Environment has prepared a response to the report. I note that officers from the Department have also provided editorial comments to the report separately.

The Department was pleased to note the positive findings of the audit, in particular that while there were areas open for improvement, the administration arrangements adopted by the Department were in the main deemed suitable by the ANAO.

The report recognises the Department's substantial progress in implementing a Monitoring, Evaluation, Reporting and Improvement (MERI) Framework as a means to measure performance against environmental objectives of a programme. The Department considers that this framework will make significant progress in addressing what has been a gap in administration of programmes by allowing the Department to measure and report on environmental outcomes.

The report also acknowledged our continual enhancement to the administration of the Biodiversity Fund based on learnings from each round. In the same vein, the Department has already begun improvements to the administration practices of our programmes based on lessons learnt through the Audit process.

I accept the recommendations in the report and note that significant progress to implement these recommendations has already occurred.

Please find enclosed with this letter the Department's summarised response to the report and a response to each of the recommendations.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Gordon de Brouwer', written in a cursive style.

Gordon de Brouwer  
24 November 2014

Encl.

## Appendix 2: Assessment of key eligibility criteria in the four funding rounds

Eligibility Criterion <sup>(1)</sup>	Department's Assessment	ANAO Assessment: Sufficient Eligibility Assessment?
Applicant must be a legal entity	Online form required provision of information (such as ABN, entity type, incorporation number). Department also performed an ABN check on recommended applicants.	Yes
Applicant must declare that they have, or are able to obtain, written consent of proposed project partners	Declaration as part of grant application.	Yes
Project must not include activities that: <ul style="list-style-type: none"> <li>• have been completed; and/or</li> <li>• are being undertaken outside Australia or its territories (or for Round 2, NATI and Tas Forests, activities must be within a targeted area)</li> </ul>	No evidence of assessment of this criterion.  Cross-checked GPS location data provided by applicant against relevant boundaries.	No  Yes
If proposed project is on public land, must involve a financial and/or in-kind contribution from the public land owner	Checked applications—if proposed project on public land, did it involve financial or in-kind contributions?	Yes
Applicants must have no overdue reports or acquittals from previous Australian Government funded projects	Department checked its own records, but did not assess whether there were overdue reports or acquittals in other Australian Government agencies.	Partial
Proposed project budget must be within specified grant amounts (varied across rounds—no limits in Round 1)	Online form prevented applicants from submitting amounts outside the specified parameters.	Yes
Proposed projects must be planned to be completed within the specified time period (varied across rounds)	Online form prevented applicants from submitting projects with time periods outside those specified.	Yes

Eligibility Criterion <sup>(1)</sup>	Department's Assessment	ANAO Assessment: Sufficient Eligibility Assessment?
Proposed project must not include activities for which the applicant was currently receiving, or had received, funding from Australian, state/territory funding initiatives or programs, or other third parties, where activities are substantially the same	Department checked whether project/organisation was/had received previous Environment funding.  No check of current/previous funding by state/territory governments or other bodies.	Partial
Must involve activities that are in addition to activities that: <ul style="list-style-type: none"> <li>form part of the business as usual (environmental stewardship) practices of the land managers and/or owners</li> <li>are required by law</li> </ul>	<p>Internal / external assessors were informed that it was not their role to assess eligibility. However, they were asked to comment on whether the proposed project could be considered BAU (in Round 1 assessments only). There is limited evidence retained by the department to demonstrate that it assessed whether proposed projects were BAU.</p> <p>No documented evidence of how the department assessed this criterion, although one project in Round 1 was found to be ineligible based on this criterion.</p>	<p>No</p> <p>No</p>

Source: ANAO analysis of Environment information.

Note 1: As discussed in Chapter 4, the eligibility criteria differed over the four funding rounds. In particular, additional more specific criteria, such as permitted species for planting, were included in the latter rounds. This table refers to the key eligibility criteria that were required to be satisfied, across all four Biodiversity Fund program rounds.



# Index

---

## B

Biodiversity Conservation Division  
(BCD), 7, 32, 36, 82, 92

Bush Blitz II, 77, 81–83

## C

Conflict of interest, 55

## D

Director of National Parks, 21, 78, 81–82

Distribution of funding, 73

## F

Federal Election caretaker period, 21, 85, 87, 103

## G

Greening Australia, 45, 77–78

## K

Key Performance Indicators (KPIs), 7, 40–41

## L

Land Sector Carbon and Biodiversity  
Board (LSCBB), 28

## M

MERI Plan, 42, 93

Minister for Environment, Heritage  
and Water, 13, 30

Minister for Sustainability,  
Environment, Water, Population  
and Communities, 13, 30, 79

Minister for the Environment, 79–80

Moderation Group, 13, 18–20, 30, 32,  
36, 48–49, 54–55, 61, 63–68, 71–72, 74

Monitoring, Evaluation, Reporting and  
Improvement (MERI) Framework,  
17, 41–43, 94

Monitoring, Evaluation, Reporting and  
Improvement Tool (MERIT), 7, 22,  
94–98

## N

NERP Environmental Decisions Hub,  
77–78

## P

Portfolio Budget Statement(s) (PBS), 7,  
17, 40–42, 82

Probity adviser, 53

Project Plan, 37–38

## T

Tasmanian Forest Landscape  
Restoration Project, 77–78, 80, 83

## Series Titles

---

### **ANAO Report No.1 2014–15**

*Confidentiality in Government Contracts: Senate Order for Departmental and Agency Contracts (Calendar Year 2013 Compliance)*  
Across Agencies

### **ANAO Report No.2 2014–15**

*Food Security in Remote Indigenous Communities*  
Department of the Prime Minister and Cabinet

### **ANAO Report No.3 2014–15**

*Fraud Control Arrangements*  
Across Entities

### **ANAO Report No.4 2014–15**

*Second Follow-up Audit into the Australian Electoral Commission's Preparation for and Conduct of Federal Elections*  
Australian Electoral Commission

### **ANAO Report No.5 2014–15**

*Annual Compliance Arrangements with Large Corporate Taxpayers*  
Australian Taxation Office

### **ANAO Report No.6 2014–15**

*Business Continuity Management*  
Across Entities

### **ANAO Report No.7 2014–15**

*Administration of Contact Centres*  
Australian Taxation Office

### **ANAO Report No.8 2014–15**

*Implementation of Audit Recommendations*  
Department of Health

ANAO Report No.10 2014–15  
Administration of the Biodiversity Fund Program

**ANAO Report No.9 2014–15**

*The Design and Conduct of the Third and Fourth Funding Rounds of the Regional Development Australia Fund*

Department of Infrastructure and Regional Development

**ANAO Report No.10 2014–15**

*Administration of the Biodiversity Fund Program*

Department of the Environment

# Better Practice Guides

The following Better Practice Guides are available on the ANAO website:

Successful Implementation of Policy Initiatives	Oct. 2014
Public Sector Governance: Strengthening Performance through Good Governance	June 2014
Administering Regulation: Achieving the Right Balance	June 2014
Implementing Better Practice Grants Administration	Dec. 2013
Human Resource Management Information Systems: Risks and Controls	June 2013
Preparation of Financial Statements by Public Sector Entities	June 2013
Public Sector Internal Audit: An Investment in Assurance and Business Improvement	Sept. 2012
Public Sector Environmental Management: Reducing the Environmental Impacts of Public Sector Operations	Apr. 2012
Developing and Managing Contracts: Getting the Right Outcome, Achieving Value for Money	Feb. 2012
Public Sector Audit Committees: Independent Assurance and Advice for Chief Executives and Boards	Aug. 2011
Fraud Control in Australian Government Entities	Mar. 2011
Strategic and Operational Management of Assets by Public Sector Entities: Delivering Agreed Outcomes through an Efficient and Optimal Asset Base	Sept. 2010
Planning and Approving Projects – an Executive Perspective: Setting the Foundation for Results	June 2010
Innovation in the Public Sector: Enabling Better Performance, Driving New Directions	Dec. 2009
SAP ECC 6.0: Security and Control	June 2009
Business Continuity Management: Building Resilience in Public Sector Entities	June 2009
Developing and Managing Internal Budgets	June 2008