

The Auditor-General
ANAO Report No.4 2016–17
Performance Audit

Award of Funding under the 20 Million Trees Programme

[Department of the Environment and Energy](#)

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Canberra ACT
31 August 2016

Dear President and Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Department of the Environment and Energy titled *Award of Funding under the 20 Million Trees Programme*. The audit was conducted in accordance with the authority contained in the *Auditor-General Act 1997*. 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

A handwritten signature in black ink, reading 'Grant Hehir', is positioned above the printed name.

Grant Hehir
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.

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Summary and recommendations

Background

1. Under the 20 Million Trees Programme, which was announced in May 2014, the Australian Government has committed to working with the community to plant 20 million native trees and supporting vegetation by 2020. The programme, which is administered by the Department of the Environment and Energy, is intended to re-establish native vegetation, provide habitat to support Australia's threatened species, sequester carbon from the atmosphere and improve the liveability of Australian cities and towns. Funding for the programme is delivered through five streams, as outlined in the table below.

20 Million Trees Programme funding streams

Funding stream	Description	Funding (ex GST) as at 9 March 2016
1. 20 Million Trees Programme Competitive Grants	Competitive grant programme open to applicants in all states and territories	\$9 375 000
2. Cumberland Conservation Corridor Grants	Part of an election commitment ⁽¹⁾ , with competitive grants open to applicants in Greater Western Sydney	\$4 570 000
3. Greening the West of Melbourne Grant	One-off, non-competitive grant awarded to LeadWest under an election commitment ⁽¹⁾	\$5 000 000
4. Discretionary Non-Competitive Grants	One Tree Per Child is the only project to have received a discretionary grant (as at 9 March 2016)	\$300 000
5. National Service Providers	Three service providers were procured through a tender process to deliver large-scale tree plantings across Australia	\$23 605 000
Total		\$42 850 000

Note 1: In the lead-up to the September 2013 election, the then Opposition made specific election commitments to plant one million trees in the west of Melbourne and one million trees in the Greater Western Sydney area, as part of the proposed 20 Million Trees Programme.

Source: ANAO analysis of departmental information.

2. The Australian Government has allocated \$70 million towards the delivery of the 20 Million Trees Programme.¹ As at 9 March 2016, \$42.85 million had been committed to plant more than 13.5 million trees, through a combination of grants and procured service providers.

1 In June 2016, the Government announced an election commitment of an additional \$560 000 in funding for the planting of native trees in the Cumberland Conservation Corridor under the programme.

Audit objective and criteria

3. The objective of this audit was to assess the effectiveness of the Department of the Environment and Energy's award of funding under the 20 Million Trees Programme. To form a conclusion against this objective, the ANAO adopted the following high-level criteria:

- Was the programme design aligned to the Government's objectives and was the programme accessible to potential applicants and tenderers?
- Were grant applications and tender submissions assessed in a consistent, transparent and accountable manner?
- Were grant applications and tender submissions selected on the basis of merit, with appropriate information provided to the decision-maker to inform their funding decisions?

Conclusion

4. The Department of the Environment and Energy appropriately designed the 20 Million Trees Programme to align with the objectives established for the programme by government, taking into account election commitments and the required focus on community engagement through the award of programme grants. The higher cost of planting trees under granting arrangements, as opposed to tendered large-scale plantings also to be delivered under the programme, was identified early by the department and clearly communicated to government. The department also provided early advice to government that the programme's target of 20 million trees would not be achieved within the funding initially allocated (\$50 million) and that additional funding would be required.² In addition, the department put in place a framework in which to deliver key programme elements, such as published programme guidelines and a suite of planning and guidance materials.

5. The effectiveness of the award of funding under the programme was, however, undermined by widespread weaknesses in administrative practices. In particular: published assessment processes were not followed; conflicts of interest were not appropriately recorded and managed; eligibility assessments were not conducted in a transparent or timely manner; assessment practices were not efficient; and key issues relating to the conduct of the assessment and selection process were not sufficiently drawn to the former Minister of the Environment's attention to inform funding decisions.

6. Over recent years, the ANAO has identified weaknesses in the department's processes for assessing grant applications for eligibility and merit. In three recent audits³, the ANAO made recommendations to the department to strengthen these processes, such as recommending that the department: design clear eligibility criteria; establish clear eligibility requirements in grant guidelines; assess all eligibility criteria in all grants rounds conducted; retain sufficient documentation to evidence eligibility and merit assessments; and implement appropriate

2 An additional \$20 million was provided in the 2016–17 Budget, bringing the total allocation up to \$70 million.

3 ANAO Audit Report No.10 2014–15 *Administration of the Biodiversity Fund Program*; ANAO Audit Report No.17 2013–14 *Administration of the Strengthening Basin Communities Program*; and ANAO Audit Report No.16 2013–14 *Administration of the Smart Grid, Smart City Program*.

probity arrangements. The findings of this audit indicate that limited progress has been made by the department to respond to earlier ANAO findings.

Supporting findings

Programme design, planning accessibility and probity

7. The programme design aligned with the Government’s objectives, with these objectives reflected in the grant guidelines and Request for Tender documentation and the merit assessment criteria for each of the funding streams.

8. The department considered options to achieve the 20 Million Trees Programme objectives and provided sound advice to the Government on the design of the programme, including options, expected costs, timeframes, risks and the extent to which the programme design aligned with the Government’s objectives.

9. The department prepared assessment plans for each stream of grant funding and an evaluation plan for the procurement by tender, which supported the award of funding under the programme. The department was unable, however, to locate an approved version of the assessment plan for the Greening the West of Melbourne grant stream. To further inform the assessment process, assessor guidance material was prepared, with most assessors attending some form of assessor training.

10. The department prepared grant guidelines for all grant funding streams and guidance for the Request for Tender and made these documents available to potential applicants and tenderers in a timely manner. While the programme was accessible to potential applicants and tenderers, stakeholders indicated that accessibility could have been improved.

11. For all four grant funding streams, the department prepared grant guidelines that addressed the mandatory requirements of the Commonwealth Grants Rules and Guidelines. There was scope for the guidelines to more clearly communicate: the thresholds for eligibility, including required timeframes for project completion; the assessment process; and those matters that would constitute a conflict of interest.

12. The department developed a framework within which to manage probity matters and conflicts of interest for the 20 Million Trees Programme, but it was poorly managed. The department engaged an external probity advisor, prepared a probity plan and established a conflicts of interest process. However, probity advice was not always sought in a timely manner and potential conflicts of interest were not appropriately recorded and managed in all cases.

Eligibility assessment of grant applications

13. The department had processes in place to help ensure that required information was provided to applicants and that applications were appropriately handled for the competitive grants stream. Nevertheless, late applications were not handled well by the department, with 31 late applications—which should have been removed—progressing through the eligibility and merit assessment processes. The progression of these applications unnecessarily added to the assessment workload. In addition, two late applications were accepted by the department against the recommendation of the assessment team and the probity advisor and without the reasons being documented.

14. Applications for funding under the 20 Million Trees Programme were not assessed for eligibility in a transparent, timely, efficient or consistent manner. As a result of the number of weaknesses in the eligibility assessment approach adopted by the department, 17 applications that failed published eligibility criteria were ultimately funded under the two competitive grants streams. This included 12 applications awarded \$58 241 in funding for ineligible activities that the department did not remove—with this funding either provided for the ineligible activity or reallocated to another activity, such as ‘administration’. The department could have delivered approximately 12 000 additional trees had this funding been used for additional projects. Further, the department did not take any action in response to the 93 applicants that had been identified as making false declarations on their application forms.

15. The department’s approach resulted in an assessment process that took almost twice as long as would have been the case if the department had removed ineligible applications prior to merit assessment. This resulted in additional departmental costs of approximately \$40 000. These shortcomings, along with the inconsistent treatment of applications, undermined the equitable distribution of funding under the programme.

Merit assessment and selection of grant applications

16. The department assessed all applications against published merit criteria, with one exception for the 20 Million Trees competitive grants stream. In this case, the department failed to weight scores as foreshadowed in the published guidelines. This error meant that 15 applications that would have received a weighted score that placed them in contention for funding received an unweighted score that placed them out of contention for funding. The selection decisions and the basis for these decisions were documented for all four grant streams, including those that were the subject of election commitments.

17. While the department addressed most of the minimum grant policy requirements in its advice to the then Minister for the 20 Million Trees Programme, the department did not: clearly outline the application and selection processes that were used; or include other important information that would have better informed the decision-making process, such as clearly indicating that ineligible applications had been recommended for funding and that assessment processes had differed from the processes published in the programme guidelines.

18. The department published information on its website about those grants that had been awarded under the four grant streams of the 20 Million Trees Programme, as required. Unsuccessful applicants were notified of outcomes and provided feedback on their applications in a timely manner—with this information provided on the same day as the funding announcement or approval in most cases.

Procurement of service providers

19. The department handled the receipt and conformance screening of tenders appropriately. There was scope to improve the management of conflicts of interest, as not all officers involved in the evaluation process had confidentiality and conflict of interest declarations retained on file.

20. Tender evaluations were conducted in accordance with the Commonwealth Procurement Rules and the evaluation process outlined in the Request for Tender documentation, but the

evaluation process, including the moderation of scores, was not appropriately documented. Further, probity advice was not sought in a timely manner—the department did not provide the evaluation report to the probity advisor until after the then Minister had been informed about the tender outcome. The final selection decisions were documented, based on merit and communicated to tenderers in a timely manner.

21. The department provided the decision-maker with sufficient information to inform the selection of tenders. There was scope for the department to have improved the accuracy of information and to have provided additional information on aspects of the assessment process, such as the moderation of scores.

Recommendations

Recommendation No. 1
Paragraph 3.24 The Department of the Environment and Energy should implement arrangements for eligibility assessment that clearly establish eligibility criteria and ensure that these criteria are consistently applied.

Department of the Environment and Energy's response: *Agreed.*

Recommendation No. 2
Paragraph 4.23 The Department of the Environment and Energy should draw to the attention of decision-makers important issues relating to the assessment and selection process for grants programmes and ensure that accurate information is provided in briefings for decision-makers.

Department of the Environment and Energy's response: *Agreed.*

Summary of entity responses

22. The Department of the Environment and Energy's summary response to the report is provided below, while its full response is at Appendix 1.

The Department agrees with the two recommendations in the report and is grateful for the assistance and cooperation of the Australian National Audit Office in assessing the performance of the 20 Million Trees Program. The Department notes the positive findings in the report in relation to the design of the program and the manner in which the tender process for service providers was undertaken.

The Department has in place a comprehensive Grants Administration Framework. The framework assists officers to develop and administer grant activities that comply with Commonwealth legislation, rules and best practice guidelines. The Framework provides guidance on establishing eligibility criteria and ensuring that the criteria are consistently applied. The Department has commenced improving assurance processes and training to ensure that the Grants Administration Framework, including the guidance on eligibility criteria, is consistently adhered to in future grant rounds of the 20 Million Trees Program. The Department welcomes further cooperation and guidance on these matters to ensure it continuously improves its business.

The Department is committed to providing timely and accurate advice to decision makers.

Audit Findings

1. Background

Introduction

1.1 Under the 20 Million Trees Programme, which was announced in May 2014⁴, the Australian Government has committed to working with the community to plant 20 million native trees and supporting vegetation by 2020. The programme is intended to re-establish native vegetation, provide habitat to support Australia's threatened species, sequester carbon from the atmosphere and improve the liveability of Australian cities and towns. The four objectives established for the programme are outlined in Table 1.1.

Table 1.1: 20 Million Trees Programme objectives

Objective	Description
1. 20 million trees	20 million trees and associated understorey ⁽¹⁾ by 2020
2. Environmental conservation	Supporting local environmental outcomes by improving the extent, connectivity and condition of native vegetation that supports native species (including threatened species and threatened ecological communities)
3. Community engagement	Working cooperatively with the community
4. Carbon reduction	Reducing Australia's greenhouse gas emissions

Note 1: Understorey is the lower-level growth in forests, especially the plants protected by the forest canopy.

Source: *20 Million Trees Programme Grant Guidelines: Round One 2014–15*, pp. 3–5.

1.2 The programme is part of the larger National Landcare Programme, under which the Government has allocated \$1 billion over four years (from 2014–15 to 2017–18) to address environmental and sustainable agriculture issues. The programme has been designed to align with other government environmental initiatives, such as the Green Army and the work of the Threatened Species Commissioner.⁵ The programme is administered by the Department of the Environment and Energy (the department) and contributes to the department's Outcome 1:

Conserve, protect and sustainably manage Australia's biodiversity, ecosystems, environment and heritage through research, information management, supporting natural resource management, establishing and managing Commonwealth protected areas, and reducing and regulating the use of pollutants and hazardous substances.⁶

1.3 The Australian Government has allocated \$70 million towards the delivery of the 20 Million Trees Programme.⁷ As at 9 March 2016, \$42.85 million had been committed to plant more than 13.5 million trees, through a combination of grants and procured service providers. Funding for the programme is delivered through five streams, as outlined in Table 1.2.

4 The 20 Million Trees Programme was formally announced as part of the 2014–15 Budget. *Environment Portfolio Budget Statements 2014–15*, p. 16.

5 Australia's first Threatened Species Commissioner was appointed in July 2014. The commissioner's role is to work collaboratively with the national Threatened Species Scientific Committee, the community, industry and all levels of government to broker solutions that avoid the extinction of Australia's native species.

6 Department of the Environment's *Portfolio Budget Statements 2015–16*, p. 15.

7 In June 2016, the Government announced an election commitment of an additional \$560 000 in funding for the planting of native trees in the Cumberland Conservation Corridor under the programme.

Table 1.2: 20 Million Trees Programme funding streams

Funding stream	Description	Funding (ex GST) as at 9 March 2016	No. of Trees as at 9 March 2016	Average cost per tree
1. 20 Million Trees Programme Competitive Grants	Competitive grant programme open to applicants in all states and territories	\$9 375 000	2 460 772	\$3.81
2. Cumberland Conservation Corridor Grants	Part of an election commitment ⁽¹⁾ , with competitive grants open to applicants in Greater Western Sydney	\$4 570 000	743 754	\$6.14
3. Greening the West of Melbourne Grant	One-off, non-competitive grant awarded to LeadWest under an election commitment ⁽¹⁾	\$5 000 000	1 000 000	\$5.00
4. Discretionary Non-Competitive Grants	One Tree Per Child ⁽²⁾ is the only project to have received a discretionary grant (as at 9 March 2016)	\$300 000	100 000	\$3.00
5. National Service Providers	Three service providers were procured through a tender process to deliver large-scale tree plantings across Australia	\$23 605 000	9 250 000	\$2.55
Total		\$42 850 000	13 554 526	\$3.16

Note 1: In the lead-up to the September 2013 election, the Opposition made specific election commitments to plant one million trees in the west of Melbourne and one million trees in the Greater Western Sydney area, as part of the proposed 20 Million Trees Programme.

Note 2: The One Tree Per Child Project received \$300 000 for 100 000 trees to be planted by 100 000 children.

Source: ANAO analysis of departmental information.

Competitive Grants

1.4 The initial 20 Million Trees competitive grants round was open to applicants from 2 October to 30 October 2014, with the then Minister for the Environment (the Minister) announcing the successful projects on 17 December 2014. Grants totalling \$4.5 million were approved for 57 projects in urban and regional areas around Australia.⁸ Under this round, landcare and community groups, individuals and other organisations are to plant 1.1 million native trees in their local communities and areas. Funding under a second round of this grants stream was announced in December 2015, with an additional 1.3 million trees to be planted for \$5 million—for an overall average cost per tree (across both rounds) of \$3.81. Funding recipients are responsible for carrying out site preparation, planting and site maintenance. They are also responsible for ensuring community support for the project, including gaining the support of

8 Two of the 57 projects did not proceed to funding, bringing the total funding for the first round down to \$4.375 million.

landholders. Projects are to deliver a range of outcomes that were selected to align with the programme's objectives.

Cumberland Conservation Corridor Grants

1.5 In the lead-up to the 2013 federal election, the Opposition committed \$15 million towards a Cumberland Conservation Corridor in Greater Western Sydney. Up to \$7.5 million of funding was allocated for the protection of land, including conservation covenants on threatened land in the Greater Western Sydney area, and up to \$2.5 million was allocated to the Green Army. The remaining \$5 million was committed to planting one million trees in the Cumberland Conservation Corridor and related areas, as part of the 20 Million Trees Programme.

1.6 Following a competitive funding round between April and June 2015 (and subsequent negotiations), the Government committed \$4.57 million in funding for 13 projects to plant 743 754 trees under the Cumberland Conservation Corridor grants stream—an average of \$6.14 per tree.⁹ The 13 projects fall within the corridor outlined in the map at Figure 1.1—with the majority of funded projects located in the Penrith area (see the red shaded area in Figure 1.1)—an area identified in the programme's grant guidelines as a key focus area.¹⁰

Figure 1.1: Cumberland Conservation Corridor—location of grant recipients



Source: *20 Million Trees Programme—Cumberland Conservation Corridor Grant Guidelines 2014–15*, p. 6.

9 The original announcement stated that 701 931 trees would be planted under these 13 projects, but subsequent negotiations between the department and grant recipients resulted in recipients committing to plant an additional 41 823 trees for the approved funding amounts.

10 Projects outside these boundaries were not eligible for funding under this grants stream.

1.7 The department advised the then Minister that it would explore options to make up for the shortfall of 256 246 trees to be planted under this election commitment. In January 2016, the department advised the Minister that service providers had been invited to propose projects to make up the shortfall within the Corridor, but no suitable proposals were received. The department indicated that it intends to discuss further options with the Minister on how best to deliver the remainder of this commitment.

Greening the West of Melbourne Grant

1.8 In May 2015, the then Minister announced that a joint \$6 million initiative between the 20 Million Trees Programme and the Green Army had been approved to re-establish green areas across the west of Melbourne. LeadWest—a partnership of six local councils, major businesses and organisations in the west of Melbourne—was awarded \$5 million to plant one million trees as part of the initiative (an average of \$5 per tree). Seven Green Army teams would also work to improve vegetation across the region, with funding of \$1 million. LeadWest had been specifically named as the intended funding recipient in an August 2013 media release when the Opposition outlined its election commitment to green the west of Melbourne.

1.9 LeadWest is coordinating projects across the west of Melbourne and, as at January 2016, had established projects for the planting of 700 000 trees in a range of locations, including urban areas—such as a tree-planting site near the Maribyrnong River, which is illustrated at Figure 1.2.

Figure 1.2: Greening the West of Melbourne tree-planting site, near Steele Creek Reserve on the Maribyrnong River



Source: ANAO.

Discretionary non-competitive grants

1.10 As at March 2016, one discretionary non-competitive grant had received funding under the 20 Million Trees Programme. According to the grant guidelines developed for the 20 Million Trees competitive grants stream:

In selecting proposals to receive funding, the Minister may select strategic or exceptional projects from outside the competitive funding round described in these guidelines, provided such projects meet the Programme Objectives.

1.11 *Do Something!* received a discretionary grant of \$300 000 in June 2015 for the One Tree Per Child Project. According to the project proposal, the One Tree Per Child project will engage with local councils and primary schools around Australia to plant 100 000 trees—at an average cost of \$3 per tree.

Service providers

1.12 The department used a Request for Tender process to select service providers to manage large-scale biodiverse tree-planting projects across the country. The Request for Tender was open from 17 December 2014 to 6 February 2015. On 28 May 2015, the Government announced that it had engaged three service providers through the process: CO2 Australia, Greening Australia and Landcare Australia.

1.13 The service providers were engaged under Deeds of Standing Offer. Funding is being provided on a competitive basis, with the engaged service providers submitting project proposals to the department for consideration. Under the first tranche of funding, the department approved 22 projects (of 49 proposals submitted) to plant 6.75 million trees by mid-2018, at a cost of \$16.3 million (GST exclusive)—an average of \$2.42 per tree. The second tranche of funding was announced on 9 March 2016, with 2.5 million trees to be planted for a cost of \$7.3 million (GST exclusive)—an average of \$2.92 per tree. Overall, as at March 2016, the department had committed \$23.6 million to plant 9.25 million trees—at an average cost of \$2.55 per tree.

Previous reviews and ANAO audit coverage

1.14 The Senate Environment and Communications References Committee published a report on the National Landcare Programme in March 2015, which included coverage of the 20 Million Trees Programme. The report stated:

In relation to the 20 Million Trees Programme, the committee notes that Landcare already plants many millions of trees each year. While the addition of funding for further tree planting is welcome, the committee does not consider that it is a good use of scarce Commonwealth resources to establish a new program to do so. The committee considers that it would have been more efficient, and additional administration costs would have been avoided, had the funding for 20 Million Trees been rolled into Landcare funding.¹¹

1.15 The committee also made the following recommendation regarding the programme:

11 Senate Environment and Communications References Committee: *National Landcare Program Report*, March 2015, p. 128.

Recommendation 4: The committee recommends that a comprehensive review of the Green Army Programme and the 20 Million Trees Programme be undertaken by June 2016 to ensure that the programs are meeting their stated goals and that the Commonwealth Government is receiving good value for money from its investment.¹²

1.16 Over recent years, the department’s administration of grants has been subject to ANAO performance audit coverage, including the following three recent audits that identified weaknesses in the department’s assessment and selection processes:

Table 1.3: Recent ANAO audit coverage on the department’s administration of grants

ANAO Performance Audit Report	Relevant recommendation
ANAO Audit Report No.10 2014–15 <i>Administration of the Biodiversity Fund Program</i>	<p>Recommendation 1</p> <p>To strengthen the assessment of applicant eligibility under its grants programs, the ANAO recommends that the Department of the Environment:</p> <ul style="list-style-type: none"> • 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.
ANAO Audit Report No.17 2013–14 <i>Administration of the Strengthening Basin Communities Program</i>	<p>Recommendation 2</p> <p>Consistent with the transparency and public accountability principles of grants administration, the ANAO recommends that the Department of the Environment reinforces the importance of:</p> <ul style="list-style-type: none"> • establishing and applying clear eligibility requirements in program guidelines; and • appropriately documenting decisions relating to the assessment and selection of applications.
ANAO Audit Report No.16 2013–14 <i>Administration of the Smart Grid, Smart City Program</i>	<p>Recommendation 2</p> <p>To improve accountability and transparency in grants administration, the ANAO recommends that the Department of the Environment reinforces the importance of:</p> <ul style="list-style-type: none"> • implementing probity arrangements that are proportionate to the complexity and risks of grant programs; and • retaining documentation to appropriately evidence grant assessment and selection processes.

Source: ANAO Audit Reports (available from <anao.gov.au>).

12 *ibid.*, p. 129. The Committee informed the ANAO that, as at May 2016, it had not received a government response to this recommendation and it had not been informed whether a review was to be undertaken.

Audit approach

1.17 The objective of this audit was to assess the effectiveness of the Department of the Environment and Energy's award of funding under the 20 Million Trees Programme.

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

- Was the programme design aligned to the Government's objectives and was the programme accessible to potential applicants and tenderers?
- Were grant applications and tender submissions assessed in a consistent, transparent and accountable manner?
- Were grant applications and tender submissions selected on the basis of merit, with appropriate information provided to the decision-maker to inform their funding decisions?

1.19 The audit focused on the award of grant and service provider funding under the 20 Million Trees Programme. The audit did not assess the management of grant funding agreements or Deeds of Standing Offer. Further, the audit did not assess the governance arrangements in place for this programme because the department's governance arrangements were the subject of an ANAO performance audit that tabled in December 2014 (ANAO Audit Report No.10 2014–15 *Administration of the Biodiversity Fund Program*).

1.20 The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of approximately \$335 000.

2. Programme design, planning, accessibility and probity

Areas examined

This chapter examines the 20 Million Trees Programme's design, planning and internal guidance materials, accessibility and arrangements for the management of probity and conflicts of interest.

Conclusion

The programme design aligned with the Government's objectives. The department appropriately considered options to achieve the 20 Million Trees Programme's objectives and provided sound advice to the Government on the design of the programme. The department prepared assessment plans for each stream of grant funding and an evaluation plan for the procurement by tender, however, the department was unable to locate an approved version of the assessment plan for the Greening the West of Melbourne grant stream.

The department prepared grant guidelines for all grant funding streams and guidance for the Request for Tender. Tenderers indicated that accessibility could have been improved in some areas, and the grant guidelines did not clearly communicate: the thresholds for eligibility; the assessment process; or those matters that would constitute a conflict of interest.

The department developed a framework within which to manage probity matters and conflicts of interest for the 20 Million Trees Programme, but it was poorly managed. Probity advice was not always sought in a timely manner and potential conflicts of interest were not appropriately recorded and managed in all cases.

Areas for improvement

The department should: more effectively communicate the threshold criteria for eligibility, including required timeframes, the assessment process and those matters that would constitute a conflict of interest; seek timely probity advice; and strengthen its processes for recording and managing conflicts of interest.

Did the programme design align with the Government's objectives?

The programme design aligned with the Government's objectives, with these objectives reflected in the grant guidelines and Request for Tender documentation and the merit assessment criteria for each of the funding streams.

2.1 Prior to the September 2013 federal election, the Opposition made an election commitment that an elected Coalition government would fund a 20 Million Trees Programme to deliver 20 million native trees by 2020, with an implied cost of \$100 million. This commitment included two specific sub-programmes that would deliver two million trees for \$10 million—one million trees in the West of Melbourne through a pre-selected organisation (LeadWest) and an additional one million trees in the Cumberland Conservation Corridor (in Sydney's west), through a competitive grants programme. When the Australian Government announced the 20 Million Trees Programme in May 2014, it outlined that it would work with the community to plant 20 million native trees and supporting vegetation by 2020 and stated that:

The programme will support local environment outcomes, re-establish green corridors and urban forests, support land productivity, provide habitat for threatened species, and contribute to Australia's greenhouse gas abatement. The programme will engage closely with local Landcare, Indigenous and other community groups and complement other initiatives, including the Green Army, and Coastal River Recovery Initiatives.¹³

2.2 The programme objectives (outlined earlier at Table 1.1) reflected these Government objectives for the programme and were outlined in the grant guidelines and Request for Tender documentation. The programme objectives were also reflected in the merit assessment criteria. The first criterion for each of the four grant streams was 'the project aligns with 20 Million Trees Programme objectives'¹⁴, and the Request for Tender's Statement of Requirement outlined the four programme objectives and that projects must be consistent with these objectives.

Was sound advice on programme design provided to the Government?

The department considered options to achieve the 20 Million Trees Programme objectives and provided sound advice to the Government on the design of the programme, including options, expected costs, timeframes, risks and the extent to which the programme design aligned with the Government's objectives.

2.3 In January 2014, the department briefed the then Minister for the Environment (the Minister) on delivery options for achieving the objectives of the 20 Million Trees Programme. Although two million trees would be delivered as outlined in the election commitment, the department was required to determine the methods for delivering the remaining 18 million trees. This brief outlined that a discussion with the Minister and his office had taken place to discuss programme delivery options and that two delivery options had been developed as a result of these discussions. The department's two programme delivery options were: to procure service providers to deliver large-scale plantings; or to deliver through a combination of small competitive grants and the procurement of service providers. The department recommended the lower-cost option of delivering the programme solely through service providers. The Minister decided to pursue the alternative option, which was more costly, but was considered to better support the programme objective related to community engagement.

2.4 The January 2014 briefing also included information on expected costs. The department advised the Minister that an initial budget of \$50 million for the first four years (of the six-year programme) would support the delivery of approximately 11.2 million trees under the Minister's preferred delivery option. The department highlighted to the Minister that this approach posed a delivery risk, as around 9 million trees would need to be planted in the latter two years of the programme—which would be a significant increase in plantings per year. As at March 2016, the department had announced that \$42.85 million had been committed to plant more than 13.5 million trees—which provided better value for money outcomes than anticipated in its earlier advice to the Minister.

13 *Environment Portfolio Budget Statements 2014–15*, p. 32.

14 The merit criteria established for the programme are provided at Appendix 3.

2.5 In advice provided to the Government in May 2014, the department confirmed that the Government's objectives could be achieved with \$50 million provided over the first four years and additional funding provided for the remaining two years of the programme.¹⁵ The department outlined that the programme's four objectives would be achieved through the combination of election commitment projects, large-scale plantings and small competitive grants designed to: plant 20 million trees by 2020; improve the extent, connectivity and condition of native vegetation; work cooperatively with the community; and, to a lesser extent, reduce Australia's greenhouse gas emissions. The department advised that projects would be prioritised according to their ability to address the programme's expected outcomes of: improving the extent, connectivity and condition of native vegetation that support native species (including threatened species and ecological communities); and engaging local communities. In May 2014, the department received the Minister's approval on the proposed design parameters for the programme, including the delivery of funding through both competitive grants and tender arrangements.

Were adequate planning and internal guidance materials prepared?

The department prepared assessment plans for each stream of grant funding and an evaluation plan for the procurement by tender, which supported the award of funding under the programme. The department was unable, however, to locate an approved version of the assessment plan for the Greening the West of Melbourne grant stream. To further inform the assessment process, assessor guidance material was prepared, with most assessors attending some form of assessor training.

Assessment plans

2.6 The department prepared grant assessment plans for each of the grant funding streams. These documents provided guidance to staff on: how to assess applications; key roles and responsibilities; and probity arrangements. The initial version of the assessment plan was approved on 24 September 2014, which was prior to the closure of the 20 Million Trees competitive grants round on 30 October 2014. The plan was, however, further modified, with the final version approved on 13 November 2014. According to the department's Probity Report, the probity adviser noted that:

It was not best practice from a probity perspective to amend an assessment plan after the closing date for receipt of applications. We understood, however, that there were operational reasons for the amendment [...]. Given this, we considered it was defensible to make those amendments, obtain requisite approval from the delegate and instruct assessors to act consistently with them.

2.7 The department developed a plan for the Greening the West of Melbourne grant assessment process, but was unable to locate an approved version. The assessment plan for the One Tree Per Child grant was approved on the same day that the assessment was undertaken. The Cumberland Conservation Corridor grant assessment plan was prepared in a timely manner, with

15 The Government announced an additional \$20 million in funding in the 2016–17 Budget, bringing the total allocation to \$70 million.

the plan endorsed on 8 April 2015, which was prior to the opening of the application period (28 April–20 May 2015).

2.8 The department prepared an evaluation plan that outlined the key elements of the Request for Tender process, including the evaluation process, key roles in the evaluation process, probity protocols and conflict of interest management. The plan was not finalised until five days after the Request for Tender closed. The Probity Report covering the tender process stated that the tenders were secured and not accessed or evaluated by departmental staff until after the Evaluation Plan had been endorsed, which reduced the risk of probity issues arising.

Assessor training and guidance material

2.9 To deliver the 20 Million Trees competitive grants stream, 71 departmental officers were involved in the assessment of applications. Departmental records indicate that 66 per cent (47) of these assessors attended scheduled assessor training¹⁶—with 36 assessors attending a key training session on 24 October 2014 and 11 assessors attending an additional session on 29 October 2014. The majority of the 24 assessors who did not attend scheduled training were tasked with assessment work after the sessions had been delivered, because it had become evident to the department that the initial number of assessors would be unable to complete all of the assessments within the required timeframe.¹⁷ Most of these additional assessors received some form of individual training between 10 and 18 November 2014.

2.10 There was limited guidance provided to assessors on the approach to use when assessing the value for money presented by each application, with the assessor training presentation outlining value for money as ‘the budget items are reasonable and relevant to project activities and are eligible activities for funding’. Although assessors were instructed to ‘consider’ the cost per tree in their value for money score, there was no methodology for doing so, with the guidance on expected cost being: ‘Average cost will be approximately \$5 per tree, but may be higher or lower depending on the proposed activities’. The department’s review of its first round of the 20 Million Trees competitive grants stream stated that ‘some members of the Moderation Panel felt that the value for money scores given to some applications were not necessarily a fair representation’.

2.11 There were seven officers involved in the application assessments for the Cumberland Conservation Corridor grants stream. Of these, three had been assessors in the competitive grants round and two had attended the training for that stream. Cumberland Conservation Corridor assessors were given an overview of the assessment process on 28 May 2015.

2.12 Most of the seven departmental officers involved in evaluating tenders were given a verbal briefing on 24 February 2015 and a guidance document that outlined the evaluation process, the evaluation criteria, scoring definitions and how to assess supporting evidence.

16 Training covered the programme objectives, the assessment process, probity and conflict of interest requirements and a practical session working through the assessment of mock applications.

17 As the department decided to undertake a merit assessment of all lodged applications, including those that were late and ineligible, there was a considerable workload involved. This issue is examined in Chapter 3.

Was the programme accessible to potential applicants and tenderers?

The department prepared grant guidelines for all grant funding streams and guidance for the Request for Tender and made these documents available to potential applicants and tenderers in a timely manner. While the programme was accessible to potential applicants and tenderers, stakeholders indicated that accessibility could have been improved.

Accessibility of grant funding streams

2.13 The department provided information about the 20 Million Trees Programme on the National Landcare Programme website.¹⁸ It also communicated with potential applicants about the programme by emailing potential applicants on their mailing list and using the hashtag #20milliontrees on social media. Departmental staff were also available to provide information and assistance via telephone or email, with departmental contact details published in the grant guidelines and on the website.

2.14 The grant guidelines were also made available to potential applicants in a timely manner. During the application periods for the two competitive grant streams, the department's website provided an outline of the programme, the closing date for applications and a link to the grant guidelines. Further, the application periods were reasonable for the two competitive grants streams, with applicants having 28 days (2–30 October 2014) to apply for the 20 Million Trees competitive grants stream and 22 days (28 April–20 May 2015) for the Cumberland Conservation Corridor grants stream.

2.15 The ANAO consulted grant applicants on their experiences in accessing the programme, with no significant concerns raised regarding the grant guidelines or the assistance provided by departmental staff. Applicants did, however, consider that the grant guidelines could have been clearer on the amount of reporting grant recipients would be required to undertake, with some recipients indicating that the large amount of required reporting has deterred them from applying under future funding rounds.

Accessibility of the Request for Tender process

2.16 Prior to preparing the Request for Tender, the department sought input from stakeholders, including industry and environmental groups on how best to deliver large-scale native tree plantings. The department's Request for Information process was open from 19 June to 31 July 2014. It resulted in 82 submissions from a variety of stakeholders across Australia, including landcare and environmental groups, private companies (such as nurseries), non-government organisations and local councils.

2.17 The department released the Request for Tender documentation on AusTender on 17 December 2014.¹⁹ It contained clear information on the main elements of the tender, including key dates, lodgement requirements, statements of requirement, weighted and unweighted criteria, an outline of the evaluation process, a tenderer's checklist and a draft Deed of Standing Offer.

18 Available from: <<http://www.nrm.gov.au/national/20-million-trees>>.

19 The Request for Tender was open from 17 December 2014 to 6 February 2015.

2.18 The ANAO consulted tenderers²⁰ on their experiences in accessing the programme. Most commented positively on the Request for Tender documentation and the availability and assistance of departmental staff during the process. Notwithstanding these positive views, consulted stakeholders raised accessibility issues, including:

- the timing of the Request for Tender, which was over the Christmas and New Year period, made it difficult for potential tenderers to contact landholders and potential project partners, make arrangements for proposed projects and prepare a quality and competitive tender; and
- the guidance related to the development of proposed projects was inadequate—as it was unclear how much weight would be placed on these in the evaluation process, whether the proposed projects would be binding and whether they would be evaluated on proposed pricing of trees for these projects.

Were application and assessment processes effectively communicated in the grant guidelines?

For all four grant funding streams, the department prepared grant guidelines that addressed the mandatory requirements of the Commonwealth Grants Rules and Guidelines. There was scope for the guidelines to more clearly communicate: the thresholds for eligibility, including required timeframes for project completion; the assessment process; and those matters that would constitute a conflict of interest.

2.19 The department prepared grant guidelines for all four grant funding streams under the 20 Million Trees Programme, as required by the Commonwealth Grants Rules and Guidelines (CGRGs).²¹ The ANAO's examination of these grant guidelines found that they included key elements of the application and assessment processes and complied with the mandatory requirements of the CGRGs. Most CGRGs better practice principles were applied, but two of the four guidelines did not clearly outline those matters that would constitute a conflict of interest (CGRGs section 13.8), and eligibility assessment processes and eligibility threshold criteria were not effectively communicated in any of the four grant guidelines (CGRGs section 8.8).²²

2.20 According to the CGRGs, eligibility criteria are 'the mandatory criteria that must be met for a grant application to qualify for a grant' and:

Eligibility criteria should be straightforward, easily understood and effectively communicated to potential applicants. This helps avoid frustration and potential costs to applicants associated with developing and submitting applications that are not eligible or that have little chance of success.²³

2.21 The grant guidelines for all four streams of grant funding did not outline the thresholds for eligibility in a straightforward way or effectively communicate the eligibility assessment process

20 The ANAO interviewed all three successful tenderers and wrote to the 11 unsuccessful tenderers—receiving four letters in reply relating to two of the unsuccessful tenders.

21 *Commonwealth Grants Rules and Guidelines*, July 2014, section 4.4, p. 11.

22 Further, some principles were not sufficiently covered, such as the circumstances in which the eligibility and assessment criteria may be waived or amended (CGRGs section 13.14).

23 *Commonwealth Grants Rules and Guidelines*, July 2014, section 8.8, p. 20.

that would be used. The sections on eligibility criteria used generally accepted terms for eligibility criteria, such as ‘To be eligible, applicants must [...]’ and ‘To be eligible, a project must [...]’, with an outline of specific criteria (see full list of eligibility criteria at Appendix 2). However, later in the documents, ambiguous statements, such as ‘may not’ were used—which reduced the effectiveness of these criteria as eligibility thresholds:

- ‘Applications that do not meet all of the eligibility criteria *may not* be eligible for funding under the Programme’ (20 Million Trees competitive grants stream)²⁴;
- ‘Proposals that do not meet all of the eligibility criteria *may not* be eligible for a 20 Million Trees project (Greening the West of Melbourne grant); and
- ‘Proposals that do not meet all of the eligibility criteria *may not* be eligible for 20 Million Trees funding’ (One Tree Per Child grant).

2.22 In addition, the timeframes for eligible projects were not clearly communicated under the 20 Million Trees competitive grants stream, with the guidelines outlining that projects needed to be of a particular duration²⁵ and commence in 2014–15 without clearly stating that projects would not be funded past 30 June 2017 (for grants \$60 000 or greater)²⁶ or 30 June 2016 (for grants under \$60 000).²⁷ The lack of clarity surrounding project timeframes under eligibility criteria²⁸ made it difficult for applicants and assessors, with:

- applicants submitting 204 applications that did not meet required timeframes; and
- the department identifying only 36 per cent (74 of 204) of these applications as having an ineligible timeframe at the eligibility assessment stage.

2.23 Of the 57 recommended applications, 27 had their timeframes adjusted by the department during funding agreements negotiations. Of these:

- eight had failed the department’s published eligibility criteria related to timeframes;
- 19 had met the department’s published timeframe criteria, but had their timeframes nevertheless adjusted, with:
 - 12 having their timeframes adjusted because the start date had passed by the time funding agreements were being signed or the timeframes were considered

24 The department improved the wording for the second round of the competitive grants stream, with its grant guidelines stating: ‘All eligibility criteria must be satisfied in order for the application to be considered further.’ As at 31 March 2016, there had been no further rounds for the other three grant streams.

25 According to the grant guidelines, projects with a budget of \$60 000 or greater were required to have a timeframe of between 18 months and three years; and projects with a budget of less than \$60 000 were required to be completed within 18 months.

26 The section on eligibility criteria referred to an earlier section in the grant guidelines that mentioned the availability of grant funding across financial years to 2016–17, but it was not clearly explained that projects needed to be completed by 30 June 2017. Further, assessors used the criteria listed in the eligibility section for their eligibility assessments, without testing whether projects would be completed by 30 June 2017.

27 In practice, the department provided funding for smaller grants (with funding up to \$60 000) only up to an end date of 30 June 2016 (even though this was not stipulated as a criterion in the guidelines). For example, one sub-\$60 000 application outlined a start date of 1 May 2015 and an end date of 1 October 2016—which met both published timeframe criteria: it was projected to start in 2014–15 and was less than 18 months in duration. However, the department changed the project to end three months early (30 June 2016).

28 The wording for this eligibility criterion was unclear in the grant guidelines as well as in the department’s internal eligibility assessment spreadsheet.

by the department to be too short; and

- seven grants valued at less than \$60 000 having their project timeframes reduced to an average of 15 months, in order for the projects to be completed by 30 June 2016 (this requirement was not included in the grant guidelines).

2.24 This lack of clarity increases the risk to the programme achieving its outcomes, as some grant recipients were expected to achieve the same results on timeframes that had been reduced by an average of 17 per cent.

2.25 In relation to the Cumberland Conservation Corridor grants stream, the eligibility criteria relating to project timeframes were more clearly articulated, with the required length of time (18 months to 3 years) and end date (30 June 2017) provided. However, the department failed to assess any applications against these criteria.

2.26 To assess applications more transparently and consistently and to assist potential applicants in determining whether to invest their time in applying for funding, the department should ensure that grant guidelines clearly communicate: the threshold criteria for eligibility, including required timeframes for projects; the assessment process; and those matters that would constitute a conflict of interest.

Were probity and conflicts of interest managed appropriately?

The department developed a framework within which to manage probity matters and conflicts of interest for the 20 Million Trees Programme, but it was poorly managed. The department engaged an external probity advisor, prepared a probity plan and established a conflicts of interest process. However, probity advice was not always sought in a timely manner and potential conflicts of interest were not appropriately recorded and managed in all cases.

Probity advice

2.27 In the context of a grants programme, establishing and maintaining probity involves applying public service values and duties, such as honesty, integrity, impartiality and accountability.²⁹ The department engaged the services of an external probity advisor for the programme and to prepare a probity plan for all funding streams. This plan articulated how the probity principles applied, the roles of the parties involved and how any potential conflicts of interest would be addressed. The plan also provided the department with a template for officers to use to declare any conflicts of interest. The probity advisor maintained a conflict register for each funding stream where conflicts had been declared, but, as outlined below, these registers did not capture all declared conflicts.

2.28 The grant assessment plans referred to the probity plan, indicating that all probity requirements were to be followed in the assessment process. The department sought advice from the probity advisor during the course of the assessment and selection processes, and key documentation was provided to the advisor for review and advice. The department did not, however, always seek probity advice in a timely manner, with: advice on the department's

²⁹ *Commonwealth Grants Rules and Guidelines*, July 2014, section 13.1.

proposed approach to handling late and ineligible applications sought after the Moderation Panel had selected the applications to be recommended to the Minister for funding; advice on the evaluation of tenders sought after the tender decisions had been made and the Minister notified of the tender outcome; and no advice sought on how to manage the 93 applicants that had made false declarations on their application forms (discussed further in Chapter 3).

2.29 After grant and tender selection, probity reports were prepared by the probity advisor, which provided summaries of the probity advisor's involvement, the advice provided and the action taken.³⁰ The reports concluded that there were no probity impediments to the Minister acting on the funding recommendations.

Conflicts of interest

2.30 The probity plan outlined that all departmental officers involved in the grant and tender assessment and selection processes were required to: complete confidentiality, privacy and conflict of interest declarations; declare whether or not they had an actual, perceived or potential conflict of interest; and provide a copy of the signed declaration to the probity advisor.

2.31 The ANAO found that 95 per cent (109 of 115) of officers involved in the assessment and selection of grants and tenders had a signed conflict of interest declaration retained on file. The officers that did not have signed declarations on file included: a moderation panel member for the competitive grants stream; two members of the tender review committee; and three assessors.

2.32 The ANAO found that 13 officers had declared 21 potential conflicts of interest, but only 14 of these conflicts were included on the relevant conflicts register—with seven conflicts (related to three officers) not recorded. The ANAO found 31 applications and 2 tenders that related to declared potential conflicts of interest—with 22 of these applications³¹ relating to six potential conflicts of interest that were not recorded on the conflicts register. Despite failing to record and manage conflicts of interest appropriately, in all cases, the officer that had declared the potential conflict of interest did not assess the relevant application.

2.33 To help ensure that funding is awarded transparently and accountably, the department should seek timely probity advice and strengthen its processes for recording and managing conflicts of interest.

30 The probity advisor prepared probity reports for the two competitive grants funding streams and the Request for Tender. Probity reports were not prepared for the two one-off grants.

31 This includes 17 applications from one organisation.

3. Eligibility assessment of grant applications

Areas examined

This chapter examines the arrangements established by the department to assess applications for eligibility.

Conclusion

There were significant weaknesses in the department's activities relating to the receipt and assessment of grant applications for eligibility under the 20 Million Trees Programme. Initially, the department did not establish robust arrangements for the management of late applications, with: two late applications being accepted without a documented rationale; and 31 late applications progressing through the eligibility and merit assessment processes.

The subsequent assessment of application eligibility was an area where the department performed particularly poorly, with weaknesses in its assessment practices adversely affecting the consistency and transparency of decision-making and, ultimately, accountability. The broad ranging issues included: inconsistent treatment of applicants in relation to the eligibility of project activities; progressing ineligible applications through to later stages of the assessment process; and the lack of timely consultation with the appointed probity advisor. Ultimately, the decisions taken by the department in relation to the eligibility assessment process, which differed from generally accepted practice, increased the time taken and the resources needed to undertake the assessments. There is significant scope for the department to improve this aspect of its grants assessment practices.

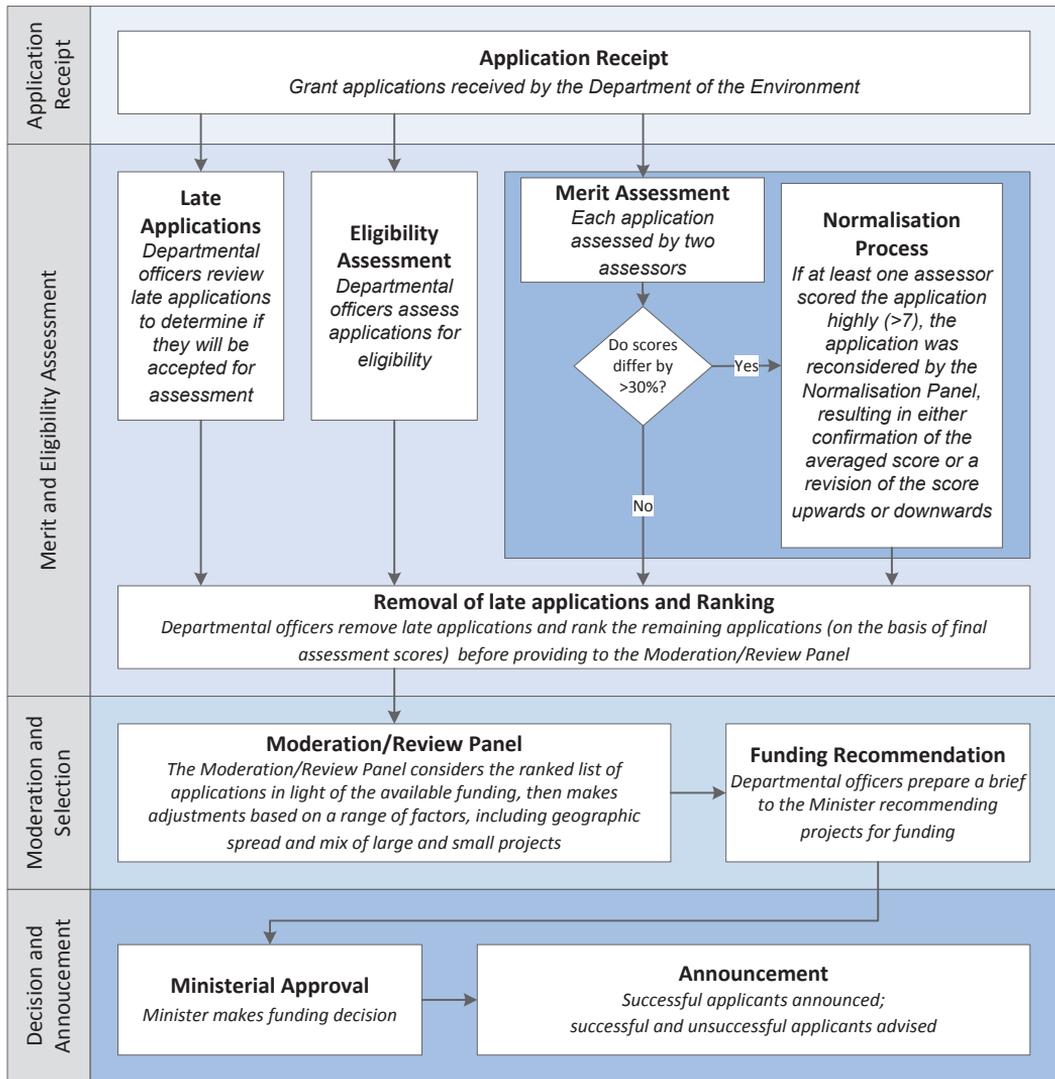
Areas for improvement

There is one recommendation aimed at improving the department's eligibility assessment processes.

In addition, the department should: establish quality assurance processes to ensure that funding for ineligible activities is not provided to grant recipients; and take action to deal with false declarations and determine the risks associated with organisations that have not reported on prior grants in a timely and consistent manner.

3.1 The department used similar assessment and selection processes for both competitive grants streams (20 Million Trees competitive grants steam and the Cumberland Conservation Corridor grants stream). This process is illustrated at Figure 3.1.

Figure 3.1: Assessment and selection process for the two competitive grant streams



Source: ANAO analysis of departmental information.

3.2 The process for the two one-off grants was more streamlined, with departmental officers assessing the single proposal for each stream against eligibility and merit assessment criteria and making a recommendation that the proposal be funded.

Was the receipt of applications handled appropriately?

The department had processes in place to help ensure that required information was provided to applicants and that applications were appropriately handled for the competitive grants stream. Nevertheless, late applications were not handled well by the department, with 31 late applications—which should have been removed—progressing through the eligibility and merit assessment processes. The progression of these applications unnecessarily added to the assessment workload. In addition, two late applications were accepted by the department against the recommendation of the assessment team and the probity advisor and without the reasons being documented.

Application completeness

3.3 Most of the 496 applications received for the 20 Million Trees competitive grants stream were submitted via an online application form.³² Online applications could not be submitted unless mandatory fields had been completed and all legal declarations accepted. Some incomplete applications were received by the department because the online form had free-text fields and it only recognised whether the field was blank or filled, without distinguishing between valid and invalid responses.

3.4 Cumberland Conservation Corridor applications were completed using a form downloaded from the department’s website and then submitted to the department by email, post or courier. The department’s records did not indicate that these applications were assessed for completeness. The applications for the Greening the West of Melbourne and One Tree Per Child grants were received by email. In these two cases, the department liaised with the organisations when further information was required.

Late applications

3.5 Of the 496 applications received for the 20 Million Trees competitive grants round: 433 applications were received prior to the deadline (2:00 pm, 30 October 2014) or in accordance with an extension approved prior to the round closing³³; and 63 were received late. Due to technical difficulties experienced by some applicants that were attempting to submit applications in the final minutes before 2:00pm, the department decided to accept all applications received up until 2:15 pm, which resulted in 26 additional applications being accepted. Of the remaining 37 late applications, 32 were declared late³⁴ and five were accepted. For the five applications accepted late, three involved extenuating circumstances, which were documented by the department.³⁵ The department was unable to provide documentation to demonstrate why the remaining two applications were accepted late, with the department informing the ANAO that it appeared ‘to be an oversight’.³⁶ Additionally, documentation retained by the department

32 Hard copy application forms were made available on request. Six hard copy applications were received by the department.

33 The department granted two extensions prior to the round closing.

34 This included one application that was received after the assessment period was completed.

35 The grant guidelines outline that the Department ‘may consider admitting late Applications under extenuating circumstances’. *20 Million Trees Programme Grant Guidelines: Round One 2014–15*, p. 14.

36 Although these two late applications were accepted, neither was recommended to receive funding.

indicates that the assessment team and the probity advisor had recommended that these two late applications be removed.

3.6 A late application brief (for the competitive grants stream) was prepared for the department's executive, requesting approval for the department's proposed approach for determining those applications that would be accepted and those that would be considered late. However, this approval was not sought until 26 November 2014, which was 27 days after the round closed and eight days after the department had completed eligibility and merit assessments. As a result, 31 late applications were assessed for eligibility and merit, which unnecessarily added to the assessors' workload.³⁷

3.7 All applications were received on time for the Cumberland Conservation Corridor grant stream and the two one-off grant streams.

Were applications assessed for eligibility in a transparent, timely, efficient and consistent manner?

Applications for funding under the 20 Million Trees Programme were not assessed for eligibility in a transparent, timely, efficient or consistent manner. As a result of the number of weaknesses in the eligibility assessment approach adopted by the department, 17 applications that failed published eligibility criteria were ultimately funded under the two competitive grants streams. This included 12 applications awarded \$58 241 in funding for ineligible activities that the department did not remove—with this funding either provided for the ineligible activity or reallocated to another activity, such as 'administration'. The department could have delivered approximately 12 000 additional trees had this funding been used for additional projects. Further, the department did not take any action in response to the 93 applicants that had been identified as making false declarations on their application forms.

The department's approach resulted in an assessment process that took almost twice as long as would have been the case if the department had removed ineligible applications prior to merit assessment. This resulted in additional departmental costs of approximately \$40 000. These shortcomings, along with the inconsistent treatment of applications, undermined the equitable distribution of funding under the programme.

Eligibility assessment

3.8 All eligibility criteria that had been outlined in the grant guidelines for the two competitive grants streams (see Appendix 2) were assessed by the department, with one exception—the department did not assess Cumberland Conservation Corridor grant applications against the following eligibility criterion, which had been outlined in the grant guidelines:

To be eligible for funding under the programme, a project must have a proposed project timeframe of between 18 months and three years and be able to be completed by 30 June 2017.

3.9 Assessors were not assisted by a design flaw in the Cumberland Conservation Corridor grant application form, which did not include fields for the projects' nominated start and finish

37 The assessment period was 11–18 November 2014 for the 20 Million Trees competitive grants stream.

dates.³⁸ This lack of consistency affects the transparency of the process and presents additional risks to the achievement of programme objectives within established timeframes.

3.10 In contrast to the generally accepted principle of determining an application's eligibility prior to proceeding to an assessment of the application's merit³⁹, for the two competitive grant streams, the department concluded its eligibility assessments after merit assessments had been completed. For one criterion in the 20 Million Trees competitive grants stream ('Does the project only consist of eligible activities?'), eligibility assessors did not provide any assessments against the criterion, deferring to the merit assessors to complete this eligibility check. For the two one-off grants, eligibility and merit assessments were streamlined, with the same assessors assessing both at the same time.

3.11 For the Cumberland Conservation Corridor, two applications did not meet eligibility requirements regarding the allocation of funding to administration and monitoring and reporting costs. The department decided to deem these applications as eligible on the basis that, if they were recommended, budgets would be renegotiated at the funding agreement stage. The probity advisor provided advice on this approach at the Review Panel meeting, indicating that the department could take the chosen approach or consider the projects ineligible. The Review Panel selected the first option, with budgets to be renegotiated with recipients post approval. The applications were approved, but budget renegotiation did not occur. The ineligible funding amounts were included in the executed funding agreements.

3.12 In relation to the 20 Million Trees competitive grants stream, the department identified that 44 per cent of applications (220 of 496) had failed to meet the department's published eligibility criteria.⁴⁰ The most common failures related to the project containing ineligible activities (153 cases) and ineligible project timeframes (74 cases).⁴¹ Rather than excluding ineligible applications from the process, the Grant Support and Assessment Team provided a spreadsheet with all of the received applications to the 20 Million Trees Team. This spreadsheet noted those applications that had passed or failed eligible criteria, but left the final eligibility decision column blank. The 20 Million Trees Team completed this column, deciding to deem 215 of the 220 ineligible applications as eligible. The notes added to the spreadsheet indicated that the department would resolve ineligible timelines and activities at the funding agreement stage and confirm with applicants that projects could still be delivered where funding for ineligible activities had been removed.

3.13 This approach reduces the department's capacity to demonstrate that all applicants have been consistently and equitably treated in the assessment process, particularly in relation to those potential applicants that decided not to apply based on the requirements outlined in the published grant guidelines. In addition to reputational, equity and consistency issues, the department's chosen approach also raises efficiency concerns. As all ineligible applications were included in the full merit assessment process, the department used around 880 hours of staff time

38 Fields for start and finish dates had been included in the 20 Million Trees competitive grants application form.

39 See *Implementing Better Practice Grants Administration*, December 2013, ANAO, p. 59.

40 An outline of the published eligibility criteria is provided at Appendix 2.

41 There were 47 applications that failed multiple eligibility criteria, including one application that failed four eligibility criteria, but was still deemed to be eligible by the department.

to assess ineligible applications in the merit assessment process, at an estimated additional cost to the department of approximately \$40 000.⁴²

3.14 Further, the ANAO found that late applications were not removed from the process and were also included in merit assessment, which added to the workload of assessors. A mock application that was used in the training of assessors was also inadvertently subject to both eligibility and merit assessments and was declared eligible until being identified as 'late' at the end of the process. These results indicate that there are efficiencies to be gained by improving the processes for assessing applications.

3.15 While the department sought probity advice in relation to its handling of ineligible applications for the 20 Million Trees competitive grants stream, this advice was sought after the eligibility assessments, merit assessments and Moderation Panel deliberations had been completed. The department's proposed approach for handling applications that failed eligibility tests, which the probity advisor (belatedly) supported, is outlined in Table 3.1.

Table 3.1: Department's approach to handling ineligible applications (20 Million Trees competitive grants stream)

Reason application failed eligibility criteria	Department's approach
Project applications were considered to not be tree planting projects	✘ Deem ineligible
Project applications included an ineligible activity in the budget table (If successful, only those activities eligible for funding would be contracted, with the project's total funding adjusted accordingly)	✔ Deem eligible
Project applications did not provide written authority from the landholder and/or authority to act on behalf of another entity (If successful, the applicant would be required to provide this written authority prior to the project being contracted)	✔ Deem eligible
Project applications proposed timeframes beyond those specified in the grant guidelines (If successful, the project timeframes would need to be adjusted during funding agreement negotiations)	✔ Deem eligible
Project applications did not complete other mandatory fields (If successful, this information would need to be obtained prior to the project being contracted)	✔ Deem eligible

Source: ANAO analysis of departmental information.

3.16 Essentially, only those projects that did not clearly involve the planting of trees were deemed ineligible by the department. Of the five applications that were deemed ineligible, four were not tree-planting projects and one was a tree-planting project. This application was deemed ineligible because of an ineligible activity relating to a feasibility study. It is unclear from

42 This is an estimated cost of assessor time. It does not account for other costs or for the flow-on effects of additional time spent at the normalisation and moderation stages. Department estimates indicate that each merit assessment involved approximately four hours of staff time (with two assessors each taking two hours per assessment) and that the merit assessment process accounted for approximately 1920 hours of staff time.

departmental records why this application was deemed ineligible for failing to meet the eligibility criterion 'Does the project only consist of eligible activities?' when 73 other applications failed this same criterion, but were deemed eligible and, in 11 cases, ultimately received funding. This outcome raises questions in relation to the consistency and equity of assessment and selection processes.

3.17 The probity advice also stated that applications with ineligible activities could be considered eligible if ineligible activities were removed and the total funding amount adjusted accordingly, prior to funding agreements being signed. The department's assessment documentation also outlined that ineligible applications that were deemed to be eligible would need to have funding for ineligible activities removed from the total funding amount:

If successful, confirm with applicant during contracting whether the project can still deliver the outcomes minus funding for the ineligible activity.

3.18 Despite this, the department did not remove funding at the contract negotiation stage. The total funding requested by applicants in their applications, including funding relating to activities that the department had assessed as ineligible, was recommended to, and approved by, the then Minister for the Environment (the Minister) and offered to grant recipients. The letters of offer noted the full funding amounts and did not inform recipients that ineligible activities would not be funded.

3.19 The number of applications that did not meet eligibility criteria and the decisions taken by assessment teams in relation to eligibility were not clearly communicated to the Moderation Panel. The meeting minutes of the Moderation Panel indicate that the Project Selection Delegate 'raised concerns with the probity adviser regarding eligibility of projects and handling of late submissions.' The minutes also indicated that, in response to these concerns, the Project Selection Team 'confirmed that eligibility checks had been completed' and that they 'confirmed that all applications for review by the Panel were considered eligible'. This was inaccurate. Not only were the 215 ineligible applications that had been deemed eligible included, but the five applications that the department had declared as ineligible were also included—with all ineligible applications being included in the ranked list of projects considered by the Moderation Panel.

3.20 Of all the projects reviewed by the Moderation Panel, only one was noted as containing an ineligible activity. The Moderation Panel decided to recommend this project, noting that it 'contains an ineligible activity in the itemised budget table, which will have to be removed -\$900 for food provision'. Although the Moderation Panel stated that \$900 would need to be removed from the total funding for this project, this did not occur (see Case study 1).

Case study 1. Handling of an application that included ineligible activities

The one application noted by the Moderation Panel as containing an ineligible activity had not been adequately assessed for eligibility, with eligibility assessors and merit assessors failing to identify that the application contained ineligible activities. The Moderation Panel identified one ineligible activity in this application's budget table: \$900 for providing food to volunteers. However, there was another budget item—\$2000 for a site condition survey—that was later identified as also being ineligible, which the Moderation Panel (and assessors) had not identified. The requested funding amount for this application included a total of \$2900 for ineligible activities.

The department's letter of offer to the applicant (dated 27 February 2015) advised that the amount requested by the applicant in its application would be provided, with no mention that there were ineligible activities that would not be funded. The \$900 that had been identified by the Moderation Panel as needing to be removed was not removed, nor was the \$2000 for the additional ineligible activity.

In March 2015, the department contacted the grant recipient by telephone to discuss the funding related to ineligible activities. The department discussed reallocating the \$2900 associated with ineligible activities to other activities instead of removing it from the total funding amount. The outcome of this discussion was that \$900 would be reallocated to additional weeding and \$2000 would be reallocated to administration costs and monitoring and reporting. The department prepared an 'Acceptance of Project Terms' document to accompany the funding agreement, which outlined that the \$2900 in ineligible funding would be reallocated as follows:

- \$900 reallocated to weeding (for a total of \$5900 on weeding);
- \$620 reallocated to administration costs (bringing the total up to the 10 per cent limit for administration: \$2420);
- \$710 reallocated to monitoring and reporting (bringing the total up to the 5 per cent limit for monitoring and reporting: \$1210); and
- \$670 reallocated to revegetation (bringing the total up to \$12 670).

Records were not retained by the department to explain: why \$670 was reallocated to revegetation when this reallocation was not part of the documented discussion with the grant recipient and the total number of trees to be planted was not increased; or why the amounts for administration and monitoring and reporting were 'topped up' to their allowable limits. This was one of 13 recommended applications that involved funding for ineligible activities.

3.21 For the two competitive grant streams, 24 per cent (17 of 70) of recommended projects did not meet eligibility criteria:

- 15 of the 57 recommended applications for the 20 Million Trees competitive grants stream; and
- 2 of the 13 recommended applications for the Cumberland Conservation Corridor grants stream (as outlined in Table 3.2).

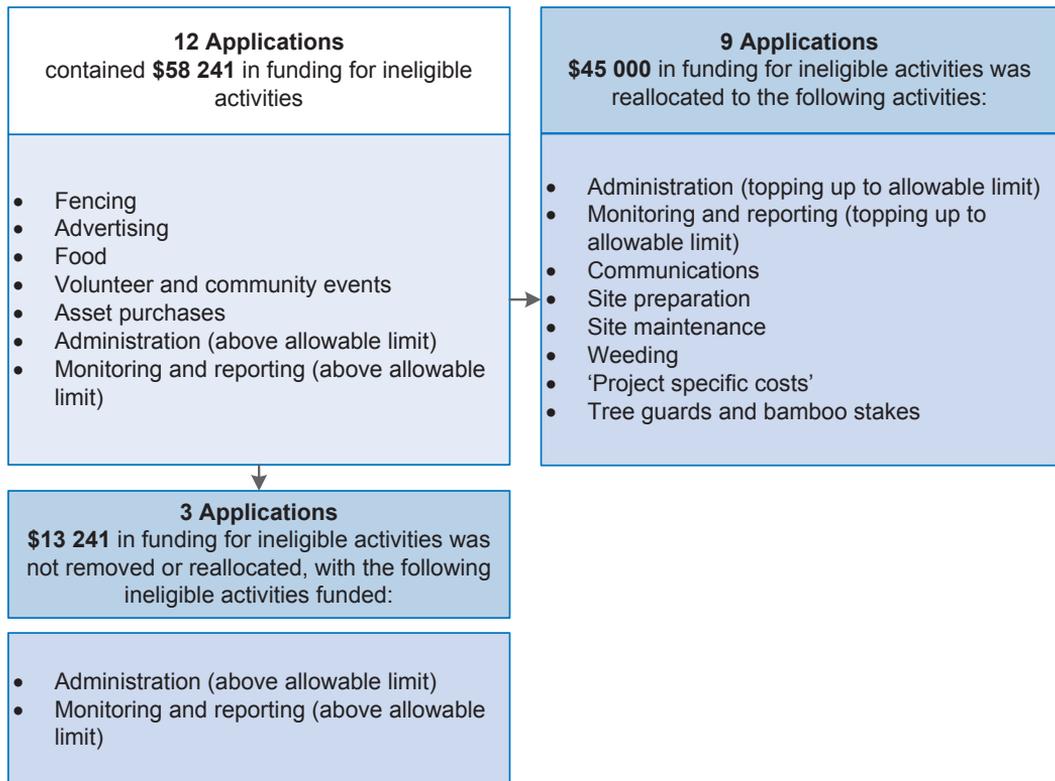
Table 3.2: Recommended applications that did not meet eligibility criteria

Grant streams	Number with ineligible timeline	Number with ineligible activities	Number that contained both	Total applications that did not meet eligible criteria
20 Million Trees competitive	8	11	4	15 (26%)
Cumberland Conservation Corridor	Not tested by the department	2	0	2 (15%)
TOTAL	8	13	4	17 (24%)

Source: ANAO analysis of departmental information.

3.22 The 13 applications that contained ineligible activities included one application that was recommended, but not ultimately funded, as it was discovered during funding agreement negotiations that the organisation was under investigation for fraud. The remaining 12 applications involved a total of \$58 241 in funding for ineligible activities. The department reallocated funding for these ineligible activities for nine of these grants, but in three cases, the ineligible activities were funded, as outlined in Figure 3.2. The department should establish quality assurance processes to ensure that funding for ineligible activities is not provided to grant recipients in future grant rounds.

Figure 3.2: Handling of funding for recommended applications with ineligible activities



Source: ANAO analysis of departmental information.

3.23 A key objective in implementing a granting activity is to maximise the cost-effective achievement of the outcomes sought by government, while providing transparent and equitable access to grants. Paying more for previously agreed outcomes is inconsistent with the goal of achieving value for money outcomes from granting activities. If the department had reallocated the \$58 241 towards additional trees as opposed to reallocating to other funded items such as ‘administration’, the department could have funded the planting of approximately 12 000 additional trees.

Recommendation No.1

3.24 The Department of the Environment and Energy should implement arrangements for eligibility assessment that clearly establish eligibility criteria and ensure that these criteria are consistently applied.

Department of the Environment and Energy’s response: *Agreed.*

Due diligence checks

3.25 In relation to the 20 Million Trees competitive grants stream, the department conducted due diligence checks, such as: ‘Has the applicant been convicted of a fraud-related offence in the last five years?’; ‘Does the applicant have any outstanding debts to the department?’; and ‘Does the applicant have any overdue reports?’. The department found that 93 applicants had overdue reports in relation to government funding programmes and that all 93 applicants had made a false declaration on their application form . The form required applicants to declare:

As at the application closing date, I do not have any overdue reports or acquittals under any contractual or statutory arrangements for funding with the Commonwealth of Australia.

3.26 Of the 57 successful applicants, 17 had overdue reports, with some having as many as six overdue reports and some reports being more than two years overdue. There was no mention of the due diligence checks or the finding of false declarations in the assessment and selection report. The probity report did not indicate that the department consulted the probity advisor on the subject of due diligence checks and false declarations. An internal review of the funding stream noted that no applications were excluded because of overdue reports or acquittals. The internal review recommended that an eligibility criterion be included in future rounds that states ‘if an applicant has an overdue report or acquitted project administered by the department then they cannot apply, unless they provide sound reasons as to why’.

3.27 For the Cumberland Conservation Corridor, similar due diligence checks were undertaken. None of the five applicants had an overdue report and only one had an overdue acquittal, which was 158 days overdue, but the department noted that it expected it would ‘be able to acquit this grant shortly’.

3.28 The department should take action to deal with false declarations and determine the risks associated with organisations that have not reported on prior grants in a timely and consistent manner.

4. Merit assessment and selection of grant applications

Areas examined

This chapter examines the arrangements established by the department to assess applications for merit and to advise the decision-maker on projects recommended for funding under the 20 Million Trees Programme.

Conclusion

The department assessed all applications against published merit assessment criteria, but did not weight some criteria as foreshadowed in the published grant guidelines. This error directly affected 15 applications, which would have been in contention for funding if the department had weighted their criteria scores as provided for in the published guidelines. Further, the inclusion of late and ineligible applications in the merit assessment process unnecessarily added to the assessment workload and resulted in ineligible applications being considered for funding.

The department addressed the minimum grant policy requirements in its advice to the Minister, except for the requirement to clearly outline the application and selection processes that were used. In addition, the information provided to the Minister was not always accurate or sufficiently detailed. Specifically, the department did not include important information that would have better informed the decision-making process, such as clearly indicating that applications that had failed eligibility criteria had been recommended for funding and that assessment processes had differed from the processes published in the grant guidelines. The approval by the Minister was documented.

Area for improvement

There is one recommendation aimed at drawing to the attention of the decision-maker important issues relating to the assessment and selection process and ensuring that accurate information is provided.

Were applications assessed consistently and transparently and were selection decisions equitable and documented?

The department assessed all applications against published merit criteria, with one exception for the 20 Million Trees competitive grants stream. In this case, the department failed to weight scores as foreshadowed in the published guidelines. This error meant that 15 applications that would have received a weighted score that placed them in contention for funding received an unweighted score that placed them out of contention for funding. The selection decisions and the basis for these decisions were documented for all four grant streams, including those that were the subject of election commitments.

Merit assessment

4.1 All applications in each of the four grant funding streams were assessed against the merit assessment criteria, as outlined in Appendix 3. Each application was assessed by at least two assessors. For the competitive grants streams, assessors assigned scores between zero and 10 for each criterion and provided comments on the level to which the application addressed the

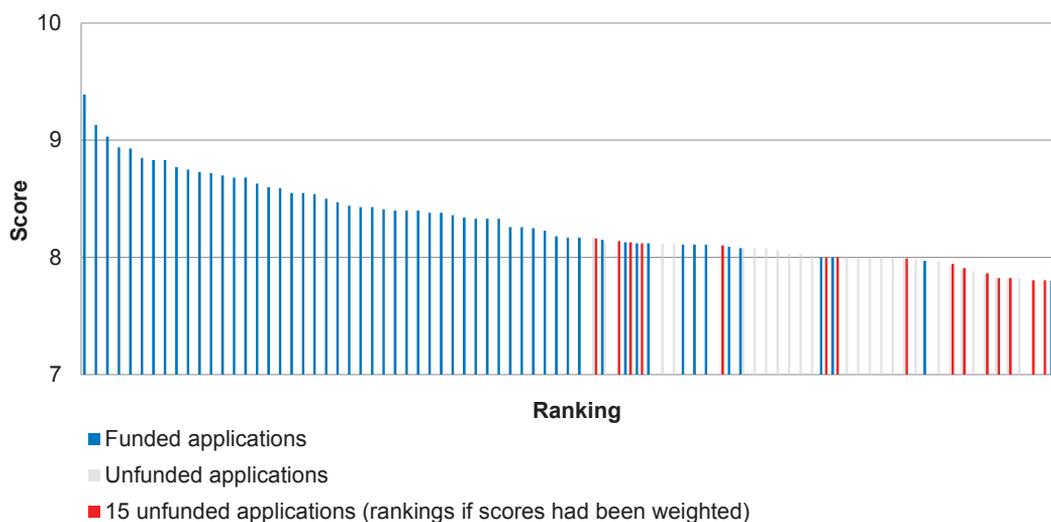
criteria. For the two one-off grant streams, assessors provided a qualitative assessment against each criterion.

Weighting of merit criteria

4.2 For the 20 Million Trees competitive grants stream, the grant guidelines (and the internal assessment plan) outlined that the first criterion—*The project aligns with 20 Million Trees Programme objectives*—was to be weighted more highly than the other criteria, but this did not occur. Although the department intended to weight Criterion 1 at 56 per cent and the others at 11 per cent each, in practice, all criteria were weighted equally.⁴³ The department’s failure to follow their published process for merit assessment impacted on the transparency and integrity of the granting activity.

4.3 The ANAO found 15 applications that were directly affected by the department’s error in not applying the published criteria weighting—with these applications receiving weighted scores that would have placed them within the range of applications that were funded, but their unweighted scores were lower, which pushed them down the merit list and out of contention for funding. For example, one unsuccessful application’s weighted score would have been 8.12, which, all things being equal, would have given the application a ranking of 49.⁴⁴ However, the application’s unweighted score was 0.64 points lower at 7.48, which gave the application a ranking of 121. The projected rankings for the 15 affected applications (if their scores had been weighted as intended) compared to the actual rankings of the applications that were funded, is illustrated at Figure 4.1.

Figure 4.1: Projected ranking of 15 affected applications



Source: ANAO analysis of departmental information.

43 The Moderation Panel was incorrectly informed that Criterion 1 was weighted more heavily than the others.

44 The lowest ranked application that received funding had a ranking of 84, with the top 44 applications being funded and an additional 13 applications being selected (on the basis of a number of factors, including mix of short and long term projects and geographic coverage) from the applications ranked between 45 and 84.

Value for money

4.4 One of the merit criteria for the 20 Million Trees competitive grants stream was ‘value for public money’, which required that applications demonstrate that the total project budget represented good value for public money. The grant guidelines outlined that the following factors would be taken into account:

- the amount of funding sought for the project;
- whether budget items are reasonable [...] and apply only to eligible project activities;
- the average cost per tree;
- the level of financial and in-kind cash contribution to be provided [...] and that these are relevant and reasonable.

4.5 A preferred cost per tree was not specified in the grant guidelines, but industry estimates used in the design of the 20 Million Trees programme (and published in the Coalition’s 2010 Direct Action Plan) indicated that trees could be delivered for approximately \$5 per tree.⁴⁵ Of the 464 applications for the 20 Million Trees competitive grants stream, only 25 per cent (116 of 464) included projects that would deliver trees for less than \$5 per tree. Of the applications recommended for funding, 47 per cent had a cost of less than \$5 per tree.

4.6 Assessors gave each application a score between zero and 10 for the value for money criterion. There was a degree of variability in the scoring, with, for example, a score of 8.5 given to projects with costs per tree ranging from \$1.92 to \$13 for the 20 Million Trees competitive stream, and a score of 6 was given to projects with costs per tree ranging from \$5.50 to \$23.50 for the Cumberland Conservation Corridor stream. The department informed the ANAO that, considering the number of variables, it would be expected that some projects with a higher cost per tree could still represent good value for money. The department’s review of its first round of 20 Million Trees competitive grants stream stated that ‘some members of the Moderation Panel felt that the value for money scores given to some applications were not necessarily a fair representation’.

Normalisation

4.7 For the 20 Million Trees competitive grants stream, a Normalisation Panel was to consider applications where the two assessors’ merit assessment scores⁴⁶ had diverged by more than 30 per cent. This panel consisted of an independent chair and three departmental assessors, with the probity advisor and other departmental staff providing technical support. Of the 464 applications, 54 had assessors’ scores that varied by more than 30 per cent. The department decided to exclude applications where both assessors’ final scores were below seven—as these applications were not considered to be of sufficient quality to be recommended for funding. This removed 22 applications from the process, with 32 applications to be reviewed by the Normalisation Panel. For these 32 applications, the panel increased 11 scores and decreased five scores, with 16 scores unchanged. Two of the increased scores were raised to a level that they

45 *The Coalition’s Direct Action Plan*, 2010, p. 28, available from: <http://www.greghunt.com.au/Portals/0/PDF/TheCoalitionsDirectActionPlanPolicy2010.pdf> [accessed 26 February 2016].

46 Each assessor assigned applications final merit assessment scores of between zero and 10.

were subsequently funded under the programme. Rationalisations for these changes were documented. For the Cumberland Conservation Corridor stream, normalisation was not required because assessors' scores did not diverge by more than 30 per cent.⁴⁷

Ranking

4.8 Before assigning rankings, the department removed late applications, with the exception of two late applications that the department neglected to remove. For the 20 Million Trees competitive grants stream, the five applications that were deemed as ineligible were not removed⁴⁸, with all 464 accepted applications receiving a ranking. As noted earlier, the department's process of considering late and ineligible applications in the merit assessment process does not align with generally accepted assessment practices.

4.9 For both competitive grants streams, rankings were based on the averaged final scores of the two assessors, or, where these two scores had diverged by more than 30 per cent, the normalised score determined by the Normalisation Panel. Rankings were not used for the Greening the West of Melbourne and One Tree Per Child grant streams as each stream involved only one applicant.

Moderation and selection

4.10 For the 20 Million Trees competitive grants stream, a Moderation Panel was responsible for considering the ranked applications in the context of the available funding and making funding recommendations to the then Minister for the Environment (the Minister). The Moderation Panel met on 26 November 2014 and consisted of an independent chair, two departmental executives and two assessors, with support from the probity advisor, a Work, Health and Safety advisor and 11 departmental officers.

4.11 The panel noted that the notional allocation of \$3.4 million⁴⁹ for the round would equate to the funding of the 41 highest ranked applications, resulting in a significant underspend against the allocated funding profile in the first year (2014–15). In this context, the panel decided to consider a budget of \$4.5 million to address the first year underspend issue, as the department had some flexibility within the budget profile. The panel also considered the following factors in determining its recommendations:

- mix of short and long term projects;
- geographical representation;
- representation across natural resource management regions;
- spread of urban and regional projects;
- mix of applicant types; and
- advice from the Threatened Species Commissioner.

47 The assessors' scores for one application diverged by 32 per cent, but both scores were below seven, so the department did not consider the application to be of sufficient quality to be recommended for funding.

48 The applications assessed as ineligible were ranked 251 and below.

49 Over three years: \$2.0 million for 2014–15; \$0.8 million for 2015–16; and \$0.6 million for 2016–17.

4.12 Following deliberations, the Moderation Panel recommended 57 projects for funding⁵⁰, allocating \$4.5 million over three financial years to plant over one million native trees. The department submitted the recommended projects for the 20 Million Trees competitive grants stream to the Minister for decision, who approved all recommended projects without requesting any changes.

4.13 For the Cumberland Conservation Corridor stream, a Review Panel, which consisted of two departmental executives, an independent member and two internal assessors, considered the ranked applications.⁵¹ In making its recommendations, the panel considered the following:

- the mix of short and long term projects;
- the total funds available, including spread across financial years;
- the number of trees to be planted and the average cost per tree; and
- the potential for applicants to deliver additional trees through contract negotiations.

4.14 The Review Panel recommended 13 applications for funding⁵² and a further five applications to be placed on a reserve list. The 13 projects would deliver 701 931 trees for \$4.57 million. The department submitted recommended projects to the Minister for decision, who approved all recommended projects, but requested that more cost effective outcomes be negotiated for two of the projects. Subsequent negotiations increased the number of trees to be planted to a total of 743 754 trees for the same total cost. Both panels documented their decisions and the basis for their decisions in panel minutes and reports.

Distribution of grants across states and electorates

4.15 For three of the four grant funding streams, specific geographic areas had been pre-established. Only the 20 Million Trees competitive grants stream was open to applications from across Australia. The ANAO found that grants for this stream were distributed across states and electorates. The overall 'success rate' for an application under the 20 Million Trees competitive grants stream was 12 per cent—in other words, 12 per cent of accepted applications (57 of 464) were recommended for funding. The ANAO found that there was little variance between the success rate of an application made by an organisation in a government-held electorate or an application made by an organisation in an opposition-held electorate. Applications in government-held electorates had a 13 per cent success rate (44 funded of 349 applications accepted) and applications in other electorates had an 11 per cent success rate (13 funded of 114 applications accepted).

4.16 Only one grant was funded in the then Minister's electorate. This grant was selected consistent with the department's assessment process and was recommended by the Moderation Panel. The Minister wrote to the Finance Minister with the details of this grant, as required by the Commonwealth Grants Rules and Guidelines (CGRGs).⁵³

50 This included the 44 most highly ranked applications.

51 There were also eight departmental observers and support officers at the Review Panel meeting. The Review Panel met on 10 June 2015.

52 These were the 13 most highly ranked of the 20 submitted applications.

53 *Commonwealth Grants Rules and Guidelines*, July 2014, section 4.12, p. 12.

4.17 Funding across states also correlated with the number of applications accepted from each state. The highest number of applications was received from New South Wales (146 applications) and Victoria (101 applications) and these states received the highest number of grants (16 grants and 14 grants respectively).

Election commitment and discretionary grants

4.18 The department met the requirements of the CGRGs for the funding of election commitment grants—both under the Cumberland Conservation Corridor grants stream and the Greening the West of Melbourne grant stream. The department also met the requirements of the CGRGs for the funding of the One Tree Per Child discretionary grant.

Was appropriate information provided to the decision-maker?

While the department addressed most of the minimum grant policy requirements in its advice to the then Minister for the 20 Million Trees Programme, the department did not: clearly outline the application and selection processes that were used; or include other important information that would have better informed the decision-making process, such as clearly indicating that ineligible applications had been recommended for funding and that assessment processes had differed from the processes published in the programme guidelines.

4.19 The department's advice to the then Minister for three of the grant funding streams addressed the minimum requirements outlined in the CGRGs, such as explicitly stating that the spending proposal being considered for approval is a 'grant'.⁵⁴ However, the advice to the Minister for the 20 Million Trees competitive grants stream did not meet the CGRG requirement that written advice to the Minister:

*must, at a minimum, [...] outline the application and selection process, including the selection criteria, that were used to select potential grant recipients.*⁵⁵

4.20 In its advice to the Minister, the department stated that 'applications were assessed on their eligibility and merit in accordance with the Programme Assessment Plan'. However, this was not the case. The department did not follow the selection process as outlined in the assessment plan—the assessment plan outlined that Criterion 1 would be weighted more highly than the other criteria, but this process was not used. The department informed the ANAO that, at the time the brief was prepared, it was not aware that it had failed to follow the assessment plan.

4.21 There was also scope for the department to have drawn key issues to the attention of the Minister. For example, the Minister was not informed that, for the 20 Million Trees competitive grants stream:

- 17 applications that had not met eligibility criteria had been recommended to receive funding—ahead of other projects that had met eligibility criteria;
- ineligible activity costs of \$58 241 were included in the recommended funding amounts; and

54 *Commonwealth Grants Rules and Guidelines*, July 2014, section 4.6, p. 11.

55 *ibid.*

- 17 recommended applications had failed due diligence checks and made false declarations on their application forms.

4.22 In addition, this advice to the Minister included inaccuracies. For example: the funding amounts for 17 of the 57 recommended grants were inaccurate within the ranked list of the projects; and the attached Assessment and Selection Report contained incorrect figures and dates, which reduced its value as a departmental record of the selection process.

Recommendation No.2

4.23 The Department of the Environment and Energy should draw to the attention of decision-makers important issues relating to the assessment and selection process for grants programmes and ensure that accurate information is provided in briefings for decision-makers.

Department of the Environment and Energy's response: *Agreed.*

Were applicants notified of outcomes?

The department published information on its website about those grants that had been awarded under the four grant streams of the 20 Million Trees Programme, as required. Unsuccessful applicants were notified of outcomes and provided feedback on their applications in a timely manner—with this information provided on the same day as the funding announcement or approval in most cases.

4.24 For the 20 Million Trees competitive grants stream, the then Minister announced the 57 grant recipients on 17 December 2014 (10 days after he had approved the recommended grants). All successful and unsuccessful applicants were notified by email on the same day as the announcement. The department also included feedback for each unsuccessful applicant, which outlined their application's ratings against each assessment criteria.

4.25 For the Cumberland Conservation Corridor grants stream, successful and unsuccessful applicants were notified on the same day, 6 October 2015, which was 38 days after the Minister announced the successful projects and applicants. All applicants were provided feedback on their unsuccessful projects. The recipients of one-off grants were notified on the same day that the Minister approved them.⁵⁶

4.26 As required by the CGRGs⁵⁷, the department published information on its website about the grants awarded under all four 20 Million Trees Programme grant streams.

⁵⁶ There were no unsuccessful applicants associated with these grant streams.

⁵⁷ *Commonwealth Grants Rules and Guidelines*, July 2014, section 5.4.

5. Procurement of service providers

Areas examined

This chapter examines the arrangements established by the department to select service providers to deliver large-scale native tree planting activities under the 20 Million Trees Programme.

Conclusion

The department received tenders and conducted tender evaluations in accordance with the Commonwealth Procurement Rules and the evaluation process outlined in the Request for Tender documentation. The moderation of scores was not documented, but the department provided the decision-maker with sufficient information to inform the selection of tenders, and the final selection decisions were documented and based on merit. Probity advice was not sought in a timely manner, with the department not providing the evaluation report to the probity advisor until after the then Minister had been informed about the tender outcome.

Area for improvement

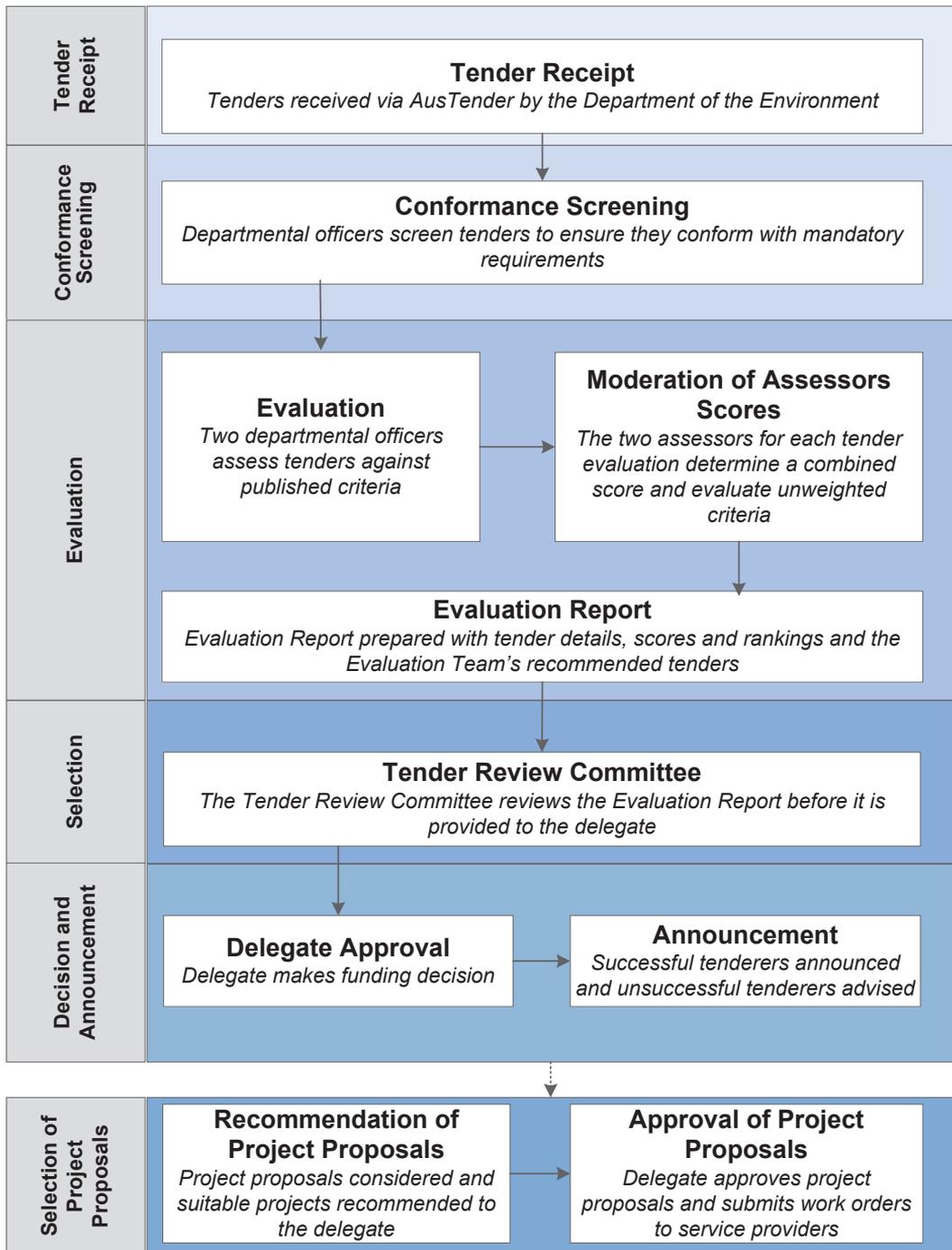
The department should: document the full tender evaluation process, including how scores are moderated; and seek timely probity advice.

5.1 National service providers were procured through an open tender process. The department released a Request for Tender in December 2014, to invite tenders ‘for the provision of services to deliver large-scale biodiverse native tree-planting projects as part of the 20 Million Trees Programme’. The Request for Tender outlined that:

- the programme would engage one or more service providers to deliver large-scale tree planting in diverse regions across Australia, using cost effective delivery methods;
- successful tenderer(s) would be engaged through a Deed of Standing Offer lasting three years from its commencement, with possible future extensions;
- the department would prefer tenders from organisations or consortia able to deliver at the national scale, or across three or more states and territories; and
- revegetation projects should consist of locally appropriate native tree and understorey species, noting that only those plants with a potential height of at least two metres would count towards the 20 million tree target.

5.2 The delegate for the Request for Tender was a departmental Deputy Secretary, who was responsible for: the approval of the procurement method; the approval of the Request for Tender document and the Evaluation Plan; the final selection decisions; and the execution of Deeds of Standing Offer. The delegate was supported by a Tender Project Officer (who was to administer the overall tender process and conduct conformance screening), Evaluation Management Team members (who were to oversee the tender evaluation process), and Tender Review Committee members (who were to review the Evaluation Report). The tender evaluation and selection process is outlined at Figure 5.1.

Figure 5.1: Process for tender evaluation and selection



Source: ANAO analysis of departmental information.

Was the receipt of tenders handled appropriately?

The department handled the receipt and conformance screening of tenders appropriately. There was scope to improve the management of conflicts of interest, as not all officers involved in the evaluation process had confidentiality and conflict of interest declarations retained on file.

Tender receipt

5.3 During the period in which the tender was open (17 December 2014 to 6 February 2015), the department received 14 tenders via AusTender. The department also received one tender after the deadline via email, which was not accepted. The probity advisor was consulted on this decision and other issues that arose during the tender process.

5.4 As outlined in Chapter 2, at the time the Request for Tender period closed (6 February 2015), the Evaluation Plan that was to guide assessment practices had not been finalised. The probity report indicates that, on the closing date, the probity advisor sought, and received, confirmation from the department that the tenders would not be opened or evaluated until after the Evaluation Plan had been approved. On this basis, the probity advisor did not consider that the delayed finalisation of the plan would raise probity issues. The plan was subsequently approved on 11 February 2015.

5.5 The evaluation report states that the tenders were downloaded from AusTender by two officers in the department's procurement section and were securely stored by the Evaluation Management Team. As outlined earlier, confidentiality and conflict of interest declarations were signed by all assessors involved in the tender evaluation process, but two members of the Tender Review Committee did not have signed declarations retained on file. Declarations included 'non-disclosure' and 'restriction on use' clauses to help ensure confidential information was handled appropriately.

Conformance screening

5.6 According to the Commonwealth Procurement Rules, entities must ensure that only tenders that meet minimum content and format requirements are accepted for further consideration.⁵⁸ In accordance with the department's Evaluation Plan, the Tender Project Officer screened tenders to determine whether tenders conformed with:

- minimum content and format requirements;
- the one condition for participation outlined in the Request for Tender Document; and
- the Request for Tender document.

5.7 The department determined that all 14 tenders received via AusTender conformed to mandatory requirements, with the one late application being declared non-compliant as it had not been received by the deadline or by the method of submission outlined in the Request for Tender document. Only the 14 compliant tenders proceeded to evaluation.

58 *Commonwealth Procurement Rules: Achieving Value for Money*, July 2014, section 10.30.

Were tenders evaluated in accordance with the Commonwealth Procurement Rules and were selection decisions documented, based on merit and communicated to tenderers?

Tender evaluations were conducted in accordance with the Commonwealth Procurement Rules and the evaluation process outlined in the Request for Tender documentation, but the evaluation process, including the moderation of scores, was not appropriately documented. Further, probity advice was not sought in a timely manner—the department did not provide the evaluation report to the probity advisor until after the then Minister had been informed about the tender outcome. The final selection decisions were documented, based on merit and communicated to tenderers in a timely manner.

Evaluation

5.8 Tenderers were required to prepare a response to three weighted evaluation criteria and provide information and statements against three additional unweighted criteria, as outlined in Table 5.1.

Table 5.1: Evaluation criteria

Criteria	Weightings
Criterion 1—Tenderer’s proposed solution to the Statement of Requirement	40 per cent
Criterion 2—Demonstrated experience in providing similar services	30 per cent
Criterion 3—Capacity and expertise to perform the Services	30 per cent
Criterion 4—Pricing information	Unweighted
Criterion 5—Financial viability	Unweighted
Criterion 6—Tenderer’s compliance with the Draft Deed	Unweighted

Source: ANAO analysis of the department’s Request for Tender.

5.9 Tenders were evaluated against the weighted criteria by two assessors that each conducted an independent evaluation against the three to 14 sub-criteria for each criterion. An external Work Health and Safety advisor provided input for the assessment of one of the sub-criteria for Criterion 3, assessing tenderers’ ability to manage the Work Health and Safety aspects of tree-planting services. The evaluations against weighted criteria were completed in accordance with the department’s published process.

5.10 The department indicated in the Request for Tender document that it would use the three unweighted criteria to determine: the whole-of-life cost a tender posed; the risk the tender posed to the department; and the final value for money ranking of tenderers. Due to time constraints, the assessors did not assess tenders against the unweighted criteria during their individual assessments. These criteria were taken into account during the moderation of scores.

5.11 The value for money offered by each tender was not generally assessed by the individual assessors, with only 29 per cent of initial value for money assessments being completed. An overall comment on value for money was added during the moderation of scores.

Moderation of assessors' scores

5.12 After assessors had conducted individual assessments, the two assessors for each tender (the 'Evaluation Team') were to meet to determine the overall score for the tender against the weighted criteria. According to the Evaluation Plan:

After each member of the Evaluation Team has individually scored all weighted evaluation criteria for all tenders allocated to that Evaluation Team, the Evaluation Team will meet to discuss the tenders evaluated and to reach a consensus score for the weighted evaluation criteria. A consensus on the score to be allocated for each weighted evaluation criterion should be reached, rather than compromising on the score (i.e. splitting the difference between two scores).

5.13 Of the 14 tenders, four were given almost identical scores by the two assessors and 10 were given disparate assessors' scores, with scores diverging by as much as 62 per cent. These 10 tenders were assigned moderated scores, as follows:

- five were given scores approximately an average of the two individual assessors' scores;
- two were given scores lower than either of the individual assessors' scores; and
- three were given scores within 0.3 points of Assessor 1's score (and between 0.7 and 5.9 points different from Assessor 2's score)—with Assessor 1 assigning a lower score in all three cases.

5.14 The Evaluation Plan outlined that the evaluation teams were to take particular factors into account when moderating their scores:

In reaching a consensus, Evaluation Teams should:

- isolate the specific reasons for the differences;
- review the tenderer's response where relevant;
- double check the evaluation to determine whether they can resolve the differences; and
- where differences remain, discuss the differences with the Evaluation Manager in order to reach agreement on the score.

5.15 The department did not retain evidence of the moderation discussions, whether any of these factors were taken into account during the moderation of scores, whether the Evaluation Manager was consulted or the reasons for the final scores being changed.

5.16 According to the Evaluation Plan, a 'quality assurance review' of the tender evaluations was to be undertaken by the Evaluation Management Team. While the Evaluation Report does not indicate whether a quality assurance review was undertaken, the department informed the ANAO that two members of the Evaluation Management Team (without the Evaluation Manager) conducted a quality assurance review as part of the moderation of scores. It should be noted that the two officers who undertook this 'review' were also assessors—and between them had assessed all of the tenders in the role of 'Assessor 1'.

Evaluation report and selection decision

5.17 On 20 March 2015, the Evaluation Management Team signed the evaluation report and circulated it to the Tender Review Committee for review prior to submission to the delegate.

According to the Evaluation Plan, the Tender Review Committee was to read the final Evaluation Report and could provide comments or bring additional matters to the delegate's attention.

5.18 The Tender Review Committee members confirmed via email that they did not consider it necessary for the committee to meet in person to discuss the draft Evaluation Report and that they did not have any information to add to the draft. The delegate approved the Evaluation Report and selection of the three recommended service providers—CO2 Australia, Greening Australia and Landcare Australia—on 22 March 2015. The department informed the then Minister for the Environment (the Minister) of the tender outcome on 23 March 2015.

5.19 According to the Probity Report, the probity advisor was not provided a copy of the Evaluation Report until 25 March 2015—after the report had been approved by the delegate and the Minister had been informed about the tender outcome. The probity advisor noted discrepancies in the final scores, which did not impact on the ranking of tenderers, and the department acknowledged that some inaccuracies had been included in the Evaluation Report ‘as a result of document version control issues’.

5.20 The department should: document the full tender evaluation process, including the moderation of scores; and seek timely probity advice.

Selection of projects

5.21 In March 2015, the Minister approved an assessment process for selecting projects from those proposed by the three successful tenderers. The department informed the Minister that the chosen assessment criteria would:

Ensure the projects delivered by the service providers deliver strategic outcomes, including for threatened species and threatened ecological communities. The assessment criteria also consider project delivery elements, value for money, and risk.

5.22 The department assessed 49 project proposals, which had been submitted by the successful tenderers, against four criteria: contribution to biodiversity objectives; project delivery; value for money; and risk. The department ranked the projects by overall score and selected the 22 highest ranked projects. These projects involved the planting of 6.75 million trees at a total cost of \$16.3 million (GST exclusive)—an average of \$2.42 per tree.

5.23 On 27 April 2015, after Deeds of Standing Offer were signed with the three successful tenderers (between 14 and 27 April 2015), the department sought and received the delegate's approval for the funding of the 22 proposed projects. This was the first of several tranches of funding that was to be provided to service providers over the life of the Deeds of Standing Offer. The second tranche of projects was announced on 9 March 2016—with an additional 2.5 million trees to be planted for a cost of \$7.3 million (GST exclusive)—an average of \$2.92 per tree.

5.24 The department's rationale for selecting this funding model was, in part, to provide ongoing market competition to achieve value for money outcomes and to increase the quality of services delivered. The average costs per tree obtained through the first and second tranches of projects (\$2.42 and \$2.92 respectively) achieved better value for money outcomes than the department had initially anticipated in its advice to the Minister on the design of the programme.

Tenderer notification

5.25 The Commonwealth Procurement Rules require entities to promptly notify tenderers of their decision, make debriefings available to unsuccessful tenderers and report Deeds of Standing Offer on AusTender within 42 days of the entity entering into deed arrangements.⁵⁹ The department notified successful tenderers on 30 March 2015—which was eight days after the selection decision was made. Unsuccessful tenderers were notified 18 days later. All unsuccessful tenderers were given a summary of the department’s assessment of their tender against the evaluation criteria, and all were offered a debriefing. In accordance with Commonwealth Procurement Rules, Deeds of Standing Offer were reported on AusTender within 34 days of the department signing these arrangements with the successful service providers.

Was appropriate information provided to the decision-maker?

The department provided the decision-maker with sufficient information to inform the selection of tenders. There was scope for the department to have improved the accuracy of information and to have provided additional information on aspects of the assessment process, such as the moderation of scores.

5.26 As outlined earlier, the delegate and decision-maker for the tender process was a departmental Deputy Secretary. The decision-maker provided approval on the Request for Tender process on 12 December 2014, following a departmental brief that outlined: the number of trees service providers would be expected to deliver; the anticipated cost of the tree-planting activities; the Request for Tender document; a draft Deed of Standing Offer; and a draft evaluation plan.

5.27 Following the Request for Tender process and the evaluation of tenders, the decision-maker was provided with an Evaluation Report that had been prepared by the Evaluation Management Team. This report included:

- an outline of the Request for Tender, conformance screening and evaluation processes, including the published weighted and unweighted criteria;
- an evaluation matrix that outlined all of the tenders with their geographic coverage, scores against the weighted criteria, a determination of ‘appropriate’ or ‘inappropriate’ against the unweighted criteria, and the overall ranking of tenders by final score;
- an appendix with detailed evaluation comments for each tenderer; and
- a recommendation that three service providers be selected.

59 *Commonwealth Procurement Rules: Achieving Value for Money*, July 2014, sections 7.15 and 7.18.

5.28 Overall, the report provided sufficient information to assist the delegate in making an informed funding decision. However, the report: included inaccurate final scores for four tenderers⁶⁰; and did not include information on the manner in which scores were moderated between the two assessors or the method used to determine final scores.



Grant Hehir
Auditor-General

Canberra ACT
31 August 2016

60 These inaccuracies were minor and did not affect how tenders were ranked or which tenders were selected.

Appendices

Appendix 1 Department of the Environment and Energy's response



Australian Government
Department of the Environment

Dr Gordon de Brouwer PSM
Secretary

Ref: EC16-000609

Ms Michelle Kelly
Group Executive Director
Australian National Audit Office
GPO Box 707
Canberra ACT 2601

Dear Ms Kelly

Thank you for your letter of 17 June 2016, providing the Australian National Audit Office proposed report on Award of Funding under the 20 Million Trees Program.

Pursuant to section 19 of the *Auditor-General Act 1997*, the Department of the Environment has prepared a response to the report.

The report found that the Department had appropriately designed and put in place the grant assessment framework necessary to deliver the 20 Million Trees Program. However, it did not always follow best practice in awarding grant funding under the program.

The Department is committed to continuous business improvement to ensure that grants administration is to best-practice standard. Activities are already underway in the planning of the next grant round of the program to avoid the issues identified with grant round one.

A governance and business improvement project is now underway in the Department's program area to address the report recommendations and to deliver lasting improvements in overall business performance across all programs. This work is being integrated across the Department and will draw on the work of the Department's internal audit program. The Department's Governance and Performance Committee is overseeing this integration. The Governance and Performance Committee is accountable to the Executive Board. I will be receiving regular updates on this reform initiative as it is implemented over the next six months.

The Department is on-track to deliver the 20 Million Trees Program by 2020, with over \$42 million already committed to plant more than 13 million trees. The majority of trees are being delivered through a procurement process with three service providers. I note the report found that the Department conducted the tender process to select service providers in accordance with the Commonwealth Procurement Rules and provided the decision maker with sufficient information to inform the selection process.

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I accept the recommendations in the report. I am confident that the Department is well placed to implement the recommendations.

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

Yours sincerely



Gordon de Brouwer
13 July 2016

Enc

Appendix 2 Eligibility assessment criteria across grant streams

Eligibility criteria	20 Million Trees Competitive	Cumberland Conservation Corridor	Greening the West of Melbourne	One Tree Per Child
Applicant is a legal entity	✓	✓		
Applicant has an ABN	✓	✓		
Contribute to one or more of the four programme objectives	✓	✓	✓	✓
Consist of only eligible activities ⁽¹⁾	✓	✓	✓	✓
Be seeking programme funding of a specified amount	✓ (\$20 000 to \$100 000)	✓ (\$100 000 to \$3 million)	✓ (up to \$5 million)	✓ (up to \$300 000)
Have a specified project timeframe	✓ (1–3 years ⁽²⁾)	✓ (1.5–3 years and end by 30 June 2017)	✓ (end by 30 June 2017)	✓ (end by 30 June 2017)
Include planting of native trees that will reach a potential height of at least two metres	✓	✓	✓	✓
Be located within Australia and its territories	✓			
Be located in a specified area within Australia		✓ (Cumberland Corridor)	✓ (West of Melbourne)	
Be a specified organisation			✓ (LeadWest)	✓ (Do Something!)
Have the ability to obtain the necessary permissions/approvals to carry out project activities			✓	
Willing and able to enter into a funding agreement and monitor and report on approved projects			✓	

Note 1: Eligible activities include: planting seedlings; direct seeding; plant propagation; weed treatment; project site preparation; project site maintenance; administration (up to 10 per cent of funding); and monitoring and reporting (up to 5 per cent of funding).

Note 2: Projects with a budget of \$60 000 or greater were required to have a project timeframe of between 18 months and three years; and projects with a budget of less than \$60 000 were required to have a timeframe of less than 18 months.

Source: ANAO analysis of departmental information.

Appendix 3 Merit assessment criteria across grant streams

Merit criteria	20 Million Trees Competitive	Cumberland Conservation Corridor	Greening the West of Melbourne	One Tree Per Child
The project aligns with 20 Million Trees Programme objectives ⁽¹⁾	✓	✓	✓	✓
The project aligns with the Cumberland Conservation Corridor Commitment ⁽²⁾		✓		
Commitment to ongoing management	✓	✓		
Capacity of applicant to deliver	✓	✓		
Risk management	✓	✓	✓	✓
Value for public money	✓	✓	✓	✓
Sound governance arrangements			✓	✓

Note 1: The grant guidelines outlined that this criterion was to be weighted more highly than the other criteria for the 20 Million Trees competitive grants stream, but in practice, this did not occur. Criteria were weighted equally for all grant streams.

Note 2: The Government has committed to the protection of land in Greater Western Sydney and a Cumberland Conservation Corridor that protects the endangered 'Cumberland Plain Woodland and Shale Gravel Transition Forest' ecological community.

Source: ANAO analysis of departmental information.

