

Award of Funding under the Supporting Reliable Energy Infrastructure Program

Department of Industry, Science, Energy and Resources

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Canberra ACT

18 March 2021

Dear Mr President

Dear Mr Speaker

In accordance with the authority contained in the *Auditor-General Act 1997*, I have undertaken an independent performance audit in the Department of Industry, Science, Energy and Resources. The report is titled *Award of Funding under the Supporting Reliable Energy Infrastructure Program*. 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

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

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Contents

Summary and recommendations.....	7
Background	7
Conclusion	8
Supporting findings.....	9
Recommendations.....	10
Summary of entity response.....	11
Key messages from this audit for all Australian Government entities	11
Audit findings.....	13
1. Background	14
Introduction	14
Rationale for undertaking the audit	18
Audit approach	18
2. Key program arrangements.....	19
Has the department established grant opportunity guidelines that include appropriate eligibility requirements and appraisal criteria?.....	19
Are appropriate arrangements in place to manage probity risks?	22
3. Assessment process	30
Were candidates identified and selected in an appropriate manner?	30
Were applications assessed against the eligibility requirements?	35
Were applications assessed against the appraisal criteria?	40
Were due diligence checks undertaken to a consistent standard?.....	44
4. Advice for decision making.....	49
Did the department's advice clearly identify the extent to which applications had been assessed as meeting the program criteria?	49
Were clear recommendations provided to the decision-maker, reflecting the results of the assessment work?.....	51
Has the basis for funding decisions been recorded?	53
Appendices	55
Appendix 1 Entity response	56



Audit snapshot

Auditor-General Report No.31 2020–21

Award of Funding under the Supporting Reliable Energy Infrastructure Program



Why did we do this audit?

- ▶ The ANAO decided to undertake an audit because: the program provides ad hoc grants through a non-competitive process; and preliminary inquiries by the ANAO identified that the process to award grants commenced in 2019 and there is a risk that one particular grant will not result in the completion of a bankable feasibility study.



What did we find?

- ▶ The award of funding was not fully informed by an appropriate assessment process or sound advice on the award of grant funding. Aspects of the approach did not comply with the Commonwealth Grants Rules and Guidelines (CGRGs).
- ▶ Key program arrangements were partially consistent with the CGRGs.
- ▶ While candidates for funding were assessed against the identified selection criteria, the due diligence inquiries undertaken by the Department on the grant applications was incomplete and, for one grant, not up to date.
- ▶ Departmental advice provided to inform decision making was largely appropriate for one grant and partially for the other.



Key facts

- ▶ Announced on 26 March 2019 by the Government as a \$10 million, two year program. Program funding was included in the April 2019 Budget. It is separate but complementary to the Underwriting New Generation Investments Program.
- ▶ Funding was to: support a bankable feasibility study of a proposed coal plant in Collinsville; the procurement of a strategic study to examine northern and central Queensland's current and future energy needs; and a series of ad hoc, non-competitive grants to support feasibility studies and business cases for generation or new energy infrastructure projects identified through the strategic study.



What did we recommend?

- ▶ The Auditor-General made three recommendations addressing program design, managing probity risks and improvements to due diligence activities.
- ▶ The Department of Industry, Science, Energy and Resources agreed to each recommendation.

\$589,600

paid for a strategic study to identify energy needs.

2 grants

worth \$5.3 million awarded in June 2020.

100% and 71%

of criteria fully met by the two grant applications.

Summary and recommendations

Background

1. The Supporting Reliable Energy Infrastructure (SREI) Program was announced on 26 March 2019 by the government as a \$10 million, two year program¹ to provide business case support, coordination between suppliers and customers, and develop a roadmap for securing the price-competitive generation for high-energy using and trade exposed industries in central and north Queensland.² This program was noted as being separate but complementary to the Underwriting New Generation Investments Program.
2. The SREI Program is administered by the Department of Industry, Science, Energy and Resources (DISER or the department). The program was exempted from the whole-of-government grants hub arrangements. The 2 April 2019 Federal Budget included \$10 million to establish the program.
3. The design of the program included: funding to support a bankable feasibility study of Shine Energy's proposed high efficiency low emissions coal plant in Collinsville; the procurement of a strategic study to examine northern and central Queensland's current and future energy needs; and a series of ad hoc, non-competitive grants to support feasibility studies and business cases for generation or new energy infrastructure projects identified through the strategic study. In approving the design the Minister for Energy and Emissions Reduction (the Minister) requested the Department to 'investigate options for electrification of Curtis Island LNG terminals'.
4. As at January 2021, two grant agreements had been awarded and one procurement had been undertaken. No agreement has yet been entered into regarding the electrification of Curtis Island.

Rationale for undertaking the audit

5. The decision to examine the program followed a request from The Hon. Mark Butler MP, for a review of the integrity of the program. The request made particular reference to the grant to Shine Energy for a feasibility study into a coal plant at Collinsville.³ The key reasons for the ANAO undertaking work were that: the program provides ad hoc grants through a non-competitive process⁴; and preliminary inquiries by the ANAO identified that the process to award a grant to Shine Energy commenced in 2019 and there is a risk that the Shine Energy grant will not result in the completion of a bankable feasibility study.

1 DISER advised the ANAO in January 2021 that a Movement of Funds has been agreed to spread the \$10 million funding over a third year, with \$400,000 now available in 2021–22.

2 While the program was not an election commitment (having been announced in March 2019 and been funded in the April 2019 Budget) it was identified as having already been announced in the 2019 election policy platforms for both the Liberal Party and the National Party. Neither policy document referred to any specific projects or project proponents to be funded under the already announced program.

3 The correspondence to the Auditor-General raised a question about whether a decision to award a grant had been taken before Shine Energy had been asked to apply for grant funding. See: <https://www.anao.gov.au/work/request/supporting-reliable-energy-infrastructure-program>.

4 The Commonwealth Grants Rules and Guidelines indicate a preference for competitive, merit-based selection process.

Audit objective and criteria

6. The objective was to examine whether the award of funding under the Supporting Reliable Energy Infrastructure Program was informed by an appropriate assessment process and sound advice that complied with the Commonwealth Grant Rules and Guidelines (CGRGs).
7. To form a conclusion against the objective, the following high level criteria were adopted:
 - Has the department established key program arrangements that are consistent with the CGRGs?
 - Has the department assessed grant applications in accordance with the program guidelines?
 - Has the department provided appropriate advice to inform decision-making?

Conclusion

8. The award of funding under the Supporting Reliable Energy Infrastructure Program was not fully informed by an appropriate assessment process and sound advice on the award of grant funding. Aspects of the approach did not comply with the Commonwealth Grants Rules and Guidelines.
9. The key program arrangements established by the department were partially consistent with the Commonwealth Grant Rules and Guidelines. Whilst separate grant guidelines and probity frameworks were developed for the two individual grants that have been awarded there is no probity framework covering the entire program (which is broader than the two grants that have been awarded). Further, appropriate arrangements have not been implemented to manage conflict of interest and other probity risks.
10. Two proponents were invited to apply for the grant funding based on a Phase 1 Findings Presentation of a strategic study which indicated that, while some stakeholders had been consulted and some analysis undertaken, the consultants had not yet undertaken modelling or developed recommendations.
11. The two applications were assessed against the eligibility and appraisal criteria with one meeting all criteria and the other meeting most, but not all, criteria. Due diligence undertaken by the department on the grant applications was incomplete and, for the Shine Energy grant, not up to date.
12. While the advice the Department of Industry, Science, Energy and Resources provided to inform decision making on the Blue Hydro grant was largely appropriate, the advice on the Shine Energy grant was partially appropriate. The two funding recommendations briefings met the requirement for advice to be provided in writing, included clear recommendations that funding be awarded to each applicant and provided a record of the basis for the Minister's decisions to award funding. The written briefings recommending that grant funding be approved did not clearly identify the extent to which each grant application had met the selection criteria (material attached to the briefings identified that one application fully met the criteria whereas the other application partially met the criteria).

Supporting findings

Key program arrangements

13. Separate program guidelines that included appropriate eligibility requirements and appraisal criteria were developed for each of the two grants that have been awarded. However, the absence of a single set of program guidelines to govern all potential grants meant that some key program parameters have not been defined.

14. Appropriate arrangements are not in place to manage probity risks. Of note:

- a probity plan was not developed for the program. While probity frameworks were documented for the two grants that have been awarded, those two documents did not apply to other program activities (such as the procurement of consultants to undertake a strategic study) and did not cover earlier engagement with the project proponents;
- there were no conflict of interest registers for the program and an absence of conflict of interest declarations for the program from staff including senior officials responsible for overseeing the development of the grant guidelines, the assessment of the grant applications and provision of funding recommendations to the Minister;
- there were deficiencies in the procurement of a consultant to conduct the strategic study. This included inadequacies in the approach to identifying and managing the risk of conflicts of interest and the assessment of competing tenders did not meet the requirement under the Commonwealth Procurement Rules for adequate records on the process that was followed and how value for money was considered and achieved; and
- confidential Australian Government information had been transmitted to various non-government email accounts.

Assessment process

15. The three candidate projects were identified prior to the finalisation of the strategic study of northern and central Queensland's current and future energy needs funded under the program. Two of the three were invited to apply for grant funding following the Phase 1 Findings Presentation on the basis that they were 'the most promising identified synchronous generation projects in terms of reliability, economic development and price impacts, which have advanced to the 'pre feasibility' or 'feasibility' stage and are not either state government projects or already receiving some Commonwealth support'. At the time of the Phase 1 Findings Presentation, the consultant had undertaken 58 per cent of its planned stakeholder consultations and had also undertaken some analysis. No modelling had yet been undertaken and the consultants had also not yet provided any recommendations. Draft and final reports, which included modelling and recommendations, were provided by the consultants to the department between March and June 2020. As of January 2021, the Minister has not been briefed by the department on the final report of the strategic study.

16. Each of the two applications received were assessed against the eligibility requirements. The Blue Hydro application met all eligibility requirements. An incomplete application from Shine Energy was received after two extensions to the due date were provided and did not meet a number of the eligibility requirements. This was because it will not result in a bankable feasibility study being produced by 30 June 2021 that enables a final investment decision on the

construction of a high energy low emissions plant. Rather, the application that was awarded funding related to the first two (of four) stages of a feasibility study with funding sources for the remaining stages not identified and completion of the study not due until February 2023.

17. The department recorded that it had assessed each application against the appraisal criteria included in the grant opportunity guidelines. The Blue Hydro application was assessed to have met each of the five criteria. The Shine Energy application had been assessed by the department to: meet two of the criteria; partially meet two of the criteria; and not meet one criterion.

18. Due diligence checks of the Shine Energy and Blue Hydro grants were not undertaken to a consistent standard. The checks that were undertaken by the department did not raise any matters of concern. While the Blue Hydro checks were timely as they were undertaken shortly after an application was received, the Shine Energy checks were out of date having been undertaken nine months before an application was received. In each instance, the checks were not comprehensive.

Advice for decision making

19. The department's written briefings to the Minister recommending that grant funding be awarded did not clearly identify the extent to which the two applications had been assessed as meeting the selection criteria (which comprised various eligibility requirements as well as five appraisal/assessment criteria). The risks associated with those criteria not fully met were identified in the briefings. The attachments to each briefing included a spreadsheet which required the Minister to examine the assessment record to identify that the department had assessed that one application fully met the selection criteria and that the other partially met the criteria.

20. Clear recommendations were provided by the department to the Minister, in each case recommending the award of grant funding. The department's recommendation that grant funding be awarded to Blue Hydro was consistent with the results of its assessment work. Its recommendation that the Shine Energy grant be made was not consistent with its assessment work which identified that some eligibility requirements and appraisal criteria had not been met. One implication of this situation was that the project proponent will not be able to complete a bankable feasibility study by 30 June 2021.

21. The reasons for funding decisions were recorded by the department providing written briefings to the Minister, with the Minister annotating and signing those briefings. No record was made by the department of a meeting with the Minister to answer questions he had about funding recommendation briefings the department had provided.

Recommendations

Recommendation no.1 For programs established to fund a series of ad hoc, non-competitive grants, the Department of Industry, Science, Energy and Resources develop a single set of opportunity guidelines.

Paragraph 2.16

Department of Industry, Science, Energy and Resources response:
Agreed.

**Recommendation no.2
Paragraph 2.40** The Department of Industry, Science, Energy and Resources comprehensively address probity risks in programs it administers so that there is a full record of the reasons for all procurement decisions and all officers involved in the program design and delivery are required to declare whether they have any conflicts of interest.

Department of Industry, Science, Energy and Resources response:
Agreed.

**Recommendation no.3
Paragraph 3.35** The Department of Industry, Science, Energy and Resources when undertaking due diligence checks of ad hoc grant applications examine all relevant entities/individuals and update those checks where there has been a delay between their conduct and the receipt of a grant application and/or provision of a funding recommendation.

Department of Industry, Science, Energy and Resources response:
Agreed.

Summary of entity response

22. A copy of the proposed report was provided to the Department of Industry, Science, Energy and Resources, and the Minister. An extract of the proposed report was provided to an advisor to the Minister. The department's response is included at Appendix 1, with its summary response set out below.

The Department of Industry Science, Energy and Resources welcomes the ANAO's audit into the award of funding Under the Supporting Reliable Energy Infrastructure (SREI) program and opportunity to comment on the findings and recommendations.

The department agrees with the Australian National Audit Office's three recommendations and is either already compliant with obligations or is considering how to best effect their implementation. Implementation of the recommendations will be overseen by the department's Assurance and Audit Committee.

Key messages from this audit for all Australian Government entities

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

Governance and risk management

- Probity necessitates that all officers that play a substantive role in the processes by which grant funding is awarded, or contracts let, complete a declaration as to whether they have any conflicts of interest. Where a conflict exists, appropriate management action is necessary.
- Official Australian Government business should be conducted using government resources, including using official departmental email services, and not through unofficial, non-government email accounts.
- Funding recommendations should reflect and be consistent with assessments of the extent to which funding candidates have met eligibility requirements and assessment criteria.

Audit findings

1. Background

Introduction

1.1 The Supporting Reliable Energy Infrastructure (SREI) Program was announced on 26 March 2019 by the government as a \$10 million, two year program⁵ to provide business case support, coordination between suppliers and customers, and develop a roadmap for securing the price-competitive generation for high-energy using and trade exposed industries in central and north Queensland.⁶ This program was noted as being separate but complementary to the Underwriting New Generation Investments Program.⁷

1.2 The SREI Program is administered by the Department of Industry, Science, Energy and Resources (DISER or the department).⁸ The program was exempted from the whole-of-government grants hub arrangements. The 2 April 2019 Federal Budget included \$10 million to establish the program.

1.3 Figure 1.1 on page 16 illustrates key events that have occurred under the SREI Program. This includes the August 2019 approval of program design and delivery arrangements by the Minister for Energy and Emissions Reduction (the Minister). The design of the program included: funding⁹ to support a bankable feasibility study of Shine Energy’s proposed high efficiency low emissions coal plant in Collinsville; the procurement of a strategic study to examine northern and central Queensland’s current and future energy needs; and a series of ad hoc, non-competitive grants to support feasibility studies and business cases for generation or new energy infrastructure projects identified through the strategic study. In approving the design the Minister requested the Department to ‘investigate options for electrification of Curtis Island LNG terminals’.

5 DISER advised the ANAO in January 2021 that a Movement of Funds has been agreed to spread the \$10 million funding over a third year, with \$400,000 now available in 2021–22.

6 The 2019 election platforms of both the Liberal Party and National Party identified the SREI program as having been announced prior to the election. The SREI program was not an election commitment (having been announced in March 2019 and been funded in the April 2019 Budget). Neither of the policy documents referred to any specific projects or project proponents to be funded under the already announced program.

7 The Underwriting New Generation Investments program has \$7.4 million in budgeted departmental funding. DISER advised in January 2021 that ‘administrative funding for individual projects is allocated by government through separate budget measures as recommended by the department. To date, no support agreements are in place under the UNGI program.’

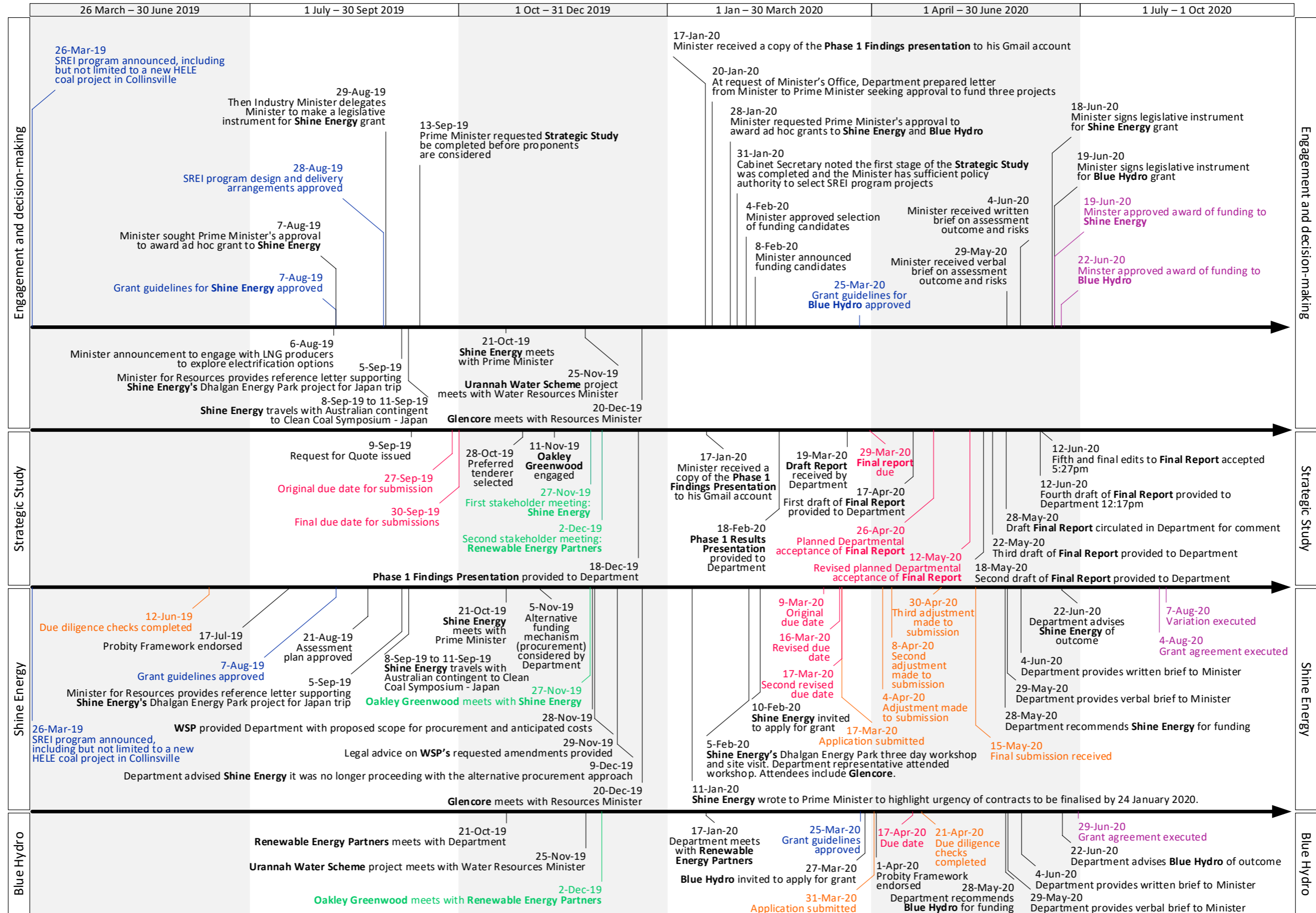
8 On 5 December 2019, the Governor-General signed a revised Administrative Arrangements Order outlining the changes to the structure of the Australian Public Service announced by the Prime Minister. These changes included the creation of the Department of Industry, Science, Energy and Resources, by consolidating the then Department of Industry, Innovation and Science and the energy function of the then Department of Environment and Energy. Secretary David Fredericks of the then Department of Environment and Energy was announced to become Secretary of the newly formed Department, and the SREI program which at the time was administered by the Energy division of the then Department of Environment and Energy transitioned to the newly formed Department on the Order’s effective date of 1 February 2020.

9 While grant opportunity guidelines for the Shine Energy project had been approved in August 2019, in November and December 2019 DISER examined whether support for the Collinsville project through a procurement would be a faster and more straightforward approach. A procurement did not proceed with DISER informing Shine Energy on 10 December 2019 that ‘given we are now just over a week away from obtaining the first phase of the North Queensland study report, we think it will be most expeditious to return to the grant, instead of continuing to negotiate liability’ through the proposed procurement approach.

1.4 As at January 2021, two grants had been awarded¹⁰ and one procurement¹¹ had been undertaken. No agreement has yet been entered into regarding the electrification of Curtis Island.

-
- 10 The grant agreement with Blue Hydro was executed on 29 June 2020, with a total value of \$2.2 million (including GST). The first milestone payment of \$1.441 million was paid on execution, 66 per cent of the total value of the grant. A grant agreement with Shine Energy was executed on 4 August 2020, with a total value of \$3.61 million (including GST). The first milestone payment of \$770,000 was paid on execution, 21 per cent of the total value of the grant.
- 11 A contract to undertake a strategic study examining the current and future energy needs of north and central Queensland, including options for new dispatchable generation and a roadmap for future investment decisions. Total value of the contract was \$648,560 including GST (see paragraph 2.37). The contract ceased on 30 June 2020. In December 2019 DISER advised ANAO that the contractor was 'paid all funds'.

Figure 1.1: Timeline of key events for the Supporting Reliable Energy Infrastructure program



Source: ANAO analysis of DISER records.

Rationale for undertaking the audit

1.5 The decision to examine the program followed a request from The Hon. Mark Butler MP, for a review of the integrity of the program. The request made particular reference to the grant to Shine Energy for a feasibility study into a coal plant at Collinsville.¹² The key reasons for the ANAO undertaking work were that: the program provides ad hoc grants through a non-competitive process¹³; and preliminary inquiries by the ANAO identified that the process to award a grant to Shine Energy commenced in 2019 and there is a risk that the Shine Energy grant will not result in the completion of a bankable feasibility study.

Audit approach

Audit objective, criteria and scope

1.6 The objective was to examine whether the award of funding under the Supporting Reliable Energy Infrastructure Program was informed by an appropriate assessment process and sound advice that complied with the Commonwealth Grant Rules and Guidelines (CGRGs).

1.7 To form a conclusion against the objective, the following high level criteria were adopted:

- Has the department established key program arrangements that are consistent with the CGRGs?
- Has the department assessed grant applications in accordance with the program guidelines?
- Has the department provided appropriate advice to inform decision-making?

1.8 The scope focused on the award of two grants under the Program, and the associated strategic study completed by consultants that was funded as part of the Program.

1.9 Initially, the ANAO commenced a limited assurance review of the program rather than a performance audit. Based on the procedures performed and the evidence obtained, it was decided in December 2020 to increase the level of assurance and complete the engagement as a performance audit.

Audit methodology

1.10 The audit methodology included:

- examination and analysis of DISER records including email records, as well as email records from the Department of Agriculture, Water and the Environment (the program was initially the responsibility of the former Department of Environment and Energy); and
- engagement with relevant DISER staff.

1.11 The audit was conducted in accordance with the ANAO Auditing Standards at a cost to the ANAO of approximately \$247,240.

1.12 The team members for this audit were Hannah Conway and Brian Boyd.

12 The correspondence to the Auditor-General raised a question about whether a decision to award a grant had been taken before Shine Energy had been asked to apply for grant funding. See: <https://www.anao.gov.au/work/request/supporting-reliable-energy-infrastructure-program>.

13 The Commonwealth Grants Rules and Guidelines indicate a preference for competitive, merit-based selection process.

2. Key program arrangements

Areas examined

The ANAO examined whether the department established key program arrangements that are consistent with the Commonwealth Grant Rules and Guidelines.

Conclusion

The key program arrangements established by the department were partially consistent with the Commonwealth Grant Rules and Guidelines. Whilst separate grant guidelines and probity frameworks were developed for the two individual grants that have been awarded there is no probity framework covering the entire program (which is broader than the two grants that have been awarded). Further, appropriate arrangements have not been implemented to manage conflict of interest and other probity risks.

Areas for improvement

The ANAO made two recommendations relating to: the development of opportunity guidelines for programs established to fund ad hoc grants; and more thorough management of probity risks.

2.1 Robust planning and design is one of the key principles for grants administration set out in the Commonwealth Grant Rules and Guidelines (CGRGs). The CGRGs require that accountable authorities put in place internal controls and associated operational guidance along with practices and procedures to ensure that grants administration is conducted in a manner that is consistent with the seven key principles for grants administration set out in the CGRGs. The ANAO examined two key aspects of the design of any grant program being:

- the development of grant opportunity guidelines; and
- the identification and management of probity risks.

Has the department established grant opportunity guidelines that include appropriate eligibility requirements and appraisal criteria?

Separate program guidelines that included appropriate eligibility requirements and appraisal criteria were developed for each of the two grants that have been awarded. However, the absence of a single set of program guidelines to govern all potential grants meant that some key program parameters have not been defined.

2.2 The development of grant opportunity guidelines is an important element of the Australian Government's grants administration framework set out in the CGRGs. The CGRGs require that guidelines be developed for all new grant opportunities (including one off and ad hoc grants), and revised where significant changes have been made to a grant opportunity. This is because guidelines play a central role in the conduct of effective, efficient and accountable grants administration. Clear and comprehensive guidelines promote effective and efficient grants administration by encapsulating in one document all relevant information concerning the program (including any relevant legislative provisions; program 'entry' criteria and assessment criteria; the process that will be applied in determining successful applicants; and the obligations that funding recipients will be required to satisfy).

Opportunity guidelines

2.3 Opportunity guidelines for the SREI program as a whole were not developed. Separate guidelines have been developed for two of the three projects identified as being funding candidates. In other programs examined by the ANAO established to fund ad hoc grants (such as the Community Development Grant Program¹⁴) a single set of program guidelines were developed with consistent program requirements including eligibility and assessment criteria. Consistent with the ‘robust design and planning’ principle set out in the CGRGs, a single set of guidelines covering all grants under a program offers benefits such as providing a consistent framework to govern the manner in which candidates for funding are identified (see paragraph 3.9) and enables key program parameters such as the objective and scope of the program to be clearly identified. For example, some program parameters such as defining the areas of North and Central Queensland and the project selection process for the program (see paragraphs 3.9 and 3.10) were not set out in the separate guidelines.

2.4 In October 2020, DISER advised the ANAO that:

The program was not setup as a grants only program. The program consists of various aspects including ad hoc grants. Overarching grant guidelines are not required for this type of program.

Shine Energy guidelines

2.5 Opportunity guidelines were first developed for an ad hoc grant for the Shine Energy project. Across the period April to June 2019 the department obtained legal advice on legislative authority and any Constitutional impediments to providing funding to Shine Energy. The final advice concluded that it was unlikely that there were any legal impediments to providing an ad hoc grant.

2.6 Draft guidelines were submitted for approval to the Minister for Energy and Emissions Reduction on 24 July 2019 and approved by the Minister on 7 August 2019. On 5 August 2019, the department briefed the Minister on the proposed design and delivery arrangements for the program (see paragraph 1.3 and Figure 1.1). The Minister approved the program design and delivery arrangements on 28 August 2019.

2.7 While the approved guidelines for the Shine Energy ad hoc grant stated that an application was to be submitted by 13 September 2019, the guidelines issued to Shine Energy on 10 February 2020 with the application closing date changed to 9 March 2020. The delay in issuing the guidelines and the revised closing date reflected that the Prime Minister had required the strategic study be completed before any grants were considered (see paragraphs 3.2 to 3.11, and Figure 1.1).

2.8 An extension of the due date to 16 March 2020 was provided to Shine Energy on 5 March 2020. The department informed the proponent that it was being provided with more time ‘given the time taken at our end to clarify the next steps’ for the grant process.

2.9 On 12 March 2020, Shine Energy sought from DISER a copy of the ‘standard grant agreement’ referenced in the grant guidelines. Shine Energy followed up with this request on 16 March 2020 and was provided with the standard grant agreement and a further extension to the application closing date (to 17 March 2020).

14 Auditor-General Report No.3 2018–19, *Award of Funding Under the Community Development Grants Program*.

Blue Hydro guidelines

2.10 Draft opportunity guidelines for a grant to Blue Hydro were provided to the Minister on 13 March 2020. The Minister gave his approval to the guidelines on 25 March 2020.

2.11 The guidelines were provided to Blue Hydro on 27 March 2020 with an application closing date of 17 April 2020.

Proposed funding for Curtis Island project

2.12 On 8 February 2020 the Minister announced that funding was being allocated to 'work with the Queensland Government and industry on electrifying Curtis Island', with a 'bilateral deal on the electrification of the Curtis Island LNG facilities' described as a 'high priority'. As of December 2020, guidelines for an ad hoc grant relating to the Curtis Island project had not been developed for Ministerial consideration (at the time of ANAO audit work, the department was discussing with the Queensland State Government about using a National Partnership arrangements rather than a grant mechanism).¹⁵ DISER advised ANAO in March 2021 that:

The department briefed Minister Taylor in mid-November 2020 to write to the Council on Federal Financial Relations (CFFR) regarding a proposed new intergovernmental agreement with the Queensland Government which would progress the Curtis Island LNG electrification proposal. A draft letter to the Chair of CFFR was provided with the brief.

The letter from the Minister was signed and sent to the CFFR Chair in late November 2020.

The CFFR considered the proposal and delegated authority to the Minister to negotiate and sign on behalf of the Commonwealth in early December 2020.

The department is developing a draft intergovernmental agreement and will brief the Minister prior to consulting central agencies, and ultimately, commencing negotiations with the Queensland Government.

Eligibility requirements

2.13 The Shine Energy and Blue Hydro opportunity guidelines each included discrete sections identifying requirements relating to:

- the identity of the applicant;
- eligible grant activities;
- ineligible activities; and
- eligible expenditure.

2.14 Apart from the applicant identity requirements being tailored to each project proponent, the eligibility requirements for each grant were the same. In October 2020, DISER advised the ANAO that:

The Department of Finance grant guidelines template was used for the Shine Energy and Blue Hydro grants. For any other grant under this program, including Curtis Island, this template will continue to be used.

¹⁵ No probity arrangements, such as a probity framework or conflict of interest declarations have been completed specific to this project.

Each of the grant guidelines for the next projects (that is, Curtis Island and future grants) will then have specific deliverables and tailored eligibility requirements as each ad hoc grant is different in its scope.

Appraisal criteria

2.15 The Shine Energy and Blue Hydro opportunity guidelines included the same five appraisal criteria:

- Does the proposed project and approach align with the grant opportunity and the objectives/outcomes?
- Does the grant applicant have the capability and capacity to undertake the grant activities to achieve the outcome?
- Does the grant application identify potential risks and constraints and include appropriate risk management measures?
- Does the grant application clearly articulate how outcomes of the grant will be monitored and reported?
- Does the grant represent value with money and proper use of Commonwealth resources, including taking into consideration the overall project (including whether it can be delivered on time and to budget), and project budget?

Recommendation no.1

2.16 For programs established to fund a series of ad hoc, non-competitive grants, the Department of Industry, Science, Energy and Resources develop a single set of opportunity guidelines.

Department of Industry, Science, Energy and Resources response: *Agreed.*

2.17 *The department accepts that a single set of opportunity guidelines should be developed for a series of ad hoc, non-competitive grants where the ad hoc grants are sufficiently similar in nature.*

2.18 *The department notes the Supporting Reliable Energy Infrastructure program does not comprise a series of ad hoc grants that are sufficiently similar in nature. The program has funded projects in a variety of ways including ad-hoc grants to meet specific needs, procurements and proposes a national partnership agreement.*

Are appropriate arrangements in place to manage probity risks?

Appropriate arrangements are not in place to manage probity risks. Of note:

- a probity plan was not developed for the program. While probity frameworks were documented for the two grants that have been awarded, those two documents did not apply to other program activities (such as the procurement of consultants to undertake a strategic study) and did not cover earlier engagement with the project proponents;
- there were no conflict of interest registers for the program and an absence of conflict of interest declarations for the program from staff including senior officials responsible

- for overseeing the development of the grant guidelines, the assessment of the grant applications and provision of funding recommendations to the Minister;
- there were deficiencies in the procurement of a consultant to conduct the strategic study. This included inadequacies in the approach to identifying and managing the risk of conflicts of interest and the assessment of competing tenders did not meet the requirement under the Commonwealth Procurement Rules for adequate records on the process that was followed and how value for money was considered and achieved; and
 - confidential Australian Government information had been transmitted to various non-government email accounts.

2.19 Section 15 of the *Public Governance, Performance and Accountability Act 2013* requires that accountable authorities govern their entity in a way that promotes the ethical use and management of public resources.¹⁶ Probity is the evidence of ethical behaviour, and can be defined as complete and confirmed integrity, uprightness and honesty in a particular process.¹⁷ Ethical behaviour includes recognising and dealing with conflicts of interest.

2.20 Drawing from a panel, the Australian Government Solicitor was engaged as probity adviser for the program. While the estimated cost of the engagement was \$50,000 the contract notice published on AusTender had a contract value of \$15,000. DISER advised the ANAO in January 2021 that spending approval was put in place for up to \$50,000 (GST inclusive), and the final contract amount was \$15,000. The reported amount is the contract amount not the spending approval value. As at November 2020, DISER had paid \$3471 for probity advice (seven per cent of the estimate).

2.21 A probity plan for the SREI program was not developed.¹⁸ Instead of a program-wide probity plan covering all program activities, two separate but similar 'Probity Framework' documents were prepared for the Shine Energy and Blue Hydro grants.

2.22 There is no probity framework document in place for engagement with proponents of the Curtis Island project, proponents of other potential funding recipients or relating to the conduct of the strategic study.

2.23 The two probity framework documents that were in place related to the management of probity in developing the grant guidelines and application form for Shine Energy and Blue Hydro, as well as the assessment of applications for those two projects. The frameworks did not apply to the period before the guidelines had been developed notwithstanding that there had been engagement with proponents of each project.¹⁹

16 Section 15 refers to the proper use and management of public resources. 'Proper' is defined in the Act as efficient, effective, economical and ethical.

17 Department of Finance, *Ethics and Probity in Procurement* [Internet], Department of Finance, Canberra, 2020, available from <https://www.finance.gov.au/government/procurement/buying-australian-government/ethics-and-probity-procurement> [accessed 2 March 2021].

18 A probity plan was developed, and updated, for the UNGI program.

19 While the two probity frameworks included 'Communications Protocols' as a schedule, those protocols provided guidelines for the provision of information to each applicant, and the formulation of responses to enquiries, and were not in place to govern engagement with these, or other, project proponents prior to 17 July 2019 for Shine Energy and 1 April 2020 for Blue Hydro.

2.24 Each of the two framework documents states that it applies to the department's personnel, contractors, advisers and consultants (collectively referred to as 'grant personnel') who may be involved with, considering, or assessing the granting opportunity. Each framework states that the grant personnel involved in the assessment of applications must sign a confidentiality acknowledgement and declaration of interests form. Other grant personnel were required to consider whether they have any relationships that could give rise to a real or apparent conflict of interest or a potential or perceived conflict of interest in relation to the process and, if so, sign a confidentiality acknowledgement and declaration of interests form.

2.25 Only two declarations were signed, one in relation to each grant. Each declaration was signed by the officer that was identified as the 'Assessor' for the grant opportunity. None of the 'Project Leads' completed any declarations. While for each grant an officer different to the 'Assessor' was identified as the departmental 'Project Lead' and contact point with the proponent those contact officers were not required to make a declaration (unless they had involvement in the assessment process) and nor were other officers that had contact with the proponents.²⁰ Similarly, officers involved with undertaking due diligence on the applicants in mid-2019 which was relied upon in the assessment work²¹ did not provide any declarations. Declarations were also not provided by the various officials involved in:

- overseeing and signing off on development and approval of the guidelines for each grant;
- approving the assessment plan for each grant;
- informing Shine Energy that the closing date for its grant application was being extended;
- informing Shine Energy that the initial assessment of its application had found that the application was incomplete;
- overseeing the conduct of the assessment work for each grant, including the officials identified as the contact officer and clearing officer for the Ministerial briefs that recommended that funding be approved;
- attending the meeting held with the Minister and two of his advisers on 29 May 2020 (see Table 4.1 on page 52) in relation to the department's assessment and funding recommendations briefings for the Shine Energy and Blue Hydro grants; or
- the development and signing of the two grant funding agreements.

2.26 The framework documents also provided that:

- a register of confidentiality agreements be maintained, but no registers were in place;
- a register of conflict of interest declarations be maintained, but no registers were in place;

20 Evidencing non-compliance with the contact point arrangement evident, the ANAO identified communications from the department that were not through the contact officer (and not even including the contact officer). For example, on 28 April a DISER officer other than the stated contact officer emailed Shine Energy seeking 'clarification in relation to a number of activities outlined in your application' in order for the assessment to be completed. Similarly on 12 May 2020 the same DISER officer contacted Shine Energy directly about the assessment indicating \$694,440 in ineligible expenditure and offering Shine Energy the opportunity to revise and re-submit its application.

21 Commonwealth, *Environment and Communications Legislation Committee Estimates*, Senate, 20 October 2020, Hansard, available online https://www.aph.gov.au/Parliamentary_Business/Hansard/Hansard_Display?bid=committees/estimate/f5a251e5-48d3-4283-b5a2-530558521771/&sid=0000, pp. 134–9, and pp. 144–5 of PDF record.

- probity reviews may be undertaken with DISER advising the ANAO in October 2020 that no reviews had been undertaken; and
- probity advice be obtained from either the department's General Counsel Branch and/or the External Probity Advisor in determining how best to manage any declared conflict of interest and any other probity risks. In October 2020, DISER advised the ANAO that, as no conflicts had been declared by the two officers that had completed a declaration form, no advice had been needed to be sought.

Procurement of consultant to conduct the strategic study

2.27 The Commonwealth Procurement Rules (CPRs) require that officials undertaking procurement act ethically throughout the procurement. The CPRs set out that ethical behaviour includes recognising and dealing with actual, potential and perceived conflicts of interest.

2.28 A procurement plan for the engagement of consultants to conduct the Strategic Study was approved on 16 August 2019.²² The procurement plan was silent on the management of probity risks.

2.29 The plan identified 13 entities²³ included on the Council of Australian Governments (COAG) Energy Council panel that would be approached to bid for the work.²⁴ This was the same panel DISER had used in December 2019 to undertake a direct source procurement in relation to providing funding to the Shine Energy project (see footnote 9).

2.30 The Request for Quote was issued on 9 September 2019. The 13 invited entities included a firm that was a partner of Shine Energy. On 17 September 2019 that firm inquired with DISER as to whether this relationship would be considered a conflict of interest. In November 2020 the department advised the ANAO that it telephoned the firm advising that a conflict of interest declaration would need to be completed as part of the bidding process. A follow up email was also sent. The firm did not bid for the role.

2.31 The Request for Quote did not require potential tenderers to address conflicts of interest. As a result of the Shine Energy partner identifying that it had a conflict, on 19 September 2019 DISER emailed the invited firms asking that they include with their submission:

- a description of current or potential conflicts of interest the firm may have;
- for all identified conflicts, a detailed plan on proposed management; and
- a description of the proposed approach to managing any conflict of interest that may arise in the future.

22 The procurement plan recorded that the Australian Energy Market Operator (AEMO) had agreed to provide technical advice and peer review the final report. In October 2019, the department approved a spending proposal and signed a contract with AEMO for 'technical advisory services to support the strategic study and the UNGI program. While AEMO was interviewed by the consultants for the strategic study during the stakeholder portion of the study and AEMO has been engaged in relation to the UNGI program, the Department has not asked AEMO to peer review the final report of the strategic study.

23 The department approached firms on the Panel that its research indicated had significant energy sector expertise and were of sufficient scale to have the capacity, industry knowledge and name recognition to deliver the objectives of the study.

24 AusTender, *Standing Offer Notice View –SON3285453* [Internet], Department of Finance, Canberra, 2015, available from <https://www.tenders.gov.au/Son/Show/a27b93c6-e1f5-41cc-cfed-4e858f2f9a34> [accessed 2 March 2021].

2.32 While not required by the procurement plan, a conflict of interest declaration form was circulated to each member of the tender evaluation team. While the three members of the evaluation team were requested to provide conflict of interest declarations prior to commencing evaluation this request was made at the same time as they were provided with copies of the five tender responses (with the prices removed). DISER was able to provide the ANAO with a copy of a conflict of interest declaration for one of the three members of the evaluation team. It was not evident that this declaration had been completed before assessment work had commenced.

2.33 The procurement plan identified four evaluation criteria (capability, capacity, price and risk) with the first two criteria to be scored and weighted equally at 50 per cent of the score. The second two criteria were not to be scored and were not weighted. This approach meant the department was not able to transparently demonstrate that it was selecting the best value for money proposal.

2.34 The three members of the evaluation team (each a departmental official) were provided with an individual evaluation worksheet for them to record their assessment of the five tender responses and rate them against the capability and capacity criteria. Evaluation team members were asked to complete their own assessment and rating (on a scale of one to five against the capability and capacity criteria) before meeting as a team to agree on the evaluation results.

2.35 The CPRs require²⁵ that a level of documentation be maintained for each procurement that is commensurate with the scale, scope and risk of the procurement and that this include accurate and concise documentation on the process that was followed and how value for money was achieved. DISER's approach did not meet this obligation:

- while there was a record of how each individual evaluation team member considered each tenderer had performed against the first two criteria relating to capability and capacity²⁶, there was no record of how the evaluation team individually or collectively considered tenderers had performed against the third (price) and fourth (risk) criteria. In relation to price:
 - each tender was well within DISER's budget of \$1.5 million, with the best performing tenderer against the first two criteria bid being 47 per cent lower than budget and the successful tenderer's (Oakley Greenwood) quote being 62 per cent below budget;
 - the tenderer ranked highest by the chair of evaluation team against the capability and capacity criterion was the second most expensive whereas the successful tenderer was the third most expensive. A key factor in the different prices was that the successful tenderer's proposal involved less time being spent on the study²⁷;

25 Department of Finance, *Commonwealth Procurement Rules*, Department of Finance, Canberra, 2020, Section 7 Records, p. 16. Available online <https://www.finance.gov.au/government/procurement/commonwealth-procurement-rules>.

26 Two evaluation team member's had assessed one tenderer as performing the best against the first two criterion and the successful tenderer as third or fourth best, with the third team member assessing this tenderer as equal best with the tenderer that was successful.

27 The tenderer that had been assessed as performing best against the capability and capacity criteria was proposing 320 days of work compared with the 193 days of work the successful tender proposed. This meant that, while offering a lower total price, the successful tenderer's average daily rate was 25 per cent higher than the tenderer that had been assessed as performing best against the capability and capacity criteria.

- there are no records (such as minutes) of the evaluation panel's meeting;
- the panel's evaluation report stated that Oakley Greenwood had been evaluated 'as the preferred supplier as they represented best value for money against the evaluation criteria and they demonstrated capacity to provide the scope of work required under this procurement' with no supporting analysis that demonstrated the basis for concluding this tender offered better value for money than the other candidates. In particular, there was no recorded assessment of each tenderer against all four criteria and no recorded analysis that explained how the successful tenderer had outperformed on the price and/or risk criteria to such an extent to offsets its weaker performance on the capability and capacity criteria.²⁸

2.36 The evaluation team concluded that the successful tenderer had 'no current conflict of interest'. The successful tenderer provided the department with confidentiality, privacy and conflict of interest deeds for the six people that were identified in the final report of the strategic study as contributing to its preparation.

2.37 The successful tenderer was informed of the result on 1 November 2019, which was nearly two months after the intended start date for the contract (of 6 September 2019) in the approved procurement plan. Also on 1 November the department changed the reporting requirements of the consultancy. Specifically, rather than two reports being a draft report being due on 1 March (nearly four and a half months after the commencement date advised to potential tenderers) and a final report on 29 March as per the request for quote, DISER informed the successful tenderer that it wanted an 'Interim Report' on 19 December 2020 some six weeks after the engagement was to begin. The successful tenderer raised concerns about the proposed scope of the Interim Report and that the Interim Report would precede the collection of data, modelling, options analysis and costings as well as much of the stakeholder consultation (see paragraphs 3.2 to 3.11).

2.38 On 11 November 2019, the department entered into a work order under the panel Deed of Standing Offer to the value of \$569,600 (plus GST) involving delivery of an Phase 1 Findings Presentation by 19 December 2019, a Phase 1 Results Presentation by 10 February 2020, a Draft Report by 1 March 2020 and a Final Report by 29 March 2020 (to be accepted by the department by 26 April 2020). The work order was amended on 20 January 2020 to include a capped amount of \$20,000 (plus GST) for travel expenses where pre-approved by the department. The work order and amendment have been published on AusTender (Contract Notice CN3644019).

2.39 During the course of ANAO audit work it was identified that a consultant named in the Shine Energy application as the project director (and who was also identified in that application as being responsible for leading negotiations on various commercial aspects including fuel supply and off-takes) had joined Oakley Greenwood in 2020. The strategic adviser consultancy contract required

28 After contracting, DISER had the successful tenderer adopt, in large part, the consultation approach proposed by the tenderer ranked more highly against the capability and capacity criteria. Specifically, DISER provided the successful tenderer with a list of stakeholders for consultation that included 39 of the 40 stakeholders for consultation proposed by the higher ranked tenderer that was unsuccessful. In response to questions from ANAO regarding the use of the other tender's proposed list, DISER advised the ANAO in December 2020 that 'the list of stakeholders was pulled together from a range of sources which included: [a named individual from DISER's Resources team]; the [other tender's] RFQ submission; [named individual from Oakley Greenwood]. DISER also drew upon the prior knowledge and expertise of members within the Electricity Branch [...] We are currently unable to find any written documentation detailing this because this occurred through verbal conversations'.

the final Oakley Greenwood report to be provided by 26 April 2020. The department advised the ANAO in November 2020 that it was not aware of the potential conflict of interest from that individual joining Oakley Greenwood. In January 2021 DISER advised the ANAO that, had the department been aware it would have raised a conflict of interest and sought assurance that probity risks would be managed, or avoided. DISER has been aware since ANAO raised queries in November 2020 and had not undertaken any such actions, nor considered any implications that a change in the project director for Shine Energy would have for the delivery of the project that had received grant funding (the individual was supposed to be fully dedicated to the Shine project). In March 2021 DISER advised ANAO that:

In February 2021 the department received confirmation from Oakley Greenwood that the consultant named in the Shine Energy application joined Oakley Greenwood in March 2020 and had no role in the strategic study, nor access to any of the documents for the study. The consultant declared the conflict in their contract with Oakley Greenwood who managed this successfully ensuring the consultant was not exposed to any of the strategic study work.

Recommendation no.2

2.40 The Department of Industry, Science, Energy and Resources comprehensively address probity risks in programs it administers so that there is a full record of the reasons for all procurement decisions and all officers involved in the program design and delivery are required to declare whether they have any conflicts of interest.

Department of Industry, Science, Energy and Resources response: *Agreed.*

2.41 *The department accepts the recommendations for appropriate record keeping and conflict of interest declarations.*

2.42 *The department's procurement policy and toolkit outline the process for recording the rationale for procurement decisions. While the department delivers a suite of training for procurement and its broader financial framework, more targeted training will be offered to DISER officers to address this audit recommendation.*

2.43 *The department notes that for the initial stages of the program conflicts of interest declarations were made in accordance with the probity framework for the program, but acknowledges that the framework was applied too narrowly in this instance.*

Sending records relating to official Australian Government business to non-government email services

2.44 Email communications are a widely used and accepted form of communication by and within the Australian Government. As such, they provide evidence of the conduct of government business and are important information assets.

2.45 The Australian Government Protective Security Policy Framework (PSPF) states that agencies must implement policies and procedures for the security classification and protective control of information assets (in electronic and paper-based formats) which match their value, importance and sensitivity. In addition, the Australian Government Information Security Manual (ISM) is to be used for the risk-based application of information security controls. It draws attention to the security risks that come with using web-based email services. In March 2021 DISER advised

the ANAO that the ‘department has a number of policies and procedures in place to support its implementation of PSPF and ISM requirements. Details of these policies and procedures are available to everyone who has access to the department’s IT network.’

2.46 The ANAO identified a number of instances where records relating to official Australian Government business were sent to non-government email services:

- email correspondence from one grant applicant (Shine Energy) was sent by a departmental officer to the non-government account of their spouse; and
- various documents were emailed by a Ministerial advisor to the Gmail or msn email accounts of the Minister. Those documents included:
 - a background document on the Blue Hydro project proposal;
 - a copy of the Phase 1 Findings presentation Report prepared by the Strategic Adviser accompanied by a document entitled ‘Nth QLD Announcements’ which was to be a ‘very rough overview of a potential announcement’ (see paragraph 3.7);
 - materials relating to the draft Treasury Laws Amendment (Prohibiting Energy Market Misconduct) Bill 2019 including a draft of the Bill, a draft Explanatory Memorandum and a Questions and Answers document; and
 - a draft report on the impacts of the closure of Liddell power station on system reliability, electricity prices, industry, and the local region along with corresponding modelling reports prepared by Frontier Economics and the Australian Energy Market Operator.

2.47 In January 2021 DISER advised the ANAO that ‘we understand that the protective security classification of the information sent to the non-government email account [of the DISER official’s spouse] was official or below. DISER’s ICT Security team has conducted an audit of the departmental official’s email account and has confirmed that no other emails have been sent of a similar nature.’ In March 2021 DISER advised ANAO that:

The department’s incoming Minister brief provided to the Minister and their Chief of Staff upon the Minister’s commencement within the portfolio, includes a copy of the department’s Information Security Policy and advises Ministerial Staff that they are required to comply with this policy.

This policy sets out the minimum requirements necessary to maintain an acceptable standard of security within the department’s ICT workplace and throughout our connected digital environment.

3. Assessment process

Areas examined

The ANAO examined the way in which candidates for grant funding were identified and selected and how those candidates were then assessed by the Department of Industry, Science, Energy and Resources against the selection criteria included in the grant opportunity guidelines, as well as the conduct of due diligence checks by the Department.

Conclusion

Two proponents were invited to apply for the grant funding based on a Phase 1 Findings Presentation of a strategic study which indicated that, while some stakeholders had been consulted and some analysis undertaken, the consultants had not yet undertaken modelling or developed recommendations.

The two applications were assessed against the eligibility and appraisal criteria with one meeting all criteria and the other meeting most, but not all, criteria. Due diligence undertaken by the department on the grant applications was incomplete and, for the Shine Energy grant, not up to date.

Area for improvement

The ANAO made one recommendation for improved due diligence on applications for ad hoc grants.

3.1 A key consideration in grants administration is whether the assessment process informs decision makers on the extent to which funding applications represent value for money in the context of the objectives and outcomes of the granting activity, as set out in grant opportunity guidelines.²⁹ As the SREI program was established to provide ad hoc grants rather than through a call for applications, the ANAO examined the manner in which candidates were identified and selected. The ANAO also examined:

- the assessment of candidates against the selection criteria (eligibility requirements and appraisal criteria) set out in the grant opportunity guidelines; and
- the conduct of due diligence checks on the applicants.

Were candidates identified and selected in an appropriate manner?

The three candidate projects were identified prior to the finalisation of the strategic study of northern and central Queensland's current and future energy needs funded under the program. Two of the three were invited to apply for grant funding following the Phase 1 Findings Presentation on the basis that they were 'the most promising identified synchronous generation projects in terms of reliability, economic development and price impacts, which have advanced to the 'pre feasibility' or 'feasibility' stage and are not either state government projects or already receiving some Commonwealth support'. At the time of the Phase 1 Findings Presentation, the consultant had undertaken 58 per cent of its planned stakeholder

29 Department of Finance, *Commonwealth Grant Rules and Guidelines*, Department of Finance, Canberra, 2017, paragraph 4.6, p. 11 and paragraph 11.2, p. 29. Available online <https://www.finance.gov.au/government/commonwealth-grants/commonwealth-grants-rules-and-guidelines>.

consultations and had also undertaken some analysis. No modelling had yet been undertaken and the consultants had also not yet provided any recommendations. Draft and final reports, which included modelling and recommendations, were provided by the consultants to the department between March and June 2020. As of January 2021, the Minister has not been briefed by the department on the final report of the strategic study.

3.2 The three projects that have been identified to date as funding candidates were identified prior to the finalisation of the strategic study examining northern and central Queensland's current and future energy needs.³⁰

3.3 The proponents³¹ of the Shine Energy project had met with Ministers and the department on a number of occasions between October 2018 and the award of funding in August 2020 in relation to financial support for their proposal (see Figure 1.1 on page 16). On 7 August 2019 the Minister had proposed to the Prime Minister that a grant be awarded to Shine Energy with the Prime Minister's 13 September 2019 response requiring that the strategic study be completed before any grants were considered.³² As a result, the department amended the reporting requirements for the strategic study to require that an interim report, called the Phase 1 Findings Presentation, be provided by 19 December 2019³³ (see paragraph 2.37) in advance of a draft report in February 2020³⁴ and a final report being provided in March 2020. Table 3.1 summarises the four products that have been provided by the Strategic Adviser.

30 The procurement of consultants to conduct the strategic study is examined at paragraphs 2.26 to 2.38.

31 The Australian Government's Register of Lobbyists does not apply to proponents lobbying for funding. It applies to lobbyists who conduct lobbying activities on behalf of a client (third-party lobbyists). See Auditor-General Report No. 27 2017–18 *Management of the Australian Government's Register of Lobbyists*. Attendees at the three identified meetings, included: Shine Energy, Glencore, Findex, WSP and the Minerals Council of Australia.

32 On 16 October 2018, Minister Taylor met with Shine Energy and Glencore to discuss the Dhalgan Energy Park project (based in Collinsville, the project includes a HELE coal power station) and the possibility of federal funding for a feasibility study. Department brief for the meeting described the project as 'problematic' and the proposal 'does not provide any compelling advantage' for the park, particularly the colocation of a HELE coal plant and a solar power farm. Glencore was identified as a partner for the project. During the election campaign the Member from Capricornia, Minister Canavan and the Member of Dawson used social media to record 'catch ups' and to endorse the Shine Energy project, with the Member for Capricornia stating on 9 May 2019:

Just terrific to announce \$10 million for a feasibility study into CQ and NQ's Power needs including the Shine Energy's proposed Dhalgan Energy Park at Collinsville. This project means jobs for Collinsville and the self-determination future for the Birri nation.

On 7 June 2019 the department met with the Member for Capricornia and Shine Energy to discuss 'what the ad hoc grant would entail and a discussion on the Dhalgan Energy Park Project'. On 21 October 2019 Minister Canavan was briefed in preparation for a meeting between Shine Energy representatives (including the Minerals Council of Australia, Findex and WSP) and the Prime Minister. The department provided a briefing for a meeting on 20 December 2019 for Minister Canavan with Glencore, to discuss three projects, one of which was the Shine Energy project.

33 On the evening of 18 December 2019 the consultants provided the department with its Phase 1 Findings Presentation slides. There were 47 slides in the presentation.

34 While the department had wanted the Interim Report of the consultants to include analysis of prospective dispatchable generation projects (including modelling of options, pricing, locational issues, emissions and any system integration issues) the consultant raised concerns about its ability to do this by 19 December 2019 and the signed work order instead required updates on the stakeholder consultations and the analysis that had been undertaken along with an outline of the options and generation analysis that was being considered to be undertaken. The draft report due on 10 February was to include: analysis of prospective dispatchable generation projects; and initial modelling of options, pricing, locational issues, emissions and any potential system integration issues.

Table 3.1: Strategic study reports

Report	Date provided to DISER	Stakeholder consultations completed ^a	Commercial & Industrial analysis undertaken	Modelling undertaken	Provided recommendations
Phase 1 Findings Presentation	18 December 2019	23 (22% of total stakeholders; 58% of planned engagements)	Yes	No	No
Phase 1 Results Presentation	18 February 2020	33 (31% of total stakeholders; 83% of planned engagements) ^b	Yes	Initial modelling	No
Draft	19 March 2020	No additional	Yes	Yes	Yes
Final	17 May to 12 June 2020	No additional	Yes	Yes	Yes

Note a: The consultants' planned approach to the study was to undertake 40 stakeholder consultations. A process of identifying and prioritising stakeholders, resulted in a list of 105 stakeholders, comprising 45 high priority, 22 medium priority, 26 low priority and 12 un-prioritised stakeholders. This included DISER's list of stakeholders, consisting of 7 high priority, 14 medium priority, 25 low priority and 59 un-prioritised stakeholders. In response to ANAO queries about the prioritisation process, DISER advised in December 2020 that, 'The Department used the prior knowledge and expertise of members within the Electricity branch to best determine the priority list of stakeholders. Stakeholders were chosen with the intention that there was a spread of energy users, generators, government bodies and other relevant stakeholders. We're currently unable to find any written documentation detailing this because this occurred through verbal conversations.'

Note b: In response to ANAO queries seeking to understand how the department determined that 33 stakeholder interviews was sufficient for the purposes of the study, being 31 per cent of the total identified, and being less than the 40 quoted for in the contract with the consultant, and only being 4 of the 7 high priority stakeholders DISER advised 'OGW quoted that they estimate that some 40 interviews would be undertaken. They did have some issues getting some of the interviews organised due to stakeholders not engaging. Notwithstanding, it was considered that 33 stakeholders interviewed would provide a suitable spread of different stakeholders (government, generators, etc)' and 'it was considered that the 4 stakeholders interviewed would provide a suitable spread of the high priority stakeholders to inform the outcomes of the stakeholder consultations. Unfortunately we have been unable to find any documentation recording this reasoning'. ANAO noted that none of the 7 medium priority stakeholders were interviewed (which included the entity that owns the decommissioned coal fired power station in Collinsville), DISER advised that 'Unfortunately we have been unable to find any documentation recording this reasoning. However the report on the Phase 1 Findings documents that the phase one findings included most of the higher priority discussions'.

Source: ANAO analysis of DISER records.

3.4 Similar to the proponents of the Shine Energy project, the proponents of the Blue Hydro and Curtis Island projects³⁵ had met with Ministers and DISER before being invited to participate in the stakeholder consultations for the strategic study. The proponents also met with the strategic study consultants in advance of them being invited to apply for ad hoc grant in the case of Renewable Energy Partners or have funding allocated to activities supporting electrification of Curtis Island (see Figure 1.1 on page 16).

³⁵ See paragraph 3 regarding the identification of Curtis Island.

3.5 While not used to select which projects would be candidates for program funding, the strategic study identified 10 synchronous generation projects³⁶ and included a preliminary assessment of the impact of the identified projects on three factors: resilience/reliability of supply³⁷; regional economic development³⁸; and electricity affordability.³⁹ The study identified these factors within the context of the Underwriting New Generation Investment program's objectives, a separate but complementary program intended to support firm generation capacity and increase competition, across the National Energy Market. The SREI program was to focus on addressing 'electricity supply and affordability issues specifically for high energy-using and trade exposed customers'. Only two rankings were provided against the factors, either 'high', or 'mid'. As the department later recorded: 'Phase 1 was a stocktake and projects haven't been assessed or analysed at all'. Table 3.2 sets out the categorisation of projects by the strategic study.

Table 3.2: Strategic study categorisation of identified synchronous projects as at 18 December 2019

Project	Technology	Status	Factor 1: Resilience/Reliability	Factor 2: Electricity Prices	Factor 3: Economic Development	SREI Ad Hoc Grants
Shine Energy	Coal/Solar PV	Pre-feasibility	▲ Mid	▲ Mid	◆ High	Yes
A	Pumped Hydro/Solar	Pre-financial close	◆ High	▲ Mid	▲ Mid	No
B	Transmission Line/Gas/Solar	Pre-feasibility	▲ Mid	▲ Mid	◆ High	No
Renewable Energy Partners ^a	Pumped Hydro/Solar or Wind	Pre-feasibility	◆ High	▲ Mid	◆ High	Yes
C	Solar/Battery	Feasibility	▲ Mid	▲ Mid	▲ Mid	No
D	Pumped Hydro		◆ High	▲ Mid	◆ High	No
E	Transmission Line	Feasibility	◆ High	◆ High	▲ Mid	No
F	Biomass		▲ Mid	▲ Mid	▲ Mid	No
G	Solar Thermal	Concept	▲ Mid	▲ Mid	▲ Mid	No
H	Coal		▲ Mid	▲ Mid	◆ High	No

Note a: Renewable Energy Partners was the proponent for what is referred to as the Blue Hydro Project, see Figure 3.2.

Source: ANAO analysis of DISER records. Projects other than the two that have been awarded grant funding have been de-identified.

36 On 29 January 2020, Oakley Greenwood's first draft of policy options, it was noted that the list of projects 'is not intended to be exhaustive since these and any other alternative projects remain at an early stage of development with none yet subject to a final investment decision'.

37 Determined by increasing the level of firm and firmed capacity in the system.

38 Determined by assisting commercial and industrial customers to access affordable energy supply arrangements

39 Determined by a reducing wholesale electricity prices through increasing competition and supply.

3.6 The department prepared a briefing to the Minister for him to note the findings of the Phase 1 Findings Presentation, and recommended he write to the Prime Minister seeking policy approval to provide an ad hoc grant to Shine Energy. The brief was submitted on 20 December 2019. In August 2020, the Department advised the ANAO that the 'brief was never considered by the Minister and was overtaken by a subsequent briefing' of 31 January 2020 wherein the department recommended the Minister agree to progress arrangements for Shine Energy and Blue Hydro to apply for grants and progress further work for the Curtis Island project. The brief included a table listing the 10 identified synchronous projects⁴⁰, and some of the key issues identified through the stakeholder engagement.

3.7 On 17 January 2020 an adviser to the Minister sent to the Minister's Gmail account the Phase 1 Findings Presentation and a document called 'Nth QLD Announcements' which was to be a 'very rough overview of a potential announcement' (see paragraph 2.46). The document contained two tables, the first table provided a summary of three projects, the progress status of each of the projects and 'considerations'. The three projects were the Collinsville power station project⁴¹, the electrification at Curtis Island⁴² and the Urannah Pumped Hydro project.⁴³ The second table in the document provided an overview of six other recently announced initiatives.

3.8 On 20 January 2020 the department provided a brief to the Minister stating 'consistent with discussions with your Office, we have prepared the attached letter to the Prime Minister seeking approval to provide funding for three projects totalling up to \$10 million from the Supporting Reliable Energy Initiative'. The department noted that 'while the Phase 1 report from Oakley Greenwood provides some justification for support the projects identified, the final report, due by end of March 2020, may identify other projects which will not be funded unless additional resources are found, and the process may be criticised by projects who miss out.' The brief was not signed by the Minister.

3.9 The Minister's Office requested advice about the Minister's authority to announce the ad hoc grants. The department noted in its advice that 'unlike other grant programs, this one has no process or approved program guidelines for the Minister to select specific projects' (see paragraph 2.3).

40 Table 3.2 replicates the table from the Phase 1 Findings Presentation (also used in the brief). The ANAO has de-identified all projects other than the two that were awarded funding.

41 The table noted that the Collinsville Shine Energy project was for a 'GW Coal / Solar PV' and was at pre-feasibility stage. Noted in consideration was that the 'grant can be executed shortly after the announcement'.

42 The table noted that the Commonwealth had announced in August 2019 that it 'would engage with LNG plants to explore whether some processes could be electrified, for free up more gas for domestic use', that the Queensland government is 'undertaking an initial, limited, feasibility study', and that the QLD commissioned study is 'due imminently' with the QLD Minister expected to write to the Minister about the outcomes. In December 2020 DISER advised ANAO that the 'department and Minister's Officer are unable to find any correspondence from Minister Lyneham'.

43 It was noted in the table that the project was at pre-feasibility stage for a pumped hydro/solar project 25km from the grid and from the Shine Energy project. This was the only project where reference to the Strategic Study was made with the table noting high assessments against resilience/reliability and economic development, and a mid-assessment for electricity price impact. It was noted that in May 2019 the Commonwealth announced \$10 million to progress the Urannah Dam Business Case and Approvals Feasibility study and that the project proponents were seeking \$5–10 Million for the study, if the announcement is for less, they would apply for additional funding through ARENA, who have advised that such funding is 'unlikely' at this stage.

3.10 On 28 January 2020 the Minister wrote to the Prime Minister requesting approval to provide two ad hoc grants, and allocate funding to activities to support the electrification of Curtis Island. The letter to the Prime Minister stated:

The phase one report assesses these two projects as the most promising identified synchronous generation projects in terms of reliability, economic development and price impacts, which have advanced to the 'pre feasibility' or 'feasibility' stage and are not either state government projects or already receiving some Commonwealth support.

On 6 August 2019, the Government announced it would engage with Queensland liquefied natural gas producers to explore whether some of their processes could be electrified, to free up more gas for domestic use, which should help put downward pressure on prices. The proposed grant funding allocation would support further work to electrify Curtis Island, with specific activities determined in consultation with the Queensland Government and the LNG plants.

3.11 The department advised the ANAO in August 2020 that the 'Minister would be briefed shortly on the outcomes from the [strategic] study'. In Senate Estimates on 20 October 2020, the department gave evidence the report is 'not yet finalised', that 'it is still under consideration by government' and that the report 'is currently with the department for evaluation and finalisation'.⁴⁴ On 3 December 2020, DISER advised the ANAO that 'the Department has not briefed the Minister on the final report as it is considering a range of policy options'. Australian Energy Market Operator has also not been asked to undertake a peer review of the final report (as has been envisaged when the department procured the consultants (see footnote 22)).

Were applications assessed against the eligibility requirements?

Each of the two applications received were assessed against the eligibility requirements. The Blue Hydro application met all eligibility requirements. An incomplete application from Shine Energy was received after two extensions to the due date were provided and did not meet a number of the eligibility requirements. This was because it will not result in a bankable feasibility study being produced by 30 June 2021 that enables a final investment decision on the construction of a high energy low emissions plant. Rather, the application that was awarded funding related to the first two (of four) stages of a feasibility study with funding sources for the remaining stages not identified and completion of the study not due until February 2023.

3.12 The grant opportunity guidelines required that a complete application form and all supporting documents be provided by a specified due date (9 March 2020 for Shine Energy and 17 April 2020 for Blue Hydro), unless otherwise agreed in writing by DISER. The Blue Hydro application was submitted ahead of the due date (on 31 March 2020). The Department extended the application closing date for Shine Energy to 16 March 2020, and then later to 17 March (both extensions were a consequence of delays in the department addressing matters raised by the applicant).

3.13 There were five iterations of the submission from Shine Energy:

⁴⁴ The contract with Oakley Greenwood included a final milestone payment for the final report's acceptance by the department. The final edits were received by the department on 12 June 2020 (see Figure 1.1). On 3 December 2020, DISER advised the ANAO that 'Oakley Greenwood has been paid in full.'

- an application was received on 17 March 2020 with the department advising the applicant that it was incomplete;
- a second application submission was received on 4 April 2020 to address the incomplete elements of the submission;
- following a telephone discussion between the department and the applicant, a third application submission was received on 8 April 2020;
- a 30 April 2020 response to a 28 April 2020 request from the department for further information from the applicant, including information relating to the eligibility of some of the budgeted expenses and evidence as to how phase 3 and 4 of the project would be funded; and
- a 15 May 2020 response to a 12 May 2020 request from the department for further information, which related in particular to continuing questions about the eligibility of some budgeted expenses.

3.14 Applications for the Shine Energy project ad hoc grant and the Blue Hydro project ad hoc grant were assessed against the eligibility requirements outlined in the respective grant opportunity guidelines (see paragraphs 2.13 and 2.14). Grant guidelines for both projects stated that, ‘where relevant, in the event the grant does not meet eligibility criteria, the Department may contact the applicant to discuss suitable arrangements.’

3.15 As illustrated by Table 3.3, DISER assessed that Blue Hydro met each of the application eligibility requirements. It was evident from the application and assessment that Shine Energy did not meet one of the applicant eligibility requirements, with advice provided to DISER from the proponents on 17 March 2020 confirming that a bankable feasibility study could not be completed with funding of \$4 million.⁴⁵ This eligibility requirement was drawn from the following statements in the guidelines:

- purpose of the grant: ‘support a bankable feasibility study on a high efficiency low emission (HELE) coal power plant in Collinsville, Queensland’;
- intended outcome of the grant: ‘a robust bankable feasibility study that enables a final investment decision on the construction of a HELE plant in Collinsville, Queensland’; and
- project completion date: 30 June 2021.⁴⁶

45 Email advice to DISER on 17 March 2020 when the application was submitted was: ‘As discussed and advised in our previous correspondence between yourself and Rachel Parry of your office, we advise that the proposed \$4M offered under the Department’s SERI [*sic*] program doesn’t provide sufficient funds to allow a for complete Feasibility study to Final Investment Decision (FID) status. We do however firmly believe that Shine Energy along with its partners, can diligently complete a robust Feasibility Study for the proposed HELE plant to ensure that the allocated funds are still spent towards activities that are achievable towards the overall Grant objective.’

46 DISER advised the ANAO in January 2021 that a Movement of Funds has been agreed to spread the \$10 million funding over a third year, with \$400,000 available in 2021–22.

Table 3.3: Applicant eligibility requirements and assessment results

Requirement	Shine Energy	Blue Hydro
Applicant is Shine Energy/Blue Hydro?	■ Yes	■ Yes
A legal entity, able to enter into a legally binding agreement?	■ Yes	■ Yes
A trading corporation?	■ Yes	■ Yes
Registered for GST?	■ Yes	■ Yes
Project already commenced or been completed?	■ The Proponent has indicated Yes. Although noting that no activities on this particular study have been undertaken.	■ No
Will the project be able to be completed by June 2021?	■ No. The proponent has indicated Financial Investment Decision will not be completed until July 2022, however the activities reported, phase 1 and 2, included in this application for the current \$4M Grant, will be completed by June 2021.	■ Yes, December 2020.
Does the applicant have any planned proposals to other funding programs for this project or components of this project?	■ Yes	■ Yes

Source: ANAO reproduction of DISER records.

3.16 As illustrated by Table 3.4, while Blue Hydro was assessed as fully meeting the budget eligibility requirements, two issues were identified by DISER in its assessment of the Shine Energy application. The issue identified in relation to the eligibility of some of the budgeted costs led to DISER recommending, and the Minister approving, a grant amount of \$3.3 million rather than the \$4 million sought in the application. The remainder of the project budget was assessed as relating to eligible items. The second issue related to the applicant identifying to DISER that a grant of \$4 million would not enable it to complete all four stages of a bankable feasibility study. The

applicant had identified to DISER in its application that funding of \$10.8 million would be required to complete all four stages of a bankable feasibility study.⁴⁷

Table 3.4: Budget eligibility requirements and assessment results

Requirement	Shine Energy	Blue Hydro
Are all grant funds listed in the budget breakdown table eligible for funding as detailed in Section 3.6 of the Guidelines?	<p>■ No. Operational costs such as Wages, Salary and General Overheads (phone, printing etc) which total \$694,440 (17% of the total grant funding), could be for ineligible activities.^a</p>	<p>■ Yes</p>
Has the budget breakdown table been completed?	<p>■ Yes</p>	<p>■ Yes</p>
Are there sufficient contributions to ensure the intended outcome of the project is met?	<p>■ Undetermined — Shine has made claims that they will not have enough funds to deliver a bankable feasibility study without additional contributions from either external or Government bodies.</p> <p>Shine has indicated that the outcomes from phase 1 and 2 will determine if funding will be provided to complete the project.</p>	<p>■ As per the program guidelines co-contributions were not a requirement to receive funding. The grant funds are sufficient to achieve the intended outcome of the project.</p>
Check the total amount of funding being requested equal to or less than \$4 million (Shine Energy) or \$2 million (Blue Hydro, excluding GT)?	<p>■ Yes</p>	<p>■ Yes</p>

Note a: Ineligible items were removed from the recommended grant amount, see paragraphs 3.23 and 4.5.

Source: ANAO reproduction of DISER records.

3.17 DISER assessed that each of the applications met the project eligibility requirement expressed in the relevant grant opportunity guidelines, as follows:

- Shine Energy: *Is the subject of the pre-feasibility study located near between Collinsville, Proserpine and Mackay in Queensland?*

47 The final submission from Shine Energy stated that, ‘As indicated and mentioned during our ongoing discussions, based on the current SERI [sic] Grant of \$4M, Shine Energy in order to be able to complete Stage 3 and 4, will need to secure additional funding [...] we believe that the Feasibility Study produced at the conclusion of Stage 2 will be sufficient for potential project partners to evaluate the Collinsville HELE Plant Project’s attractiveness. [...] the remaining funds to take the project to FID [Financial Investment Decision] status are in the order of \$6.7million (excl GST) [...] (these cost estimate amounts are expected to be firmed up during the course of Stage 2 of the study). [...] The preferred options for Shine Energy in seeking future funding for Stages 3 and 4 of the Bankable Feasibility Study are: 1. Partner with Indigenous Business Australia [...]; 2. Partner with a Private Investor [...]; 3. Partner with possible key stakeholders in the project [...]; and 4. Revert back to the Australian Federal Government to source further grant funding [...]’. Shine Energy included in the submission ‘a sample [of] expressions of interest’ which included engaging with Indigenous Business Australia to initiate a discussion; an undertaking to ‘engage Corporate Finance specialists to aid in seeking potential investors’; a sample of expressions of interest in the project from potential project stakeholders from one power company and one project finance enterprise.

- Blue Hydro: *Is the subject of the pre-feasibility study located near between Collinsville, Proserpine and Mackay in Queensland?*

3.18 The project eligibility criterion applied to assess the Blue Hydro grant was consistent with the grant opportunity guidelines. Those guidelines identified that the \$2 million grant was to fund a pre-feasibility study with one outcome of the grant to be ‘preparation for and commencement of bankable feasibility study’.

3.19 The project eligibility criterion applied to assess the Shine Energy grant was not consistent with the grant opportunity guidelines. Those guidelines identified that the \$4 million grant was to fund a feasibility study and that the intended outcome of the grant was to be ‘a robust bankable feasibility study that enables a final investment decision on the construction of a HELE plant in Collinsville, Queensland’. The guidelines did not state that the grant was for a pre-feasibility study. The application identified to DISER that a \$4 million grant would not enable a bankable feasibility study to be completed and so should have been assessed by DISER as not meeting this eligibility requirement.

Table 3.5: ‘Overarching’ eligibility requirements and assessment results

Requirement	Shine Energy	Blue Hydro
Does the Application meet all of the eligibility criteria as details in Section 3.4 of the Guidelines?	<p>■ Yes, the proponent meets all requirements, under 3.4.</p> <p>The Australian bank account will be determined and assessed by execution of the deed.</p>	<p>■ The Australian bank account will to be determined before execution of funding deed.</p>
Does the Application only include eligible activities as detailed in Section 3.5 of the Guidelines?	<p>■ Yes</p>	<p>■ Yes — all activities are eligible and are well aligned to the project outcome.</p>
Have all mandatory questions been answered in the Application Form?	<p>■ Yes</p>	<p>■ Yes</p>
Has the applicant declaration been completed and signed by an authorised representative?	<p>■ Yes</p>	<p>■ Yes</p>

Source: ANAO reproduction of DISER records

Terms of the grant agreement

3.20 The terms of the August 2020 grant agreement DISER signed with Shine Energy reflect that the project awarded funding did not meet a number of the eligibility requirements as it will not result in the completion by 30 June 2021 of a robust bankable feasibility study that enables a final investment decision on the construction of a high energy low emissions plant in Collinsville, Queensland. Specifically, the grant agreement requires:

- the first two of the four stages of bankable feasibility study to be completed by 5 November 2021 using the grant funding of \$3.3 million (with an audited financial statement on the use of the grant funds due on 3 December 2021); and

- all four stages of the bankable feasibility study to be completed by 10 February 2023 without identifying how the third and fourth stages will be funded (there are no obligations in the grant agreement for the proponent to provide those funds or to secure them from other sources⁴⁸). A Financial Report on all four stages of the study is due to the department by 10 March 2023.

Were applications assessed against the appraisal criteria?

The department recorded that it had assessed each application against the appraisal criteria included in the grant opportunity guidelines. The Blue Hydro application was assessed to have met each of the five criteria. The Shine Energy application had been assessed by the department to: meet two of the criteria; partially meet two of the criteria; and not meet one criterion.

3.21 As replicated in Table 3.6, the department's assessment of the Blue Hydro application concluded that all five assessment criteria had been satisfied while the assessment of the Shine Energy application did not identify that each of the five criteria had been met.

48 The grant agreement includes a budget for stages 1 and 2 only and, in relation to 'other contributions', states 'not applicable' notwithstanding that the outcome from the grant funding can only be achieved if other contributions are obtained enabling stages 3 and 4 to be completed.

Table 3.6: Department merit assessment of Shine Energy and Blue Hydro applications

Criterion	Shine Energy	Blue Hydro
Alignment with grant opportunity and objective/outcomes	<p>■ Yes, with caveats.</p> <p>Shine Energy has claimed they can only complete 2 phases, out of 4, of a bankable feasibility study with the funding provided. They have noted they will require additional funding to complete this study.</p> <p>Shine Energy has noted they can seek funds from external stakeholders using the outcomes of phase 1 and 2. To this end, Shine Energy have provided statements from various companies who have provided 'expressions of interest' if the project is considered viable. No agreements are in place, and no funding has been offered.</p> <p>Shine Energy will not be able to deliver on the study without contributions from external sources.</p>	<p>■ The application is aligned with the grant opportunity and objectives/outcomes.</p>
Applicant capability and capacity	<p>■ Most likely.</p> <p>Shine Energy has teamed up with WSP and Findex who are considered experts in the energy industry. Shine has provided the resumes of their staff and their partners as evidence of the capability and capacity to undertake the activities as set out in the application.</p>	<p>■ Blue Hydro Project has demonstrated its capacity to undertake the grant activities to achieve the intended outcomes.</p>
Identification and management of risks	<p>■ Yes, page 88 of the application lists a large range of risks for the project. These have mitigation strategies against them.</p> <p>COVID-19 has not been addressed, and has the potential to slow the delivery of the project. COVID-19 has been addressed in the Department's <i>[sic]</i> risk assessment.</p>	<p>■ Application identifies the high risks and lists appropriate risk mitigation strategies and the risk owners.</p>
Monitoring and reporting of grant outcomes	<p>■ Yes, Shine Energy has stated they will provide monthly reporting on milestones for the study and provide a report at the end of each Phase. These will need to be built into the grant agreement.</p> <p>The project plan steps out the reporting plan on page 11 of the application.</p>	<p>■ The application clearly articulates how the outcomes of the monitored and reported.</p>
Value for money	<p>■ No.</p> <p>The proponent has listed approximately \$694,440 to be paid as staff wages, employee on-costs, travel and overheads. Shine has noted that 'although not able to undertake technical components of the study, the use of Shine Energy team does provide the ongoing study with significant savings to maximise the return of the various consultant group costs, as they have already established an extensive network to aid in ensuring the ongoing progress of study.' This does not explain why 17% of the grant funding is needed for administration <i>[sic]</i>. If they have already setup good networks then the administrative costs should be</p>	<p>■ The application presents relative value for money and the applicant has provided justification for the amount requested.</p>

Criterion	Shine Energy	Blue Hydro
	<p>considerably less, reducing the need for a large management team of employees, all being paid Queensland Government equivalent executive level salaries. The application states the role that Shine staff will undertake which is to engage and manage the project. This work is identical to what both FINDEX and WSP will be providing the project as stated in the application making this a potential double up of duties. The request is also based on full time annual salaries. This may not represent value for money as there is not a requirement for 4 staff to be working on this project for approximately 40 hours a week for a year, plus another part time staff member. This funding would be better suited to advance the grant to ensure stage 3 and 4 might be funded.</p> <p>Additionally, Shine Energy has a debt of approximately \$70,000.00. The debt of this loan will not be able to be paid using grant funds as per eligibility criteria. There is nothing outlined in the application that this debt will be paid using this funding, however the budget table provided is not clear enough to determine this. Shine does not seem to have any other source of income. Shine energy has provide a statutory declaration that no grant funds will be used to cover any debt/loans or interest. At the end of Phase 2 it would be prudent to have an <i>[sic]</i> financial statement required as a milestone so that this can be confirmed.</p> <p>If Shine is unable to source additional contributions following completion of Stage 1 and 2, then this will mean the outcomes will not be achieved and would not constitute value for money. Shine Energy has provided statements from various companies who have provided 'expressions of interest' into continuing the project if considered viable. Shine have also noted if they are unable to source funding, they will seek additional funding from the Australian Federal Government.</p>	

Source: ANAO reproduction of DISER records.

3.22 Shine Energy's application was assessed as having met two criteria, being the third criterion (relating to identifying and managing risks) and the fourth criterion (relating to monitoring and reporting of grant outcomes). Specifically, the department assessed that the:

- application had listed a large range of risks for the project and that these risks had mitigation strategies against them; and
- project plan had included a reporting plan and that monthly reporting would be provided to the Department on milestones for the study and along with a report at the end of each Phase.⁴⁹

3.23 The inclusion of ineligible expenditure items in the project budget of the Shine Energy application had resulted in the department assessing that one eligibility requirement had not been met (see Table 3.4 on page 38) and also resulted in the department assessing that the fifth assessment criterion (value for money) was not met. To address this, the department recommended that the amount of grant funding awarded be reduced by the amount of ineligible expenditure it identified as having been included in the project budget. While this mitigated the risk that potential grant funds be allocated to ineligible items it did not resolve the more fundamental value for money concern identified in the assessment, namely that 'If Shine is unable to source additional contributions following completion of Stage 1 and 2, then this will mean the outcomes will not be achieved and would not constitute value for money'.

3.24 The department assessed that against the second criterion (applicant capability and capacity) had 'most likely' been met for the Shine Energy application. The assessment record stated that the department was placing reliance on two project partners identified in the application as they 'are considered experts in the energy industry' and the applicant had 'provided the resumes of their staff and their partners as evidence of the capability and capacity to undertake the activities as set out in the application' (although the department did not undertake due diligence in relation to those partners, as discussed at paragraphs 3.29 to 3.30).

3.25 The department recorded that it had assessed the first criterion (alignment with the grant opportunity and objectives/outcomes) as being met 'with caveats' for the Shine Energy application. The caveats related to:

- the \$4 million that the grant opportunity guidelines had made available was insufficient to undertake the third and fourth stages; and
- the bankable feasibility study would be unable to be completed without external stakeholder contributions, and the application had not identified or secured the additional funding required (a situation that had led to the Department concluding that it was 'undetermined' whether one of the eligibility requirements had been met — see Table 3.4 on page 38).⁵⁰

49 While the assessment record stated that this reporting to the Department would be incorporated into the grant agreement the signed agreement does not require any monthly reporting (it requires progress reports at the end of each of the four project stages in October 2020, June 2021, April 2022 and January 2023, an interim report on the first stage in January 2021, a final report on stages 1 and 2 in November 2021 and a final report on all four stages in February 2023).

50 While the grant agreement outlines that the activity being funded by the grant is all four stages of completing a bankable feasibility study and includes reporting obligations for Shine Energy in relation to the third and fourth stages it does not require Shine Energy to secure the funding necessary to complete those stages.

Were due diligence checks undertaken to a consistent standard?

Due diligence checks of the Shine Energy and Blue Hydro grants were not undertaken to a consistent standard. The checks that were undertaken by the department did not raise any matters of concern. While the Blue Hydro checks were timely as they were undertaken shortly after an application was received, the Shine Energy checks were out of date having been undertaken nine months before an application was received. In each instance, the checks were not comprehensive.

3.26 The department's risks assessments identified that each proposed grant was high risk. The grant opportunity guidelines issued to Shine Energy and Blue Hydro allowed for the department to undertake due diligence activities⁵¹ to support assessment of the grant applications, to commission legal advice on any risk in regards to the project; and/or contact other relevant parties about the grant application.

3.27 DISER recorded that due diligence checks had been undertaken in relation to each application (see Table 3.7).

Table 3.7: Due diligence by the Department

Grant applicant	Assessor comments on due diligence
Blue Hydro	'Due diligence checks have been performed on the Blue Hydro Project Pty Ltd, Renewable Energy Partners and directors. These were performed through Corporate Scorecard checks. No evidence was presented to indicate the proponent was not financially or ethically unfit to receive the grant.'
Shine Energy	'Due Diligence has been undertaken. These checks included ASX and ASIC searches and checks of the financial and infringement databases held within DIIS.' ^a

Note a: Despite the reference to DIIS (the then Department of Industry, Innovation and Science) holding the database, the due diligence checks were actually conducted by the then Department of Environment and Energy's Office of Compliance. Checks completed were ASIC checks for insolvency and bankruptcy, and against the Department of Environment and Energy's Office of Compliance databases and records for any history of non-compliance with national environmental law. The officer also undertook a 'cross reference of the identified entities' against the 'public register on the Office of the Registrar of Indigenous Corporations website. None of the entities are registered with ORIC'. The officer undertaking the checks further noted that 'a more detailed search [in relation to legal proceedings] is available through Globalx however there is a 10 day turnaround per request. Given the urgency of your request I have provided this response based on the open source searches.'

Source: ANAO analysis of DISER records.

3.28 The due diligence checks on the Shine Energy grant were not timely. They were undertaken in June 2019, which was nine months before an application was received (on 17 March 2020) and eleven months before all information sought by the department was received to provide a complete application (on 15 May 2020). The department completed its assessment work and provided its funding recommendation on 28 May 2020.

3.29 The department did not update its due diligence checks after the application was received, and so the due diligence checks did not reflect the current situation with respect to the applicant, related corporate structures and directors, or project partners. For example, the department's assessment of the application relied upon the applicant teaming up with two other entities (WSP

⁵¹ The Macquarie Dictionary defines due diligence as the process of acquiring objective and reliable information on a person or company as required, especially before a commercial acquisition.

and Findex).⁵² While the application included resumes, no due diligence was undertaken by the department on those partner entities notwithstanding the reliance that was placed on those partners in reaching a conclusion that the capability and capacity criterion had been ‘most likely’ met (see paragraph 3.24, and Table 3.6). The department also did not undertake checks of key management personnel of the applicant identified in the grant applications, despite new information being provided compared with that available at the time of the June 2019 checks. In November 2020 the department advised the ANAO that the June 2019 checks were not updated to reflect the March/May 2020 application as ‘it was determined that the June 2019 checks were sufficient’. The department’s advice did not set out the basis on which it considered those out of date checks were sufficient. In March 2021 DISER advised ANAO that it ‘accepts that in this instance the delay in the due diligence checks and award of grant funding was too long.’

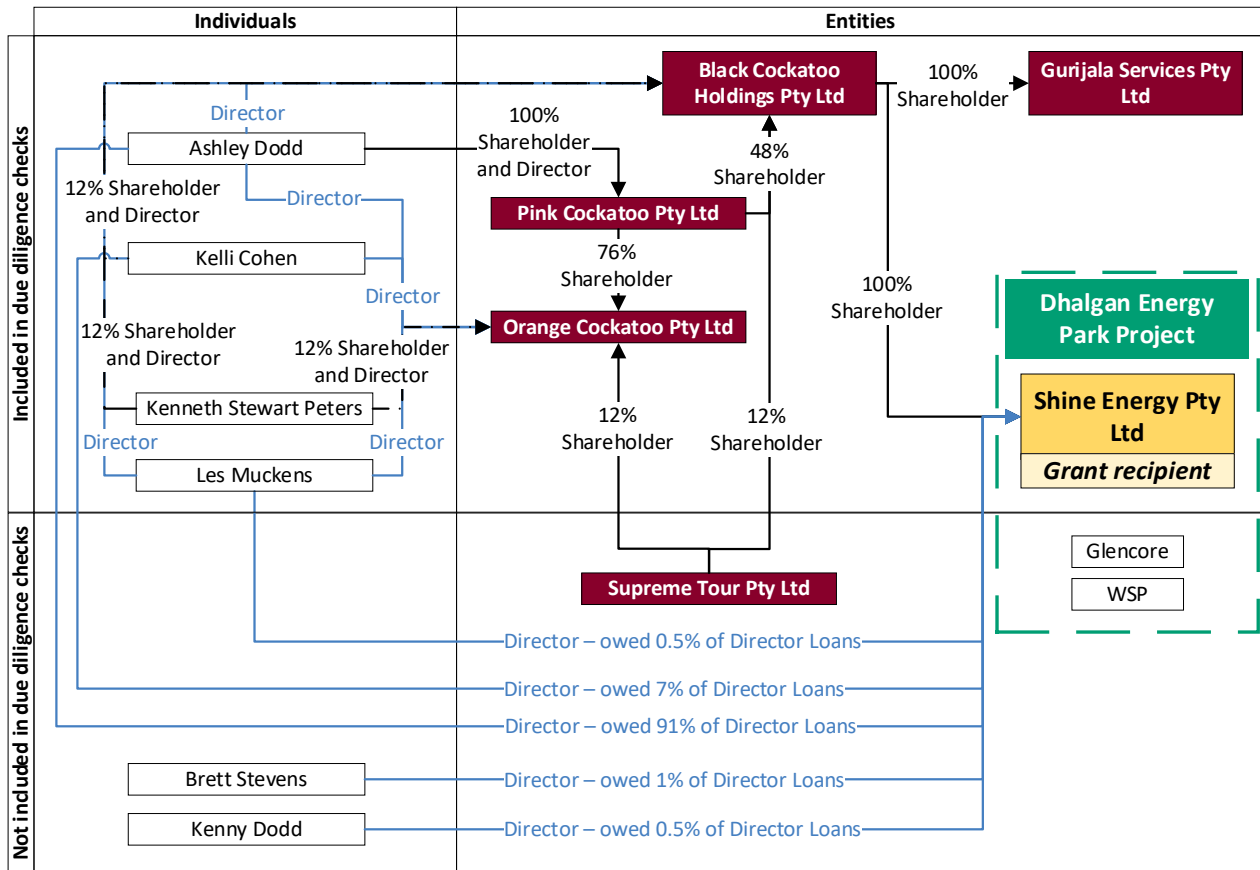
3.30 The checks undertaken in June 2019 cost \$391.38. While the results did not raise any matters of concern, as illustrated by Figure 3.1, the checks were not comprehensive. For example, they did not include: some related entities and directors; loans paid by directors⁵³; or planned commercial arrangements with partner entities, including Glencore, who as of June 2019 was attending meetings⁵⁴ regarding the grant and notwithstanding the department being aware of work being done to consider developing a trust arrangement between the two companies for the purpose of the grant. The trust arrangement was not evident in the grant application that was subsequently lodged.

52 These two entities were the same two entities who represented Shine Energy along with the Minerals Council of Australia at the October 2019 meeting with the Prime Minister, see footnote 32 and Figure 1.1.

53 Director loans to Shine Energy Pty Ltd were valued at \$79,034 as at 30 June 2019.

54 See footnote 32 and Figure 1.1.

Figure 3.1: Due diligence considerations of Shine Energy Pty Ltd: 30 June 2019



Source: ANAO analysis of DISER records.

3.31 The due diligence checks undertaken in relation to the Blue Hydro grant were timely. The grant application was received on 31 March 2020 and the checks were undertaken⁵⁵ in April 2020. The department completed its assessment work and provided its funding recommendation on 21 May 2020.

3.32 At a cost of \$79.20 checks were procured in relation to two entities: Renewable Energy Partners Pty Ltd and Blue Hydro Project Pty Ltd. While at the time the DISER officers undertaking the due diligence checks and the assessment described those checks as ‘pretty light on’ the department did not see benefits from further checks being undertaken given the company was newly established (November 2019) and had only \$100 in assets. The department was aware of the complex ownership arrangement for the project and sought legal advice on awarding the funding to Renewable Energy Partners and later to Blue Hydro Project when it became clear that a Special Purpose Vehicle was to be established.

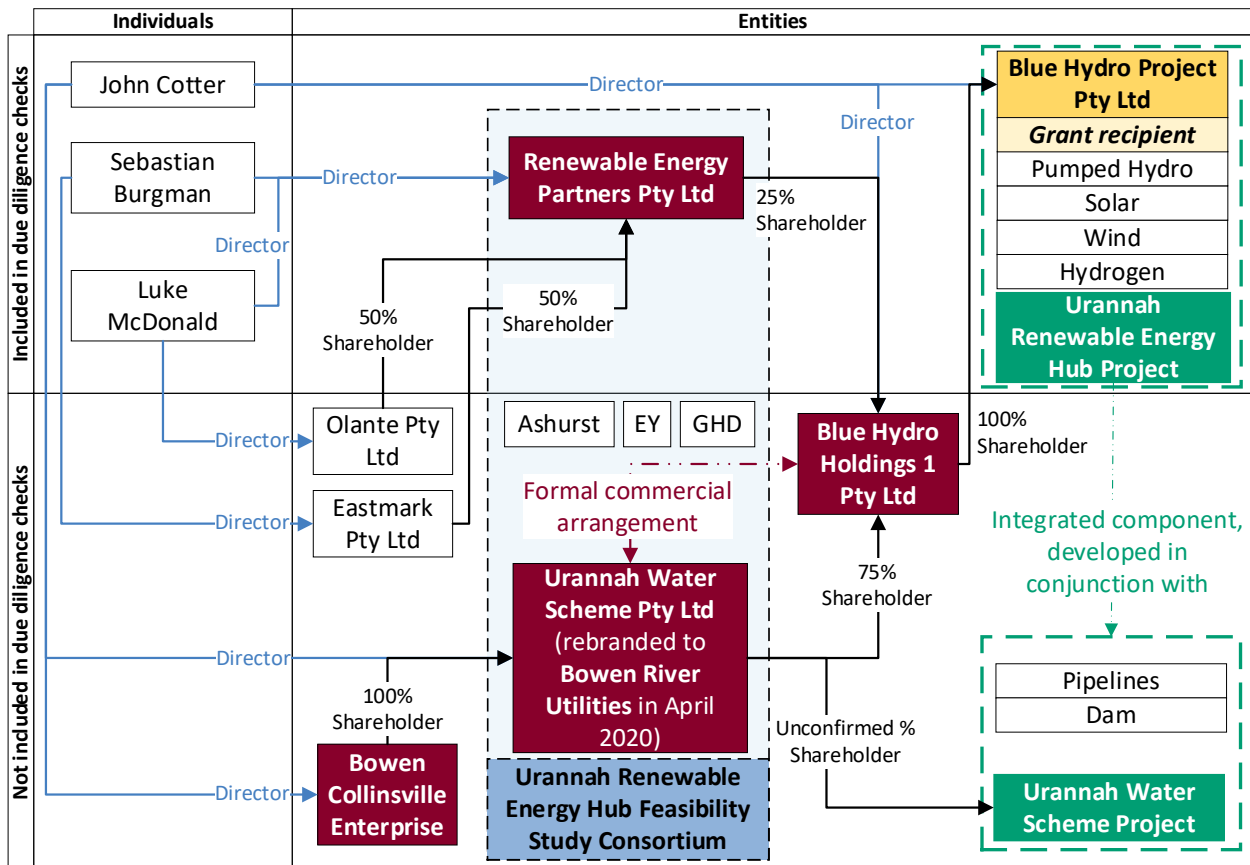
3.33 While the results of the checks undertaken by DISER did not raise any matters of concern, Figure 3.2 illustrates that the checks were not comprehensive. It illustrates that parent⁵⁶ and

55 The reports were prepared by Equifax’s Corporate Scorecard credit rating arm.

56 In November 2020 and again in January 2021, the department advised the ANAO that it was informed that Blue Hydro Holdings 1 Pty Ltd ‘was not registered with an ABN, and therefore did not undertake a due diligence check on this entity.’

associated entities and directors were not checked (those checks had been undertaken in relation to Shine Energy), nor were related projects.

Figure 3.2: Due diligence considerations of Blue Hydro Project Pty Ltd: 30 April 2020



Source: ANAO analysis of DISER records.

3.34 The due diligence checks did not examine previous projects completed or underway by the key shareholders and directors, including performance in delivering and acquitting previous grant funded activities. For example, the Urannah Water Scheme was awarded grant funding of \$13 million from the National Water Infrastructure Development Fund for feasibility studies and business case development of the Urannah Dam project. There were also no checks undertaken in relation to the grant in 2018 reported by Shine Energy (which was the only revenue⁵⁷ reported by Shine Energy in the financial statements it included with its application).

57 Total reported amount was \$982.

Recommendation no.3

3.35 The Department of Industry, Science, Energy and Resources when undertaking due diligence checks of ad hoc grant applications examine all relevant entities/individuals and update those checks where there has been a delay between their conduct and the receipt of a grant application and/or provision of a funding recommendation.

Department of Industry, Science, Energy and Resources response: *Agreed.*

3.36 *The department accepts the ANAO's recommendation regarding the timeliness of due diligence checks. The department undertook due diligence on the recipients of grant funding, including associated companies and current and former directors, consistent with the Commonwealth Grant Rules and Guidelines (CGRGs). The department notes that the CGRGs are principles based and do not prescribe in detail which related entities and individuals should be the subject of due diligence checks.*

3.37 *The department accepts the delays between the completion of due diligence checks and the award of funding was too long in this instance and will ensure specific guidance on timeliness of processes is updated in its due diligence procedures.*

4. Advice for decision making

Areas examined

The ANAO examined the advice provided to the Minister for Energy and Emissions Reduction that informed his decisions to award \$3.3 million in grant funding to Shine Energy and \$2 million in grant funding to Blue Hydro.

Conclusion

While the advice the Department of Industry, Science, Energy and Resources provided to inform decision making on the Blue Hydro grant was largely appropriate, the advice on the Shine Energy grant was partially appropriate. The two funding recommendations briefings met the requirement for advice to be provided in writing, included clear recommendations that funding be awarded to each applicant and provided a record of the basis for the Minister's decisions to award funding. The written briefings recommending that grant funding be approved did not clearly identify the extent to which each grant application had met the selection criteria (material attached to the briefings identified that one application fully met the criteria whereas the other application partially met the criteria).

4.1 Decisions about the award of grant funding are governed by a legislative framework intended to promote the efficient, effective, economical and ethical use of public resources. Under this framework, officials are required to provide written advice to Ministers where Ministers are exercising the role of an approver. Key requirements included in paragraphs 4.6, 4.7 and 4.10 of the CGRGs include:

- identifying whether grant applications: fully meet the selection criteria; partially meet the criteria; or do not meet any of the criteria;
- that the basis for recommending or rejecting each proposed grant reflect the particular merits of each grant activity in terms of the grant opportunity guidelines (including assessment against the eligibility criteria and assessment criteria); and
- Ministers recording the basis for their approval of grant funding.

Did the department's advice clearly identify the extent to which applications had been assessed as meeting the program criteria?

The department's written briefings to the Minister recommending that grant funding be awarded did not clearly identify the extent to which the two applications had been assessed as meeting the selection criteria (which comprised various eligibility requirements as well as five appraisal/assessment criteria). The risks associated with those criteria not fully met were identified in the briefings. The attachments to each briefing included a spreadsheet which required the Minister to examine the assessment record to identify that the department had assessed that one application fully met the selection criteria and that the other partially met the criteria.

4.2 To assist entities meet their briefing requirements under the CGRGs, the Department of Finance has issued a Resource Management Guide⁵⁸ that includes a checklist for the minimum contents of funding recommendation briefings to Ministers. Reflecting the importance of informing decision makers as to the extent to which applications meet the selection criteria, the Department of Finance suggests that the ‘recommendations section’ of the briefing include ‘clear information on which grant applications fully, partially or did not meet the selection criteria.’⁵⁹

4.3 The funding recommendations brief for the Blue Hydro grant was submitted by DISER on 21 May 2020. The funding recommendations briefing for the Shine Energy grant was submitted by DISER on 28 May 2020. The recommendations section of those briefings did not include information on whether DISER had assessed each grant application as having fully, partially or not met the selection criteria. This was also not explicitly addressed in the body of each briefing.

4.4 Each briefing included a series of attachments (eight attachments for the Blue Hydro briefing and nine attachments for the Shine Energy briefing). In each instance, the fourth attachment was a printout of an Excel spreadsheet that was the record of the department’s assessment of the proposed grant against the eligibility requirements and assessment criteria in the respective grant opportunity guidelines. In addition, the body of each covering briefing included the following statement:

We undertook an assessment of the grant application against the eligibility and assessment criteria in the Grant Guidelines.

4.5 The Blue Hydro briefing advised that the department assessed that the \$2 million grant funding sought represented value for money and should be awarded. The Shine Energy briefing advised that the department assessed that, after deducting the \$694,440 in ineligible expenditure that had been identified⁶⁰, a \$3.3 million grant represented value for money. Neither covering briefing included advice outlining the department’s assessment of the extent to which the selection criteria had been met. The risks associated with those criteria not fully met were identified in the briefings.

4.6 To ascertain whether DISER had assessed whether each grant application had fully, partially or not met the criteria required the Minister to examine the assessment record that was attached to each briefing. The ANAO’s analysis was that the assessment record attached to each briefing indicated that the department considered the:

- Blue Hydro application fully met the selection criteria; and
- Shine Energy application partially met the selection criteria. The application was assessed to:

58 Department of Finance, *Australian Government Grants – Briefing, Reporting, Evaluating and Election Commitments*, Resource Management Guide, No. 412, Department of Finance, Canberra, 2018. Available online <https://www.finance.gov.au/government/managing-commonwealth-resources/australian-government-grants-briefing-reporting-evaluating-and-election-commitments-rmg-412>.

59 The Department of Finance define ‘selection criteria’ as comprising eligibility criteria (which may also be referred to as eligibility requirements) and assessment (or appraisal) criteria. See Department of Finance, *Commonwealth Grant Rules and Guidelines*, Department of Finance, Canberra, 2017, paragraphs 4.6, 4.7, 7.5, 13.10, and definitions at p. 41.

60 See paragraph 3.16.

- not meet two of the eligibility requirements (relating to the project being completed by 30 June 2021 and that the budget not include any ineligible expenditure) and it was ‘undetermined’ whether another requirement (relating to there being sufficient financial contributions to achieve the intended outcome of the project) had been met; and
- meet ‘with caveats’ the first assessment criterion (relating to alignment with the grant opportunity and the objectives/outcomes). The caveats were because the grant would only enable the first of two stages of a bankable feasibility study to be completed;
- ‘most likely’ meet the second assessment criterion relating to capacity and capability of the applicant. The capability and capacity of the applicant’s two partners were a key element referenced by the Department in reaching this conclusion; and
- not meet the fifth assessment criterion relating to value with money and proper use of Commonwealth resources. This criterion had been assessed as having not been met due to the budget including ineligible expenditure items. The Department recommended that this be addressed by awarding an amount of grant funding that excluded the amount of ineligible expenditure it had identified in the project budget.

Were clear recommendations provided to the decision-maker, reflecting the results of the assessment work?

Clear recommendations were provided by the department to the Minister, in each case recommending the award of grant funding. The department’s recommendation that grant funding be awarded to Blue Hydro was consistent with the results of its assessment work. Its recommendation that the Shine Energy grant be made was not consistent with its assessment work which identified that some eligibility requirements and appraisal criteria had not been met. One implication of this situation was that the project proponent will not be able to complete a bankable feasibility study by 30 June 2021.

4.7 The CGRGs require (paragraph 4.10) that Ministers receive written advice on the merits of proposed grants before making any funding decisions. Consistent with this obligation, funding recommendations briefings were provided in writing by DISER to the Minister on 21 May 2020 (Blue Hydro) and 28 May 2020 (Shine Energy). The department met with the Minister on 29 May 2020 and a further written briefing was provided by the department on 5 June 2020 in response to a request from the Minister and following a meeting with the Minister. Table 4.1 summarises the briefing process that informed the Minister’s decision making.

Table 4.1: Briefing process leading to the award of grant funding

	Blue Hydro	Shine Energy
Date brief submitted	21 May 2020	28 May 2020
Recommendations	Approve expenditure of up to \$2.2 million (incl. GST) as a one-off, ad hoc grant to 'deliver a Pre-Feasibility Study.' Note the risks associated with this grant that are described in this brief and its attachments, particularly the legal advice and the Department's risk assessment and management plan.	Approve expenditure of up to \$3.641 million (incl. GST) as a one-off, ad hoc grant to 'deliver a Bankable Feasibility Study.' Note the risks outlined in the Department's risk assessment and management plan.
Minister's initial response	28 May 2020: Please discuss: 'Please discuss as per Shine brief'.	28 May 2020: Please discuss: 'I want assurance from the Department — in writing and in a meeting — of the assessment process that led to risks and the development of the Department's risk management plan before approving the grant.'
Meeting with Minister on 29 May 2020	Held via telephone at 4:30pm with Minister and two of his advisers. While there was a meeting preparation note for the head of the relevant division, the department did not make a record of the meeting. The meeting led to an email from the Minister's Office on 2 June 2020 requesting further advice in relation to risk management, which was provided in writing on 4 June 2020.	
Risk management briefing of 5 June 2020	Briefing addressed: <ul style="list-style-type: none"> - inherent risks of ad hoc grants (particularly when compared with competitive processes), - comparison of the risk ratings for these two grants to two other recent ad hoc grants and how the risks will be managed, - value for money implications of Shine Energy not delivering a bankable feasibility study^a, - how risk ratings can reduce over time if the applied risk treatments are effective^b; and - departmental processes for ensuring risks are manageable. 	
Grant approval	22 June 2020 of original brief with the following annotation: 'I accept your recommendation. I note the Department's verbal briefings and I am note that the Department has instituted a customised risk management plan.'	Undated ^c approval of original brief with following annotation: 'I accept your recommendation. I note the Department's verbal and written briefings and I am comfortable that the Department has an appropriate risk management plan.'

Note a: Additional information on the value for money of the two proposed grants, by way of an attachment to the briefing, was removed from the finalised brief after a draft of the brief had been provided to the Minister's Office. The Office had suggested the draft brief was too long and included too much information.

Note b: The risk treatments for the Shine Energy grant where the assessment had raised questions about value for money related to: developing grant agreements that complied with Australian Government financial frameworks; and developing a communications strategy to 'explain why the project has successfully received Commonwealth funding and the benefit it will provide to energy users'.

Note c: Other evidence indicates that the grant was approved on 19 June 2020.

Source: ANAO analysis of DISER records.

4.8 The recommendation that a grant be awarded to Blue Hydro reflected that the assessment had concluded that the:

- grant funding would achieve the intended outcome set out in the grant opportunity guidelines; and
- application had been assessed to meet all eligibility requirements and the five appraisal criteria.

4.9 The recommendation that partial grant funding be awarded to Shine Energy was not consistent with the results of the assessment work. This was most particularly because a \$3.3 million grant was identified as being insufficient for the completion of a bankable feasibility study by 30 June 2021 and therefore:

- a number of eligibility requirements and assessment criteria had not been met (see paragraphs 3.16 and 3.25, and Table 3.6); and
- unless further funding is obtained by Shine Energy it will not be able to achieve the intended outcome set out in the grant opportunity guidelines of completing a bankable feasibility study.

Has the basis for funding decisions been recorded?

The reasons for funding decisions were recorded by the department providing written briefings to the Minister, with the Minister annotating and signing those briefings. No record was made by the department of a meeting with the Minister to answer questions he had about funding recommendation briefings the department had provided.

4.10 Section 71 of the PGPA Act governs the approval of proposed expenditure by Ministers. Ministers are required to undertake reasonable inquiries to satisfy themselves that the proposed expenditure would be an efficient, effective, economical and ethical use of public resources. Ministers are also required to record the terms of the approval as soon as practical after giving the approval.

4.11 In addition to those general obligations, for grant approvals by Ministers the CGRGs (paragraph 4.10) require that the Minister record in writing the basis for the approval relative to the grant opportunity guidelines and the key principle of achieving value with relevant money. The CGRGs explain (at paragraph 13.3) that appropriately documenting grant approvals is one element of achieving probity and transparency.

4.12 Where a Minister agrees with the Department’s funding recommendation, they are able to point to the department’s assessment and advice as representing the reasonable inquiries they have made and as outlining the basis for their approval. As illustrated in Table 4.1 on page 52, the basis for the department’s recommendation that grant funding be awarded to Shine Energy and Blue Hydro was set out in three written briefings, with the Minister annotating and signing those briefings. The following shortcomings were identified by the ANAO in the records of the approval of funding:

- the Minister’s approval of the funding recommendations briefing for the Shine Energy grant was not dated; and
 - there was no record made by the department of its verbal briefing of the Minister that helped to inform his decision to award the grant funding (see Table 4.1).
-

Grant Hehir
Auditor-General

Canberra ACT
18 March 2021

Appendices

Appendix 1 Entity response



Australian Government
**Department of Industry, Science,
Energy and Resources**

OFFICE OF THE SECRETARY
DAVID FREDERICKS PSM

Mr Grant Hehir
Auditor General
Australian National Audit Office
38 Sydney Avenue
Forrest ACT 2603

Dear Mr Hehir *Grant*

**DISER's response to the audit report on the award of funding under the Supporting
Reliable Energy Infrastructure Program**

Thank you for your correspondence of 10 February seeking comment on the audit report for the performance audit of the award of funding under the Supporting Reliable Energy Infrastructure (SREI) Program.

I welcome this ANAO audit and acknowledge the value of the ANAO in providing independent insights which lead to the continued improvement in our administration of grants.

The department agrees with the audit's three recommendations, noting the more detailed responses outlined at Attachment A1.

The department has commenced implementation of the audit recommendations to ensure lessons learned are integrated into internal procedures. This will be overseen by the department's Assurance and Audit Committee.

We are committed to continued compliance with the Commonwealth Grant Rules and Guidelines and to effective administration of government policy.

The department attaches responses to the recommendations and would like to thank the ANAO for its collaborative approach throughout the audit process.

Yours sincerely

[Signature]
March 2021