

## **Award of Funding under the Safer Communities Fund**

Department of Home Affairs

Department of Industry, Science, Energy and Resources

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Canberra ACT  
14 February 2022

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 Home Affairs and the Department of Industry, Science, Energy and Resources. The report is titled *Award of Funding under the Safer Communities Fund*. 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

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# Audit snapshot

## Auditor-General Report No.16 2021–22

*Award of Funding under the Safer Communities Fund*



### Why did we do this audit?

- ▶ The ANAO decided to undertake an audit because the Department of Home Affairs has not been subject of an ANAO performance audit of a grant program since the *Commonwealth Grant Rules and Guidelines* were introduced and to follow-up on the implementation of recommendations in a predecessor program.



### Key facts

- ▶ Established in 2016, eight selection processes across five rounds have been completed, with \$184 million in grant funding awarded. A sixth Round is underway.
- ▶ The program was intended to address crime and anti social behaviour by funding crime prevention initiatives (such as fixed and mobile CCTV and lighting) and to also protect schools, pre-schools and community organisations that are facing security risks associated with racial and/or religious intolerance.



### What did we find?

- ▶ The award of funding was partly effective and partly consistent the Commonwealth Grant Rules and Guidelines.
- ▶ Largely appropriate grant opportunity guidelines were in place.
- ▶ Applications were not assessed fully in accordance with the guidelines.
- ▶ Funding decisions were not appropriately informed by departmental briefings and, for the majority of decisions, the basis for the decisions was not clearly recorded.



### What did we recommend?

- ▶ The Auditor-General made five recommendations, four to Department of Home Affairs and one to Department of Industry, Science, Energy and Resources. The recommendations addressed program design, the assessment of applications and advice to decision makers.
- ▶ All five recommendations were agreed to.

699

applications awarded funding across the eight selection processes.

54%

of funding decisions did not have a clear basis for the decision recorded.

84%

of funding awarded to community organisations was to religious organisations.

# Summary and recommendations

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## Background

1. The Safer Communities Fund (the Fund) was established in 2016 to:
  - boost the efforts of local councils and community organisations to address crime and anti-social behaviour by funding crime prevention initiatives (such as fixed and mobile CCTV and lighting); and
  - protect schools, pre-schools and community organisations that are facing security risks associated with racial and/or religious intolerance.
2. The scope of the Fund was expanded in 2019 in response to the Christchurch terrorist attacks to include protecting schools, pre-schools and community organisations that are facing security risks associated with racial or religious intolerance.
3. Responsibility for the administration of the Fund moved from the Attorney-General's Department to the Department of Home Affairs (Home Affairs) in late 2017 as a result of Machinery of Government changes.
4. As of November 2021, eight selection processes have been completed across five rounds, with \$184.13 million allocated to grant applicants. A sixth round is currently underway. Under the whole of government grants administrations arrangements, the Business Grants Hub within the Department of Industry, Science, Energy and Resources is responsible for assessing applications, providing the assessment result to Home Affairs, and then negotiating and managing grant agreements with successful applicants. Home Affairs has policy responsibility for the Fund and also provides the funding recommendations to Ministers in its portfolio for decisions about which applications to each selection process will be successful.

## Rationale for undertaking the audit

5. The rationale for undertaking a performance audit included:
  - that the Department of Home Affairs has not been the subject of an ANAO performance audit of a grant program it is responsible for since the Commonwealth Grants Rules and Guidelines were introduced; and
  - providing the ANAO with the opportunity to follow-up on the implementation of recommendations regarding assessment of applications made in the earlier performance audit of the award of funding under the Safer Streets program<sup>1</sup>, a predecessor to the Safer Communities Fund.<sup>2</sup>

## Audit objective and criteria

6. To assess the award of funding under the Safer Communities Fund was effective and consistent with the Commonwealth Grant Rules and Guidelines.

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1 Auditor-General Report No.41 2014–15 *The Award of Funding Under the Safer Streets Program*.

2 The decision to undertake the audit also followed a request from Senator The Hon. Kristina Keneally, Shadow Minister for Home Affairs, Immigration and Citizenship, and Shadow Minister for Government Accountability. The request made specific reference to the award of funding under round three of the Fund.

7. To form a conclusion against the objective, the following high level criteria were adopted:
- Were appropriate guidelines in place?
  - Were applications assessed in accordance with the guidelines?
  - Were funding decisions appropriately informed and documented?
8. The audit examined the award of funding under each of the eight selection processes completed up to the commencement of the audit in March 2021. The audit scope did not include:
- the management of funding agreements with successful applicants;
  - the sixth funding round, because applications to that round had not opened and no funding decisions had been made at the time the audit commenced; or
  - the award or management of ad hoc grants under the Proceeds of Crimes Act.

## Conclusion

9. The award of funding under the Safer Communities Fund was partly effective and partly consistent with the Commonwealth Grant Rules and Guidelines.
10. Largely appropriate grant opportunity guidelines were in place for each of the eight selection processes. The guidelines addressed the key content requirements of the Commonwealth Grants Rules and Guidelines and included eligibility requirements and appraisal (merit) criteria that were appropriately weighted. The key shortcomings were that:
- the non-competitive selection approach adopted for the fourth round did not achieve the planned rapid result, and the approach meant that applications with relatively low merit scores were approved for funding ahead of applications that had achieved higher scores against the published criteria;
  - while the eligibility requirements were relevant and appropriate, they could have been better developed for three of the selection processes (the fourth round as well as the Early Intervention Streams for the third and fifth rounds);
  - the appraisal (merit) criteria employed in the three most recent selection processes (all within the fifth round) were less comprehensive than had previously been employed; and
  - the guidelines have not clearly identified that it is the Department of Home Affairs that makes the funding recommendations and over time the guidelines have become less clear on which Minister would be making the grant funding decisions. For three of the selection processes (being the two streams in the third round, and the fourth round), the Minister identified in the guidelines as the decision-maker did not make the decisions.
11. Grant applications received across the eight selection processes were not assessed fully in accordance with the relevant grant opportunity guidelines. After the second round, the examination of whether items of proposed expenditure were eligible under the grant opportunity guidelines was not undertaken as part of the assessment of grant applications, instead being left to be undertaken during the negotiation of grant agreements for those applications approved for funding. This approach meant it was not only eligible applications that proceeded to be assessed against the merit criteria. In addition, while in each of the eight selection processes the published merit assessment criteria were applied, the standard of assessment was not to a consistently



appropriate standard and there were some shortcomings in the way in which the merit scores were used to identify which applications should be recommended for funding approval.

12. Funding decisions were not appropriately informed by departmental briefings and, for the majority of decisions, the basis for the decisions was not clearly recorded. While the department clearly identified those applications it recommended be awarded for funding:

- except for one of the eight selection processes, the department did not provide adequate information on the results of the assessment of each eligible application against the published merit criteria; and
- for six selection processes, the department put forward lists of candidate applications for inclusion on 'reserve' lists without any recommendation as to which of those should be selected, or why.

13. The recorded basis for the funding decisions did not adequately explain decision making around the award of partial funding to applications, the inclusion and ranking of applications on the reserve lists, or how information other than the results of the assessment process resulted in decisions to award funding.

## Supporting findings

### Program guidelines

14. Grant opportunity guidelines were developed, approved and published for each of the eight selection processes undertaken across the five rounds that have been conducted. There were a number of versions of the guidelines for the fourth funding round, and the final guidelines used in Round 4 were not approved. (See paragraphs 2.2–2.10)

15. The guidelines for each of the eight selection processes conducted clearly outlined the way in which funding candidates would be identified, including the application process. A competitive approach to selecting the most meritorious applications was adopted for six of the eight selection processes. This involved a mix of open competitive approaches (four selection processes) and targeted competitive approaches (two selection processes). The two non-competitive selection processes involved:

- delivering on commitments from the 2016 Federal election campaign (the first round of the Fund); and
- a first in, first assessed approach for the fourth round. While the non-competitive approach was adopted as it was expected to lead to quicker funding decisions this was not achieved and the non-competitive approach meant that assessed merit did not determine which applications received funding. (See paragraphs 2.11–2.16)

16. Eligibility requirements, including eligibility criteria, were included in the opportunity guidelines for each of the eight selection processes. While the eligibility requirements were relevant and appropriate, they could have been better developed for three of the selection processes. (See paragraphs 2.17–2.22)

17. Relevant and appropriate appraisal criteria were established in the grant opportunity guidelines for the eight selection processes. From Round 2 onwards, the criteria (and sub-criteria) were weighted, with those weightings published in the guidelines giving applicants a clear

indication of relative importance of the various assessment considerations. The weightings of criteria and sub-criteria changed throughout the program, and some changes made to sub-criteria in the last three selection processes (all under Round 5 of the program) resulted in the criteria being less comprehensive than those adopted for earlier selection processes. (See paragraph 2.23–2.27)

18. Assessment and decision-making responsibilities were not always clearly identified for each of the selection processes. The grant opportunity guidelines have not identified the role Home Affairs would play in making funding recommendations. In addition, over time the guidelines have become less clear on which Minister would be making the decisions and, for two of the selection processes, the Minister identified in the guidelines as the decision-maker did not make those decisions. (See paragraphs 2.28–2.32)

## **Assessment**

19. Each of the grant guidelines for all eight of the selection processes established application eligibility criteria specific to the applicant and to the proposed project or activity. The approach to eligibility assessment did not identify and remove all ineligible applications from further consideration. For the infrastructure funding streams, which comprise the majority of the grant funding available and awarded, the proportion of applications assessed as ineligible fell from 27 per cent of the 493 applications received in the second round to an average of two per cent of the 1840 applications received in the remaining infrastructure rounds, through to Round 5. Rather than comprehensively assessing applications against all published eligibility criteria (applicant criteria and project or activity criteria), applications were at times merit assessed before a comprehensive eligibility assessment was completed. Further not all ineligible applications were identified prior to recommendations being made to Ministers, with decision-makers advised that some of the recommended projects included ineligible expenditure (an element of project eligibility) that would be removed during contract negotiations and the funding that then became available would be allocated to projects included on 'reserve' lists. Illustrating the extent to which ineligible applications were not being identified and removed during the assessment stage, there was one application proposed for inclusion on a reserve list for every four applications recommended for approval across the six selection processes where a reserve list was put forward.

20. A total of five applications assessed as ineligible were approved for funding in two selection processes, with \$1.12 million in grant funding awarded to those five applications. No applications assessed as ineligible were approved for funding in the other six selection processes. (See paragraphs 3.3–3.12)

21. The identified appraisal criteria were applied to assess the merits of candidate projects. There were shortcomings including inconsistencies evident in the quality of the assessments undertaken against the appraisal criteria. (See paragraphs 3.19–3.26)

22. Applications were mostly ranked in accordance with the grant opportunity guidelines published for the particular selection process. A transparent and consistent approach was not employed to individually rank applications that had been awarded the same overall assessment score. (See paragraphs 3.27–3.29)

## Funding decisions

23. Funding recommendations for three of the eight selection processes were timely. In its written funding recommendations briefings, Home Affairs clearly identified which applications it recommended be approved from the available program funding. Other aspects of the briefings did not adequately reflect the results of the assessment process, as follows:

- in one selection process, the department recommended that the Minister reject those applications assessed as ineligible or as lacking sufficient merit based on the results of the assessment against the published criteria, this was not done for the other seven selection processes;
- for six selection processes, the department offered the Minister a list of 'reserve' applications to select from or rank, however, for none of those six processes did the department provide recommendations to the Minister as to which candidates for inclusion on the reserve list should be prioritised to receive any funding that became available (for example it did not recommend that the highest scored candidates be chosen); and
- except for the first selection process, insufficient information was provided to Ministers on the assessment of eligible applications against the three published merit criteria - specifically, from the second selection process onwards Ministers were not provided with the assessment score against each criterion and a summary of the reasons for each score awarded, instead they were provided with the aggregated score across the three criteria and a summary of each application's assessed strengths and weaknesses. (See paragraphs 4.3–4.17)

24. For 54 per cent of approved applications involving 60 per cent of approved funding, the basis for the funding decision was either not clearly recorded or did not address the eligibility requirements and merit criteria published in the grant opportunity guidelines. Shortcomings related in particular to the basis for:

- approving partial funding to applications in three selection processes – it was not recorded how decisions were taken about which applications would receive partial rather than full funding, and how the amount of partial funding was derived;
- the inclusion or non-inclusion of applications on reserve lists to be contracted as and when grant funding became available, or how reserve applications were ranked (the applications approved for inclusion on the reserve lists were not those assessed as the 'next best' in terms of assessed performance against the published merit criteria); and
- the records of decisions did not set out how information collected during Ministerial visits to certain applicants and representations from Parliamentarians was being relied upon to inform an assessment against the grant opportunity guidelines. (See paragraphs 4.20–4.30)

25. Funding was awarded to projects located in each State and Territory and to projects located in metropolitan and rural areas at rates that were consistent with the population of applications received. For the five selection processes involving an open call for applications (which involved 85 per cent of funding approved across the eight selection processes), the distribution of applications and funding approved in aggregate in electorate terms was reflective of the population of applications received. Applications were received from, and consequently

funding was largely awarded to, community organisations that identified as Jewish or Christian. Relatively few applications were received from, and funding awarded to, community groups identifying as Muslim, Buddhist, Hindu or Sikh. Identified cultural groups were also not well represented in terms of either applications received or grant funding awarded. (See paragraphs 4.31–4.49)

## Recommendations

**Recommendation no. 1**    The Department of Home Affairs clearly identify in grant  
**Paragraph 2.32**            opportunity guidelines the entity that is responsible for making  
funding recommendations as well as the person responsible for  
making decisions about which grant applications will be approved.

**Department of Home Affairs response:** *Agreed.*

**Recommendation no. 2**    The Department of Home Affairs require that the assessment of  
**Paragraph 3.12**            grant applications identify any ineligible expenditure so that the  
amount recommended for funding reflects only proposed  
expenditure that has been assessed as eligible.

**Department of Home Affairs response:** *Agreed.*

**Recommendation no. 3**    The Department of Industry, Science, Energy and Resources clearly  
**Paragraph 3.29**            identify in the grant opportunity guidelines for competitive  
selection processes how applications that achieve the same score  
will be ranked.

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

**Recommendation no. 4**    When advising Ministers on the award of grant funding, the  
**Paragraph 4.17**            Department of Home Affairs provide information in its briefing that  
outlines the particular merits of eligible applications against the  
eligibility requirements, assessment criteria and any other factors  
relevant to decision making that were included in the grant  
opportunity guidelines.

**Department of Home Affairs response:** *Agreed.*

**Recommendation no. 5**    The Department of Home Affairs tailor the application approach and  
**Paragraph 4.49**            processes so that the full range of the target audience for each grant  
opportunity are aware of that funding is available and there are no  
perceived or actual barriers to entry. When there are multiple  
rounds of a program, the accessibility of the approach employed  
should be reviewed at the conclusion of each round.

**Department of Home Affairs response:** *Agreed.*

## Summary of entity responses

26. A copy of the proposed report was provided to the Department of Home Affairs, the Department of Industry, Science, Energy and Resources, and the Minister that made the funding decisions in each selection process. The responses from each department are included at Appendix 1, with summary responses set out below.

### Department of Home Affairs

Since 2016 the Government has provided \$180.1 million to deliver on its commitment to reduce crime and improve community safety. This has included funding for local councils, schools, pre-schools, community organisations and places of worship to install and update security infrastructure (such as CCTV, fencing and lighting); as well as funding for peak Police Citizens Youth Clubs, Bluelight organisations and Youth Off the Streets to engage at-risk youth and divert them from the criminal justice system.

The Department is committed to ensuring the award of Safer Communities Fund grants are effective and consistent with the requirements set out in the *Commonwealth Grant Rules and Guidelines*.

The report identified methods by which the Department can achieve greater consistency with the *Commonwealth Grant Rules and Guidelines* in relation to the Safer Communities Fund grants and identifies a range of areas for improvement. The Department welcomes this advice and accepts all recommendations in the report.

The Department will also consider the recommendations and the broader findings and suggestions made in the report with respect to the design and administration of the wider suite of grant programs within the Home Affairs portfolio. This consideration will take into account the size and scope of the grant opportunity and the proportionality requirements outlined in the *Commonwealth Grant Rules and Guidelines*.

### Department of Industry, Science, Energy and Resources

The Department of Industry, Energy, Science and Resources acknowledges the Australian National Audit Office's report on the award of funding under the Safer Communities Fund.

The department notes the ANAO's conclusion that the award of funding was partly effective over the life of the program.

The department accepts the recommendation made by the ANAO to our agency and notes the recommendations made for the Department of Home Affairs. We will work with the Department of Home Affairs to ensure they are implemented for any future grants programs.

As a shared service provider for Australian government grants through the Business Grants Hubs, we will also disseminate the findings with our other partner agencies where they have a broader applicability for grants administration.

## Key messages from this audit for all Australian Government entities

27. 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

- Consistent with the accountability principles of the *Public Governance, Performance and Accountability Act 2013*, the entity allocated responsibility for the design and implementation of a program is accountable for the quality of any work undertaken by other entities to deliver the program. This includes the activities of contractors as well as whole of government shared services arrangements and service delivery hubs.

### Grants

- The assessment focus should be on the substance of the contribution eligible applications are expected to make to the program achieving its objectives, not on how well the application is written.
- To promote adherence to the requirements of the Commonwealth Grants Rules and Guidelines, when providing written advice on the merits of grant applications to inform decision-making, the advice should transparently address the eligibility requirements, assessment criteria and any other decision-making factors set out in the grant opportunity guidelines.
- It is important that entities assist Ministers to meet the requirement that decision makers record the basis for their approval of grant funding. The Commonwealth Grants Rules and Guidelines require that the recorded basis address the grant opportunity guidelines (including the selection criteria) as well as the key principle of achieving value with relevant money. While developing relevant templates helps, it is important that further assistance and advice is provided by entities to Ministers in situations where the recorded basis does not make it clear how the assessment criteria were applied to select the successful applicants, how any other factors set out in the guidelines were applied to selecting the successful applicants ahead of other candidates, or why it was decided to award a funding amount different to the recommended grant amount and how the amount of funding was arrived at
- There is a greater likelihood of grant programs achieving their objectives where there has been appropriate and effective promotion of the funding opportunity to key target groups, and the application process has been designed with those key target groups in mind.

## **Audit findings**

# 1. Background

## Introduction

1.1 The Safer Communities Fund (the Fund) was established in 2016 to boost the efforts of local councils and community organisations to address crime and anti-social behaviour by funding crime prevention initiatives (such as fixed and mobile CCTV and lighting).

1.2 The scope of the Fund was expanded in 2019 in response to the Christchurch terrorist attacks to include protecting schools, pre-schools and community organisations that are facing security risks associated with racial or religious intolerance.

1.3 The Fund was initially allocated \$40 million consisting of \$11.08m unspent Safer Streets program funding (sourced from the Confiscated Asset Fund, under the *Proceeds of Crime Act 2002*) and the rest from budget. Further funding has been allocated, and the source of funding changed, over time such that, as of August 2021, eight selection processes have been conducted awarding a total of \$184.13 million in grant funding to 699 applications (see Table 1.1) funded from the Confiscated Assets Fund. A competitive approach to selecting the most meritorious applications was adopted for six of the eight selection processes, with non-competitive approaches adopted for the first round (established to fund identified election commitment projects) and the fourth round (where applications were to be assessed and recommended progressively in the order they were received). A \$35 million sixth funding round was announced in the 2020-21 Budget delivered on 6 October 2020.

**Table 1.1: Grant selection processes undertaken: 2016 to 2020**

Selection process	Nature of selection process	Grant funding announced as available	Applications received		Applications approved <sup>a</sup>		
			#	\$m	Date	#	\$m
Round 1	Non-competitive	9.5	67	11.85	11 Apr 2017	65	9.4
Round 2	Open competitive	28.6	496	91.4	7 May 2018	149	28.75
Round 3 Early Intervention	Targeted competitive	12	11	9.7	11 Dec 2018	11	9.7
Round 3 Infrastructure	Open competitive	17.9	465	99.81	31 Jan 2019 & 14 Feb 2019	158	21.74
Round 4	First in, first assessed	50.3	690	228.0	28 Sep 2019 & 26 Nov 2019	194	60.17
Round 5 Early Intervention	Targeted competitive	15.0	12	23.11	19 May 2020	8	18.1
Round 5 Northern Territory	Open competitive	4.0	31	7.84	16 June 2020	26	5.6



Selection process	Nature of selection process	Grant funding announced as available	Applications received		Applications approved <sup>a</sup>		
Round 5 Infrastructure	Open competitive	31.0	654	156.25	16 June 2020	89	30.97
<b>Total</b>		<b>\$168.3</b>	<b>2426</b>	<b>\$627.96</b>		<b>699</b>	<b>\$184.13</b>

Note a: See paragraphs 3.7 to 3.10 and 4.10 to 4.12.

Source: ANAO analysis of departmental records.

1.4 Machinery of Government changes in 2017 moved responsibility for the Fund from the Attorney-General's Department to the Department of Home Affairs (Home Affairs). Under whole-of-government grants administration arrangements, the Business Grants Hub within the Department of Industry, Science, Energy and Resources (DISER) is responsible for assessing applications, providing the assessment results to Home Affairs and then negotiating grant agreements with the successful candidates and managing those agreements Appendix 3 provides a timeline of the Rounds and streams. Home Affairs retains overall responsibility for the administration of the Fund, including providing advice on the design of each round and recommendations on the award of grant funding to a Minister in the Home Affairs portfolio).<sup>3</sup>

## Rationale for undertaking the audit

1.5 The rationale for undertaking a performance audit included:

- that the Department of Home Affairs has not been the subject of an ANAO performance audit of a grant program it is responsible for since the Commonwealth Grants Rules and Guidelines were introduced; and
- providing the ANAO with the opportunity to follow-up on the implementation of recommendations regarding assessment of applications made in the earlier performance audit of the award of funding under the Safer Streets program<sup>4</sup>, a predecessor to the Safer Communities Fund.<sup>5</sup>

## Audit approach

### Audit objective, criteria and scope

1.6 To assess the award of funding under the Safer Communities Fund was effective and consistent with the Commonwealth Grant Rules and Guidelines.

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

- Were appropriate guidelines in place?
- Were applications assessed in accordance with the guidelines?

3 Table 2.2 on page 32 sets out Ministerial decision-making responsibilities for each of the eight completed selection processes.

4 Auditor-General Report No.41 2014–15 *The Award of Funding Under the Safer Streets Program*.

5 The decision to undertake the audit also followed a request from Senator The Hon. Kristina Keneally Shadow Minister for Home Affairs, Immigration and Citizenship, and Shadow Minister for Government Accountability.. The request made specific reference to the award of funding under round three of the Fund.

- Were funding decisions appropriately informed and documented?

1.8 The audit examined the award of funding under each of the eight selection processes completed up to the commencement of the audit in March 2021. The audit scope did not include:

- the management of funding agreements with successful applicants;
- the sixth funding round, because applications to that round had not opened and no funding decisions had been made at the time the audit commenced; or
- the award or management of ad hoc grants under the Proceeds of Crimes Act.

### **Audit methodology**

1.9 The audit methodology included: examination and analysis of Home Affairs and DISER records; and engagement with relevant Home Affairs and DISER staff.

1.10 The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of approximately \$502,000. The team members for this audit were: Hannah Conway, Tessa Royal, Swatilekha Ahmed, Tiffany Tang, Amanda Ronald, Tessa Osborne, Jessica Carroll, Jocelyn Watts, Josh Carruthers, and Brian Boyd.

## 2. Program guidelines

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### Areas examined

The ANAO examined whether appropriate grant opportunity guidelines were in place for each of the eight selection processes that have been conducted.

### Conclusion

Largely appropriate grant opportunity guidelines were in place for each of the eight selection processes. The guidelines addressed the key content requirements of the Commonwealth Grants Rules and Guidelines and included eligibility requirements and appraisal (merit) criteria that were appropriately weighted. The key shortcomings were that:

- the non-competitive selection approach adopted for the fourth round did not achieve the planned rapid result, and the approach meant that applications with relatively low merit scores were approved for funding ahead of applications that had achieved higher scores against the published criteria;
- while the eligibility requirements were relevant and appropriate, they could have been better developed for three of the selection processes (the fourth round as well as the Early Intervention Streams for the third and fifth rounds);
- the appraisal (merit) criteria employed in the three most recent selection processes (all within the fifth round) were less comprehensive than had previously been employed; and
- the guidelines have not clearly identified that it is the Department of Home Affairs that makes the funding recommendations and over time the guidelines have become less clear on which Minister would be making the grant funding decisions. For three of the selection processes (being the two streams in the third round, and the fourth round), the Minister identified in the guidelines as the decision-maker did not make the decisions.

### Areas for improvement

The ANAO has made one recommendation aimed at greater transparency and accountability over decision-making as part of the grant selection process. The ANAO has also identified opportunities to have improved the eligibility requirements and merit criteria used to select which applications to the Safer Communities Fund will be awarded funding.

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). To promote open, transparent and equitable access to funding that is made available, the CGRGs require that grant opportunity guidelines be developed for new funding opportunities, and made publicly available where grant applications are to be sought. The ANAO examined whether opportunity guidelines were in place for each selection process, and whether those guidelines were consistent with key content requirements set out in the CGRGs.

## Were guidelines for each round developed, approved and published?

Grant opportunity guidelines were developed, approved and published for each of the eight selection processes undertaken across the five rounds that have been conducted. There were a number of versions of the guidelines for the fourth funding round, and the final guidelines used in Round 4 were not approved.

2.2 For each of the eight selection processes, grant opportunity guidelines were developed, Ministerial approval obtained and published.

2.3 The guidelines for each of the eight selection processes were based on templates produced by the Department of Finance and so reflected the minimum content requirements set out in the CGRGs. This approach was consistent with the first recommendation made by the ANAO in Auditor-General Report No.41 2014–15 *The Award of Funding Under the Safer Streets Program*.

2.4 The CGRGs require that the guidelines be amended where significant changes have been made to a grant opportunity. This occurred in relation to the fourth funding round where there was a significant increase in the amount of funding that was made available, and in the way in which applications would be assessed and recommendations made to the Minister (see further at paragraphs 2.14–2.16). The guidelines were not amended in a timely manner to reflect these changes. Changes to the guidelines<sup>6</sup> were not submitted for Ministerial approval until 30 May 2019, more than two months after a key change had been made to significantly increase the amount of grant funding being made available and nearly two months after applications closed. Ministerial approval of the changes was given on 25 July 2019.

2.5 Changes were made to the grant opportunity guidelines for the fourth funding round, with Ministers signing off on three separate versions. The first version of the opportunity guidelines were approved by the Minister for Home Affairs on 5 February 2019. A version that had not been approved by any Minister was released to the public on 4 March 2019. This version changed the statement that funding would only be awarded ‘to applications that score highly against all merit criteria’ to instead state that funding would only be awarded ‘to applications that score at least 50 per cent against each merit criterion’.

2.6 On 25 July 2019, nearly six months after the Minister’s approval of the grant guidelines, and five months after guidelines were released and four months after applications had closed, the Minister approved a second version of the grant opportunity guidelines. Changes included incorporating the additional funding added after the 18 March 2019 announcement from the Prime Minister that a further \$23.1 million would be provided in response to the Christchurch terrorist attacks. The guidelines were not amended to reflect the Prime Minister’s statement that ‘grants will be prioritised for religious schools, places of religious worship and religious assembly’.<sup>7</sup>

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6 To implement the Prime Minister’s announcement that the amount of grant funding available would increase from \$27.2 million to \$50.3 million, and to remove a reference to there being two application periods (the first opening on 19 March 2019 and closing on 4 April 2019 and the second, subject to funds not being exhausted, opening on 5 June 2019 and closing on 26 June 2019).

7 Home Affairs advised the Minister that ‘while the Department may only recommend projects consistent with the approved Guidelines, given the Prime Minister’s announcement, you may wish to consider all projects that meet eligibility and value for money requirements. This will also allow certainty given the top up funding in the Budget is still subject to Parliamentary approval.’

2.7 The next day, 26 July 2019, the Assistant Minister was briefed on his role and shared Ministerial responsibilities. In the brief, the Assistant Minister was provided with a copy of grant opportunity guidelines released to the public, rather than the version that had been approved by the Minister in February 2019 or the version approved by the Minister the day before.

2.8 On 26 November 2019, two months after funding decisions had been made (on 28 September 2019 by the Assistant Minister), the Assistant Minister approved a third version of the grant guidelines. This version was related to a Movement of Funds request, extending the end date for Round 4 out to June 2022 from an original end date of 31 March 2021.

2.9 Another version of the grant opportunity guidelines was provided by DISER to ANAO as being the relevant guidelines for this round. There was no evidence that this version had been approved by a Minister.<sup>8</sup> This final version added a further public release date to include 25 May 2020 (some 9 months after all funding had been approved), and amended a sentence regarding contract milestones and final payments. Initially the sentence advised that 'We set aside at least 5 per cent of the total grant funding for the final payment. We will pay this when you submit a satisfactory final report demonstrating you have completed outstanding obligations for the project. We may need to adjust your progress payments to align with available program funds across financial years and/or to ensure we retain a minimum of 5 per cent funding for final payment'. This was changed to 'We may set aside at least five per cent of the total grant funding for the final payment. We will pay this when you submit either a satisfactory progress report with attached evidence showing that the project is progressing as per the agreed milestone table or a final report demonstrating you have completed all outstanding obligations for the project. We may need to adjust your progress payments to align with available program funds across financial years.' This change essentially reduced the acquittal requirements, allowing DISER to fully pay out grant agreements prior to completion of the project.

2.10 In response to ANAO queries regarding the weakening of controls to ensure delivery of projects, Home Affairs and DISER advised the ANAO, in November 2021, that COVID-19 was impacting the ability of some grant recipients to 'complete activities due to lack of availability of suppliers and the shut down of cities/country borders and government initiated social distancing measures'. DISER further advised the ANAO that 'removing the retention amount allowed DISER to make the final payments prior to projects being completed and allowed for the end dates of the projects to be extended beyond 30 June 2020.' Home Affairs further advised the ANAO that 'the described amendment was considered to be an appropriate approach to take in the circumstances.' The advice from the departments did not address how weakening of controls over infrastructure project completion, during a pandemic when it is clear that completion is at risk is an appropriate response.

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8 In response to ANAO queries regarding the lack of Ministerial approval of the change, Home Affairs advised the ANAO in November 2021 that: 'Paragraph 4.4a of the CGRGs requires that revised guidelines must be developed where a 'significant change' is made to the grant opportunity. The Department did not consider that the change to proposed payment schedules as set out in the grant guidelines was a significant change as it did not impact the amount of funding being allocated under the grant guidelines.'

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

The guidelines for each of the eight selection processes conducted clearly outlined the way in which funding candidates would be identified, including the application process. A competitive approach to selecting the most meritorious applications was adopted for six of the eight selection processes. This involved a mix of open competitive approaches (four selection processes) and targeted competitive approaches (two selection processes). The two non-competitive selection processes involved:

- delivering on commitments from the 2016 Federal election campaign (the first round of the Fund); and
- a first in, first assessed approach for the fourth round. While the non-competitive approach was adopted as it was expected to lead to quicker funding decisions this was not achieved and the non-competitive approach meant that assessed merit did not determine which applications received funding.

2.11 The CGRGs outline that competitive, merits-based selection processes can achieve better outcomes and value with relevant money and should be used unless specifically agreed otherwise by a Minister, accountable authority or delegate.

2.12 The first selection process related to commitments from the 2016 Federal election campaign. The guidelines clearly identified that the round was only open to 71 organisations identified in an appendix to the guidelines, and that other organisations were not eligible to apply.<sup>9</sup> The guidelines identified eligibility criteria and three equally weighted merit criteria so as to comply with advising and decision-making requirements of the CGRGs (paragraphs 4.6 and 4.10 in particular).<sup>10</sup>

2.13 For five of the next seven selection processes, an open call for applications was undertaken with the guidelines outlining that applications would be assessed against specified eligibility criteria with eligible applications to then proceed to be assessed against specified merit criteria. Consistent with the CGRGs, the guidelines for those five selection processes each stated that:

- to be recommended for funding, an application must achieve a score of 50 per cent or greater against each merit criterion;<sup>11</sup> and
- funding decisions would be taken by a Minister, taking into account the funding recommendations and the availability of funds. The guidelines did not allow for any other matters to be taken into account.

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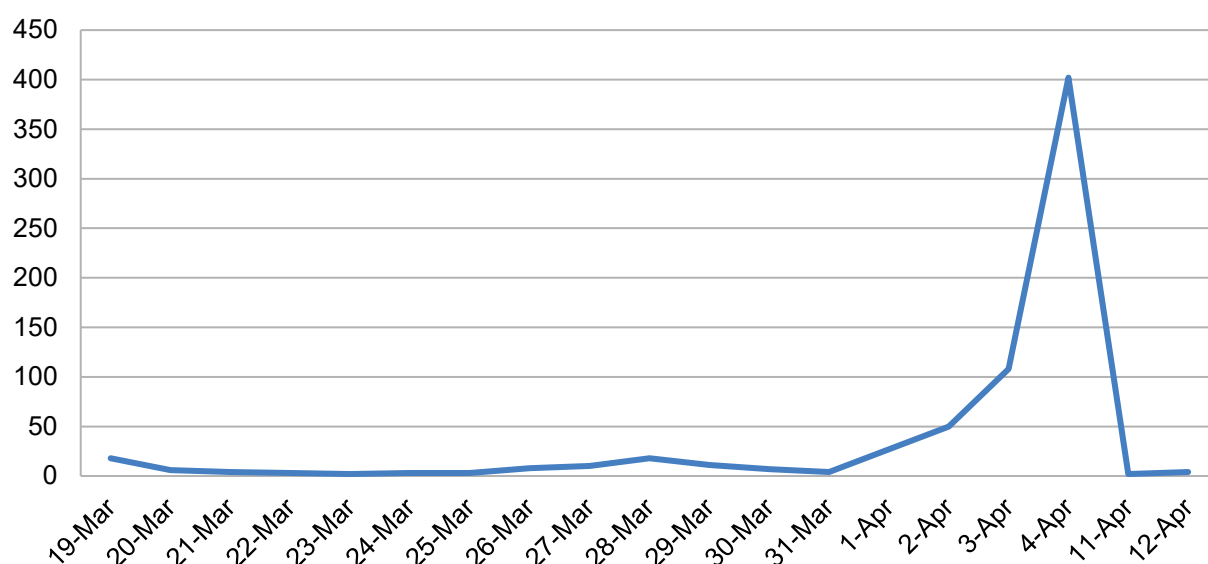
9 One other organisation applied, was assessed as ineligible and was not awarded funding.

10 Round 5 included a 'Northern Territory Infrastructure grants' stream. This was a result of an announcement during the 2019 Election campaign that at least \$4 million of Round 5 would be allocated specifically to community safety and security projects in the Northern Territory. The allocation of funds in that selection process was through a call for applications (conducted at the same time as the call for applications under the broader Round 5 Infrastructure stream), compared with the first round where the candidate projects were identified during the 2016 Federal election campaign and no further applications were permitted.

11 Note that for round four the grant guidelines initially stated that 'we will only award funding to applications that score highly against all merit criteria'. This was changed after applications were closed to state that 'we will only award funding to applications that score at least 50 per cent against each merit criterion'.

2.14 The fourth round did not employ a competitive selection process. While there was an open call for applications, and the guidelines set out eligibility and merit criteria, the guidelines stated that applications would be assessed progressively in the order they were received (and that applications that scored at least 50 per cent against each criterion would be recommended for funding). It is not evident that the guidelines made the first-in, first-assessed and recommended approach sufficiently clear to applicants. Figure 2.1, demonstrates that a small number of applications were submitted once the grant opportunity was opened to applications on 19 March 2019, with most applications received on or about the closing date of 4 April 2019. In November 2021, DISER advised the ANAO that ‘it is common practise for grantees to take the maximum possible time to complete applications. The relatively short opening period for this round (2 weeks) makes that even more likely’.

**Figure 2.1: Lodgement of Round 4 applications**



Source: ANAO analysis of departmental records.

2.15 Departmental records from 14 January 2019 outline that a non-competitive approach was adopted as a result of advice from the Minister’s Office that funding decisions be able to be taken by early April 2019 so as to ensure at-risk children would be protected from potential attacks and with the department advising that this timeframe could not be met through a competitive process.<sup>12</sup> In response to November 2021 queries from the ANAO, Home Affairs advised that the department has ‘advised that neither option would be able to be achieved by the urgent April 2019 timeframe [...] but that the timing imperatives were more likely to be met by a non-competitive approach.’ The advice to the Minister was less certain at the time, stating that:

It is unlikely that urgent timeframes to allocate funds by early April will be met, regardless of the delivery method chosen.

<sup>12</sup> Also so as to not delay the conduct of the round, the grant opportunity guidelines were not updated at the time applications were open for to reflect that, on 18 March 2019, the Prime Minister had announced that an additional \$23.1 million (the published guidelines had stated that \$27.2 million was available for grants) would be provided in response to the Christchurch terrorist attacks and that ‘grants will be prioritised for religious schools, places of religious worship and religious assembly’. Revised guidelines were approved on 25 July 2019.

2.16 The importance of an expedited selection process that led to a non-competitive approach being adopted in the guidelines was not reflected in the subsequent processes employed to award grant funding:

- the use of a non-competitive approach did not result in the funding being distributed more quickly as recommendations were not provided until 20 August 2019 and decisions were not recorded until 28 September 2019<sup>13</sup>);
- on 30 May 2019 Home Affairs sought (and obtained on 25 July 2019) the Minister's agreement to it continuing a process 'currently underway' of assessing all 690 applications received before any funding recommendations would be provided so that the Minister could consider all applications received, rather than adhering to the process published in the guidelines of assessing and recommending applications in the order in which they were received until the available funding was fully allocated;<sup>14</sup> and
- the process employed was not quicker than for the other funding rounds which applied a competitive approach and did not maximise the achievement of the policy objective within the funding available. Specifically, more than five and a half months after applications closed<sup>15</sup>, 114 applications were recommended and approved (along with a reserve list of projects to be funded should more funding become available) as the applications had scored at least 50 per cent against each criterion and were listed in the order in which they were received. This resulted in applications that scored as low as 51 out of 100 in total being recommended and approved for funding, while others that scored as high as 85/100 (highest overall score out of the 683 eligible applications assessed) were not recommended or contracted.

### Were relevant and appropriate eligibility requirements established?

Eligibility requirements, including eligibility criteria, were included in the opportunity guidelines for each of the eight selection processes. While the eligibility requirements were relevant and appropriate, they could have been better developed for three of the selection processes.

2.17 The CGRGs explain that eligibility criteria represent mandatory requirements which must be met to qualify for a grant.

2.18 The opportunity guidelines for each of the eight selection processes clearly identified the threshold requirements that needed to be satisfied for an application to be considered for funding. Apart from the guidelines for the first round, they clearly stated that applications that did not satisfy

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13 The published guidelines at the time applications opened on 19 March outlined that assessment of applications would take four weeks and approval of the outcomes would take a further four weeks indicating that funding decisions would commence progressively from 14 May 2019.

14 In this same briefing Home Affairs provided the Minister with the outcomes of eligibility assessment and advised that 'a final package of recommended projects' could be provided by 31 July 2019, or 'Alternatively, the Department can provide periodic submissions as applications are assessed if you would like to make funding decisions sooner', with recommendations of up to \$11 million available for consideration at the time of the brief. The Minister did not agree to this 'alternative' approach, although this option was consistent with the guidelines.

15 By way of comparison, funding decisions for the infrastructure rounds conducted before and after the fourth round were made in just over four months after applications closed (third round) and just over six months (for the fifth round).

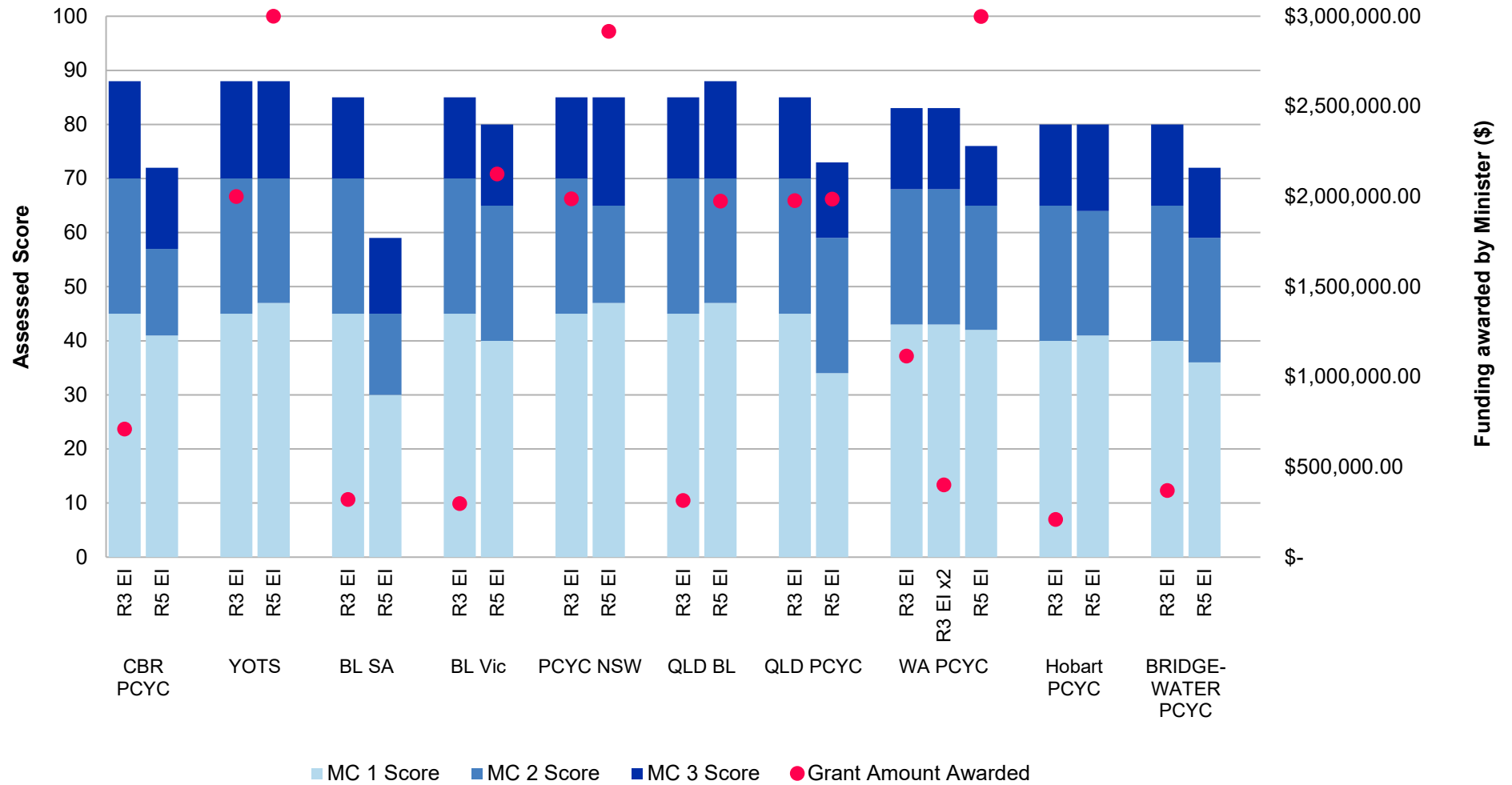


all threshold criteria would not be considered. This was consistent with the second recommendation made in Auditor-General Report No. 41 2014-15 *The Award of Funding Under the Safer Streets Program*.

2.19 The guidelines for each selection process included a discrete section or sections that set out the eligibility requirements including the types of organisations that were eligible to apply, the types of projects that were eligible for funding, as well as eligible activities and expenditure. Other eligibility requirements relevant to the round such as application opening and closing dates, and minimum and maximum grant amounts, were also clearly set out in the opportunity guidelines.

2.20 The Early Intervention streams were designed to specifically target; state or territory peak Police Citizens' Youth Clubs (PCYC); state or territory peak Bluelight (BL) organisations; and Youth off the Streets Ltd (YOTS) (for funding and assessment results of these targeted groups (see Figure 2.2).

**Figure 2.2: Merit assessment results and award of funding for Early Intervention Stream's two selection processes**



Source: ANAO analysis of DISER records.

2.21 The eligibility requirements included in the relevant Early Intervention grant opportunity guidelines did not reflect a sufficient understanding of the status and arrangements of these organisations. Of note:

- In Round 3 two applications were received from local Tasmanian PCYCs. According to the applications, a letter from the peak Tasmanian PCYC, the peak organisation, made a decision not to apply in the current round due to 'some internal issues arising from the resignation of the CEO'. There is no evidence that DISER or Home Affairs sought further information and clarifications from the applicants.<sup>16</sup> Home Affairs decided that, while the two local PCYC applicants were ineligible and that in line with the grant guidelines they 'must recommend to the Minister against funding these PCYCs', they would request DISER to 'assess them anyway', despite the grant guidelines stating that only eligible applications will proceed to merit assessment and 'given the unique circumstances [...] the Minister may wish to have the information available to him about the ineligible projects'. In the brief to the Minister the Department described both projects as 'technically ineligible as it is not a peak body. However, it is a worthy project and is otherwise recommended for funding'.<sup>17</sup>
- In Round 3 an application from the state peak Blue Light organisation for South Australia was received. The application was not a joint application with SA Police, despite the contact person for the application providing a SA Police email and mail address. The application sought \$320,174 to further develop and expand Blue Light SA's pre-existing 'Living Skills Program', with a focus on employing a program manager to research, implement and facilitate the program, identify schools or community groups, and deliver the program. In May 2019 the grant agreement was terminated by Blue Light SA, as 'they were unable to receive support from South Australia Police and, without that support, there was too much risk in continuing the program'. Paid funds were returned to Confiscated Assets Account. The same applicant, for the same project, sought \$929,000 (nearly three times more than the original request) under the Round 5 Early Intervention stream. While the assessor of the Round 5 application noted that the applicant had not

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16 Home Affairs advised the ANAO in November 2021 that; 'The Department did not have direct contact with either the peak Tasmanian PCYC organisation or the local affiliates during this period.' DISER advised that the letter from the Peak PCYC noted that 'it would not be involved in any capacity in the management of the project if the 2 local PCYCs were awarded funding.' This lack of involvement by the Peak PCYC in delivering the project was not cited in the contemporaneous records as a reason for assessing the merits of the ineligible applications.

17 In response to November 2021 queries from the ANAO regarding Home Affairs' authority under the program guidelines to proceed with the merit assessment of ineligible applications, Home Affairs advises that 'There were no administrative or cost implications to merit-assessing the Tasmanian applications. This funding stream was a closed non-competitive round and in line with that approach only 11 applications in total were received for review (and potential merit assessment) and approximately 10 applications were anticipated when the administration of the program was costed. There was no additional cost to the Business Grants Hub merit reviewing all 11 applications and the reasons and circumstances behind the ineligibility of the two applications were due to external factors'. ANAO queried in November 2021 why the same approach to ineligible applications was not similarly taken in the other selection processes, and Home Affairs advised that, 'Under the other selection processes, the appropriate process not to progress ineligible applications was followed. The other two closed funding streams received 13 and 67 applications, and the other open competitive streams received between 496 and 731 applications. Given the large number of ineligible projects that can result from high numbers of applications it would be a significant cost on the Department to merit assess ineligible applications – particularly given the Department has not and would not recommend a decision maker to fund an ineligible project.'

provided any new evidence or support letters from the SA Police confirming that this new application had the level of support required, it was not evident that the assessment considered previous experience delivering projects. The applicant's previous track record at managing similar projects was not addressed during assessment, and the related sub-criterion that had been used in earlier selection processes had been removed from the Round 5 grant guidelines. While SA Police were again not project partners Home Affairs nevertheless advised the Minister that the project was 'Suitable' subject to available funding. Home Affairs advised the ANAO in November 2021 that the applicant was ranked eighth out of eight awarded applicants for the selection process. Home Affairs noted that funding was exhausted after grant agreements were entered into with the first six ranked grantees. Home Affairs and DISER have confirmed that the applicant was advised they were unsuccessful in May 2020.

- The rationale for discrepancy in the design of selection processes for organisations closely aligned with state law enforcement is unclear. For example, Neighbourhood Watch Australia (NWA), much like BlueLight and PCYC organisations, are closely connected with state law enforcement, however Neighbourhood Watch was awarded funding under an ad hoc grant and was not included in this targeted competitive program. Internal correspondence between DISER and Home Affairs recorded that Home Affairs didn't 'want to hold the early intervention guidelines any further. NWA aren't specifically focused on youth intervention programs so they wouldn't fit neatly into the attached guidelines. We agreed that if we are asked to fund NWA, it would be neater/easier to do separate one-off guidelines.' The inclusion of 'Youth off the Streets' (YOTS) was also unclear. As a non-denominational community organisation targeting young people experiencing homelessness, neglect, abuse and substance dependency, the programs offered by YOTS provide a range of community support services to at-risk young people, including six non-government, special assistance high schools in NSW, QLD and Victoria. The records of the design of the Early Intervention stream did not clearly set out why it was designed to target these specific three groups, how these three groups were selected, or why early intervention was part of the SCF broader program.<sup>18</sup>

2.22 For Round 4, schools were included as a new type of eligible applicant. It was decided that the judgement and process to determine eligibility of schools was too complex and nuanced for DISER's contracted assessors to undertake, with DISER employees undertaking the confirmation that an applicant was an eligible school or separate legal body that could enter into contracts. This was despite the round being based on the Secure Schools program, and it not being the first time the Australian Government had awarded grant funding directly to schools.<sup>19</sup>

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18 Advice in November 2021 from Home Affairs to the ANAO was that 'Funding provided to PCYC, Blue Light organisations and Youth off the Streets under the Safer Streets Program was due to expire on 30 June 2018. The Department, following consultation with the Department of Finance, identified the Safer Communities Fund program as an alternative funding source'. ANAO notes that the CGRG's (Section 11.4 state that 'to address questions of how to best achieve value with relevant money [...] officials should [...] determine that a grant is the most appropriate mechanism. There may be alternative means to realise a desired outcome, such as the use of statutory powers or the procurement of goods or services.'

19 For example, see Auditor-General Report No. 39 2011-12 *Management of the National Solar Schools Program*.

## Were relevant and appropriate appraisal criteria established?

Relevant and appropriate appraisal criteria were established in the grant opportunity guidelines for the eight selection processes. From Round 2 onwards, the criteria (and sub-criteria) were weighted, with those weightings published in the guidelines giving applicants a clear indication of relative importance of the various assessment considerations. The weightings of criteria and sub-criteria changed throughout the program, and some changes made to sub-criteria in the last three selection processes (all under Round 5 of the program) resulted in the criteria being less comprehensive than those adopted for earlier selection processes.

2.23 Under the CGRGs framework appraisal (or assessment) criteria play an important role in relation to the key principle of achieving value for money from granting activities. The CGRGs outline that appraisal criteria are used to assess the merits of proposals and, in the case of a competitive grant opportunity, to determine application rankings. Funding recommendations to decision-makers are required to address the merits of applications in terms of the criteria included in the grant opportunity guidelines.

2.24 As illustrated by Table 2.1, each selection process employed three appraisal criteria. The criteria were broadly similar across the various selection processes, with some tailoring where a process had a particular focus (such as the Early Intervention streams of Rounds 3 and 5). The opportunity guidelines for each selection process also identified the sub-criteria.

**Table 2.1: Appraisal criteria included in the guidelines for each selection process**

Selection process	Number of criteria	Criteria weighted?	Minimum score to be recommended
Round 1	3 (Improving community safety; value for money of the project; recipient's capacity, capability and resources).	No.	At least 50% against each criterion.
Round 2	3 (Improving community safety; impact of the grant funding; recipient's capacity, capability and resources).	Yes: 50:20:30	As for Round 1
Round 3 Early Intervention Stream	3 (Improved social cohesion and outcomes for at risk youth; impact of the grant funding; recipient's capacity, capability and resources).	Yes: 50:30: 20	As for earlier rounds
Round 3 Infrastructure Stream	3 (same as Round 2)	Yes: 50:30: 20	As for earlier rounds
Round 4	3 (Protect children who are at risk of attack, harassment or violence stemming from racial or religious intolerance; the second and third largely the same as for Rounds 2 and 3).	Yes: same as Round 3	As for earlier rounds
Round 5: Early Intervention Stream	3 (as for Round 3 early intervention except sub-criterion 3b was removed. It related to the applicant's proven track record in managing similar projects).	Yes: same as Rounds 3 and 4.	As for earlier rounds

Selection process	Number of criteria	Criteria weighted?	Minimum score to be recommended
Round 5: Northern Territory Infrastructure Stream	3 (as for Round 3 Infrastructure except sub-criterion 3b was removed. It related to how the ongoing costs of the project would be maintained and funded).	Yes: same as Rounds 3 and 4.	As for earlier rounds
Round 5: Infrastructure Stream			

Source: ANAO analysis of departmental records.

2.25 As illustrated by Table 2.1, apart from the first round, the appraisal criteria were weighted. The sub-criteria were also weighted. The weighting of the criteria and, for funding stream three onwards, the sub-criteria in the opportunity guidelines were transparently communicated to potential applicants the relevant importance of each criterion.

2.26 While, for most of the selection processes, the criteria, and the underpinning sub-criteria, were relevant, appropriate and consistent, the following points are noted.

- For the first and second funding rounds, under the Infrastructure stream, the guidelines did not provide the weightings for the seven sub-criteria. While the score/weighting for the three merit criteria were provided (4/4/4 and 50/20/30) no similar clarity was provided to assessors or to applicants on the weightings of the sub-criteria.
- Round four and all subsequent Infrastructure Stream funding rounds removed one of the sub-criteria from merit criteria addressing 'capacity, capability and resources', specifically the element relating to 'how the security equipment will be maintained'. The reason for this design change was not clear from records. In November 2021 Home Affairs advised the ANAO that 'To the best of the knowledge of Departmental officers involved, the specific reference in the merit criterion was removed to address concerns that applicants may read the reference as allowing the applicant to seek funds for maintenance costs. The grant guidelines for round four of the SCF program, and all infrastructure funding streams list the maintenance of security equipment as ineligible expenditure – however this list is in a separate section of the guidelines.' DISER similarly referred to 'undocumented' discussions with Home Affairs. DISER recalled that the intent was to 'streamline guidelines' to 'avoid any expectations that such maintenance costs would be eligible'. ANAO notes that there was no evidence that such confusion existed and this change to the guidelines increased the risk that infrastructure funded through the program will not be maintained.
- The Early Intervention stream of Round 5 did not include one of the sub-criteria from the merit criteria addressing 'capacity, capability and resources', specifically the element relating to the applicant's proven track record managing similar projects (see paragraph 2.21, bullet point 2). The reason for this design change is not clear from records, and given the targeted nature of this selection process a sub-criterion on performance in managing any grant received was relevant and appropriate to be included. The targeted entities are funded through other programs, including those funded through state/territory and local governments and the original criteria stating 'your track record managing similar projects', irrespective of funding source.

2.27 For each of the selection processes, the opportunity guidelines clearly stated that funding would only be awarded to applications that scored at least 50 per cent against each assessment

criteria, 'as these represent best value for money'. This was consistent with the third recommendation made in Auditor-General Report No.41 2014–15 *The Award of Funding Under the Safer Streets Program*. There was not consistent adherence to the 50 per cent scoring threshold in funding recommendations and decision-making, see paragraphs 3.19–3.26 for more information, and example in Figure 4.1.

## Were assessment and decision-making responsibilities clearly identified?

Assessment and decision-making responsibilities were not always clearly identified for each of the selection processes. The grant opportunity guidelines have not identified the role Home Affairs would play in making funding recommendations. In addition, over time the guidelines have become less clear on which Minister would be making the decisions and, for three of the selection processes, the Minister identified in the guidelines as the decision-maker did not make those decisions.

2.28 The guidelines identified that DISER was responsible for administering the grant opportunities on behalf of Home Affairs. The relationship between the two departments was underpinned by a memorandum of understanding for each round.

2.29 The grant opportunity guidelines did not identify to applicants that, while DISER would administer the grant application and assessment processes and manage the grant agreements with successful applicants, it was Home Affairs that would make grant recommendations to the decision-maker. Rather, the guidelines defined DISER as the 'we' referred to in the guidelines and through a process flowchart in the first section of the guidelines stated that 'we make grant recommendations'. For each of the eight selection processes, funding recommendations were made to a Minister in the Home Affairs portfolio by Home Affairs<sup>20</sup>, not DISER.

2.30 As illustrated by Table 2.2, the grant opportunity guidelines for each selection process identified that grant decisions would be made at Ministerial level. For the early selection processes, the section of the guidelines focused on the grant selection process identified the specific Minister that was to make the grant decisions. For later rounds, there has been reduced clarity over decision-making responsibilities, as follows:

- starting with round 3, the identity of the particular Minister was defined in an appendix of key terms rather than in the body of the guidelines; and
- while for the first five selection processes a particular Minister was identified as the decision-maker, for the three selection processes under Round 5 the appendix definition of key terms indicated that decisions would be made by one of the four Ministers within the Home Affairs portfolio. For each of those processes, the decisions were taken by the Assistant Minister for Customs, Community Safety and Multicultural Affairs.

<sup>20</sup> In the case of Round 1, recommendations were made to the Minister for Justice in the Attorney General's portfolio as the then policy owner for the Fund.

**Table 2.2: Decision-making responsibilities**

Selection process	Decision maker identified in guidelines	Decision maker in practice
Round 1	Minister for Justice	As per guidelines
Round 2	Minister for Justice	Assistant Minister for Home Affairs
Round 3 Early Intervention Stream	Assistant Minister for Home Affairs	Minister for Home Affairs
Round 3 Infrastructure Stream	Assistant Minister for Home Affairs	Minister for Home Affairs
Round 4	Minister for Home Affairs	Assistant Minister for Home Affairs
Round 5 Early Intervention Stream	A Minister in the Commonwealth Home Affairs portfolio	As per guidelines
Round 5 Northern Territory Infrastructure Stream	A Minister in the Home Affairs portfolio	
Round 5 Infrastructure Stream		

Source: ANAO analysis of departmental information.

2.31 Table 2.2 also illustrates that funding decisions for four of the selection processes were not taken by the Minister identified in the grant opportunity guidelines as having this responsibility. For Round 2, this was a consequence of the funding decisions being taken after the Minister for Justice role ceased to exist following a rearrangement of the Ministry in December 2017 and subsequent Machinery of Government changes moving the administration of the Safer Communities Fund to the Department of Home Affairs. The funding decisions were instead taken by the Assistant Minister for Home Affairs. For the two selection processes conducted under Round 3, the guidelines identified the Assistant Minister for Home Affairs as having decision making responsibilities whereas for each selection process the funding decisions were taken by the Minister for Home Affairs. The only grant opportunity guidelines that identified the portfolio Minister as the decision-maker related to the fourth round, and he did not take the funding decisions for that round.

### Recommendation no. 1

2.32 The Department of Home Affairs clearly identify in grant opportunity guidelines the entity that is responsible for making funding recommendations as well as the person responsible for making decisions about which grant applications will be approved.

**Department of Home Affairs response:** *Agreed.*



### 3. Assessment

#### Areas examined

The ANAO examined whether applications were assessed in accordance with the grant opportunity guidelines.

#### Conclusion

Grant applications received across the eight selection processes were not assessed fully in accordance with the relevant grant opportunity guidelines. After the second round, the examination of whether items of proposed expenditure were eligible under the grant opportunity guidelines was not undertaken as part of the assessment of grant applications, instead being left to be undertaken during the negotiation of grant agreements for those applications approved for funding. This approach meant it was not only eligible applications that proceeded to be assessed against the merit criteria. In addition, while in each of the eight selection processes the published merit assessment criteria were applied, the standard of assessment was not to a consistently appropriate standard and there were some shortcomings in the way in which the merit scores were used to identify which applications should be recommended for funding approval.

#### Areas for improvement

The ANAO has made two recommendations. The first is that the assessment of grant applications identify any ineligible expenditure so that the applications recommended and the amount recommended for funding reflects only those items that have been assessed as eligible. The second relates to transparently setting out in the grant opportunity guidelines how applications that achieve the same assessment score will be ranked in a competitive selection process.

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.<sup>21</sup> The ANAO examined whether application assessment was conducted to an appropriate standard as well as the application of the published eligibility requirements and merit criteria, and whether the results of the assessment work was used to rank eligible applications.

3.2 The Business Grants Hub within DISER has been responsible for the application and assessment process for each of the eight SCF selection processes. This is also the case for both selection processes in the sixth round, underway at the time of this ANAO performance audit. SCF was one of five programs where DISER trialed a 'Scalable Workforce Project'.<sup>22</sup> The Scalable

21 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 from <https://www.finance.gov.au/government/commonwealth-grants/commonwealth-grants-rules-and-guidelines> [accessed 8 February 2022].

22 The other programs were: Regional Jobs and Investment Packages (see Auditor-General Report No. 12 2019-20); Strong Communities Program; Advanced Manufacturing Growth Fund; and Building Better Regions Fund. The ANAO examined the procurement approach used by DISER in Regional Jobs and Investment Packages program to engage assessors (AusTender Standing Order 328616, of which 33 of the 35 contracts, valued at \$23.35 million related to grants administration services). Responding to the findings of that audit, DISER undertook a procurement process, creating a panel of two providers for administration support services (AusTender Standing Order SON373962), with the intent to use this panel for future scalable work force needs. Commencing in November 2020, as at December 2021, 23 contracts have been entered into off this panel with a total value of \$15.07 million.

Workforce model was then used for the largest four of the eight selection processes, and this model, with different third party providers, continues to be used in Round 6.

## Were ineligible applications identified and removed from further consideration?

Each of the grant guidelines for all eight of the selection processes established application eligibility criteria specific to the applicant and to the proposed project or activity. The approach to eligibility assessment did not identify and remove all ineligible applications from further consideration. For the infrastructure funding streams, which comprise the majority of the grant funding available and awarded, the proportion of applications assessed as ineligible fell from 27 per cent of the 493 applications received in the second round to an average of two per cent of the 1840 applications received in the remaining infrastructure rounds, through to Round 5. Rather than comprehensively assessing applications against all published eligibility criteria (applicant criteria and project or activity criteria), applications were at times merit assessed before a comprehensive eligibility assessment was completed. Further not all ineligible applications were identified prior to recommendations being made to Ministers, with decision-makers advised that some of the recommended projects included ineligible expenditure (an element of project eligibility) that would be removed during contract negotiations and the funding that then became available would be allocated to projects included on 'reserve' lists. Illustrating the extent to which ineligible applications were not being identified and removed during the assessment stage, there was one application proposed for inclusion on a reserve list for every four applications recommended for approval across the six selection processes where a reserve list was put forward.

A total of five applications assessed as ineligible were approved for funding in two selection processes, with \$1.12 million in grant funding awarded to those five applications. No applications assessed as ineligible were approved for funding in the other six selection processes.

### 3.3 The CGRGs (paragraph 13.14) state that:

Officials should ensure that grant opportunity guidelines document the circumstances in which the eligibility or assessment criteria set out in grant opportunity guidelines may be waived or amended. Officials should seek Ministerial or other appropriate authority before invoking provisions for waiving or amending eligibility and assessment criteria, and keep appropriate records.

### 3.4 The grant opportunity guidelines for each of the eight SCF selection processes included eligibility criteria relating to the applicant as well as those activities and expenditure that were eligible to be funded.<sup>23</sup> The grant guidelines for each of the eight selection processes were clear that the eligibility criteria included both eligibility of the applicant and of the proposed activity. This meant that if either an applicant or the proposed activity failed to meet the eligibility criteria, then

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23 Each of the grant guidelines for the eight selection processes defined eligibility criteria for applicants (section titled 'who is eligible?', with some streams also including a section titled 'who is not eligible?') and further eligibility criteria for projects and expenditure (with guidelines including sections titled: 'eligible projects'; 'eligible activities'; 'eligible expenditure'; and some streams also including an appendix detailing 'ineligible expenditure').

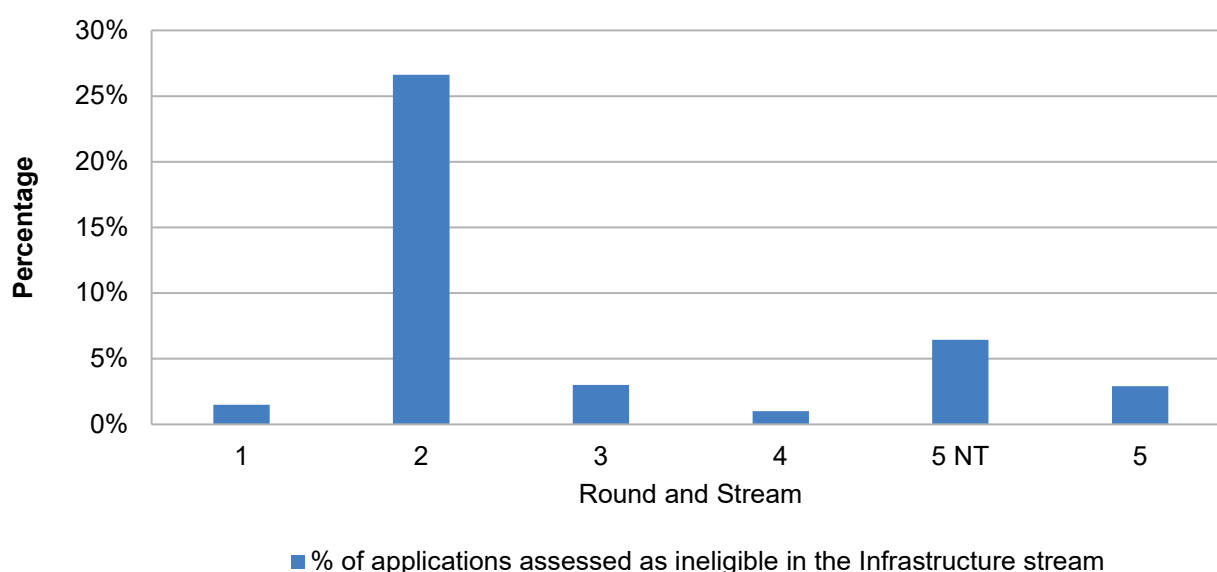
the application would be ineligible. Consistent with the CGRGs, the grant opportunity guidelines for SCF selection processes made statements such as:

- ‘we cannot consider your application if you do not satisfy all the eligibility criteria’;
- ‘we cannot waive the eligibility criteria under any circumstances’; and
- ‘only eligible applications will proceed to merit assessment stage’.

3.5 Across the eight selection processes, a total of 180 applications were assessed as ineligible (7.5 per cent of the applications received that had not been withdrawn by the applicant).

- a relatively high proportion of applications were assessed as ineligible in each of the two Early Intervention targeted selection processes (2 out of 11 applications in Round 3 Early Intervention, 18 per cent, and 4 out of 12 in Round 5 Early Intervention, 33 per cent); and
- in the other six selection processes, after Round 2<sup>24</sup>, relatively few applications were assessed as ineligible (see Figure 3.1).

**Figure 3.1: Percentage of Infrastructure stream applications assessed as ineligible**



Source: ANAO analysis of departmental records.

3.6 The ANAO’s analysis of assessment processes and practices was that assessments of applications against the eligibility criteria were not to an appropriate standard which allowed applications that did not meet all eligibility criteria to proceed to merit assessment and, in some instances, be recommended and approved for grant funding. For example, in the first round it was identified during the negotiation of the grant agreement that an applicant<sup>25</sup> had completed its project in 2016, prior to the program opening to applications and before the project commencement date of 2 April 2017 set out in the grant application. This application should have been identified as ineligible, as according to the grant guidelines while the applicant was eligible,

24 Excluding the two Early Intervention streams, 131 of the 174 Infrastructure applications assessed as ineligible (75 per cent) were in the second round of the Infrastructure stream.

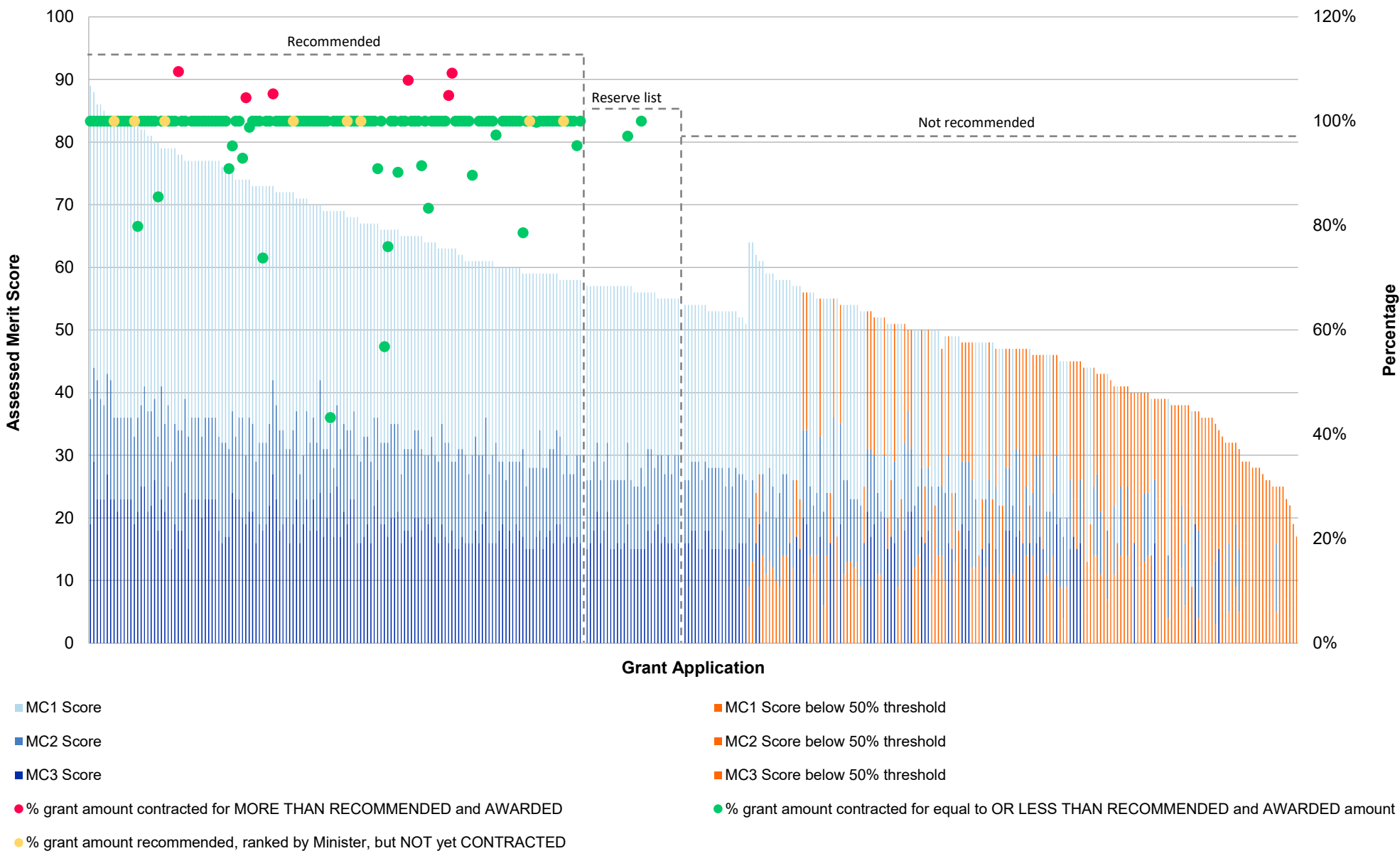
25 While earlier engagement with the applicant had identified that the applicant intended to seek reimbursement for works already completed this did not result in appropriate scrutiny of the application against the stated eligibility requirements before a recommendation was made that funding be approved.

the project was ineligible as funding could not be provided for 'reimbursement of expenses incurred by an organisation prior to the funding agreement being executed'. Emphasising the risks that arise where insufficient scrutiny is applied to assessing eligibility before funding recommendations are made and decisions taken, the Minister for Justice did not agree to a departmental recommendation that he withdraw the funding offer to the applicant.

3.7 Rather than seek to identify and remove from consideration all applications that did not meet all eligibility criteria (this being both applicant eligibility and project eligibility), starting with the second round potentially ineligible applications (mostly based on the more detailed eligibility criteria required to assess project and activity eligibility) were permitted to proceed to the merit assessment stage with the risk of funding being awarded to ineligible applications being addressed by the development and approval of a list of 'reserve applications' (see Figure 3.2). In the recommendations briefing to the Minister for the second round, the need for a reserve list was explained as follows:

Some of the recommended projects have ineligible items which will be removed at contract negotiations, freeing up additional funds. The amount of funding available from ineligible items is unknown until contract negotiations are concluded. Consistent with advice from DIIS [*the then acronym for DISER, the department responsible for the Business Grants Hub*], it is recommended that you create a reserve list in priority order to fund projects with the remaining funds as they become available.

Figure 3.2: Funding recommendations and decisions: Round 2



Source: ANAO analysis of departmental records and GrantConnect data.

3.8 Across the six selection processes where a reserve list was put forward:

- there was one application recommended to be included on a reserve list for every four applications recommended for approval; and
- for every \$1 million recommended for approval, \$217,198 in potential grants was proposed to be included on a reserve list.

3.9 Assessment records, and advice to the Minister, noted that ineligible expenditure in grant applications recommended for funding was not consistently (or completely) removed (or identified and quantified) from recommended grant amounts, and instead proposed that ineligible expenditure be removed during agreement negotiation with successful applicants. It was not evident that sufficient scrutiny was later applied during the grant agreement negotiation stage to eligible project cost matters not rigorously examined during the assessment stage. Relatively few (6 per cent) of the 611 approved applications were contracted for a grant amount that differed from the approved amount (with total reductions of \$5.67 million, or 8 per cent of the total amount approved). Consequently the funding expected to be released through agreement negotiations on ineligible expenditure was limited, and only 21 per cent of the 426 applications included on one of the reserve lists has been contracted (according to data published on GrantConnect).

3.10 The recommendations briefings for each of the eight selection processes included information on the 180 applications that had been assessed as ineligible over the eight selection processes. A total of \$1.12 million in grant funding was awarded to five of those 180 applications comprising two applications assessed as ineligible (on the basis that the applicant was ineligible, see paragraph 2.21, second bullet point) in the Round 3 Early Intervention stream (\$577,784 in grant funding) and three applications in the Round 5 Infrastructure stream. For Round 5, in two applications the buildings on which the security infrastructure was planned to be placed had not yet been constructed, thus the applicants were assessed as ineligible, while in the third application the applicant's project was assessed as ineligible because 67 per cent of the proposed expenditure was ineligible — as a festival — and once removed the amount sought was less than the minimum amount threshold for the program. All applicants were awarded full funding, totalling \$543,579 in grant funding.

3.11 These figures do not include those applications that were identified as being ineligible in whole or part after grant funding had been awarded.

## Recommendation no. 2

3.12 The Department of Home Affairs require that the assessment of grant applications identify any ineligible expenditure so that the amount recommended for funding reflects only proposed expenditure that has been assessed as eligible.

**Department of Home Affairs response:** *Agreed.*

3.13 *For future funding rounds of the Safer Communities Fund, the Department will work with the relevant grants hub to remove identified and quantified ineligible expenditure in grants applications during the assessment process.*

3.14 *The Department will also work with the relevant grants hub to undertake sufficient scrutiny of any Safer Communities Fund grant applications that are approved for funding at the grant agreement negotiation stage to ensure any ineligible project costs identified at this stage are excluded from grant agreements.*

**Department of Industry, Science, Energy and Resources comment:** *Noted.*

3.15 *The department will continue to review eligible expenditure based on information provided at time of the application.*

3.16 *However, it is noted that information on project costs provided in applications can be limited, which means identifying all ineligible expenditure at this stage is not always possible.*

3.17 *For this reason the department completes a more thorough cost check as part of the agreement finalisation process for funded projects which uncovers any other ineligible expenditure that is not evident at agreement application. Undertaking the full cost check at agreement stage helps to reduce the regulatory burden on applicants, provides equitable probity provisions (because it avoids the situation of contacting applicants during the application and assessment process), provides for more timely program decisions and outcomes, and reduces the system/application form changes.*

3.18 *The department will work closely with the Department of Home Affairs to give effect to this recommendation, noting the process outlines above.*

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

The identified appraisal criteria were applied to assess the merits of candidate projects. There were shortcomings including inconsistencies evident in the quality of the assessments undertaken against the appraisal criteria.

3.19 As illustrated in Table 2.1, each selection process employed three appraisal criteria with the first criterion requiring the applicant to demonstrate how its project would contribute to the program objectives and intended outcomes. Applications that proceeded to merit assessment were assessed against the appraisal criteria as described in the guidelines for each selection process.

3.20 Applicants were informed that they must provide evidence to support their claims that was specific to the project location including, as relevant for the first criterion, crime statistics, letters of

support, photographs and a crime prevention strategy. The records of the assessment work provided to the decision-makers for each of the selection processes typically focused on how well the applicant had articulated its case for receiving funding rather than the substantive merit of the application against each of the criteria.<sup>26</sup> For example, assessments against the first criterion (which was focussed on the extent to which an application would contribute to the program objectives and intended outcomes and was weighted at 50 per cent of the total score) would comment on whether supporting information such as crime statistics had been included to support their claims, without addressing whether the supporting material clearly evidenced that there was a need for the project.

3.21 In this respect, during Round 4, permission was sought on behalf of 23 applicants (seeking \$18.8 million in grant funding) to use the same 'national threat assessment', the same letter of support from Victorian Police and same letter of support from New South Wales police as the evidence to support claims various applicants would make against the first merit criteria (and thus the supporting material was only required to be submitted once). DISER agreed to this approach. When applications were assessed, although the evidence in support of the claims was the same material, the 23 applicants were scored differently against the first merit criteria, from as high as 43 out of 50, to as low as 18 out of 50. Funding was recommended to 14 of the applicants, and awarded to 15 (\$9.4 million in total).

3.22 ANAO identified 388 applicants who submitted multiple applications across multiple rounds of the program. Scoring of the applicants across merit criteria throughout the program varied. One applicant who was not recommended, but awarded funding in Round 2, was recommended and awarded further funding in Round 5. The applicant's score against merit criteria 3 (capability, capacity and resources) dropped from 17 to 10. The assessment for Round 2 noted the applicant had not justified project costs (which included 'building a new bathroom, new carpark spaces, floor tiles') and the 'key risks for the project or how these will be managed' could not be located. The Round 5 assessment similarly noted that 'the application could be improved had the applicant described key targets and metrics that will be used to define the success of the project.' No reference was made to the impact of previous funding and infrastructure investments.

3.23 Table 3.1 illustrates the various assessment of applications submitted by another applicant in four of the selection processes for works that were similar each time.

**Table 3.1: Assessment of one applicant across multiple applications and rounds**

	Round 2	Round 3	Round 4	Round 5
Summary of project description	<ul style="list-style-type: none"> <li>install CCTV and appropriate lighting around the entire perimeter of the property and the building.</li> <li>install a 2.1m fence along one side ([Street Name] St) of our premises; and</li> </ul>	<ul style="list-style-type: none"> <li>installation of CCTV and appropriate lighting around the entire perimeter of the property and the building,</li> <li>the installation of a 2.1 m fence along one side ([Street Name]</li> </ul>	Bolstering the external perimeter security through the: <ul style="list-style-type: none"> <li>installation of a comprehensive back to base CCTV system;</li> <li>boom gate; and</li> <li>bollards.</li> </ul>	Install: <ul style="list-style-type: none"> <li>a boom gate,</li> <li>63 bollards; and</li> <li>blast proof fencing</li> </ul>

<sup>26</sup> See further at paragraph 4.45.



	Round 2	Round 3	Round 4	Round 5
	<ul style="list-style-type: none"> <li>security ramming bollards along the front perimeter of the property and electric bollards in the driveway.</li> </ul>	St) of our premises; and <ul style="list-style-type: none"> <li>security ramming bollards along the front perimeter of the property.</li> </ul>		
Funding sought	\$837,037	\$208,405	\$392,706	\$1,000,000
Criterion 1	31 / 50	25 / 50	38 / 50	33 / 50
Criterion 2	8 / 20 (40%)	17.5 / 30 (58%)	24 / 30 (80%)	23 / 30 (77%)
Criterion 3	5 / 30 (17%)	8 / 20 (40%)	12 / 20 (60%)	13 / 20 (65%)
Assessor comments	<ul style="list-style-type: none"> <li>'a considerable amount of security infrastructure already present on the premises, including bollards, CCTV and perimeter protection. A need for additional security has not been sufficiently justified within the application'</li> <li>quotes did not align to project costs</li> <li>ongoing support costs were not committed to by the applicant</li> </ul>	<ul style="list-style-type: none"> <li>'found the application could have been greatly strengthened with a detailed description of how the project will contribute to improve community safety and wellbeing found the merit would have benefitted with the inclusion of the most current crime and anti-social statistics relevant to the project location.'</li> </ul>	<ul style="list-style-type: none"> <li>applicant had provided 'more than one quote for most of the components'</li> <li>noted 'gaps in' how 'interactions between security guards and students would be managed'.</li> </ul>	<ul style="list-style-type: none"> <li>'the application would have benefited from the inclusion of a clear strategy regarding the targets and metrics to be used to measure the success of the project.'</li> </ul> <p><i>ANAO: No reference was made to the previous applications, award of funding, or the pre-existing infrastructure noted in the Round 2 assessment.</i></p>
Home Affairs recommendation	not recommended	not recommended	\$392,706 recommended	\$500,000 recommended
Funding decision	not awarded	not awarded	\$352,706 awarded	not awarded

Source: ANAO analysis of departmental records.

3.24 Another applicant submitted 22 applications across three infrastructure rounds. For Round 2 the applicant was consistently scored 23 out of 30 for the third merit criteria (relating to project delivery) over the 12 applications with assessors noting the same language on all assessments that 'The assessors are confident that the applicant has access to skilled and experienced personnel to undertake the project', and reference was made to the executive level oversight of the project and use of the applicant's 'specialist departments for procurement, legal, finance, and tenders' and the

project measurement which included ‘police reports, business surveys, residence feedback, and noting the percentile of illegal dumping following the project period.’ In later applications, the same applicant scored as high as 17 out of 20<sup>27</sup> and as low as 5.75 out of 20 against the project delivery criterion. With assessors noting a ‘strong corporate structure [...] and access to required experience and skills’ but found project measurement lacking. No mention was made of the relationship between the project and religious or racial intolerance as required against the criteria. It was only in Round 5 that the assessors noted that the applicant ‘poor substantiated the extent of harassment or violent stemming from religious intolerance’ and ‘poorly linked’ the project ‘reducing religious intolerance’.<sup>28</sup>

3.25 Of the 2,292 applications that were the subject of a merit assessment across the eight selection processes, the significant majority of applications (96 per cent) were for infrastructure activities (such as installing CCTV cameras, security lighting and/or fencing) across the five competitive selection processes. The distribution of assessment scores against the first merit criterion in those selection processes, as illustrated by Figure 3.3 suggests that applications in the latter selection processes (Rounds 4 and 5) which involved the majority of funding<sup>29</sup> were expected to make a significantly reduced contribution to the program objectives than those received in the earlier selection processes:

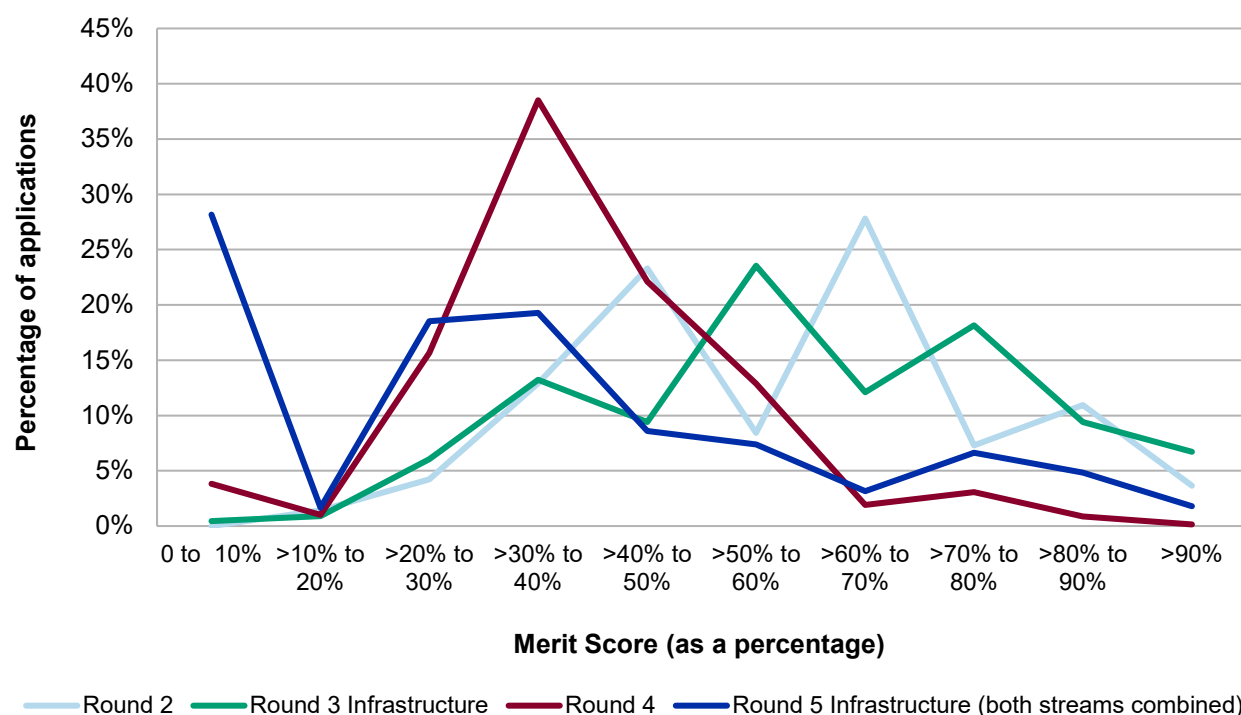
- the average score against this criterion declined from 29 and 31 in the first two selection processes to 21 in Round 4 and 18 in Round 5;
- in rounds 2 and 3, 50 per cent and 46 per cent of applications respectively scored more than 30 out of 50 against this criterion, whereas only six per cent of Round 4 applications and 16 per cent of Round 5 applications scored this highly; and
- in Round 5, more than one quarter (28 per cent) of applications were awarded a score of 5 out of 50 or lower.

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27 The weighting for that criterion was reduced from 30 per cent to 20 per cent after the second round – see Table 2.1.

28 See also paragraph 4.45.

29 The grant funding available in Rounds 4 and 5 (excluding the Early Intervention stream) totalled \$85.3 million, 84 per cent more than the \$46.3 million available in Rounds 2 and 3 (excluding the Early Intervention stream).

**Figure 3.3: Distribution of scores awarded against first merit criterion**

Source: ANAO analysis of departmental records.

3.26 While the average scores and distribution of scores awarded across the five selection processes for the other two merit criterion was more consistent than was the case for the first criterion, analysis of individual assessments indicated that the quality of the assessment work varied. The variable quality of the assessment work was particularly evident where an entity submitted multiple applications within the same round, or in consecutive rounds. For example:

- in Round 2 the Minister approved \$1 million in funding to an applicant that had been assessed as not representing value for money. The Minister recorded that ‘since the DIIS assessment this project has been rigorously assessed by the Victorian State Gov and has met criteria substantially the same as merit criterion 2’ (relating to the impact that grant funding would have on the project), where it had been scored 9 out of 20. It had also not scored highly against the other two criteria (being awarded 25 out of 50 for the first criterion and 17 out of 30 for the third criterion). This organisation also submitted an application in the Round 5 Infrastructure stream, which was recommended and approved for a grant of \$411,526, having been recommended for approval on the basis of high scores achieved against the first two criteria (43 out of 50 for the first criterion and 25 out of 30 for the second criterion) and a score of 10 out of 20 for the third criterion (the assessment score rationale did not address how the applicant had performed with delivering the project funded in Round 2);
- another applicant submitted 15 applications in the Round 3 Infrastructure stream with those applications being awarded scores of between 10 out of 30 to 20 out of 30 for the merit criteria relating to the need for funding to deliver the project, and 8.5 out of 20 to 12.25 out of 20 for capability, capacity and resources to manage the delivery of the project. The scores awarded to 10 of the applications saw them included on the list of

candidate projects for the reserve list, with seven approved by the Minister for inclusion on the reserve list;

- in the Round 5 Infrastructure stream an applicant applied for \$998,550 for a project to install various security infrastructure, was recommended for funding and was awarded a grant. This entity had unsuccessfully applied for a grant in Round 4 seeking \$999,924 to improve the college's security infrastructure and minimise the risks associated with racial attacks on the students through armed guards, various security infrastructure and staff training. The assessment of the unsuccessful Round 4 application had awarded a score of 11 out of 20 for the applicant's project delivery 'capacity, capability and resources'. The score awarded against this criterion to the successful Round 5 application from the same proponent was nearly double, being awarded the maximum possible score of 20 out of 20; and
- another applicant, submitted successful applications in Rounds 4 and 5. The assessment scoring indicates that there was a greater need for project works at this location in Round 5 after the award of funding in Round 4 (the score against the first merit criterion was 43 in Round 4 and the maximum possible score of 50 in Round 5) and that the impact of grant funding was also expected to be greater from the second grant than from the first grant (the score against the second merit criterion was 16 out of 30 in Round 4 and 20 out of 30 in Round 5). The applicant was awarded the maximum possible score (20 out of 20) against the third criterion in each round.

## Were assessed applications ranked in accordance with the program guidelines?

Applications were mostly ranked in accordance with the grant opportunity guidelines published for the particular selection process. A transparent and consistent approach was not employed to individually rank applications that had been awarded the same overall assessment score.

3.27 As set out in the CGRGs<sup>30</sup>, for competitive selection processes, the scores awarded against the published assessment criteria are used to determine application rankings. The use of scores to develop application rankings was further supported by the SCF grant opportunity guidelines including a statement that funding would only be awarded to applications that score at least 50 per cent against each assessment criterion, as these represent best value for money. This requirement was not consistently applied across all applications, as follows:

- in the first selection process, one application that had scored less than 50 per cent against the third criterion was approved for funding;
- in the second selection process, there were seven applications that were not included in the recommendations briefing therefore not considered for funding approval. Six of those seven applications had met the requirement of achieving a scored of at least 50 per cent against each of the three criteria; and

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30 See page 40 of the Commonwealth Grants Rules and Guidelines (2017).

- in the Round 3 infrastructure stream, one application that had scored less than 50 per cent against each of the criteria was put forward by Home Affairs as a candidate for inclusion on the reserve list.

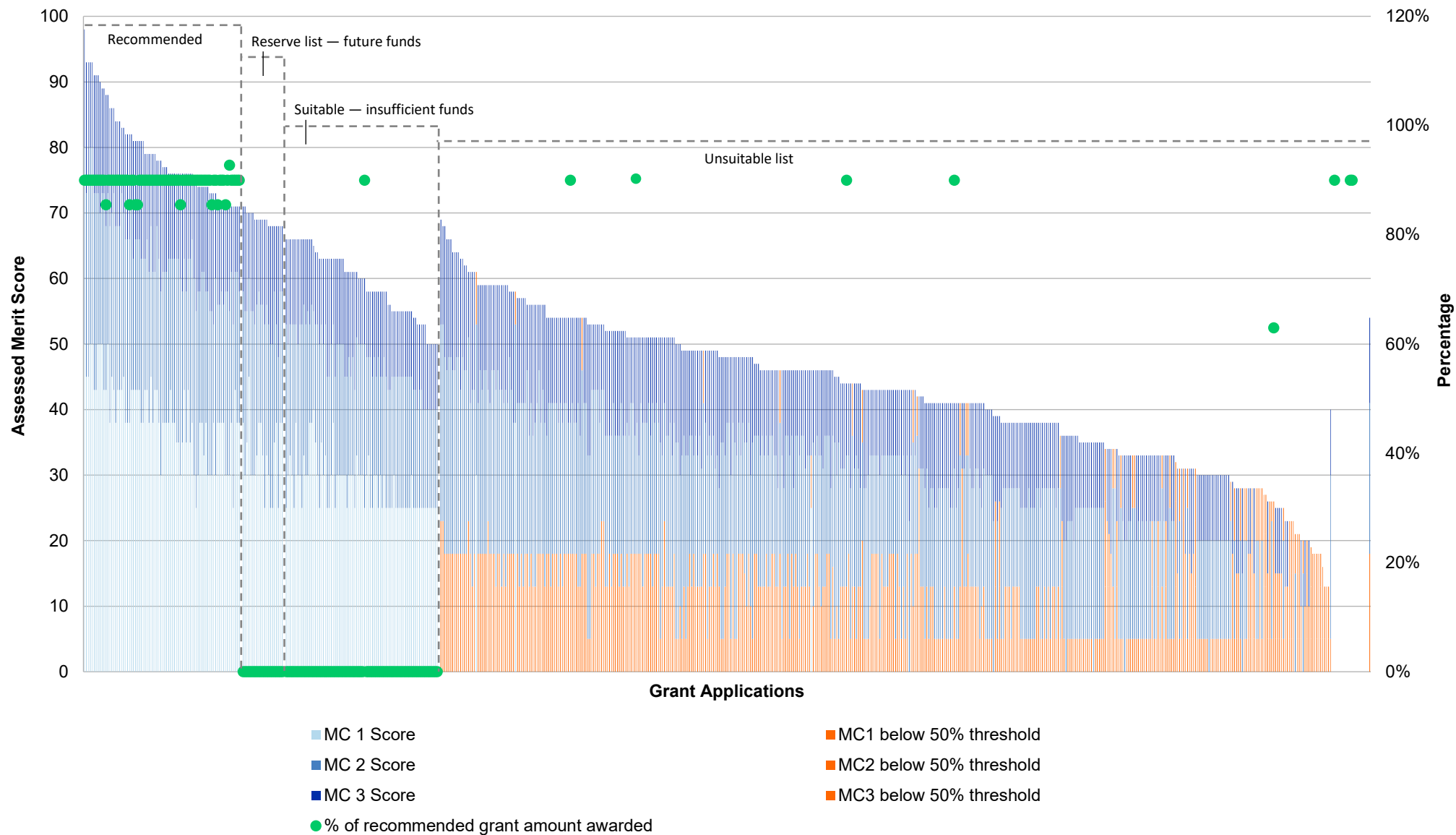
3.28 Consistent with the published grant opportunity guidelines, scores against the published criteria were used to rank applications. The guidelines did not address how applications that achieved the same overall score would be ranked, and different approaches were taken in the various selection processes:

- in the first round, applications that had been awarded the same total score were ordered alphabetically;
- in the Round 2, Round 3 Infrastructure, Round 5 Infrastructure and Round 5 Northern Territory, applications with the same total score were ranked according to their application number, generated when the applicant submitted its application.<sup>31</sup> Nine of those applications that score 71 points in the Round 5 Infrastructure stream were recommended and awarded grant funding. Two that were placed on the list of candidates for the reserve list were not awarded a grant (see Figure 3.4);
- for the first Early Intervention stream selection process (part of Round 3) applicants that achieved the same total score were ranked by highest score in higher weighted (first) merit criterion (50:30:20). Applications that had been awarded the same scores for all merit criteria applications were ranked alphabetically by applicant name. In the second selection process for the Early Intervention stream (part of Round 5), where applications that had been awarded the same total score and identical scores across all merit criteria were then ranked by application number; and
- for Round 4, applications were ranked according to the order in which they had been received (see Figure 3.5), which was consistent with the opportunity guidelines for that selection process.

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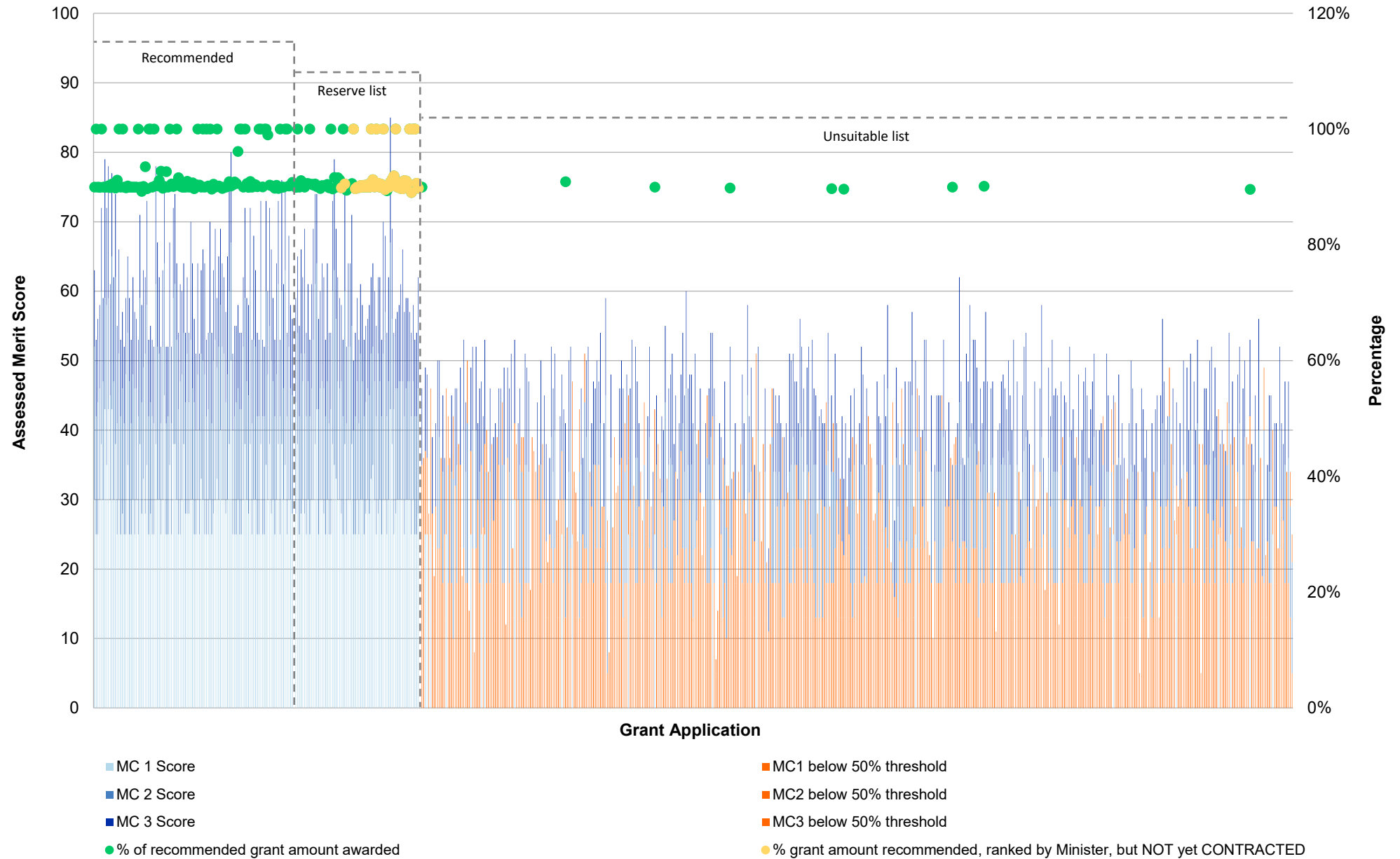
31 Numbers are sequential, with the earliest submitted application having a numerically smaller application number than later applications.

**Figure 3.4: Funding recommendations and decisions: Round 5 Infrastructure stream**



Source: ANAO analysis of departmental records and GrantConnect data.

**Figure 3.5: Funding recommendations and decisions: Round 4**



Source: ANAO analysis of departmental records and GrantConnect data.

### Recommendation no. 3

3.29 The Department of Industry, Science, Energy and Resources clearly identify in the grant opportunity guidelines for competitive selection processes how applications that achieve the same score will be ranked.

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

3.30 *The department will clarify the decision making process in future grant opportunity guidelines.*



## 4. Funding decisions

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### Areas examined

The ANAO examined whether funding decisions were appropriately informed and documented, as required by the *Public Governance, Performance and Accountability Act 2013* and the Commonwealth Grants Rules and Guidelines.

### Conclusion

Funding decisions were not appropriately informed by departmental briefings and, for the majority of decisions, the basis for the decisions was not clearly recorded. While the department clearly identified those applications it recommended be awarded for funding:

- except for one of the eight selection processes, the department did not provide adequate information on the results of the assessment of each eligible application against the published merit criteria; and
- for six selection processes, the department put forward lists of candidate applications for inclusion on 'reserve' lists without any recommendation as to which of those should be selected, or why.

The recorded basis for the funding decisions did not adequately explain decision making around the award of partial funding to applications, the inclusion and ranking of applications on the reserve lists, or how information other than the results of the assessment process resulted in decisions to award funding.

### Areas for improvement

The ANAO made two recommendations aimed at improved briefing of decision-makers and more transparency and equity over the processes by which decisions about the award of grant funding are able to be influenced by information other than the assessment of the grant application. In addition, there would be benefits in the Commonwealth Grants Rules and Guidelines explicitly addressing whether applicants should be able to interact with decision-makers prior to grant funding decisions being taken and, if so, how risks to the principles of equity, transparency and probity are to be managed.

4.1 Section 71 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) states that 'A Minister must not approve a proposed expenditure of relevant money unless the Minister is satisfied, after making reasonable inquiries, that the expenditure would be a proper use of relevant money'. The PGPA Act defines 'proper' as efficient, effective, economical and ethical.

4.2 Within the legislative framework governing decisions to spend public money, the Commonwealth Grants Rules and Guidelines (CGRGs) contain a number of decision-making and reporting requirements that apply to Ministers when a Minister exercises the role of spending approver. Specifically, the CGRGs require that:

- the decision-maker obtain written advice on the merits of proposed grants before making funding decisions (para 4.10);
- the decision-maker record the basis of the approval (para 4.10) as well as the terms of the approval as soon as practicable after the approval is given; and

- decisions to approve projects recommended for rejection be included in an annual report to the Finance Minister due by 31 March of each year (para 4.12).

### **Were timely and clear funding recommendations provided to the decision-maker that reflected the results of the assessment process?**

Funding recommendations for three of the eight selection processes were timely. In its written funding recommendations briefings, Home Affairs clearly identified which applications it recommended be approved from the available program funding. Other aspects of the briefings did not adequately reflect the results of the assessment process, as follows:

- in one selection process, the department recommended that the Minister reject those applications assessed as ineligible or as lacking sufficient merit based on the results of the assessment against the published criteria, this was not done for the other seven selection processes;
- for six selection processes, the department offered the Minister a list of ‘reserve’ applications to select from or rank, however, for none of those six processes did the department provide recommendations to the Minister as to which candidates for inclusion on the reserve list should be prioritised to receive any funding that became available (for example it did not recommend that the highest scored candidates be chosen); and
- except for the first selection process, insufficient information was provided to Ministers on the assessment of eligible applications against the three published merit criteria - specifically, from the second selection process onwards Ministers were not provided with the assessment score against each criterion and a summary of the reasons for each score awarded, instead they were provided with the aggregated score across the three criteria and a summary of each application’s assessed strengths and weaknesses.

4.3 Paragraphs 4.6 and 4.7 of the CGRGs set out minimum content requirements for departments when they are providing written advice to a Minister who is making decisions on proposed grant applications. This includes a requirement that the basis for recommending or rejecting each proposed grant be set out and reflect the merits of each potential grant relative to the program guidelines (including assessment against the selection criteria).

4.4 Funding recommendations for each selection process were provided in writing by way of one or more written Ministerial briefings.

4.5 The timeliness of Home Affairs provisions of funding recommendations to Ministers was mixed. For three selection processes, recommendation briefings were timely.

- The opportunity guidelines for the first round did not include expected assessment and approval timeframes Applications closed on 10 February 2017 with a funding recommendations briefing submitted some eight weeks later (on 6 April 2017).
- For the Round 5 Northern Territory and Infrastructure streams, both sets of guidelines outlined that the approval of selection process outcomes would occur in May 2020 and consistent with this timeframe, a funding recommendations briefing covering both streams was submitted on 25 May 2020.

4.6 For five selection processes, recommendations briefings were not timely.

- The funding recommendations briefing for the second round was submitted on 22 March 2018, more than four months after applications had closed on 10 November 2017.
- The guidelines for both streams of Round 3 outlined that assessment of applications was expected to take six weeks from the close of applications on 25 September (meaning completed by early November 2018), whereas:
  - a funding recommendations briefing for the Early Intervention stream was not submitted until 27 November 2018; and
  - funding recommendations briefings for the Infrastructure stream were not submitted until 8 January 2019 (primary briefing) and 14 February 2019 (ranking a second list of reserve applications).
- The funding recommendations briefing for the fourth round was provided on 20 August 2019, more than four months after applications closed (on 4 April 2019) whereas the opportunity guidelines had indicated that assessment would take four weeks.<sup>32</sup>
- The Round 5 Early Intervention stream guidelines stated that the outcomes of the selection process would be approved in March 2020 whereas the funding recommendations briefing was not submitted until 15 May 2020;

### **Clearly identifying those applications recommended for approval, and those recommended for rejection**

4.7 For each round, attached to the written briefing were tables of ineligible applications as well as eligible applications that had proceeded to be assessed against the merit criteria. Those tables identified the applicant, the amount of grant funding that had been applied for and a summary description of the project.

4.8 The briefings clearly identified the applications that Home Affairs recommended be approved for funding. Specifically, the covering briefing for each selection process identified the number and value of applications that Home Affairs recommended be approved for grant funding with a table attached to the briefing providing summary information on each of the individual applications that were recommended for funding.

4.9 Home Affairs did not consistently recommend that the remaining applications be rejected.<sup>33</sup> For six of selection processes, the department recommended that the Minister either 'note' or request to discuss with the department the applications not recommended for funding or assessed as ineligible (tables attached to the covering brief identified each application not recommended for

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32 While the assessment of applications to the fourth round was underway at the time the caretaker period for the 2019 Federal election commenced, the timing of the election period was not the reason for timelines not being met. The timeframes in the guidelines indicated that assessment of applications would be completed by early May 2019. As outlined at paragraphs 2.14 to 2.16, the assessment approach departed from that published in the guidelines which contributed to a funding recommendations briefing not being finalised until 16 August 2019.

33 'Recommended be rejected' is the language used in the CGRGs. The CGRGs explain that the basis for recommending or rejecting each proposed grant should be set out in the assessment material and should reflect the particular merits of each grant activity in terms of the grant opportunity guidelines (including assessment against the selection criteria).

funding or assessed as ineligible). A different approach was adopted for each of the two Round 3 selection processes:

- for the early intervention stream the recommendations section of the briefing offered the Minister the option of approving all applications, including the ineligible applications, whereas the body of the briefing (on page three) identified that approving ineligible applications would be ‘against the department’s recommendations’; and
- for the infrastructure stream the department recommended that the Minister agree to not fund the ‘unsuitable’ and ineligible projects.

### *Reserve lists*

4.10 In the second round, an approach was adopted of presenting the Minister with a reserve list of applications. Home Affairs originally identified the need for reserve lists so as to fully allocate the funding available in the round when the negotiation of grant agreements removed ineligible expenditure not identified as part of the assessment process, see paragraphs 3.4 to 3.10. As illustrated in Table 4.1, across the six selection processes, the amount of funding included by the department as both recommended and for inclusion on the reserve lists was \$66.4 million (45 per cent) greater than the total amount available for to be awarded.

4.11 Home Affairs adopted an inconsistent approach to identifying the population for inclusion on the reserve list. While initially the department restricted the reserve list (in Round 2) to the ‘next best’ applications rather than all applications that had met the minimum scoring threshold of 50 per cent overall as well as 50 per cent against each criterion, for four of the next five selection processes that employed a reserve list the department included all eligible applications that had met those scoring thresholds. In Round 3 this meant that the reserve list comprised 210 applications seeking \$41.3 million, a figure more than double the amount of funding available in that round. The department had proposed that the Minister create a ‘a reserve list of the next 15 applications’ without recommending to the Minister how to identify which candidates merited inclusion of the list. The Minister’s decision to award partial funding to 19 of the 70 recommended applications resulted in 54 applications on the reserve list being approved for funding. For the Round 5 Infrastructure stream, the department returned to the approach last observed in Round 2, employing a score threshold cut-off to limit the population of eligible applications identified as candidates for the reserve list.

4.12 Home Affairs employed an inconsistent approach to requesting the Minister rank applications on the reserve list. While for rounds 2 and 3 the department requested the Minister to rank applications on the reserve lists, for the fourth<sup>34</sup> and fifth rounds the department simply asked that the Minister approve the reserve list without ranking the candidates.

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34 The Round 4 briefing advised the Minister that the applications on the reserve list would be funded in the order in which they were listed, which was the order in which the applications had been received (as set out at paragraphs 2.13 to 2.15, the opportunity guidelines for Round 4 stated that applications would be assessed progressively in the order they were received and that applications that scored at least 50 per cent against each criterion would be recommended for funding).

**Table 4.1: Reserve list score ranges and funding recommendations**

Selection process	Available to award (\$m)	Range of scores on reserve list	Total \$m for projects recommended and on reserve list	Ratio
Round 2	28.4 <sup>a</sup>	55 – 57	32.0	113%
Round 3 Infrastructure	17.9	50 – 76.25	58.9	329%
Round 4 Infrastructure	50.3	50 – 85	63.0	125%
Round 5 Early Intervention	15.0	59 <sup>a</sup> – 72	18.1	121%
Round 5 Infrastructure	31.0	68 – 71	35.4	114%
Round 5 Northern Territory	4.0	53 <sup>b</sup> – 71	5.6	140%

Note a: Initially announced as \$28.6 million (see Table 1.1), Home Affairs recommended that the Minister commit \$190,000 for an evaluation of the program, reducing the amount available for awarding to applicants.

Note b: This is the lowest score of remaining eligible applications.

Source: ANAO analysis of departmental records.

### Information on the merits of eligible applications

4.13 For the first selection process, the attachment to the briefing that included summary information on the assessed applications included the score achieved against each criterion, and reasons for that score. This was consistent with the CGRGs requiring that the basis for recommending or rejecting each grant proposal be set out and that this 'reflect the particular merits of each grant activity in terms of the grant opportunity guidelines (including assessment against the selection criteria).

4.14 Starting with the second round, for the six of the other seven selection processes<sup>35</sup>, while the department continued to provide the scores achieved against each criterion for each application assessed, it no longer provided information that explained the reasons for the score that was achieved against each criterion. Rather, for each application, the assessed 'strengths' and 'weaknesses' were summarised, this is inconsistent with the CGRGs (see paragraphs 4.3 and 4.9). This approach did not enable Ministers to understand the rationale for the score awarded to individual applications against each of the published merit criteria.

4.15 In mid-October 2017, AGD raised with DISER a concern that, unlike the first round<sup>36</sup>, it would not be receiving information that explained the reasons for the scores awarded against each merit criterion to include in the supporting material for the funding recommendations briefing to the Minister. AGD identified that not receiving, and briefing the Minister, on the reasons for the score awarded against each criterion would be inconsistent with the agreed recommendation four from the ANAO's audit of the predecessor Safer Streets program.<sup>37</sup> DISER informed AGD that:

35 The exception was Round 3 Early Intervention, where the advice to the decision-maker provided the aggregate score for the three merit criteria, but the scores achieved against each criterion were not provided to inform the Minister's decision making.

36 DISER's advice to AGD was that: 'The procedures and reporting for Round 1 was, to some extent, treated differently given the nature of that round as an election commitment and designed with a minimal competitive hurdle for applicants.'

37 Auditor-General Report No.41 2014–15 *The Award of Funding Under the Safer Streets Program*.

The Business Grants Hub has been established to streamline grants administration across government by standardising whole of government grants administration processes. As part of this, the Business Grants Hub has established a suite of standard, compliant, optimised, whole of government processes and systems that ensure proven and consistent approaches to managing risk.

While we can adjust some of these processes to take into account program specific requirements (i.e. based on the differing levels complexity or risk for certain programs), creating bespoke templates, reports etc. reduces the efficiency of the Grants Hub delivery model and increases the risk of error when stepping away from our standard operating procedures. In addition, changes of this nature to our standard offering need to be costed accordingly, which may increase the overall cost of delivery and cause delays.

4.16 The ANAO is aware, as a result of performance audits of other grant opportunities administered through the DISER Business Grants Hub, that the Hub is able to provide for briefing purposes documented reasons on the scores awarded against each merit criterion.

#### Recommendation no. 4

4.17 When advising Ministers on the award of grant funding, the Department of Home Affairs provide information in its briefing that outlines the particular merits of eligible applications against the eligibility requirements, assessment criteria and any other factors relevant to decision making that were included in the grant opportunity guidelines.

**Department of Home Affairs response:** *Agreed.*

4.18 *The Department will work with the relevant grants hub to ensure that the assessment of applications outline the merits of eligible applications against each criterion for all grant programs.*

**Department of Industry, Science, Energy and Resources comment:** *Noted.*

4.19 *The department will work with the Department of Home Affairs on improving the presentation of assessments provided to them by the Business Grants Hub to include information against each merit criterion.*

#### Did the decision-maker record the basis for the funding decision relative to the grant opportunity guidelines?

For 54 per cent of approved applications involving 60 per cent of approved funding, the basis for the funding decision was either not clearly recorded or did not address the eligibility requirements and merit criteria published in the grant opportunity guidelines. Shortcomings related in particular to the basis for:

- approving partial funding to applications in three selection processes – it was not recorded how decisions were taken about which applications would receive partial rather than full funding, and how the amount of partial funding was derived;
- the inclusion or non-inclusion of applications on reserve lists to be contracted as and when grant funding became available, or how reserve applications were ranked (the

- applications approved for inclusion on the reserve lists were not those assessed as the 'next best' in terms of assessed performance against the published merit criteria); and
- the records of decisions did not set out how information collected during Ministerial visits to certain applicants and representations from Parliamentarians was being relied upon to inform an assessment against the grant opportunity guidelines.

4.20 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.

4.21 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 recording of the basis for approval was important for the SCF selection processes given that 225 of those applications awarded funding (at a value of \$47.9 million) were to applicants not recommended for funding. The CGRGs explain (at paragraph 13.3) that appropriately documenting grant approvals is one element of achieving probity and transparency.<sup>38</sup> Of the 225 applications awarded funding, 23 (involving \$7.40 million) had been assessed as either ineligible or unsuitable.

4.22 Table 4.2 outlines that, a clear basis for the decision to approve an application for funding<sup>39</sup> was recorded for 46 per cent of applications involving 40 per cent of the total funding approved. Details, by selection process, of the ANAO's analysis is set out in Appendix 1. Three particular shortcomings were common, involving:

- the approval process of reserve projects (see paragraphs 4.10 and 4.12);
- the practice of awarding partial funding; and
- the role that visits to grant applicants and representations from Parliamentarians played in the decision-making process (both discussed following).

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38 As outlined in Auditor-General Report No.31 2020-21 *Award of funding under the Supporting Reliable Energy Infrastructure program*, 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 as outlining the basis for their approval. Where decision-makers form a contrary view to the recommendation based entirely on the information contained in the agency assessment, it will be necessary for the decision-maker to identify the basis for their alternative conclusion. Where decision-makers base a decision to approve a grant on information or advice that is additional to that considered in the assessment process, they will need to document, for retention within the records of the administration of the grant program, the nature of that information (and, where relevant, the inquiries that may have been undertaken to obtain it) and the manner in which it was taken into account in the decision-making process.

39 Including decisions to include applications on the reserve lists.

**Table 4.2: Basis recorded for funding decisions across the eight selection processes**

Selection process	Clear basis recorded		Clear basis not recorded	
	#	\$m	#	\$m
Round 1	65	9.397	Nil	Nil
Round 2 <sup>a</sup>	146	26.821	29	6.162
Round 3 Early Intervention	11	9.701	Nil	Nil
Round 3 Infrastructure	51	5.332	107	16.52 <sup>b</sup>
Round 4	25	1.738	169	58.413
Round 5 Early Intervention	8	18.104	Nil	Nil
Round 5 Northern Territory Infrastructure	26	5.597	Nil	Nil
Round 5 Infrastructure	Nil	Nil	89	30.969
<b>Total</b>	<b>332</b>	<b>76.69</b>	<b>394</b>	<b>112.064</b>

Note a: For further information on Round 2 and the approach to selecting of applications from reserve lists of suitable applications see Appendix 4.

Note b: For further information on Round 3 Infrastructure and the approach to selecting and awarding partial funding applications see Appendix 4.

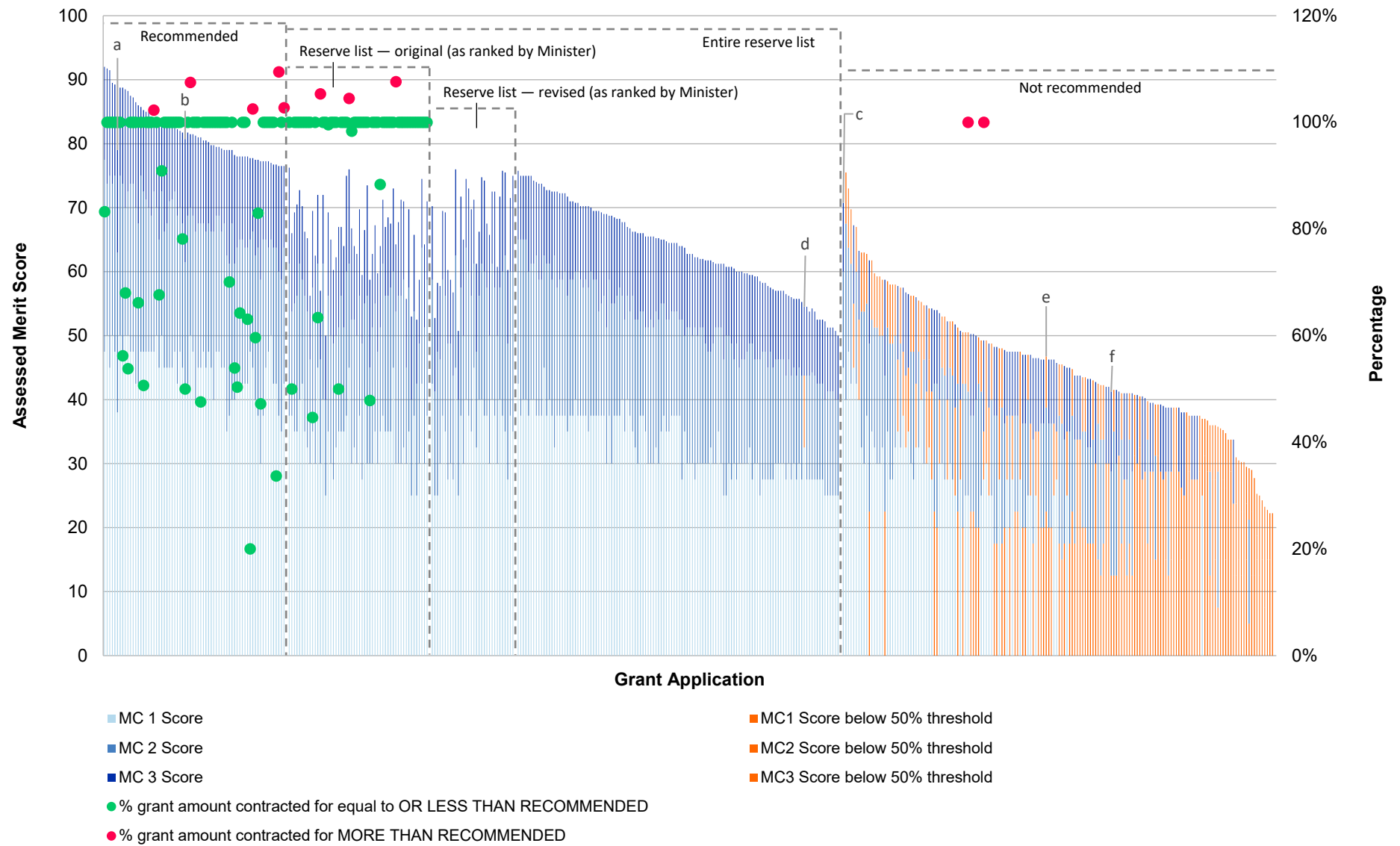
Source: ANAO analysis of departmental records.

### **Selection of successful projects from reserve lists**

4.23 For rounds 2 and 3 where Home Affairs asked the decision-maker to select and rank projects from those applications included as candidates on a reserve list, the department did not ask that the reasons for selecting those applications be recorded. As illustrated by Figure 4.1, applications chosen for inclusion on the reserve list were not necessarily those from among the candidates that had achieved the highest scores against the published criteria.



**Figure 4.1: Funding decisions for Round 3 Infrastructure**



- Note a: The brief to the Minister records the total score for this application as 89, 10 points higher than the actual total score of 79. The sum of the individual merit criteria in the brief add to 79.
- Note b: The brief to the Minister records the total score for this application as 81.75, as does the Assessment Report held by the Department. The score for Merit Criteria 1 in the brief to the Minister is less than what is recorded Assessment Report.
- Note c: This application was assessed and recorded as eligible, and progressed to merit assessment. The application was assessed to achieve a total merit score of more than 50, and achieved a score of greater than 50% for each of the individual merit criteria. It is not clear why this application was not recommended to the Minister.
- Note d: The brief to the Minister and the Departmental Assessment Report each record a score against Merit Criteria 2 of 11.25 for this application. This is less than the 15 points required to meet the minimum 50% threshold for each separate merit criteria. It is not clear why this application was included in the list of suitable applications for Ministerial consideration.
- Note e: The brief to the Minister and the Departmental Assessment Report each incorrectly sum the total score for this application, understating the total score by 0.25 points (recording a total of 46.25, rather than 46.75). This graph depicts the correct total score.
- Note f: The brief to the Minister incorrectly sums the total score for this application, overstating the score by 0.25 points. This graph depicts the correct total score.
- Source: ANAO analysis of DISER, Home Affairs and Grant Connect data.

### **Award of partial funding**

4.24 As set out in Appendix 4, for three of the eight selection processes, the amount of grant funding awarded to individual applicants was reduced compared with the amount applied for reasons not related to whether the amount of the grant included ineligible expenditure.

4.25 The grant opportunity guidelines used for each selection process identified that grant funding would not be awarded for ineligible expenditure. The guidelines did not foreshadow any other reasons for awarding partial funding, how it would be decided which applications would be funded in part or how the quantum of any partial funding would be decided.

4.26 In October 2021, the ANAO sought advice from Home Affairs in relation to the basis for decisions to award partial funding to some applications, and the amount of funding to be awarded. The department was not able to provide any relevant information to the ANAO that explained how these decisions were taken.

### **Visits to grant applicants and representations in support of applications**

4.27 The CGRGs require that, for probity reasons, decisions relating to grant opportunities be impartial. This means that all eligible applicants to a grant program should have equitable opportunities to access funding including in relation to the extent, if any, to which applicants or representatives of applicants will be given an opportunity to engage with, or make representations to decision-makers.<sup>40</sup>

4.28 While the grant opportunity guidelines for the SCF selection processes enabled applicants to include letters of support for their project at the time of submission they did not identify that applicants were able to engage with decision-makers through visits and representations to lobby for their application to be successful in preference to other applications. Home Affairs advised the ANAO in October 2021 that the guidelines were based on templates developed by the Department of Finance, and were tailored and approved through standard processes. The department further advised the ANAO that:

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40 See Auditor-General Report No.14 2007-08 *The Regional Partnerships Programme*.

Engagement by decision-makers with applicants 'was not a consideration in the design of the grant opportunity guidelines for any round of the SCF, nor has it been a consideration in the Department's recommendations on the allocation of funding under any round of the SCF. ...The Department is not in a position to provide oversight and advice to the Minister undertaking their duties as an elected official with respect to engagement with applicants or potential applicants unless this advice is specifically sought from the Department.

4.29 The decision-making records outline that certain applications were approved for funding on a basis other than the department's assessment against the published merit criteria.

- In the Round 3 Infrastructure stream, the Minister approved a total of \$199,570 in funding for two applications the department had not recommended on the basis of the assessment against the published merit criteria. The Minister had visited the two applicants in the context of an earlier by-election in the relevant Federal electorate, and publicly announced they would be awarded funding.<sup>41</sup>
- In Round 4, the Assistant Minister recorded that his decision to award a total of \$1.3 million to five applicants the department had advised him were unsuitable for funding (on the basis of the assessment against the published merit criteria) had been informed by visits he had undertaken to the applicants after applications for the round had opened and closed (applications to that round closed on 4 April 2019, with the visits occurring on 14 April, 26 August and three visits on 4 September 2019 – the department's funding recommendations briefing had been submitted on 20 August 2019).
- For two of those five Round 4 applications, the Assistant Minister recorded that his decision had been informed by both his visit and by representations he had received from a Member of Parliament. There were a further three applications (each of which had also been categorised as unsuitable for funding on the basis of their assessment against the published merit criteria) awarded a total of \$1.5 million on the basis of representations received from a Parliamentarian (one Senator and two Members).
- In the Round 5 Infrastructure stream, the Assistant Minister approved a total of \$2.9 million to seven applications on the basis of him having visited the applicant. The dates of the visits were not recorded. One of those applications had achieved a 'suitable' score against the published merit criteria but the scores were not high enough for it to either be recommended for funding or included on the list of candidates for the reserve list. Five other applications were categorised as 'unsuitable' due to their scores against the merit criteria and one application had been assessed as ineligible.<sup>42</sup>
- One of those Round 5 infrastructure stream applications had been approved on the basis of both a visit and the local Federal Member of Parliament writing in support of it. There was also a further project approved for \$87,525 of grant funding on the basis of a Member of Parliament writing in support of it.

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41 In August 2018 the department had advised the Minister he had two options to implement the public commitment: invite the proponents to apply under the open competitive infrastructure round or establish a stand-alone, non-competitive stream to fund the applications. The Minister approved the first option.

42 The assessment advice provided to the Minister was that, after removing ineligible expenditure that had been included in the application, less than \$10,000 of the application amount was eligible for funding (the minimum grant amount set out in the grant opportunity guidelines was \$10,000).

4.30 Applicants for grant funding invest time, effort, and resources in preparing and submitting their applications. Reflecting this, the CGRGs outline the importance of transparent and equitable access to grant funding opportunities, and include some specific obligations to give effect to this. In particular, the CGRGs require that grant opportunity guidelines be developed and made publicly available where grant applications are to be sought, and that the content of the guidelines should include the selection criteria and outline the grant approval process. The CGRGs do not specifically address the transparency and equity issues that arise when applicants seek to engage with decision-makers prior to decisions being taken on which candidates will receive grant funding. As the risks that arise in these circumstances are similar to those that would arise in a procurement if some tenderers were able to engage directly with the decision-maker, there would be benefits in the CGRGs explicitly addressing whether applicants should be able to interact with decision-makers prior to grant funding decisions being taken and, if so, how risks to the principles of equity, transparency and probity are to be managed.<sup>43</sup>

### What was the distribution of funding awarded under the program?

Funding was awarded to projects located in each State and Territory and to projects located in metropolitan and rural areas at rates that were consistent with the population of applications received. For the five selection processes involving an open call for applications (which involved 85 per cent of funding approved across the eight selection processes), the distribution of applications and funding approved in aggregate in electorate terms was reflective of the population of applications received. Applications were received from, and consequently funding was largely awarded to, community organisations that identified as Jewish or Christian. Relatively few applications were received from, and funding awarded to, community groups identifying as Muslim, Buddhist, Hindu or Sikh. Identified cultural groups were also not well represented in terms of either applications received or grant funding awarded.

### Distribution by state and remoteness classification

4.31 Grant applications were received and have been awarded funding across all States and Territories.<sup>44</sup> Applications for projects located in NSW represented the largest volume and value of applications received (25 per cent and 29 per cent respectively), followed by Queensland, Victoria and Western Australia.

4.32 Projects located in NSW also had the largest number and value of grants awarded (22 per cent and 31 per cent). While projects located in Queensland and Western Australia were more numerous than those located in Victoria<sup>45</sup>, a greater proportion of funding was awarded to projects located in Victoria (24 per cent) than in Queensland (17 per cent) and Western Australia (16 per cent).

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43 By way of comparison, the Commonwealth Procurement Rules require (in paragraph 10.8) that potential suppliers and tenderers be dealt with fairly and in a non-discriminatory manner following an approach to market and specifies that entities must avoid a potential supplier, or group of potential suppliers, gaining an unfair advantage in a competitive procurement process.

44 The ANAO's analysis is based on the location of the projects where work was to be undertaken, not the location of the applicant.

45 Of the projects approved, 21 per cent were located in Queensland, 20 per cent in Western Australia and 17 per cent in Victoria.

4.33 Across the program, the approval rates were 31 per cent (by number) and 23 per cent (by dollar value). Projects located in the Northern Territory were the most successful, with 57 per cent of applied for locations in that territory successful, involving 33 per cent of funding sought. In part, this reflected that a separate Northern Territory infrastructure projects stream was established in Round 5. Projects located in South Australia were the least successful, with 26 per cent of the locations applied for in that State approved, and 20 per cent of funding applied for in that State.

4.34 Applications were most often received for projects located in metropolitan areas (46 per cent by number) followed by projects located in rural areas (37 per cent). Approval rates were similar irrespective of whether the project was located in a metropolitan, provincial or rural area (ranging from 30 per cent to 33 per cent). Projects located in rural areas were, on average, seeking lower amounts of grant funding than those located in metropolitan or provincial areas and this was reflected in projects located in rural Australia receiving 21 per cent of the total value of grants approved, while representing 39 per cent of the number of projects approved.

### **Distribution by electorate**

4.35 The first funding round was established to fund identified election commitment projects.<sup>46</sup> This was reflected in the electorate distribution of funding with the majority of the projects, involving the majority of funding, was for electorates held by the Coalition, or Marginal electorates (as categorised by the Australian Electoral Commission, AEC) not held by the Coalition. Specifically:

- projects located solely<sup>47</sup> in a Coalition held electorate represented 59 per cent of total project locations, involving 51 per cent of approved funding. Funding was awarded to electorates categorised as Safe (48 per cent of the total awarded to projects located solely in a Coalition held electorate), Fairly Safe (36 per cent) and Marginal (16 per cent); and
- projects located solely in an electorate held by the Australian Labor Party (ALP) represented 27 per cent of total project locations, involving 43 per cent of approved funding. In all but one instance, the location was in a Marginal electorate, involving 99 per cent of the funding awarded to projects located in an ALP held electorate.

4.36 For the other seven selection processes, grants were awarded following the conduct of an application process. Two selection processes were targeted (the Round 3 and 5 Early Intervention streams) whereas the five largest selection process (Round 2, Round 3 Infrastructure, Round 4 and both streams of Round 5 Infrastructure) each involved an open call for applications.

4.37 For the five selection processes that involved an open call for applications, the majority of applications (53 per cent) involving 45 per cent of funding applied for related to projects located solely in a Coalition held electorate. Projects located in an electorate held by the ALP represented 33 per cent of applications by number, and 44 per cent of funding applied for. The remaining applications were located across multiple electorates. There were no applications received, and therefore available to be awarded funding, located in an electorate held by a minor party or independent member of the House of Representatives.

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46 The data obtained by the department for the Round 1 projects was an improvement over that obtained for election commitments funded under the predecessor program (Safer Streets) where electoral analysis was unable to be completed by ANAO due to the lack of information on the project locations in the application or the department's assessment.

47 Some projects were located in more than one electorate.

4.38 Consistent with the population of applications received, projects located solely in a Coalition held electorate represented 53 per cent of approved applications by number, and 47 per cent by grant value. Projects located solely in an ALP held electorate represented 37 per cent of approved applications by number and 44 per cent by value. The remaining approved applications were located in more than one electorate.

4.39 There was no trend evident in terms of projects in electorates classified as Safe, Fairly Safe or Marginal being more or less likely to have been approved for funding in aggregate across the five selection processes. For the individual selection processes, approval rates were typically similar to the rate at which applications had been received, except for:

- Round 3 where projects located solely in a Coalition held Marginal electorates and, to a lesser extent, Coalition held Fairly Safe electorates, represented a higher proportion of approved applications (in both numerical and dollar terms) than they represented as a proportion of the application population.<sup>48</sup> The funding awarded to projects located in Safe electorates and Fairly Safe electorates held by the ALP was lower in comparison to the proportion of the application population they represented;
- Round 4 where, while the proportion of applications approved was similar across each cohort in terms of the numbers of applications, the dollar value of grants approved diverged for projects located solely in:
  - a Coalition held Safe electorate, which received 23 per cent of funding approved compared with 15 per cent applied for;
  - an ALP held Safe electorate, which 42 per cent of funding approved compared with 50 per cent of funding applied for; and
  - a Coalition held Marginal electorate, which received six per cent of funding approved, compared with 12 per cent of funding applied for; and
- Round 5 Infrastructure stream, where projects located in a Coalition held electorate, particularly those classified as Fairly Safe or Marginal, were less successful in being awarded funding in comparison to their representation in the population of applications whereas projects located solely in ALP held electorates were more successful (increasing from 32 per cent of applications applied for to 58 per cent of applications approved, and from 41 per cent of funding applied for to 55 per cent of funding approved). The most significant increase was in ALP held electorates classified as Marginal (increasing from 10 per cent of applications applied for to 25 per cent of applications approved, and from 17 per cent of funding applied for to 26 per cent of funding approved).

4.40 Where the decision-maker ranked applications on reserve lists, the most significant trend was in Round 3 where the full recommended funding was more likely to be awarded to applicants in Coalition held Fairly Safe or Marginal electorates, and partial funding was more likely to be awarded to applicants in an ALP held Fairly Safe or Marginal electorates. No explanation was provided as to how the partial funding amount was arrived at (see paragraphs 4.24 to 4.26). Projects

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48 Projects located in a Coalition held Marginal electorate represented 22 per cent of applications (by both number and dollar value) and represented 29 per cent of approved applications and 37 per cent of approved funding. Projects located in a Coalition held Fairly Safe electorate represented nine per cent of applications (by both number and dollar value) and represented 14 per cent of approved applications and 17 per cent of approved funding.

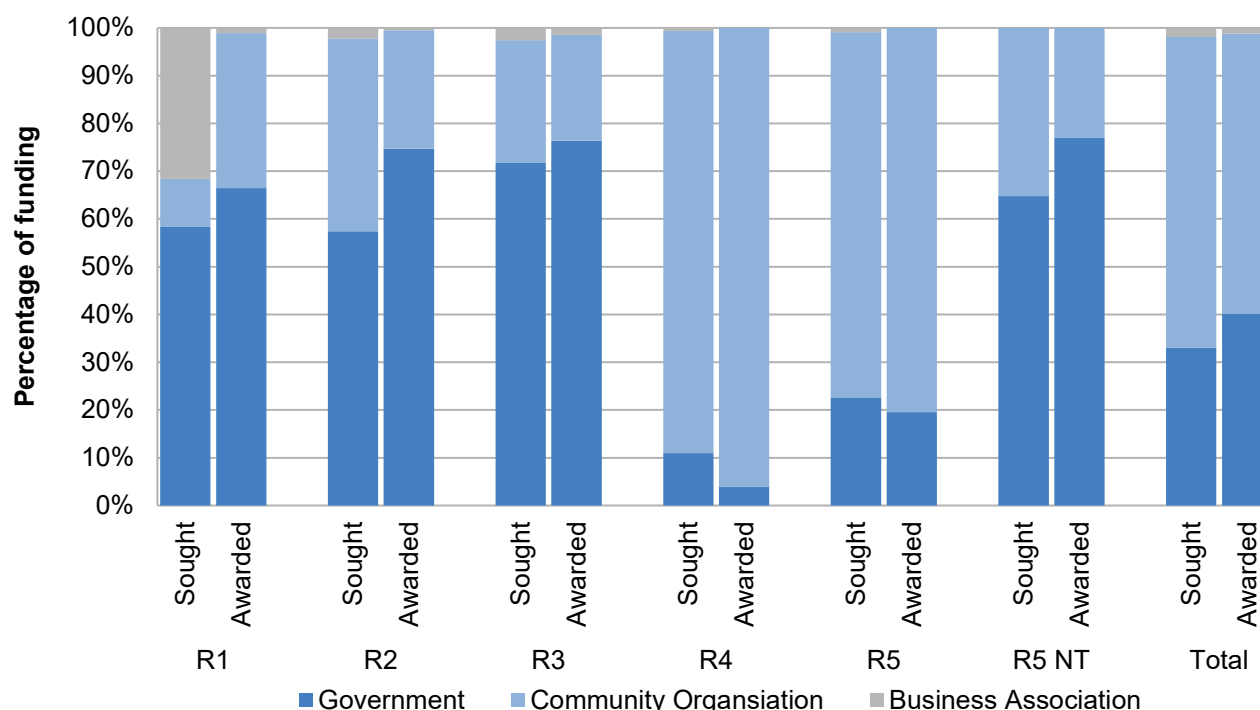
in Coalition electorates were more likely to be more highly ranked in the reserve list than those ranked in ALP electorates (for discussion on reserve lists see paragraphs 4.10–4.12, and Appendix 4 paragraphs 4–7).

### Religious and cultural distribution

4.41 The infrastructure streams were established to protect community organisations (and in some rounds, schools and preschools) from security risks associated with racial or religious intolerance. Applications were received from local and state/territory governments, community organisations and business organisations, with the majority of funding sought from community organisations. Of the community organisations, funding was sought from a mix of general community organisations<sup>49</sup> (27 per cent of locations, 11 per cent of funding), religious organisations (65 per cent of locations, 83 per cent of funding) and cultural community organisations<sup>50</sup> (9 per cent of locations, 7 per cent of funding).

4.42 As illustrated by Figure 4.2, the flow of approved funding generally reflected the characteristics of the population of applications received. When applicants from government organisations dominated the application pool, they also received the largest share of grant funding awarded (Rounds 2, 3 and 5 Northern Territory infrastructure). When the majority of applications were submitted by community organisations (in Round 4 and Round 5 Infrastructure) they also received the largest share of grant funding awarded.

**Figure 4.2: Percentage of funding sought and awarded across the SCF program**



Source: ANAO analysis of DISER and Home Affairs records.

49 Including for example: sporting clubs, men's shed groups, women's shelters, community neighbourhood centres, historical societies, theatre troupes, secular and non-denominational youth/disability/health/child care service providers.

50 Including for example: health care services targeting particular cultural groups; cultural arts/literature/language practice groups; cultural society groups; associations and councils; resource centres,

4.43 Except for Round 5, decision-makers were not provided with information on the proposed distribution of funding across religious and cultural groups. The advice noted that, of the 80 recommended applications, one application was recommended from the Anglican, Buddhist, Catholic and Pentecostal religions, two each from the Hindu and Roman Catholic religions, six from the Christian religion, eight from Islamic religions, 23 from 'other/non specified' religions, and 35 from Jewish religions. The brief did not discuss how this proposed distribution of funding addressed the objectives of the program.

4.44 Overall, 84 per cent of funding awarded to community organisations was to religious organisations. Further analysis of religious and cultural distribution by applicant project locations and funding sought is provided in Appendix 5, Table A.1, with further analysis by funding awarded at Appendix 5, Table A.2. These tables illustrate that:

- a significant proportion of applications were submitted by organisations identifying as Christian or Jewish<sup>51</sup>, with applications from organisations identifying as Jewish the most successful across the program. Organisations identifying as Christian also received a significant proportion of the grants awarded (but a lower proportion of funding);
- relatively few applications from organisations identifying as Muslim<sup>52</sup> were received in Rounds 2 or 3, with most of the applications from such organisations being received in Rounds 4 and 5. Apart from Round 4, which opened just before the Christchurch mosque terrorist attack and where program funding was increased as a result of the attack, applications from organisations identifying as Muslim received relatively little of the grant funding awarded in any of the rounds that involved a call for applications; and
- relatively few applications were received in any of the rounds that involved a call for applications, and therefore overall, from other applicants identifying as Buddhist, Hindu or Sikh. Reflecting that few applications were received, very little funding was awarded to applications from organisations identifying as Buddhist, Hindu or Sikh, including no applications from such organisations in Rounds 2 or 3.<sup>53</sup>

4.45 The Commonwealth Grants Rules and Guidelines require<sup>54</sup> that officials choose methods that will promote open, transparent and equitable access to grants. This includes ensuring that publicly available grant opportunities are notified in ways that provide all potential grantees with a reasonable opportunity to apply, and that careful consideration be given to the use of appropriate and effective promotion so as to increase awareness of grant opportunities in key target groups.<sup>55</sup> At odds with the CGRGs, a number of submissions received by the ANAO (through the citizen

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51 ABS Statistics from the 2016 census record Christianity as the identified religion of 52 per cent of the Australian population and Judaism 0.39 per cent of the population.

52 ABS Statistics from the 2016 census record Islam as the identified religion of 2.58 per cent of the population.

53 Contracts in Round 5 NT with Sikh and Hindu groups were not negotiated or entered into as funding for the Round was exhausted with high ranked candidates.

54 Paragraphs 8.5 and 13.12.

55 For example, in Auditor-General Report No.12 2016-17 *The Design, and Award of Funding Under, the Living Safe Together Grants Program*, the ANAO concluded that the Attorney-General's Department had taken a number of steps to make the program accessible, including promoting the funding opportunity in a number of ways in recognition that potential applicants would not be aware of the programme and the impending call for applications. The objective of that program objective was to support community-based, non-government and local government organisations to develop new and innovative services to help individuals move away from violent extremism.



contribution facility the ANAO has in place for each performance audit) from the Hindu and Tamil communities raised issues with the accessibility of the grant funding opportunity, including whether there is 'favouritism towards European religions or communities' and that 'multicultural communities who do not have the resources to employ expensive consulting firms to help prepare submissions'.<sup>56</sup> For example, in its November 2021 submission to the ANAO on this audit, the Hindu Council of Australia advised that:

Our communities constantly miss out on grants because the departments have a very bureaucratic, in fact almost a robotic, process for deciding on grants. They have taken out the human qualities of grant decision making. They have allowed an industry to bubble up of grant submission consultants and organisations that's charge thousands of dollars to make applications for the funding.

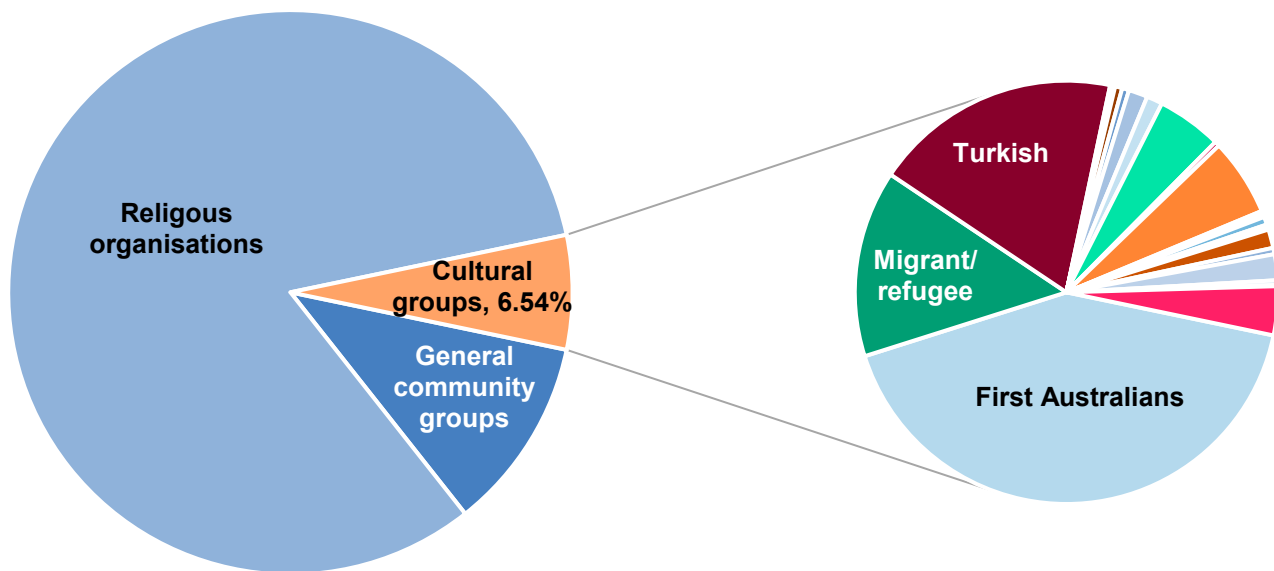
The departments have consistently failed to give grants to the Indian, Hindu, Jain, Buddhist communities. Our communities do not have the financial ability to get grant submission consultants to fill out applications.

4.46 Relatively few applications were received from cultural groups (see Figure 4.3). The award of funding was consistent with the low level of applications (see Figure 4.4).

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56 See paragraphs 3.21 and 3.25.

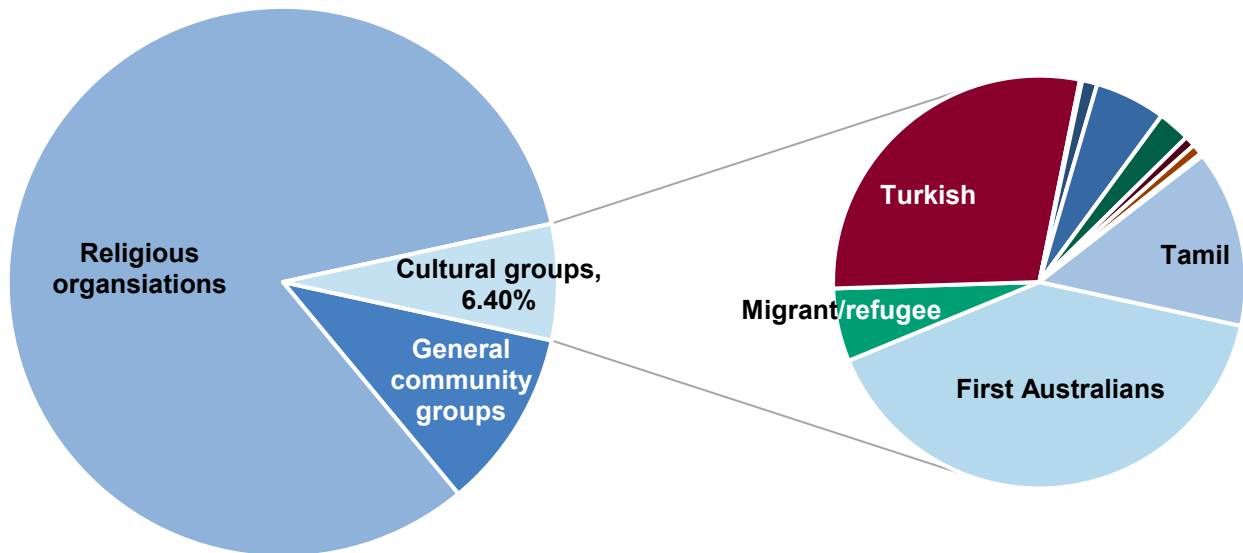
**Figure 4.3: Percentage of funding sought by cultural group across the SCF program**



Source: ANAO analysis of DISER and Home Affairs data.

4.47 Over the life of the program there have been 16 different cultural groups that have applied for funding that have not had any funding awarded: Filipino, Iraqi, Italian, Russian, Assyrian, Chinese, Congolese, Fujian, Indian, Iranian, Korean, Kurdish, Malaysian, Persian, Polish, Ukrainian.

**Figure 4.4: Percentage of funding awarded by cultural groups across the SCF program**



Source: ANAO analysis of DISER and Home Affairs records.

4.48 Applicants representing cultural groups rarely sought funding in subsequent rounds, even when initially unsuccessful. One entity that was successful in being awarded funding on multiple occasions was a health service provider for First Australians. This applicant is an experienced grant applicant who applied twice in Round 2 being awarded \$57,641.10, and three times in Round 3, being awarded \$40,480.

## Recommendation no. 5

4.49 The Department of Home Affairs tailor the application approach and processes so that the full range of the target audience for each grant opportunity are aware that funding is available and there are no perceived or actual barriers to entry. When there are multiple rounds of a program, the accessibility of the approach employed should be reviewed at the conclusion of each round.

**Department of Home Affairs response:** *Agreed.*

4.50 *The Department will work with the relevant grants hub to choose methods to promote and increase awareness of grant opportunities to relevant groups and ensuring that organisations from a diverse range of cultural, linguistic and religious backgrounds are aware of grant opportunities and have reasonable opportunities to apply.*

**Department of Industry, Science, Energy and Resources comment:** *Noted.*

4.51 *Following finalisation of Round 6 of the Safer Communities Fund process, the department will work with the Department of Home Affairs to explore ways in which accessibility can be improved.*

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Grant Hehir  
Auditor-General

Canberra ACT  
14 February 2022

## **Appendices**

## Appendix 1 Entity responses



Australian Government  
Department of Home Affairs

Grant Hehir  
Auditor-General  
Australian National Audit Office  
GPO Box 707  
Canberra ACT 2601

Dear Mr Hehir

Thank you for the opportunity to provide comments on the Australian National Audit Office's (ANAO) report on *The Award of Funding under the Safer Communities Fund* (Rounds One to Five).

The Department of Home Affairs (the Department) welcomes the report and would like to thank the ANAO for their collaborative approach during the audit process.

The Department is committed to better grants administration practice, consistent with its obligations under the Commonwealth Grants Rules and Guidelines and the Streamlining Government Grants Administration initiative led by the Department of Finance.

Since 2016 the Government has provided \$180.1 million to deliver on its commitment to reduce crime and improve community safety. This has included funding for local councils, schools, pre-schools, community organisations and places of worship to install and upgrade security infrastructure (such as CCTV, fencing and lighting); as well as funding for peak Police Citizens Youth Clubs, Bluelight organisations and Youth Off the Streets to engage at-risk youth and divert them from the criminal justice system.

Stakeholders have consistently reported good outcomes from Safer Communities Fund projects including an increase in perceptions of safety within their respective communities.

The report makes four recommendations to the Department to improve the process through which Safer Communities Fund grants are committed, as well as strategies to achieve greater consistency with the Commonwealth Grant Rules and Guidelines. The Department accepts these recommendations and will implement them.

The Department is also considering a number of other suggestions made in the report with respect to the design and administration of the wider suite of grant programs within the Home Affairs portfolio. This consideration will take into account the size and scope of the grant opportunity and the proportionality requirements outlined in the Commonwealth Grant Rules and Guidelines.

Please find attached a summary response to the report for inclusion in the formal report (Attachment A), as well as a response to each recommendation (Attachment B). We have also included one minor editorial matter for your consideration at Attachment C.

Yours sincerely

Ben Wright  
Chief Audit Executive  
31 January 2022

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PO Box 25 Belconnen ACT 2616 • Telephone: 02 6264 1111 • [www.homeaffairs.gov.au](http://www.homeaffairs.gov.au)



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

Thank you for your correspondence of 22 December 2021 seeking comment from the Department of Industry, Science, Energy and Resources (DISER) on the proposed audit report for the performance audit of the award of funding under the Safer Communities Fund.

The proposed report concludes that the award of funding under the Safer Communities Fund has been partly effective over the life of the program. The department notes this conclusion and accepts the recommendations, as they relate to DISER in its capacity of providing grants administration services to the Department of Home Affairs under the whole of government Streamlining Government Grants Administration Program.

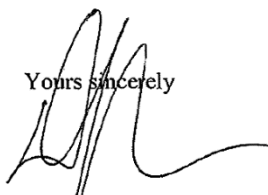
We will work together with the Department of Home Affairs to implement these recommendations for any subsequent rounds of the Safer Communities Fund as well as across other Australian government grants programs administered by the Business Grants Hub.

For your information, the department has recently implemented a grants continuous improvement framework. The framework seeks to co-ordinate all sources of feedback over the grants lifecycle – be it from businesses, external agencies or our program teams. It takes a project management approach to then prioritising, implementing and communicating opportunities for improvement.

Attached is the department's response to the relevant recommendations.

I would like to thank the Australian National Audit Office for its collaborative approach throughout the audit process.

Yours sincerely



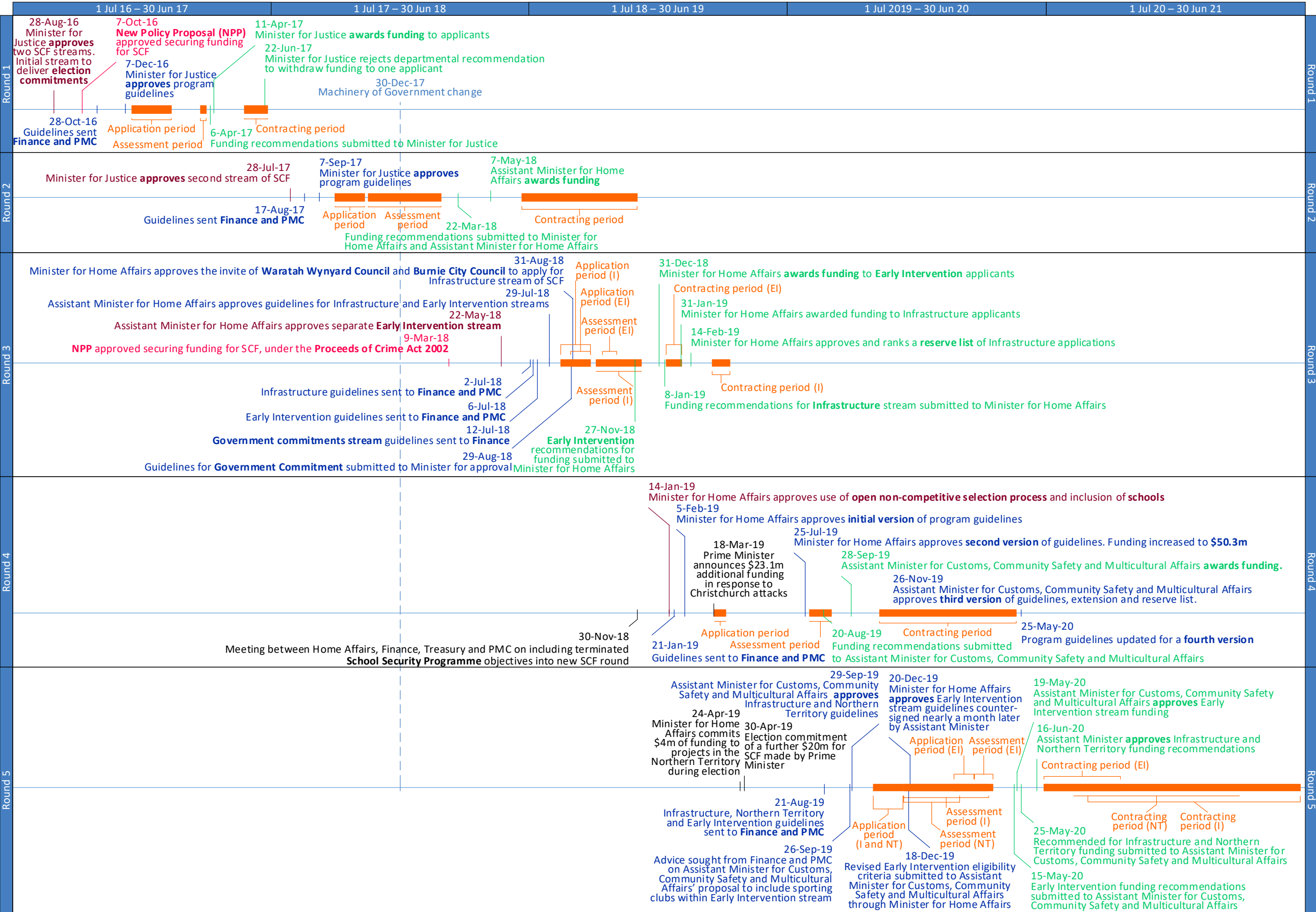
24 January 2022

Industry House - 10 Binara Street, Canberra City, ACT 2601 - GPO Box 2013 Canberra ACT 2601 - [www.industry.gov.au](http://www.industry.gov.au) - ABN: 74 599 608 295

## Appendix 2     Improvements observed by the ANAO

1.     The existence of independent external audit, and the accompanying potential for scrutiny improves performance. Improvements in administrative and management practises usually occur: in anticipation of ANAO audit activity; during an audit engagement; as interim findings are made and/or after the audit has been completed and formal findings are communicated.
2.     The Joint Committee of Public Accounts and Audit (JCPAA) has encouraged the ANAO to consider ways in which the ANAO could capture and describe some of these impacts. The ANAO's 2021–22 Corporate Plan states that the ANAO's annual performance statements will provide a narrative that will consider, amongst other matters, analysis of key improvements made by entities during a performance audit process based on information included in tabled performance audit reports.
3.     Performance audits involve close engagement between the ANAO and the audited entity as well as other stakeholders involved in the program or activity being audited. Throughout the audit engagement, the ANAO outlines to the entity the preliminary audit findings, conclusions and potential audit recommendations. This ensures that final recommendations are appropriately targeted and encourages entities to take early remedial action on any identified matters during the course of an audit. Remedial actions entities may take during the audit include:
  - strengthening governance arrangements;
  - introducing or revising policies, strategies, guidelines or administrative processes; and
  - initiating reviews or investigations.
4.     During the course of the audit the ANAO did not observe changes in Department of Home Affairs or Department of Industry, Science, Energy and Resources' approach to the award of funding under the Safer Communities Fund.

Appendix 3 Timeline of key events for the Safer Communities Fund selection processes



Source: ANAO analysis of departmental records.



## Appendix 4 Recording of the basis for decisions, by round

### Round 1

1. The basis for all Round 1 funding decisions was clear from the records. All 64 recommended applications were approved the full amount of funding (totalling \$9.376 million). Those applications had been assessed to have met the published merit criteria. The basis for approving one application that had scored less than 50 per cent against the third merit criterion (due to concerns about the project start and completion dates) was recorded as follows: 'I wish to honour the original commitment and expect Industry will work with the Club to develop a plan and project milestones within the funding agreement'.

### Round 2

2. In the second round, all 146 recommended applications were approved for \$26.83 million in grant funding. The recommended applications were those assessed to have best met the published merit criteria. The basis for those decisions, which relied upon the assessment and recommendation from the department, was clear. There were 28 applications involving \$5.16 million where the basis was not clearly recorded. This comprised:

- from the list of not recommended applications, the Minister approved one application that had scored 51 out of 100 overall and that had failed to meet the published threshold of scoring 50 per cent against the second criterion. The basis recorded was that 'Inquiries have determined that since DIIS assessment this project has been rigorously assessed by Victorian State Gov and has met criteria substantively the same as Merit Criterion 2'. The decision records did not set out the nature of those inquiries, or how the State government's assessment had resolved the issues identified in the DISER assessment of the application; and
- from the list of candidates for inclusion on the reserve list of applications that scored 57, 56 and 55 the Minister approved funding for one application that had scored 56 without recording the basis for selecting this application above those that had scored higher. Also without recording any basis for his rankings, the Minister ranked :
  - from 1 to 14 the 14 applications on the reserve list that scored 57. A grant agreement was subsequently entered into with the highest ranked of these applications;
  - from 1 to 6 the remaining six applications on the reserve list that scored 56; and
  - from 1 to 6 the seven applications on the reserve list that scored 55 (two applications were ranked third).

### Round 3 Early Intervention stream

3. The Minister approved funding for all nine applications assessed as eligible, with grant funding of \$9.123 million. The Minister also recorded that he had decided to approve grant funding of \$577,784 to two applications assessed as ineligible. The department had advised the Minister that each application was a 'strong' project, each having achieved a score of 80 out of 100 across the three merit criteria, meeting each criterion to above the required minimum and as meeting 'the policy intent' of the round. The recorded reason for each application being

ineligible was that applications were not a state or territory peak Police Citizens' Youth Club, with the Minister's recorded basis addressing this by stating 'The peak body in Tasmania was not available at the time of application. This project shows good value for money and supports the Funds intentions.'

### Round 3 Infrastructure stream

4. In the Round 3 Infrastructure stream, Home Affairs recommended that \$17.5 million be awarded to 70 applications that scored highest in the merits-based assessment process. The Minister was advised that \$414,862 in funding remained, but this was insufficient to fund the next highest ranked projects and that some of the 70 recommended applications had ineligible items which would be removed at contract negotiations 'freeing up additional funds'. The Minister approved full funding of \$5.29 million for 51 of the 70 recommended applications.

5. The amount of funds able to be allocated to not recommended applications was increased by the Minister deciding to only partially fund 19 of the 70 recommended applications. These were the applications ranked 1, 8, 9, 10, 14, 16, 22, 31, 32, 38, 49, 51, 52, 53, 56, 57, 59, 61, 67. The part funding ranged from a low of 20 per cent of the \$1 million grant amount requested and recommended for approval to one applicant for its LED lighting and CCTV project (ranked 57) to 83 per cent of the amount requested and recommended for approval to the highest ranked project of another applicant for \$240,220 to install 46 CCTV cameras at vulnerable locations, public areas and in community buildings. The Minister did not record how it was decided which recommended applications would be awarded partial funding, or how the amount of partial funding was arrived at.

6. The average reduction for the 19 recommended applications was 58 per cent, with these 19 applications awarded a total of \$6.68 million compared with the \$12.37 million they had been recommended for approval by the department. Rather than ranking 15 applications as proposed by the department, on 31 January 2019 the Minister:

- approved full funding of \$199,570 for two applications that had not been recommended or included on the reserve list as they had achieved a low overall score (50.5 and 49.25) as well as in each instance not scoring more than 50 per cent against one of the merit criteria. The basis recorded by the Minister did not address the reasons why he did not agree with the assessment scores rather in each case simply stating that the project 'will assist with the safety' of the relevant community<sup>57</sup>; and
- ranked 54 of the 210 applications in the list of 'suitable' applications with aggregate grant funding of \$5.804 million. These were not the next most highly scored applications, and the Minister did not record how he decided which of the 210 applications in the 'suitable' cohort to rank, or how he decided upon the relative rankings (which also did not align with the assessed merit of the applications). Of those 54 applications, 48 were awarded the full

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57 Home Affairs had advised the Minister on 31 July 2018 on options to implement public commitments he had made on 16 July 2018 in relation to these two projects. The option agreed to by the Minister was that the project proponents be invited to apply for funding under the open competitive infrastructure stream of Round 3. The alternative presented by the department that was not approved was to establish a closed, non-competitive stream of the Fund with the proponents of these two projects being the only eligible applicants.

amount of funding<sup>58</sup> they had sought and 6 were awarded partial funding, ranging from 45 per cent of the amount sought up to 63 per cent of the amount sought (an average of 52 per cent). The Minister did not record how he decided which applications would receive partial rather than full funding, or how the amount of partial funding was arrived at.

7. A further briefing was provided to the Minister on 14 February 2019, advising that his 31 January 2019 decision to 'approve a number of projects for amounts significantly less than the amounts requested by applicants' had enabled all the projects on the ranked list of reserves to be funded, and therefore Home Affairs recommended that a new reserve list 'of at least \$4 million' be created to address 'funding becoming available due to ineligible items being removed as well as it being 'possible that some applicants with reduced funding will decide not to proceed'. The Minister ranked 32 of the 156 'suitable' applications that remained (with grant amounts totalling \$5.803 million). The projects selected for ranking were not those assessed as most meritorious in terms of the published criteria, and the Minister did not record how he had decided which of the candidates were to be ranked for inclusion and which were not to be ranked, or how he had decided on the relative rankings. Each of the applications included on the second reserve list was for the full amount of grant funding sought.

## Round 4

8. As illustrated by Figure 3.5, partial funding totalling \$34.866 million was awarded by the Assistant Minister in the Round 4 Infrastructure stream to 89 of the 114 recommended applications<sup>59</sup>, with full funding totalling \$1.756 million awarded to the other 25 recommended applications. The recommended applications were those assessed to have assessed to have best met the published merit criteria.

9. Partial funding was also the decision taken for 59 of the 71 'suitable' applications included by the Assistant Minister on his reserve list, and for all nine applications selected for funding by the Minister from those applications assessed as not satisfactorily meeting the merit criteria. The records of the decision did not:

- explain how it was decided which applications were to receive partial rather than full funding;
- set out the basis on which the proportion of grant funding to be awarded was decided;<sup>60</sup> or
- for the nine applications approved for \$3.072 million of grant funding notwithstanding having been assessed as unsuitable against the published criteria (with aggregate scores ranging from 33 to 53 out of 100, and each failing the published threshold of scoring at least 50 per cent against one or more of the individual criteria) the recorded reasons:
  - for five applications stated that the decision had been informed by a visit by the Minister during the assessment process, however, the records did not explain how

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58 Comparatively, applications approved for funding from this reserve list (89 per cent) were more likely to receive full funding than those recommended for funding (73 per cent).

59 The amount awarded for those applications was \$3.799 million lower than recommended.

60 The ANAO's analysis was that applications seeking a grant of \$100,000 or less were always awarded full funding, and applications seeking more than this amount were awarded partial funding. The grant opportunity guidelines did not outline that this would occur. The amount of partial funding awarded was, on average, 90 per cent of the application amount (and ranged from 89 per cent up to 99 per cent).

- the information obtained during the visit had impacted upon how well each application was considered to have performed against the published merit criteria;
- for five applications, including two of those that had received a Ministerial visit, stated that the decision had been informed by representations received from a Parliamentarian however the records did not explain how the representation had impacted upon how well each application was considered to have performed against the published merit criteria; and
  - for one application, set out other factors that had led to the decision to award funding, without explaining the inquiries that had been undertaken to obtain that information (the department had not been asked to provide the application to the decision-maker) or how those other factors impacted upon the assessment against the published merit criteria such that the application should be promoted in the order of merit ahead of other applications that had scored more highly.

### **Round 5 Early Intervention stream**

10. The Assistant Minister approved, without any changes, recommended funding of \$15 million in funding to the six recommended applications assessed to have best met the published merit criteria. He also approved, without any changes, the two applications recommended by the department for inclusion on the reserve list of projects (for a total of \$3.104 million).

### **Round 5 Northern Territory infrastructure stream**

11. The Assistant Minister approved, without any changes, recommended funding of \$3.862 million to the 12 recommended applications assessed to have best met the published merit criteria. The Assistant Minister also approved, without any changes, the 14 applications recommended by the department for inclusion on the reserve list of projects (for a total of \$1.735 million).

### **Round 5 infrastructure stream**

12. In total, 89 applications were approved for a total of \$30.969 million. This comprised 80 applications the department had recommended be approved for funding and nine applications selected as follows:

- three were assessed as ineligible (with the records of the decision not addressing the eligibility requirements the applications had been assessed to not meet) and, as such, had not been assessed against the published merit criteria, and the record of the decision also did not address how the three applications had performed against the criteria, including in comparison to other competing applications;
- five were assessed as having scored too low to be suitable for funding, with aggregate scores ranging between 26 out of 100 and 54 out of 100, with each not meeting the published requirement to score 50 per cent against each criterion (four applications failed one criterion, and one failed all three criteria), and the record of the decision did not address the published merit criteria; and

- while one was assessed as having met the published requirement to score at least 50 per cent against each criterion, its aggregate score (60 out of 100) was too low to be either recommended or included on the reserve list (for which the score cut off was 68), and the record of the decision did not explain why the application should have been awarded a higher score against one or more of the published merit criteria.

13. No application was awarded full funding in the Round 5 Infrastructure stream (as illustrated by Table 2.2).<sup>61</sup> Irrespective of whether the application had been recommended by Home Affairs for funding, was included on the reserve list should funding become available, had been assessed as unsuitable as a result of not meeting the merit criteria, or been assessed as ineligible, where the Assistant Minister approved the application he approved partial funding. The Assistant Minister did not record why no applications were to receive full funding, or how he decided on the quantum of partial funding. Initially, the Assistant Minister typically awarded a reduction of 10 per cent, but this was later adjusted for the larger applications such that eight applications seeking between \$977,774 and the maximum permitted of \$1 million had their funding reduced by 14.5 per cent. There were two other applications, one that had sought a grant of \$11,000 had its amount reduced by 7.3 per cent and one that had sought a grant of \$514,563 had its amount reduced by 37 per cent. The basis for deciding upon the partial funding amounts was not recorded by the Assistant Minister.

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61 Decisions in relation to the Northern Territory stream of Round 5 were made as part of the same briefing process, with all recommended applications approved for full funding and, similarly, full funding approved for each of the list of reserve applications.

## Appendix 5 Religious and cultural distribution of funding

**Table A.1: Distribution of Project locations and funding sought by religious affiliation and culture**

		Round 1		Round 2		Round 3 Infrastructure		Round 4		Round 5 Infrastructure		Round 5 NT		Total	
		Location	\$m	Location	\$m	Location	\$m	Location	\$m	Location	\$m	Location	\$m	Location	\$m
<b>Total</b>		<b>93</b>	<b>\$11.85</b>	<b>809</b>	<b>\$91.41</b>	<b>945</b>	<b>\$99.81</b>	<b>990</b>	<b>\$228.04</b>	<b>997</b>	<b>\$156.25</b>	<b>85</b>	<b>\$7.84</b>	<b>3919</b>	<b>\$595.21</b>
		%													
<b>Community Organisations</b>		<b>13</b>	<b>10</b>	<b>44</b>	<b>40</b>	<b>37</b>	<b>26</b>	<b>83</b>	<b>88</b>	<b>70</b>	<b>76</b>	<b>49</b>	<b>35</b>	<b>58</b>	<b>65</b>
<b>Community — Sub total</b>		<b>100</b>	<b>100</b>	<b>51.14</b>	<b>25</b>	<b>44.93</b>	<b>29</b>	<b>11.87</b>	<b>8</b>	<b>20.57</b>	<b>7</b>	<b>40.48</b>	<b>11</b>	<b>26.68</b>	<b>11</b>
<b>Religion</b>	<b>Sub total</b>	<b>0</b>	<b>0</b>	<b>41</b>	<b>68</b>	<b>45</b>	<b>64</b>	<b>81</b>	<b>86</b>	<b>72</b>	<b>88</b>	<b>17</b>	<b>21</b>	<b>65</b>	<b>83</b>
	Christian	—	—	28.08	8	51.61	30	50.23	38	56.29	36	71	85	50.34	34
	Jewish	—	—	65.75	89	44.52	67	18	28	22.36	39	0	0	26.94	38
	Hindu	—	—	1.37	0.34	0.65	1	3.63	3	1.80	2	14	1	2.52	2
	Muslim	—	—	4.79	3	2.58	2	24.21	29	15.57	19	0	0	16.94	22
	Buddhist	—	—	0	0	0.65	0.30	1.21	1	2.20	2	0	0	1.36	1
	Sikh	—	—	0	0	0	0	2.12	2	1.40	2	14	2	1.5	2
	Other <sup>a</sup>	—	—	0	0	0	0	0.61	0.31	0.40	0.53	0	0	0.41	0.34
<b>Cultural</b>	<b>Sub total</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>7</b>	<b>10</b>	<b>7</b>	<b>7</b>	<b>6</b>	<b>8</b>	<b>6</b>	<b>43</b>	<b>68</b>	<b>9</b>	<b>7</b>
	First Australians	—	—	84.62	95	80	88	13.56	17	63.64	44	89	79	56.48	42
	Migrant/Refugee	—	—	3.85	4	11.43	11	40.68	25	5.45	2	0	0	16.58	14
	Turkish	—	—	0	0	0	0	20.34	27	12.7	22	0	0	9.84	19
	Other <sup>b</sup>	—	—	12	1	9	1	25	31	18	31	11	21	17	25

Note a: This consists of groups from the Krishna, Jainism, Sai Baba, Zoroastrian religions.

Note b: This consists of applications from Italian, Polish, Ukrainian, Chinese, Iranian, Macedonian, Arabic, Assyrian, Bosnian and Hercegovina, Congolese, Filipino, Indian, Iraqi, Malaysian, Russian, Vietnamese, South Sudanese, Armenian, African, Fujian, Korean, Kurdish, Persian, Tamil cultural groups.

Source: ANAO analysis of DISER and Home Affairs records.

**Table A.2: Distribution of Project locations and funding awarded funding by religious affiliation and culture**

		Round 1		Round 2		Round 3 Infrastructure		Round 4		Round 5 Infrastructure		Round 5 NT		Total	
		Location	\$m	Location	\$m	Location	\$m	Location	\$m	Location	\$m	Location	\$m	Location	\$m
<b>Total</b>		<b>91</b>	<b>\$9.39</b>	<b>328</b>	<b>\$28.75</b>	<b>324</b>	<b>\$21.74</b>	<b>281</b>	<b>\$60.15</b>	<b>123</b>	<b>\$30.97</b>	<b>72</b>	<b>\$5.60</b>	<b>1219</b>	<b>\$156.60</b>
		%													
<b>Community Organisations</b>		<b>13</b>	<b>13</b>	<b>30</b>	<b>24</b>	<b>35</b>	<b>22</b>	<b>91</b>	<b>94</b>	<b>75</b>	<b>80</b>	<b>42</b>	<b>23</b>	<b>50</b>	<b>61</b>
<b>Community — Sub total</b>		<b>100</b>	<b>100</b>	<b>44</b>	<b>15</b>	<b>63</b>	<b>48</b>	<b>15</b>	<b>8</b>	<b>3</b>	<b>0.15</b>	<b>57</b>	<b>24</b>	<b>31</b>	<b>10</b>
<b>Religion</b>	<b>Sub total</b>	<b>0</b>	<b>0</b>	<b>40</b>	<b>71</b>	<b>23</b>	<b>32</b>	<b>77</b>	<b>89</b>	<b>84</b>	<b>93</b>	<b>20</b>	<b>32</b>	<b>58</b>	<b>84</b>
	Christian	—	—	45	6	78	54	22	18	18	11	67	78	29	16
	Jewish	—	—	53	93	19	41	38	44	60	69	0	0	43	54
	Hindu	—	—	—	—	—	—	2	2	3	4	17	8	2	2
	Muslim	—	—	3	1	4	5	33	35	10	8	0	0	22	24
	Buddhist	—	—	—	—	—	—	3	1	5	5	0	0	3	2
	Sikh	—	—	—	—	—	—	1	0.32	4	5	17	14	2	2
	Krishna	—	—	—	—	—	—	0.51	0.12	0	0	0	0	0.29	0.08
<b>Cultural</b>	<b>Sub total</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>12</b>	<b>14</b>	<b>19</b>	<b>7</b>	<b>3</b>	<b>13</b>	<b>7</b>	<b>23</b>	<b>45</b>	<b>11</b>	<b>6</b>
	First Australians	—	—	100	100	88	96	0	0	17	6	86	82	54	39
	Migrant/Refugee	—	—	—	—	6	2	58	24	0	0	0	0	17	8
	Turkish	—	—	—	—	—	—	16	46	50	47	0	0	13	28
	Other <sup>a</sup>	—	—	—	—	6	1	286	30	33	47	14	18	16	25

Note a: This consists of Macedonian, Arabic, Bosnian and Hercegovina, Vietnamese, South Sudanese, Armenian, African and Tamil groups that were awarded funding.

Source: ANAO analysis of DISER and Home Affairs records.