

## Using data analytics for risk-based performance audit planning

- A case study from SAI Australia

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# 1. Background

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1.1 The Auditor-General for Australia is responsible under the *Auditor-General Act 1997* for auditing Commonwealth public sector entities and reporting to the Parliament of Australia. The Australian National Audit Office (ANAO) assists the Auditor-General to deliver these functions.

1.2 To achieve transparency and public accountability, government entities administering grants must comply with public reporting requirements set under the *Commonwealth Grants Rules and Guidelines* (CGRGs) and *Public Governance, Performance and Accountability Rule 2014* (the PGPA Rule). Previous ANAO performance audits on grants administration have identified entities administering grants that did not comply with the CGRGs and inconsistency in reporting. Examples of findings are provided in the Attachment A.

1.3 Section 25 of the *Auditor-General Act 1997* enables the Auditor-General at any time to cause a report to be tabled in either House of the Parliament on any matter. The ANAO has published an information report to provide transparency of, and insights on, government grants expense and Australian Government entities' self-reporting of grants on GrantConnect.<sup>1</sup> As part of the process of producing this report, the ANAO developed an efficient approach that aims to provide a data-driven risk identification and audit planning for future grants related audits.<sup>2</sup>

1.4 In compiling this information report, the ANAO drew upon multiple data sources<sup>3</sup> relevant to Australian Government grants to provide insights in the following areas:

- (a) Whole-of-Government grant awards;
- (b) entities' administration of grants;
- (c) entities' self-reporting on GrantConnect and how it is aligned with the CGRGs reporting requirements;
- (d) characteristics of grant award recipients; and
- (e) Whole-of-Government grants expense.

1.5 Data analytics can be used to identify risks at the Whole-of-Government level and inform selection of grants-related audit topics for the Auditor-General's annual audit work program, which is published in July each year.<sup>4</sup> The purpose of the annual audit work program is to inform the Parliament, government sector entities and the public of the audits the ANAO proposes to deliver throughout the financial year.<sup>5</sup>

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1 GrantConnect is the Commonwealth whole-of-government web-based facility, established in 2017 by the Department of Finance to provide centralised publication of forecast and current Australian Government grant opportunities and awards. Reporting on GrantConnect is mandated for all non-corporate Commonwealth entities. It is also mandated for corporate Commonwealth entities where a Minister is involved in the decision making.

2 The Information Report on Australian Government Grants was published on 19 October 2021 and can be accessed on ANAO website: [Information reports | Australian National Audit Office \(anao.gov.au\)](https://www.anao.gov.au/information-reports).

3 The data sources include grant opportunities and awards published on GrantConnect, government entities' annual reports and financial statements, consolidated financial statements, Australian Business Register, Australian Statistical Geography Standard 2016 data from the Australian Bureau of Statistics, and tertiary education providers data from Tertiary Education Quality and Standards Agency published on data.gov.au.

4 The annual audit work program for 2021–22 is available on ANAO website: [Annual Audit Work Program 2021–22: Overview | Australian National Audit Office \(anao.gov.au\)](https://www.anao.gov.au/annual-audit-work-program-2021-22).

5 As an independent officer of the Australian Parliament, the Auditor-General has discretion in the performance or exercise of functions or powers and may at any time explore additional areas of audit interest beyond those published in the annual audit work program.

## 2. Using data analytics for audit planning

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### Identifying high risk grants

2.1 Analysing the Whole-of-Government grants time series data can provide insights on high-risk grants, such grants with high value and/or high frequency of variations, inconsistency in selection processes against the guidelines, and potential non-compliance with the CGRGs etc. The data shows the highest-value award was funded via an ad hoc/one-off selection process to the Great Barrier Reef Foundation by the Department of Agriculture, Water and the Environment in 2018. The ANAO audited the grant administration and implementation processes regarding this award in 2018–19 and 2020–21.<sup>6</sup>

2.2 By running a data match between grants opportunities and grants awards datasets, the ANAO identified awards linked to the same opportunity were reported to have been selected through multiple selection processes, including selection processes different from what was originally published in the grant opportunity. This type of analysis can be used to help auditors to check the compliance with CGRGs, target the high-risk grants and ask specific questions when obtaining the audit evidence. It was applied in a recent performance audit on Department of Health's Management of Financial Assistance under the Medical Research Future Fund (MRFF).<sup>7</sup>

2.3 By comparing the different dates during the grant administration process, the ANAO identified instances where grants were approved before their relevant opportunity closing dates for competitive selection processes that involve the assessment with reference to the comparative merits of other applications. The aggregated risks identified using this and other criteria can inform auditors of the high-risk grants for potential audit topic selection and form specific audit criteria at the planning phase.<sup>8</sup>

### Support theme-based grants auditing

2.4 Meaningful analysis can be undertaken by creating a theme-based group by pre-defined characteristics or key words, such as entities administering grants, selection process, recipient types, intended outcomes of the grants and etc. To illustrate the impacts of the COVID-19 pandemic on Commonwealth grants expenditure, COVID-19 related awards could be identified by selecting those grants containing 'COVID' or 'coronavirus' in their described purpose, activity, or program name. Using this characteristic, ANAO's analysis identified grants related to COVID-19 represent 22 per cent of the total value of grants approved between March 2020 and June 2021.<sup>9</sup> The ANAO is currently undertaking a performance audit on COVID-19 support to the Aviation Sector. The objective of this audit is to assess the effectiveness of the Department of Infrastructure, Transport, Regional Development and Communications' design and implementation of measures to support the aviation sector in response to the COVID-19 pandemic.

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6 Auditor-General Report No.35 2020-21 *Implementation of the Great Barrier Reef Foundation Partnership* and Auditor-General Report No.22 2018-19 *Award of a \$443.3 Million Grant to the Great Barrier Reef Foundation*.

7 Auditor-General Report No.3 2021-22 *Department of Health's Management of Financial Assistance under the Medical Research Future Fund*.

8 These dates include opportunity publishing date; opportunity closing date; award approval date; award start date; award publishing date; and expected award end date.

9 Other potentially relevant terms (such as 'pandemic') resulted in the inclusion of grants not related to COVID-19 and were therefore excluded.

### 3. Annex A - ANAO's recent performance audit coverage in relation to grants

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#### Audits published in 2021 and relevant findings

3.1 The ANAO has published the following grants related performance audits in 2021:

- Department of Health's Management of Financial Assistance under the Medical Research Future Fund (MRFF) - The audit objective was to assess whether Health is effectively managing financial assistance under MRFF. The audit identified inconsistency in categorisation of grants selection process between how grant opportunities were advertised and described in the grant opportunity guidelines and GrantConnect. This has implications for transparency, as reported outcomes cannot be readily compared to published opportunities. The Department of Health accepted the ANAO's recommendation that 'Department of Health reports grants in the same way that grant opportunities are classified in the grant opportunity guidelines and reported on GrantConnect'.<sup>10</sup>
- Implementation of the Great Barrier Reef Foundation Partnership - As of March 2021, the \$443.3 million grant to the foundation is the largest Australian Government grant that has been reported on the Department of Finance's GrantConnect website. This is the second audit examining the Australian Government's \$443.3 million partnership with the foundation. The first audit, Auditor-General Report No. 22 2018–19, focused on the assessment and decision making processes that led to the award of an ad hoc grant to the foundation through a non-competitive process. Given the strong parliamentary and public interest in the partnership, this audit was undertaken to examine the implementation of the partnership. The second audit has found the design and early delivery of the Australian Government's \$443.3 million partnership with the foundation has been partially effective.<sup>11</sup>
- Award of Funding under the Supporting Reliable Energy Infrastructure Program - The objective was to examine whether the award of funding under the Supporting Reliable Energy Infrastructure Program was informed by an appropriate assessment process and sound advice that complied with the Commonwealth Grant Rules and Guidelines (CGRGs). The audit has found 'The award of funding under the Supporting Reliable Energy Infrastructure Program was not fully informed by an appropriate assessment process and sound advice on the award of grant funding. Aspects of the approach did not comply with the Commonwealth Grants Rules and Guidelines'.<sup>12</sup>

#### Audits in progress

3.2 The ANAO is currently undertaking the following performance audits in relation to grants:

- Operations of Grants Hubs - The objective of this audit is to assess the design and implementation of the Streamlining Government Grants Administration (SGGA) Program in improving the effective and efficient delivery of grants administration.
- Award of Funding under the Safer Communities Fund - The objective of this audit is to assess whether the award of funding under the Safer Communities Fund was effective and consistent with the Commonwealth Grant Rules and Guidelines.

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10 This performance audit report is available on ANAO website: <https://www.anao.gov.au/work/performance-audit/department-health-management-financial-assistance-under-the-medical-research-future-fund>

11 This performance audit report is available on ANAO website: <https://www.anao.gov.au/work/performance-audit/implementation-of-the-great-barrier-reef-foundation-partnership>

12 This performance audit report is available on ANAO website: <https://www.anao.gov.au/work/performance-audit/award-funding-under-the-supporting-reliable-energy-infrastructure-program>

- Award of Funding under the Building Better Regions Fund - The objective of this audit is to assess whether the award of funding under each round of the Building Better Regions Fund was effective and consistent with the Commonwealth Grant Rules and Guidelines.
  - COVID-19 Support to the Aviation Sector - The objective of this audit is to assess the effectiveness of the Department of Infrastructure, Transport, Regional Development and Communications' design and implementation of measures to support the aviation sector in response to the COVID-19 pandemic.<sup>13</sup>
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13 The performance audits in progress are available on ANAO website: <https://www.anao.gov.au/work-program/in-progress>