

The Auditor-General
Auditor-General Report No.23 2019–20
Performance Audit

Award of Funding under the Community Sport Infrastructure Program

Australian Sports Commission

UNDER EMBARGO

Until tabled 15 January 2020

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Senior Executive Director
Corporate Management Group
Australian National Audit Office
GPO Box 707
Canberra ACT 2601

Or via email:
communication@anao.gov.au.





Canberra ACT
15 January 2020

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 Australian Sports Commission titled *Award of Funding under the Community Sport Infrastructure Program*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit to the Parliament.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's website — <http://www.anao.gov.au>.

Yours sincerely

Grant Hehir
Auditor-General

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

AUDITING FOR AUSTRALIA

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

For further information contact:
Australian National Audit Office
GPO Box 707
Canberra ACT 2601

Phone: (02) 6203 7300
Email: ag1@anao.gov.au

Auditor-General reports and information about the ANAO are available on our website:
<http://www.anao.gov.au>

Audit team

Amy Willmott
Chérie Simpson
Tessa Osborne
Swatilekha Ahmed
Brian Boyd

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Audit snapshot

Auditor-General Report No.23 2019–20

Award of Funding under the Community Sport Infrastructure Program



Why did we do this audit?

- ▶ The Australian Sports Commission (Sport Australia) is not subject to the Commonwealth Grant Rules and Guidelines.
- ▶ There has been parliamentary interest in funding awarded through this program.



What did we conclude?

- ▶ The award of grant funding was not informed by an appropriate assessment process and sound advice.
- ▶ The successful applications were not those that had been assessed as the most meritorious in terms of the published program guidelines.



Key facts

- ▶ A single application round was run from August to September 2018 with 2056 applications received seeking grant funding totalling \$397 million.
- ▶ Sport Australia assessed the applications against the published assessment criteria. The Minister's Office conducted a parallel assessment process using other considerations.
- ▶ 684 grants totalling \$100 million were awarded by the Minister for Sport in three rounds (in December 2018, February 2019 and April 2019).



What did we recommend?

- ▶ The Auditor-General made four recommendations.
- ▶ Three are for Sport Australia relating to: the design of grant programs where a high level of demand is expected; the framework for managing conflicts of interest; and recording the reasons for assessment scores.
- ▶ One recommendation is for the Australian Government to have a consistent framework in place applying to situations where a minister decides upon the award of grant funding.

74/100

would have been the cut off score if funding had been awarded based on Sport Australia's assessed merit.

417

applications (61 per cent of total approved) with a score below this cut off were approved for funding.

Summary and recommendations

Background

1. The Community Sport Infrastructure Grant Program (CSIG/the program) was established in 2018 to ensure more Australians have access to quality sporting facilities, encouraging greater community participation in sport and physical activity.
2. The program is administered by the Australian Sports Commission (Sport Australia). The published program guidelines outlined that all eligible applications would be assessed against the three weighted merit criteria, with funding to be awarded on a competitive basis by the Minister for Sport. The guidelines further set out that funding announcements were expected from 1 November 2018 onwards and that projects were expected to be completed by 30 June 2019.
3. Applications opened on 2 August 2018 and closed on 14 September 2018. Sport Australia received 2056 project proposals¹ seeking more than \$396.6 million in Australian Government funding. Funding totalling \$100 million was awarded to 684 projects across three rounds completed in December 2018, February 2019 and April 2019.

Rationale for undertaking the audit

4. The decision to undertake the audit followed a request from the Shadow Attorney-General, the Hon Mark Dreyfus QC MP, for an audit into the circumstances surrounding the Liberal candidate for Mayo's presentation of a cheque to the Yankalilla Bowling Club for a project that received \$127,373 in funding under the second round. The key rationale for undertaking an audit was that Sport Australia (as a corporate Commonwealth entity) is not subject to the Commonwealth Grant Rules and Guidelines (CGRGs) when administering its grant programs.

Audit objective and criteria

5. The objective of the audit was to assess whether the award of funding under the CSIG program was informed by an appropriate assessment process and sound advice.
6. To form a conclusion against this objective, the following high level criteria were adopted:
 - Was the program well designed?
 - Were applications assessed in accordance with the program guidelines?
 - Were the funding decisions informed by clear advice and consistent with the program guidelines?

1 As part of the third funding round, five new applications were received and four proponents were allowed to amend their previously submitted applications.

Conclusion

7. The award of grant funding was not informed by an appropriate assessment process and sound advice.

8. The design of the program was deficient in a number of important areas. A positive aspect was that the program guidelines were well structured and included clear assessment criteria with transparent weightings. A significant shortcoming was that, while the program guidelines identified that the Minister for Sport would approve CSIG funding, there are no records evidencing that the Minister was advised of the legal basis on which the Minister could undertake an approval role, and it is not evident to the ANAO what the legal authority was. The design would also have been improved had:

- greater analysis been undertaken of the likely demand for grant funding, and strategies developed for managing a high level of demand;
- strategies to manage risks to the quality of the assessment process set out in Sport Australia's *Grant Management Framework* been implemented; and
- conflict of interest management arrangements been to a consistently high standard.

9. Sport Australia's assessment of applications was largely in accordance with the published program guidelines. Sport Australia assessed each application for eligibility and against the three merit criteria to arrive at an overall assessment score. Scores against the three merit criteria were used to rank the applications, but Sport Australia did so within the three funding streams, which was not consistent with the program guidelines.

10. In parallel, the Minister's Office had commenced its own assessment process to identify which applications should be awarded funding. The Minister's Office drew upon considerations other than those identified in the program guidelines, such as the location of projects, and also applied considerations that were inconsistent with the published guidelines. It was this assessment process that predominantly informed the Minister's funding decisions, rather than Sport Australia's process. This resulted in the assessment advice to the Minister being inconsistent with the approved program guidelines.

11. Funding decisions for each of the three rounds were not informed by clear advice and were not consistent with the program guidelines. The approach adopted for each round differed, as set out in the following table.

Table S.1: Approaches adopted for funding decisions in each round

Round	Summary of process employed	Summary of advice and decision
1	Applications assessed by a team within Sport Australia using the published criteria. Assessment panel agreed to the assessment results and proposed 426 applications be recommended. Those recommendations were endorsed by the Sport Australia board. The Minister's Office used criteria that were not published and informed Sport Australia as to which applications would be approved.	Sport Australia's written briefing did not recommend the 426 applications endorsed by the board. Recommended applications were those the Minister's Office had identified to Sport Australia as those that would be approved by the Minister. The brief did not inform the Minister that the recommendations were not those endorsed by the board. Ninety-one (41 per cent) of the approved projects were not on the list of 426 endorsed by the Sport Australia board.

Round	Summary of process employed	Summary of advice and decision
2	The assessment panel and the Sport Australia board did not play a role in deciding which applications should be recommended. Sport Australia used its scores against the published criteria to identify 204 applications for recommendation. Using criteria that had not been published, the Minister's Office separately identified to Sport Australia which applications would be approved.	Sport Australia did not provide its own recommendations. It identified in the written briefing that the list of 232 projects being put forward for approval reflected amendments made to Sport Australia's recommendations. One hundred and sixty-two (70 per cent) of the approved projects were not on the list of 204 applications Sport Australia planned to recommend.
3	The assessment panel and the Sport Australia board did not play a role in deciding which applications should be recommended. Sport Australia used its scores against the published criteria to identify 245 applications for recommendation. This was after the Minister's Office had informed Sport Australia of the projects that would be approved (the Minister's Office had used criteria that had not been published).	Sport Australia provided a written briefing that identified the 245 applications it was recommending for approval. The briefing was annotated and attached a list of 228 projects that the Minister had approved. One hundred and sixty-seven (73 per cent) of the approved projects had not been recommended by Sport Australia.

Supporting findings

Program design

12. The amount of program funding to be made available and how to target this funding was not informed by sufficient analysis of the likely demand for grant funding. This analysis could have improved the design of the program by informing the development of strategies to manage a high level of demand for funding.

13. Program guidelines were developed and published. While the guidelines identified the Minister in an approval role, there are no records that evidence that the Department of Health (Health) or Sport Australia advised the Minister on the legal basis on which the Minister could undertake an approval role. It is not evident to the ANAO what the legal authority was.

14. Arrangements were developed that enabled project assessments and funding decisions to be completed on time but with risks to the quality of the assessment work. Documented procedures were not finalised and not all applications were able to be assessed by more than one person (as had been planned for quality assurance purposes). Significant emphasis was placed on the skills and experience of the team of Sport Australia assessors, with the results of the team's work completed up to 9 November 2018 reviewed by an assessment panel that included two members external to Sport Australia.

15. Conflicts of interest were appropriately managed for the assessment team, but not more broadly within Sport Australia.

Application assessment

16. Ineligible applications were identified and no applications assessed as ineligible were awarded grant funding.

17. The published merit criteria were applied by Sport Australia to identify the value for money of each candidate project. This involved each application being awarded a score out of 100 based on the results of the recorded assessments against each of the three published criteria. Based on the assessment scores, all program funding could have been allocated to applications that scored 74 or more.

18. Sport Australia used the scores against the assessment criteria to rank applications, but did so within the three funding streams in a way that was not consistent with the program guidelines. As it was requested by the Minister's Office, Sport Australia provided the draft assessment results to the office on 8 November 2018, but did not subsequently provide the board-endorsed list of recommendations to the Minister. The Minister's 11 December 2018 funding decisions were based on the results of a parallel assessment process conducted by the Minister's Office. This process drew upon considerations other than the assessment criteria, such as project locations including Coalition 'marginal' electorates and 'targeted' electorates.

19. The records of the assessment process were largely adequate. This included records of eligibility checking undertaken by Sport Australia for each application as well as the scores awarded against each merit criterion (for applications assessed as eligible). There is an opportunity for Sport Australia to strengthen its processes by making a concise record as to the reasons for the scores it awards eligible applications against published merit criteria (not just the score awarded).

Funding decisions

20. As the program was being administered by a corporate Commonwealth entity, the CGRGs did not apply to the Minister for Sport in decision-making. Over the three funding rounds, the Minister awarded 684 grants to the value of \$100 million.

21. Appropriate advice on the assessed overall merits of each eligible application was provided by Sport Australia to the Minister. The assessment score clearly indicated the extent to which the Sport Australia assessment team, the assessment panel and Sport Australia board considered each eligible application had met the published criteria. There would have been benefits in some concise further information on the assessment results for each criterion also being provided to inform decision making.² Information on applications being assessed was requested and provided to the Minister's Office before the assessment process had been completed.

22. Clear funding recommendations that were consistent with the program guidelines were not provided for the first two funding rounds because Sport Australia's briefings for those two rounds did not reflect the results of its assessment work. A different approach was evident for the third round, where Sport Australia submitted a written briefing that clearly identified the applications it was recommending be approved for funding, based on the results of the assessment work that had been undertaken.

2 In particular, and as foreshadowed in Sport Australia's *Grant Management Framework*, the Minister should have been provided with an individual assessment sheet for each eligible application that included the scores and rationale for the scores awarded against each of the three merit criteria, in addition to the aggregate of those scores for each application that was provided.

23. Reasons for funding decisions were not clearly documented. As Sport Australia is not subject to the CGRGs, there is no legal requirement for the reasons to be documented. Sport Australia's *Grant Management Framework* also requires that reasons be documented, but the Minister is not required to comply with that document.

24. There was evidence of distribution bias in the award of grant funding. Overall statistics indicate that the award of funding was consistent with the population of eligible applications received by state/territory, but was not consistent with the assessed merit of applications. The award of funding reflected the approach documented by the Minister's Office of focusing on 'marginal' electorates held by the Coalition as well as those electorates held by other parties or independent members that were to be 'targeted' by the Coalition at the 2019 Election. Applications from projects located in those electorates were more successful in being awarded funding than if funding was allocated on the basis of merit assessed against the published program guidelines.

25. Timely advice on funding decisions was not provided to applicants.

Recommendations

26. The report makes four recommendations, three directed to Sport Australia and the fourth relates to the Australian Government's grants administration framework.

Recommendation no.1 When designing competitive, applications-based grant programs, Sport Australia identify strategies to manage the expected level of demand for the amount of funding that is being made available.
Paragraph 2.8

Sport Australia response: *Agreed.*

Recommendation no.2 Sport Australia require declarations be made as to whether or not employees involved in the design and oversight of funding programs have a conflict of interest.
Paragraph 2.37

Sport Australia response: *Agreed.*

Recommendation no.3 Sport Australia strengthen its assessment records for grant programs by concisely recording the reasons for the assessment scores that are awarded (in addition to recording the scores).
Paragraph 3.34

Sport Australia response: *Agreed.*

Recommendation no.4 The Australian Government amend the CGRGs to require that the advising, decision-making and reporting requirements applying to situations where a minister approves grant funding be extended to apply to corporate Commonwealth entities in situations where a minister, rather than the corporate entity, is the decision-maker. This would mean that there would be a single framework in place for all circumstances where a minister decides upon the award of grant funding.
Paragraph 4.7

Department of Finance response: *Noted.*

Summary of entity responses

27. The proposed audit report was provided to Sport Australia, the Minister and two key advisers from within the Minister's Office at the time funding was awarded. Extracts of the proposed report were provided to the Department of Health, the Department of Finance and an adviser from within the Prime Minister's Office. Summary responses were provided by Sport Australia and the two departments and are set out below. Full responses were also provided by the two departments and are reproduced at Appendix 1.

Sport Australia

Sport Australia acknowledges the Auditor-General's commentary in relation to its process for the CSIG program.

Sport Australia accepts the recommendations of the Auditor-General insofar as they relate to it, and is already taking steps to address them.

The CSIG program was required to be administered by Sport Australia within a comparatively short time frame. Timing and resourcing pressures contributed to the process issues identified by the Auditor-General.

The Auditor-General's report makes the finding that appropriate advice on the assessed overall merits of each eligible application was provided by Sport Australia to the Minister. The report also indicates that Sport Australia's assessment of applications was largely in accordance with published program guidelines and that the Auditor-General is comfortable that Sport Australia's existing Grant Management Framework remains sound. Sport Australia believes that its general compliance with the Framework and its record of best practice in public grants administration has been sound for many years.

Sport Australia will nevertheless ensure that any application-based grant program which it administers in the future will be conducted in accordance with the Auditor-General's recommendations.

Sport Australia has also implemented several measures beyond the Auditor-General's recommendations to further strengthen administration and grants processes within the organisation.

Department of Health

The Department of Health notes there are no recommendations directed to the department.

Thank you for the opportunity to respond to the extract of the report.

Department of Finance

The Department of Finance notes Recommendation No. 4, which is a legislative and policy matter for consideration by Government.

Key messages from this audit for all Australian Government entities

28. Below is a summary of key learnings, including instances of good practice, which have been identified in this audit that may be relevant for the operations of other Commonwealth entities.

Grants

- Entities not subject to the CGRGs can benefit from basing their grants administration framework and practices on those Rules and Guidelines.
- An important element in designing a robust governance framework for a grant program is clearly identifying who will be deciding which applicants will receive a grant and ensuring that this person has the necessary legal authority to make those decisions.
- Decision-making in competitive grants programs is best supported by entity advice that prioritises applications on the basis of their assessed merit against each of the published criteria. The highest ranked applications should be those recommended for funding approval.
- Potential applicants and other stakeholders have a right to expect that program funding decisions will be made in a manner and on a basis consistent with the published program guidelines.
- It is poor practice for entities to be instructed what their advice should recommend, or for entities to recommend what they understand to be a preferred approach rather than providing their own recommendations that are developed through an evidence-based approach.
- The reasons for decisions to award or not award grant funding should be recorded in a manner that promotes transparency and accountability. Where the guidelines allow consideration of factors in addition to the published criteria to be taken into account, those factors should be identified in the decision-making records and their impact on the success or otherwise of individual candidate projects recorded.

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Audit findings

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1. Background

Introduction

1.1 The Community Sport Infrastructure Grant Program (CSIG/the program) was established in mid-2018 to ensure more Australians have access to quality sporting facilities, encouraging greater community participation in sport and physical activity.

1.2 The program is administered by the Australian Sports Commission (Sport Australia).³ The published program guidelines outlined that all eligible applications would be assessed against the three weighted merit criteria, with funding to be awarded on a competitive basis by the Minister for Sport. The guidelines further set out that funding announcements were expected from 1 November 2018 onwards and that projects were expected to be completed by 30 June 2019.

1.3 Applications opened on 2 August 2018 and closed on 14 September 2018. Sport Australia received 2056 project proposals seeking more than \$396.6 million in Australian Government funding. Funding has been awarded in three rounds (see Table 1.1). As part of the third funding round, five new applications were received and four proponents were allowed to amend their application (see further at paragraphs 2.28 to 2.31).

Table 1.1: CSIG program funding rounds

Round	Program funding announced		Grant funding decisions		
	Document	\$ million available	Date	Number of grants	\$ million approved
1	2018–19 Budget	29.7	11 Dec 2018	224	28.7
2	December 2018 Mid-Year Economic and Fiscal Outlook (MYEFO)	30.3	4 Feb 2019	232	31.9
3	2019–20 Budget	42.5	4 Apr 2019	228	39.4
Totals		102.5		684	100.0

Source: ANAO analysis of Sport Australia and Department of Health records.

Rationale for undertaking the audit

1.4 The decision to undertake the audit followed a request⁴ from the Shadow Attorney-General, The Hon Mark Dreyfus QC MP, for an audit into the circumstances surrounding the Liberal candidate for Mayo's presentation of a cheque to the Yankalilla Bowling Club for a project

3 Established under the *Australian Sports Commission Act 1989*, from August 2018 the Commission was re-branded as Sport Australia.

4 See <https://www.anao.gov.au/work/request/announcement-grants>. A request from a second parliamentarian was received in relation to the announcement of CSIG funding, after the Auditor-General had decided to undertake an audit. See: <https://www.anao.gov.au/work/request/politicisation-taxpayer-funded-grant-announcements-community-sport-infrastructure-grants-program>

that received \$127,373 in funding under the second round.⁵ The key rationale for undertaking an audit was that, unlike previous grants audits, Sport Australia (as a corporate Commonwealth entity) is not subject to the Commonwealth Grant Rules and Guidelines (CGRGs) when administering its grant programs.⁶

Audit approach

Audit objective, criteria and scope

1.5 The objective of the audit was to assess whether the award of funding under the CSIG program was informed by an appropriate assessment process and sound advice. To form a conclusion against this objective, the following high level criteria were adopted:

- Was the program well designed?
- Were applications assessed in accordance with the program guidelines?
- Were the funding decisions informed by clear advice and consistent with the program guidelines?

1.6 The scope of the audit encompassed program design, application assessment and the awarding of grants under each of the three rounds. This included examining data held within the grants administration system (SmartyGrants) that Sport Australia subscribed to in order to implement the CSIG.⁷ The audit did not examine subsequent stages in the grants management process, including the development and management of grant funding agreements.

Audit methodology

1.7 Commonwealth entities commit and spend money to achieve the purposes and objectives of the Australian Government. The Australian Government's financial framework⁸ recognises that a minister can approve proposed expenditure of relevant money. Relevant money is defined in the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) as money standing to the credit of any bank account of the Commonwealth (including corporate Commonwealth entities such as Sport Australia), or money that is held by the Commonwealth (including corporate Commonwealth entities). The *Australian Sports Commission Act 1989* provides that the money of Sport Australia may be applied in payment or discharge of the expenses, charges, obligations and liabilities incurred or undertaken by Sport Australia in the performance of its functions and the exercise of its powers. For the CSIG program, the program guidelines provided that the Minister for Sport would approve the grants to be awarded from the program funding provided to Sport Australia.

5 The electorate of Mayo was one of 17 electorates not held by the Coalition before the 2019 Election that had been identified by the Minister's Office as a seat being 'targeted' by the Coalition at the election. In January 2019, the Liberal candidate for Mayo had informed the Minister's Office that there were three applications she was 'particularly keen to support' including the one for Yankalilla Bowling Club. Two of the three were approved for funding in the second CSIG round.

6 As CSIG was allocated for delivery to Sport Australia rather than the Department of Health, the program was not required to be delivered through one of the two grants hubs that were established in 2016 under the Streamlining Government Grants Administration initiative led by the Department of Finance.

7 Sport Australia identified that it did not have an existing system capable of implementing the CSIG.

8 Specifically, section 71 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

1.8 The audit methodology included:

- examination of entity records, including email records, electronic and hard copy documentation and grants management system data;
- identifying and extracting data for visualising application demographics, application assessment results, funding recommendations and funding decisions taken;
- interviews of relevant entity staff; and
- evidence (including sworn testimony and documentation) obtained using the powers provided by section 32 of the *Auditor-General Act 1997* (Auditor-General Act) from two key individuals from within the Minister's Office at the time funding was awarded.

1.9 Further details on the audit methodology is provided in Appendix 2.

1.10 The audit was conducted in accordance with the ANAO auditing standards at a cost to the ANAO of \$615,000.

1.11 The team members for this audit were Amy Willmott, Chérie Simpson, Tessa Osborne, Swatilekha Ahmed and Brian Boyd.

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2. Program design

Areas examined

The ANAO examined whether the grant program was well designed.

Conclusion

The design of the program was deficient in a number of important areas. A positive aspect was that the program guidelines were well structured and included clear assessment criteria with transparent weightings. A significant shortcoming was that, while the program guidelines identified that the Minister for Sport would approve Community Sport Infrastructure Grant Program (CSIG/the program) funding, there are no records evidencing that the Minister was advised of the legal basis on which the Minister could undertake an approval role, and it is not evident to the ANAO what the legal authority was.⁹ The design would also have been improved had:

- greater analysis been undertaken of the likely demand for grant funding, and strategies developed for managing a high level of demand;
- strategies to manage risks to the quality of the assessment process set out in Sport Australia's *Grant Management Framework* been implemented; and
- conflict of interest management arrangements been to a consistently high standard.

Areas for improvement

The ANAO made a recommendation aimed at the Australian Sports Commission (Sport Australia) better managing programs where a high level of demand for funding is expected. The ANAO has also recommended that Sport Australia's framework for managing conflicts of interest be enhanced so that employees involved in the design and oversight of grant programs are required to declare whether or not they have a conflict.

2.1 The Commonwealth Grants Rules and Guidelines (CGRGs) establish the overarching Commonwealth grants policy framework and articulate the expectations for all non-corporate Commonwealth entities in relation to grants administration. Although not subject to the CGRGs, consistent with better practice Sport Australia has in place a documented *Grant Management Framework* that is based on the CGRGs. The Sport Australia framework outlines that it 'has made an internal policy decision to implement the seven key principles for grants administration as detailed in the CGRGs as a better practice tool when administering all grant programs.' One of those seven principles is 'robust planning and design'.

⁹ There is a power of direction available to the Minister under the *Australian Sports Commission Act 1989*, but it was not used.

Was appropriate analysis undertaken of likely demand, and if so, did this inform decisions on the targeting of the program and the amount of program funding to be made available?

The amount of program funding to be made available and how to target this funding was not informed by sufficient analysis of the likely demand for grant funding. This analysis could have improved the design of the program by informing the development of strategies to manage a high level of demand for funding.

2.2 In October 2009, the Minister for Sport was provided with a report by a panel she had appointed to investigate reforms required to ensure the Australian sporting system remains prepared for future challenges at both the community and elite levels. The panel concluded that 'Governments at all levels will have to increase their investment in community facilities if grass roots sport is to flourish.' The report included six recommendations relating to 'Building Community Sport With People and Places'. Two of those were directly relevant to community sport infrastructure, being that:

- the Australian Government in consultation with the state and territory governments, develop a strategic national facilities initiative for the funding and development of Australia's community sport and recreation facilities over the next decade; and
- in any infrastructure programs, preference should be given to projects that have the potential to engage wide sections of the community, such as multi-sport facilities in proximity to other community infrastructure, to help with sustainability and to increase social capital.

2.3 In 2017–18 Sport Australia hosted a series of workshops to gather insights into community sport infrastructure. As a result of this work the *Value of Community Sport Infrastructure* report was developed, in conjunction with KPMG and La Trobe University. This report:

- identified that, each year, community sport infrastructure is used by more than eight million people and generates more than \$16.2 billion worth of social, health and economic benefits;
- identified that there are a number of limitations to optimising the benefits from existing and new community sport infrastructure¹⁰; and
- informed the development of the CSIG as part of the response to the national sport plan (*Sport 2030*) publicly released¹¹ on 1 August 2018 (the day before the CSIG program opened for applications).

2.4 While the benefits from greater investment in community sport infrastructure were outlined in the *Value of Community Sport Infrastructure* report, its objective did not include analysis of likely demand for funding under a community sport infrastructure grants program, or an assessment of amount of program funding that should be made available. The funding initially

10 Such as: single-use rather than multi-use facilities; and inadequate facilities.

11 In May 2017, the Minister for Sport had announced a consultation process to develop a national sport plan for public release in 2018.

made available for the CSIG was identified as part of the 2018 Budget process. This included analysis by Sport Australia that:

- over the previous five years, the Australian Government had invested \$654 million into community-based sporting infrastructure; and
- small projects (valued at \$250,000 or less) accounted for only four per cent of this figure, suggesting that additional investment in small projects would address unmet demand.

2.5 Sport Australia did not undertake analysis focused on likely demand for grant funding, or the amount of program funding to be made available but recorded that it expected to be 'inundated' with applications given inquiries that were being made after the May 2018 Budget announcement. Sport Australia advised the ANAO in October 2019 that:

Sport Australia agrees there was insufficient analysis of likely demand for grant funding. At the time the CSIG program was funded, Sport Australia's corporate plan did not include a strategy around investment in community sport infrastructure. The CSIG program was funded for delivery in one year, during a period in which Sport Australia was experiencing significant funding pressures in other areas. ...

Preliminary research into the gaps and priorities addressed by sport infrastructure funding programs in States and Territories was undertaken, however the limited time available did not allow for a comprehensive understanding of the scale of the demand nationally. Questions related to grant management and demand management processes were also included in one-to-one conversations with State Department representatives. State department representatives from Victoria and South Australia were also included in the initial Grant Planning Meeting held in May 2018.

2.6 Applications for the CSIG received by Sport Australia sought \$396.6 million in grant funding. This was more than 13 times the amount of grant funding that was announced as being available. From audits the ANAO has undertaken¹², this level of over-subscription is not uncommon for a grant program providing funding for community infrastructure (including sporting infrastructure) to local government, not-for-profit entities and sporting organisations. There would have been benefits from the design of the program considering the merits of demand management strategies such as:

12 See, for example:

- Auditor-General Report No.30 of 2016–17 *Design and Implementation of Round Two of the National Stronger Regions Fund* (oversubscribed by 11.1 times);
- Auditor-General Report No.3 of 2012–13 *The Design and Conduct of the First Application Round for the Regional Development Australia Fund* (initially 20 times oversubscribed reducing to 13.3 times after amount of grant funding available was increased due to the over-subscription); and
- Auditor-General Report No.9 of 2014–15 *The Design and Conduct of the Third and Fourth Funding Rounds of the Regional Development Australia Fund* (Round 3 over-subscribed 3.2 times and Round 4 13.7 times).

- limiting the number of applications that an eligible organisation is permitted to submit,¹³ or identifying in the program guidelines that only the highest rated application would be approved for funding where applicants would otherwise receive two or more grants¹⁴;
 - a staged application process, such as a short expressions of interest stage to shortlist entities to be invited to proceed to lodge full applications¹⁵; or
 - full assessment only occurring for those applications that met threshold or gateway criteria.¹⁶ For example, had satisfactorily meeting the first merit criterion (community participation, which was the highest weighted criterion reflecting its importance to the program) been identified as a threshold requirement to proceed to full merit assessment, then 300 fewer applications would have required full assessments (15 per cent of the total number of applications that were assessed in full).
- 2.7 As indicated by Table 1.1, the amount of program funding was increased on two occasions:
- \$30.3 million through the Mid-Year Economic and Fiscal Outlook (MYEFO) process in December 2018 to 'create a second round of successful grant program announcements from existing applications in early 2019'; and
 - \$42.5 million in the April 2019 Budget to allow a third round of grants to be approved (including nine new or re-submitted applications – see further at paragraphs 2.28 to 2.31).

13 For example, the 2019–20 round of the Victorian Government's Community Sport Infrastructure Fund limited local government authorities to submitting one application under three of the six funding streams. See: https://sport.vic.gov.au/data/assets/pdf_file/0023/39380/download.pdf

14 In this respect, in developing its recommendations as to which grants should be approved in the first round, Sport Australia recorded that 'due to the large volume of applications received, it was decided to award a maximum of one grant to any successful organisation' but the program guidelines did not allow this approach to be adopted.

15 For examples see Auditor-General Report No. 9 of 2014–15 *The Design and Conduct of the Third and Fourth Funding Rounds of the Regional Development Australia Fund* and Auditor-General Report No. 11 of 2012–13 *Establishment, Implementation and Administration of the Quarantined Heritage Component of the Local Jobs Stream of the Jobs Fund*.

16 See Auditor-General Report No. 12 of 2016–17 *The Design of, and Award of Funding Under, the Living Safe Together Grants Programme* and Auditor-General Report No. 43 of 2012–13 *Establishment, Implementation and Administration of the General Component of the Local Jobs Stream of the Jobs Fund*.

Recommendation no.1

2.8 When designing competitive, applications-based grant programs, Sport Australia identifies strategies to manage the expected level of demand for the amount of funding that is being made available.

Sport Australia response: *Agreed.*

2.9 *Strategies that Sport Australia is committed to considering for future applications-based grant programs include: limiting applicants to one application; where relevant, undertaking additional research to better understand the experience of other national organisations running similar programs; where relevant, ensuring alignment with similar State-based grant programs and sharing the learnings and analytics from the CSIG program.*

Were appropriate program guidelines developed?

Program guidelines were developed and published. While the guidelines identified the Minister in an approval role, there are no records that evidence that the Department of Health or Sport Australia advised the Minister on the legal basis on which the Minister could undertake an approval role. It is not evident to the ANAO what the legal authority was.

2.10 Consistent with the CGRGs, Sport Australia's *Grant Management Framework* requires program guidelines to be developed for new grant programs and made publicly available where grant applications are to be sought. CSIG program guidelines were developed by Sport Australia. The guidelines were developed with input from the Office for Sport within the Department of Health and the Minister's Office.

2.11 The guidelines provided an appropriate linkage between the policy intentions for the program agreed by the Government and program implementation. The first section of the guidelines was 'A message from the Minister' that included identifying the outcomes the program was seeking to achieve, and some examples of the types of projects that were expected to contribute to these outcomes.

2.12 The Minister for Sport launched the program and released the guidelines on 2 August 2018.¹⁷

2.13 The program guidelines were well structured. They provided an overview of the program and its objectives, and clearly articulated matters applicants needed to be aware of when seeking funding (see Table 2.1). There were some areas that could have been improved upon, specifically:

- the program guidelines were not updated when additional program funding was made available in December 2018 and again in April 2019;
- the eligibility requirements lacked clarity in some respects, which was reflected in reassessments as to whether some applications were eligible (see paragraphs 3.4 to 3.6)

¹⁷ Senator the Hon Bridget McKenzie, Deputy Leader of The Nationals, Minister for Rural Health, Minister for Sport, Minister for Regional Communications, Senator for Victoria, Media Release, *Investment in sport infrastructure to build stronger communities*, 2 August 2018.

as well as some inconsistent results. For example, four applications for electronic scoreboards were marked as eligible and funded, while 10 other applications were marked as ineligible because they requested funding for scoreboards;

- clearly identifying the extent (if any) to which grant payments could be made upon signing of the funding agreement; and
- providing a link to a copy of a standard funding agreement for the program.

Table 2.1: Contents of program guidelines

Category	Synopsis of content
Available funding	\$29.7 million program funding, a maximum grant amount of \$500,000 with the amount of information required in support of an application varying according to the funding stream (up to \$50,000; \$50,001 to \$200,000; and \$200,001 to \$500,000).
Eligible entities	Sporting organisations, local government entities, remote education institutions (in defined circumstances) and not-for-profit organisations. Ineligible entities also identified.
Eligible projects	Must be relevant to the program objectives with various examples listed. Ineligible project types and activities also identified.
Partner funding	Not mandatory, but co-contributions (including in-kind) to be favourably considered and applications scored higher.
Application process	Key dates (opening, closing, notification of decisions and project completion date) identified. Link provided to the online application form along with information on the detail required in support of an application, and a link to the relevant templates.
Selection (merit) criteria	Three criteria identified, along with appropriate weightings: community participation (50 per cent); community need (25 per cent); and project design and delivery (25 per cent).
Decision-making process	All applications to be assessed against the eligibility criteria, with only eligible applications proceeding to merit assessment. An assessment panel to assess applications with all eligible applications assessed as meeting or exceeding the merit criteria to proceed to the Sport Australia board for endorsement. Minister for Sport identified as the funding decision-maker.
Grant terms and conditions	Requirement for a funding agreement identified along with the payment arrangements (to reflect progress against milestones and acceptance of satisfactory progress reports), monitoring and compliance arrangements.

Source: ANAO analysis of published program guidelines.

2.14 An important element in designing a robust governance framework for a grant program is obtaining clarity as to who will be deciding which applicants will receive a grant. Sport Australia is a corporate Commonwealth entity. These entities are body corporates that have a separate legal personality and can act in their own right exercising legal rights such as entering into contracts, deciding on the award of grants and owning property.

2.15 The powers provided to Sport Australia by the Parliament under the *Australian Sports Commission Act 1989* (ASC Act)¹⁸ include making grants and entering into contracts.¹⁹ The ASC Act also provides (through section 11) the Minister with the power to give written directions to Sport Australia with respect to the policies and practices to be followed in the performance of its functions, and the exercise of its powers.²⁰ The Act includes a process by which the Minister must inform Sport Australia in writing if consideration is being given to issuing a direction, and give the Chair of the board the opportunity to discuss with the Minister the need for the proposed direction. Where a direction is given, it must be published and also tabled in each House of the Parliament within 15 sitting days.

2.16 During the development of the guidelines, the Department of Health reminded Sport Australia that the Minister wanted to approve CSIG funding. In addition, Sport Australia advised the ANAO in March 2019 that the program guidelines would only be approved on the basis that the Minister was the decision-maker. There are no records that evidence that the Department of Health or Sport Australia advised the Minister on the legal basis on which the Minister could undertake an approval role for the CSIG program.²¹

2.17 In early June 2018, Sport Australia recorded that adherence to the ASC Act required that it, not the Minister, approve the award of CSIG funding. In late June 2018 the Department of Health identified that, in the event the Minister was to be the approver, legal advice may be required on the use of the section 11 directions power in order for the Minister to be able to undertake this role. The Department of Health advised the ANAO in November 2019 that this legal advice was not sought.

2.18 The guidelines published on 2 August 2018 identified that the Minister would approve CSIG funding, with her decisions to be informed by recommendations from an assessment panel that had been endorsed by the Sport Australia board. Throughout the granting process all parties acted as if the Minister was able to be the approver.²²

2.19 No section 11 directions were issued to Sport Australia in 2018–19.²³ In the absence of a section 11 direction, there was no legal authority evident to the ANAO under which the Minister was able to be the approver of CSIG program grants to be paid from the money of Sport Australia.

18 Section 8.

19 The ASC Act states that Sport Australia shall not, except with the written approval of the Minister, enter into a contract involving the payment or receipt by the Commission of an amount exceeding \$500,000 (the maximum grant amount under the CSIG program was \$500,000). In May 2018, the Chair of the Sport Australia board wrote to the Minister proposing that this power be removed from the ASC Act as the board considered it 'weakens our authority to make decisions or introduce new funding models that may have unattractive consequences for some but benefits for the whole system.'

20 Advice from Sport Australia to the ANAO in March 2019 was that: apart from three grant programs implemented in 2018–19 that involved ministerial approval of grants (CSIG; Better Ageing; and Participation), grants decision-making is undertaken by delegates of the Sport Australia board; and it was not aware of previous grant programs in recent history that needed ministerial approval for allocation of grants.

21 Nor evidence that the Department of Health or Sport Australia advised the Minister of the Minister's responsibilities under section 71 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) as an approver of proposed expenditure.

22 For example, Sport Australia entered into funding agreements for those applications approved by the Minister, rather than those applications that had been endorsed by its board.

23 Australian Sports Commission, *Annual Report 2018–19*, p. 74.

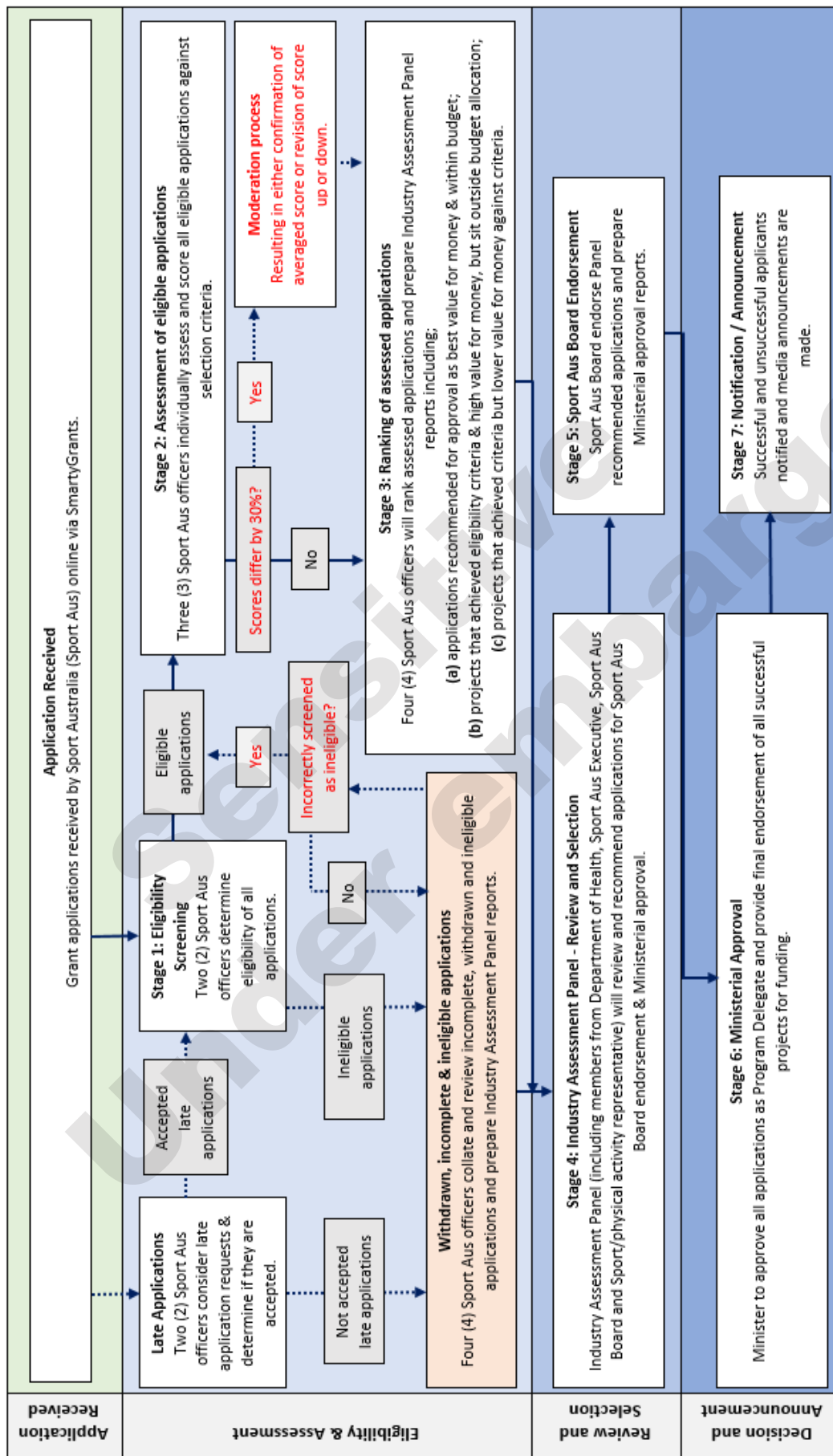
Were arrangements developed to enable project assessments and funding decisions to be well informed and completed in a timely manner?

Arrangements were developed that enabled project assessments and funding decisions to be completed on time but with risks to the quality of the assessment work. Documented procedures were not finalised and not all applications were able to be assessed by more than one person (as had been planned for quality assurance purposes). Significant emphasis was placed on the skills and experience of the team of Sport Australia assessors, with the results of the team's work completed up to 9 November 2018 reviewed by an assessment panel that included two members external to Sport Australia.

2.20 Sport Australia's *Grant Management Framework* includes a chapter focused on application assessment. This chapter provides a sound foundation to develop assessment approaches appropriate for individual grant programs. For example, it emphasises the importance of the assessment process undertaken being consistent with the methodology and criteria set out in the published program guidelines.

2.21 The framework requires that an assessment plan be developed and approved prior to the closing date for applications. Consistent with this requirement, in mid-August 2018, Sport Australia commenced the development of a CSIG program *Grant Management Guide*, the stated purpose of which was to set out the process and methodology as to how applications for CSIG program funding would be assessed. The draft guide included a planned assessment process flowchart (see Figure 2.1). The guide was not finalised before applications closed on 14 September 2018, or subsequently (no edits were made to the draft guide after 23 August 2018).

Figure 2.1: Planned assessment process



Source: Extract from Sport Australia records.

2.22 Sport Australia's *Grant Management Framework* requires that the assessment plan outline the scoring methodology that will be applied for assessing applications against the published merit criteria. Sport Australia developed a scoring matrix that:

- was consistent with the published weightings;²⁴
- identified the information to be used to inform the assessment against each sub-criterion (which questions in the application form were relevant, and which supporting documents were relevant); and
- included a scoring guide setting out how the characteristics exhibited by an application would be reflected in the score to be allocated against each sub-criterion. A six point scale was adopted ranging from no response or evidence provided (zero points) up to 'excellent' (five points).²⁵

2.23 Eligibility checking and merit assessment (through application of the scoring matrix) was undertaken by a team of Sport Australia assessors. No formal training was provided to the assessors. Sport Australia advised the ANAO in July 2019 that the core team that conducted the majority of the merit assessments was involved with the development of the guidelines and assessment methodology which, together with daily team discussions and the assessors liaising with one another, mitigated the need for formal training or documented guidance.

2.24 The assessment team was led by the CSIG program manager. The core assessment team consisted of eight assessors (including the program manager) with an additional five assessors later brought in to assist the team to complete the assessment work on time (the program guidelines had stated that notification of outcomes would occur from 1 November 2018 onwards). Assessors were focused on assessing applications in one of the three streams, with the amount of assessment work shared equally across the team.²⁶

2.25 The requirement to complete the assessment work by early November 2018²⁷ so as to not delay funding decisions and announcements saw Sport Australia depart from the planned approach of having more than one assessor conduct eligibility checking and merit assessments (see Figure 2.1). As a result:

- ninety-four per cent of eligibility assessments were undertaken by a single assessor rather than the planned approach of two assessors; and
- forty-seven per cent of merit assessments were undertaken by a single assessor with the remainder undertaken by two assessors (there were no applications where the planned approach of three merit assessments was evident). In addition, the planned moderation

24 The published program guidelines had clearly identified the weightings applied to each of the three merit criteria, as well as the relative importance of each of the considerations (sub-criteria) that would be taken into account for each criterion.

25 The other possible scores were 'not satisfactory' (one point), 'weak' (two points), 'satisfactory' (three points) and 'good' (four points).

26 The core team each undertook between 11 per cent and 13 per cent of the total number of merit assessments completed, with the additional assessors each undertaking one or two per cent of the total assessments completed (almost entirely of stream one applications).

27 Which was the date published in the program guidelines.

where the scores of assessors differed by more than 30 per cent was not undertaken. Rather, scores were averaged for each merit assessment where there were two assessors.

2.26 The first three stages of the assessment process (see Figure 2.1) were completed by Sport Australia by early November 2018. As foreshadowed in the program guidelines, the fourth stage involved an assessment panel²⁸ reviewing the results of the assessment work and making recommendations to the Sport Australia board on which applications should be put forward for ministerial approval. Ahead of its meeting on 9 November 2018, the panel was provided with a range of relevant material, including a spreadsheet that provided an overview of every application received and assessed across each of the three funding streams along with the results of the assessment team's work (the total merit assessment score for each assessed application was included in the spreadsheet with the panel separately provided with copies of the underlying assessments) and the assessment team's proposal that 422 applications be recommended for approval.

2.27 The panel agreed with 418 of the 422 applications the assessment team had proposed be recommended. It also decided that eight other applications should also be recommended for approval (in order that the full amount of available grant funding would be spent). The panel also identified nine 'reserve' applications.

Assessments conducted in March 2019

2.28 Following a request from the Minister's Office on 20 March 2019, further assessment work was undertaken by Sport Australia in relation to nine projects. This comprised:

- four projects that had been the subject of an application in September 2018 where the proponent was provided with the opportunity to amend the original application; and
- five new applications, four of which came from proponents that had not submitted an application when the program was open for applications in August and September 2018.

2.29 The opportunity to amend existing applications or submit new applications was not advertised or otherwise made available more broadly.²⁹ Sport Australia was not involved in the process through which candidates were identified and invited to submit new or amended applications.³⁰ Rather, this process was undertaken within the Minister's Office in reliance upon the following provision of the program guidelines:

While delivery of funding will be on a competitive basis, if, after completing the assessment process, emerging issues have been identified and/or there are priorities that have not been met, other projects may be considered to address these emerging issues (or other forms of financial

28 The panel was chaired by Sport Australia's Executive Director of Sport Partnerships with four other members: one member from the Sport Australia board; one from the Office for Sport within the Department of Health; the Sport Australia program manager for the CSIG; and another Sport Australia employee from its grant management team (who had not been involved in the assessment of individual applications). Terms of reference were documented.

29 For example, after the announcement of further program funding in the 2018 MYEFO, in January 2019 the Office of the Member for Mayo inquired as to whether new applications would be accepted but was advised that the program was closed to new applications.

30 The risks with such an approach, and how they can be managed, were examined by the ANAO in Auditor-General Report No. 7 of 2011–12 *Establishment, Implementation and Administration of the Infrastructure Employment Projects Stream of the Jobs Fund*.

arrangements with applicants to otherwise further the objectives of the program). It is expected that, in these cases, the assessment criteria outlined in these guidelines will remain applicable.

2.30 Sport Australia raised its concerns with the Minister's Office on 22 March 2019 in respect to this process and requested that the Minister's Office detail the nature of the emerging issues. Specifically, these concerns were that:

[T]he application process for the Community Sport Infrastructure grant program closed on 14 September 2018. No new applications have been accepted since this time and this has been communicated publicly - to the many MPs, sporting clubs and other organisations and individuals who have written expressly for the purpose of requesting the opportunity to apply. Therefore it is not appropriate to invite or accept new applications at this time. ...

Given the number of existing applications for funding that have already been assessed and ranked regarding their ability to meet program guidelines, Sport Australia will refer to this list and put forward projects for Ministerial approval via a formal briefing process.

2.31 One of the resubmitted applications was originally scored 92 out of 100 by Sport Australia and was recommended for funding in round one and in round two. The material submitted by the remaining eight project proponents, and the assessments undertaken by Sport Australia, did not demonstrate how these applications reflected 'emerging issues' or addressed priorities that had not been met. They were assessed by Sport Australia as not demonstrating high merit against the criteria, with aggregate scores ranging between 40 and 71. While higher scored applications from the competitive process undertaken in August to September 2018 remained available for approval, each of these new or resubmitted applications were approved for funding as part of the third round.³¹

Were conflicts of interest appropriately managed?

Conflicts of interest were appropriately managed for the assessment team, but not more broadly within Sport Australia.

2.32 Appropriate management of conflicts of interests requires a sound framework along with an active, rather than passive, management approach (including adequate oversight of the actions of individual employees).³²

2.33 There is a framework in place to address conflicts of interest through Sport Australia's:

- Code of Conduct, which includes a requirement that employees 'not give or disclose, directly or indirectly, any information to others about the ASC's business, unless required during the course of your duty or unless you have been expressly authorised to do so'; and

31 Seven of the projects were located in a Coalition held-electorate and two in 'targeted' electorates (one held by Labor and the other by an independent member). 'Targeted' electorates are discussed at paragraph 3.20.

32 See Auditor-General Report No. 1 of 2016–17 *Procurement of the International Centre for Complex Project Management to Assist on the OneSKY Australia Program*, pp. 57-67 and Auditor-General Report No. 1 of 2009–10 *Representations to the Department of the Treasury in Relation to Motor Dealer Financing Assistance*, pp. 13-17.

- Conflict of Interest Policy and related guidelines, including a requirement for declarations of interests to be made and updated. It addresses both conflicts of roles and conflicts of personal interests with those of Sport Australia.

2.34 A shortcoming in Sport Australia's framework is that it does not require employees to declare that they have no conflicts of interest. Rather, a declaration is only required in situations where the employee considers they have a conflict.

2.35 A stronger approach was evident in respect to those employees involved as assessors of individual CSIG applications. Before commencing either eligibility checking or merit assessment for each application assigned to them, the assessor was required to declare that they had a conflict, might have a conflict or had no conflict. Where the assessor declared they might or had a conflict, the individual was unable to undertake any assessment work in relation to the application. There were five applications where the proposed assessor identified that they did or might have a conflict. In each instance, the assessment was reallocated to another team member (who did not have a conflict).

2.36 The ANAO's analysis was that there was an undeclared and unmanaged conflict of interest involving a senior Sport Australia employee with responsibilities for the CSIG program and their relationship with an organisation linked to applicants of the CSIG program (and ongoing engagement with that organisation). This conflict had not been included by the employee in the declarations that had been signed. This relationship was known to Sport Australia but this did not cause Sport Australia to ask that the conflict be declared or require any management strategies to be implemented. There is a risk that the sport linked to this organisation was provided with a competitive advantage compared to other sports and potential applicants by that Sport Australia employee.³³ Sport Australia advised the ANAO that it took action in relation to this issue.

Recommendation no.2

2.37 Sport Australia require declarations be made as to whether or not employees involved in the design and oversight of funding programs have a conflict of interest.

Sport Australia response: *Agreed.*

2.38 *Sport Australia is strengthening the management of the application of its conflicts of interest policy and guidelines. Sport Australia has updated its conflict of interest policy and its Grant Management Framework to reflect the requirement for all employees involved in the design or oversight of any funding programs, or the assessment of funding applications, to declare whether or not they have any conflict of interest, including potential conflicts or those reasonably able to be perceived.*

³³ Sport Australia's analysis (in January 2019) was that this sport was 'one of the most organised sports to apply for CSI funding' and had been particularly successful in round one. Sport Australia recorded that this was a result of the sport 'having a national strategic approach to funding opportunities.'

3. Application assessment

Areas examined

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

Conclusion

The Australian Sports Commission's (Sport Australia) assessment of applications was largely in accordance with the published program guidelines. Sport Australia assessed each application for eligibility and against the three merit criteria to arrive at an overall assessment score. Scores against the three merit criteria were used to rank the applications, but Sport Australia did so within the three funding streams, which was not consistent with the program guidelines.

In parallel, the Minister's Office had commenced its own assessment process to identify which applications should be awarded funding. The Minister's Office drew upon considerations other than those identified in the program guidelines, such as the location of projects, and also applied considerations that were inconsistent with the published guidelines. It was this assessment process that predominantly informed the Minister's funding decisions, rather than Sport Australia's process. This resulted in the assessment advice to the Minister being inconsistent with the approved program guidelines.

Areas for improvement

Sport Australia had largely adequate records of its assessment work but the ANAO has recommended that the approach be improved by concisely recording the reasons for the scores (in addition to the assigned score).

3.1 Competitive, merits-based grant programs are expected to equitably and transparently select for funding the eligible applications that have been assessed to represent best value for public money in the context of the objectives and outcomes of the granting activity, as set out in program guidelines. The criteria set out in the program guidelines are expected to have been soundly derived from the program's stated objectives and so departing from the criteria advised to potential applicants is detrimental to the conduct of a transparent and equitable grant program, and may also be detrimental to the achievement of the program objectives from which the published criteria had been derived. Departures from the published selection criteria can occur through a variety of means, including the application of additional unpublished criteria to either exclude certain applications from further consideration, or to improve the opportunity for certain applications to be approved for funding.

Were ineligible applications identified and removed from further consideration?

Ineligible applications were identified and no applications assessed as ineligible were awarded grant funding.

3.2 Sport Australia's *Grant Management Framework* identifies eligibility checking as the first stage of the assessment process and that only those applications assessed as eligible should proceed to merit assessment.

3.3 As planned (see Figure 2.1), eligibility screening was undertaken for each application prior to the merit assessment stage. This saw 77 applications assessed as ineligible.

3.4 A further eligibility check was undertaken as the first step in the merit assessment process. This check resulted in the assessment of two applications changing from ineligible to eligible³⁴ and the reassessment of 25 applications as ineligible.

3.5 A third eligibility check was undertaken in late October 2018, prior to the assessment panel meeting. This saw a further 11 applications assessed as ineligible.

3.6 The revisiting of eligibility checking at three points in the assessment process provided greater assurance that only eligible applications remained as candidates to be recommended for funding. Conversely, it was less efficient than an effective single stage assessment, noting that high demand for funding (see paragraphs 2.5 to 2.6) had placed the Sport Australia assessment team under pressure to meet the timeframe outlined in the program guidelines (as reflected in additional assessment resources being added — see paragraph 2.24). The reassessments also reflected some lack of clarity in the eligibility requirements set out in the program guidelines (see paragraph 2.13).

Were the published merit criteria applied to inform an assessment of the value for money of each candidate project?

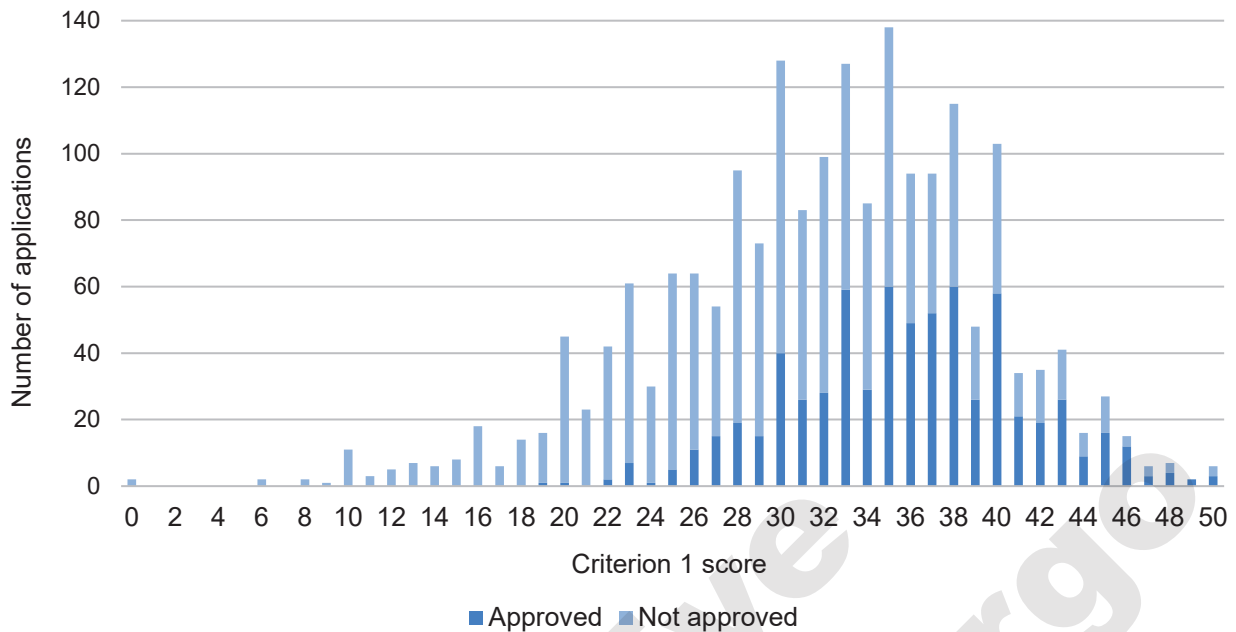
The published merit criteria were applied by Sport Australia to identify the value for money of each candidate project. This involved each application being awarded a score out of 100 based on the results of the recorded assessments against each of the three published criteria. Based on the assessment scores, all program funding could have been allocated across the three rounds to applications that scored 74 or more.

3.7 Each application assessed as eligible was assessed against the three published merit criteria.

3.8 The first criterion (community participation in sport) was the most important to the policy rationale for the program and this was reflected in it being weighted to comprise half of the total assessment score. The majority (60 per cent) of the score able to be achieved against this criterion related to whether the project would address an identified need, gap or deficiency in the availability and/or accessibility of community sport and physical activity facilities, and would lead to an increase in sport and physical activity participation. Other factors assessed were whether the project would lead to an increase in the inclusiveness of new or under represented user groups and would provide participation opportunities for multiple sports and/or user groups.

3.9 As illustrated by Figure 3.1, a broad distribution of scores were achieved by eligible applications against this criterion. Only 58 per cent of projects that were rated highly in terms of addressing an identified need were also assessed as likely to lead to an increase in participation. A significant proportion (45 per cent) of projects that performed strongly in both these respects did not obtain funding approval.

34 One was awarded funding in the second round, the other was approved for funding in the third round.

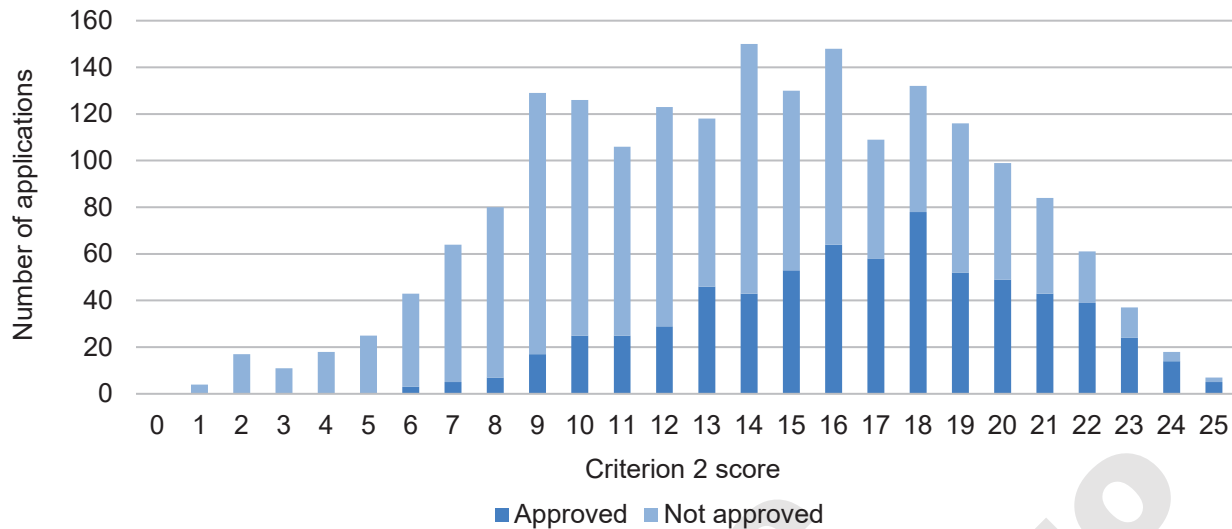
Figure 3.1: Assessment scores against the community participation criterion

Source: ANAO analysis of Sport Australia and Department of Health records.

3.10 The second criterion related to community need for the project. The scores achieved against this criterion were spread more evenly than those achieved against the first criterion (see Figure 3.2). The most significant factor considered under the community need criterion was whether the project had been identified through a facility planning process and identified as a priority for local government and/or state/national sporting organisation or club.³⁵ Projects assessed as performing strongly in this regard were not significantly more successful in obtaining funding approval than other projects.³⁶

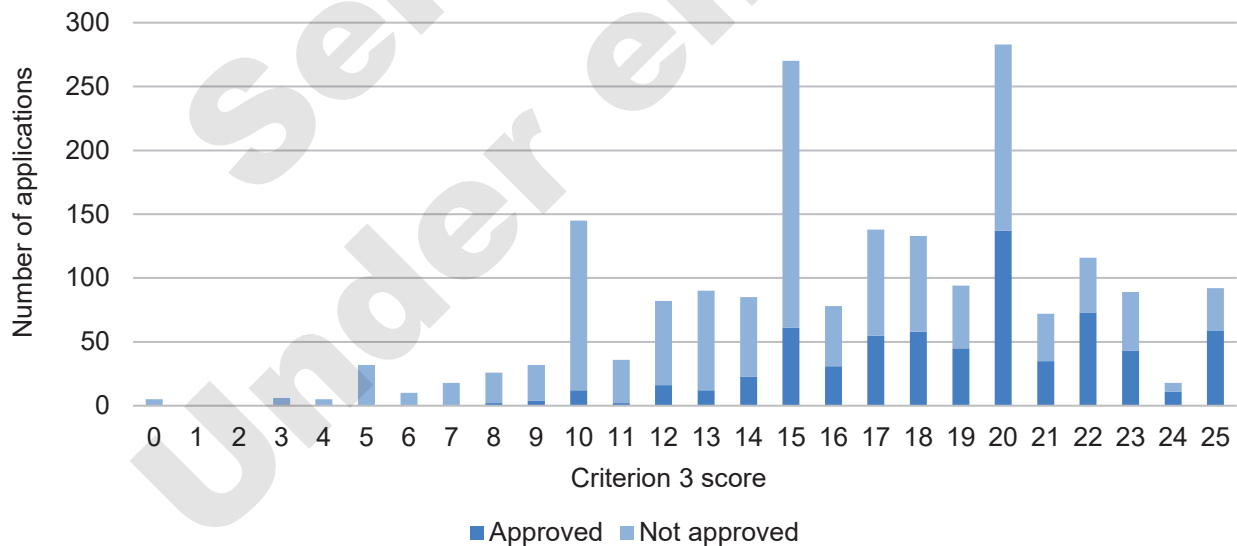
35 Other factors considered were whether the project would: improve the quality or standard of facilities available to the community; demonstrated a local economic impact during construction and operation, including employment during and after construction; and had secured an in-kind or financial co-contribution.

36 Of those projects assessed as meeting this sub-criterion to a 'good' or 'excellent' level, 55 per cent were approved for funding whereas 45 per cent were unsuccessful.

Figure 3.2: Assessment scores against the community need criterion

Source: ANAO analysis of Sport Australia and Department of Health records.

3.11 The third and final criterion related to project design/planning and the applicant's capacity and capability to deliver the project. Figure 3.3 illustrates the scores achieved against this criterion. Local government organisations typically scored more highly against this criterion relative to other types of applicants, particularly sporting organisations.³⁷ Three quarters (76 per cent) of those projects approved for funding had been assessed as meeting this criterion to a 'good' or 'excellent' level.

Figure 3.3: Assessment scores against the project design and delivery criterion

Source: ANAO analysis of Sport Australia and Department of Health records.

³⁷ Sporting organisations represented 69 per cent of the applications assessed, but represented 56 per cent of applications assessed as meeting this criterion to a 'good' or 'excellent' level. Local government organisations represented 19 per cent of applications assessed, but 34 per cent of applications assessed as meeting this criterion to a high level.

3.12 The output of the Sport Australia merit assessment process clearly identified the assessed value for money of each eligible candidate project in terms of the three published criteria. Specifically, the scores against each sub-criterion and criterion were aggregated and the published weightings applied to calculate a total merit score for each application. The maximum score that could be achieved was 100. Forty-eight per cent of applications that were merit assessed achieved an aggregate merit score between 50 and 70. There were relatively few (20 per cent) applications that achieved an overall score below 50. A small proportion (less than two per cent) achieved a score of 90 or above. Based on the assessment scores, all program funding could have been allocated to applications that scored 74 or more, comprising:

- 137 applications in the first round, scoring between 83 and 98;
- 151 applications in the second round, scoring between 78 and 83; and
- 165 applications in the third round, scoring between 74 and 78.

Were the scores against the assessment criteria used to rank the competing applications?

Sport Australia used the scores against the assessment criteria to rank applications, but did so within the three funding streams in a way that was not consistent with the program guidelines. As it was requested by the Minister's Office, Sport Australia provided the draft assessment results to the office on 8 November 2018, but did not subsequently provide the board-endorsed list of recommendations to the Minister. The Minister's 11 December 2018 funding decisions were based on the results of a parallel assessment process conducted by the Minister's Office. This process drew upon considerations other than the assessment criteria, such as project locations including Coalition 'marginal' electorates and 'targeted' electorates.

3.13 The assessment process enabled eligible applications to be ranked for consideration for each of the three funding rounds. On 8 November 2018, the Minister's Office requested and obtained from Sport Australia an updated list of the applications that had been received.³⁸ The spreadsheet provided to the Minister's Office included assessment scores, but the assessment process had not been finalised as the assessment panel process had not yet been undertaken and the Sport Australia board had not yet considered the assessment results and provided its endorsement.

Assessment by Sport Australia

3.14 The assessment panel met on Friday 9 November 2018. In order to fund more than 400 applications³⁹, Sport Australia proposed to the panel that competing applications be ranked

38 A list of applications received was first obtained by the Minister's Office on 26 September 2018. The ANAO has previously identified that it is prudent for the approver (and their office, where relevant) to remain at arm's length from the assessment process as this separation avoids the potential for perceptions to arise that the approver has influenced the funding recommendations subsequently put forward for the approver's consideration. There are also risks relating to the possible funding of ineligible applications.

39 The May 2018 Budget announcement of the CSIG had stated that the program would 'deliver up to 500' grants and Sport Australia recorded that guidance from the Minister's Office had been that between 400 and 500 applications had to be funded.

within each funding stream (otherwise there were insufficient high scoring applications in the lowest value stream to enable more than 400 applications to be approved).

3.15 Sport Australia's proposed approach, in large part, proposed to recommend those applications in each stream assessed as most meritorious. Sport Australia made a record of the circumstances where some individual applications above the threshold score for each stream were not proposed to be recommended, and identified each individual application that was affected. The circumstance that affected the most applications was where an applicant would have received more than one grant, with Sport Australia recording that:

Due to the large volume of applications received, it was decided to award a maximum of one grant to any successful organisation. A number of organisations were successful in more than one grant so a list of duplicates was produced and decisions made regarding which grant would be the sole selected grant for each organisation. These decisions were made based on a range of factors including: project that best aligned with program objectives; score given by assessors; stream of funding considered most suitable, and greatest total project value for investment.

Table 3.1: Sport Australia's proposed recommendations by stream

Funding stream ^a	Assessment score above which all applications were recommended to be funded	Total applications funded	Total grant amount distributed	Total project value
One	61.5	332	\$10,441,566	\$17,878,395
Two	76.5	75	\$10,710,355	\$24,908,281
Three	87.5	15	\$7,143,334	\$30,387,022
Totals		422	28,295,255	\$73,173,698

Note a: Funding streams are defined by project values: up to \$50,000 (stream one); \$50,001 to \$200,000 (stream two); and \$200,001 to \$500,000 (stream three).

Source: ANAO representation of Sport Australia analysis.

3.16 The program guidelines did not provide any support for Sport Australia's approach of allocating funding by stream (as this was not the purpose of the funding streams — see Table 2.1). In any event, as it eventuated, significantly fewer than 400 applications were awarded funding in the first round (224 were approved for funding).

3.17 Sport Australia also proposed to apply some unpublished criteria, such as limiting any successful organisation to a maximum of one grant.⁴⁰ Sport Australia proposed to take this approach notwithstanding that (consistent with the Commonwealth Grant Rules and Guidelines) its *Grant Management Framework* stated:

Departing from the selection criteria outlined in the program guidelines is detrimental to the conduct of a transparent and equitable program, and can also be detrimental to the achievement of the program objectives from which the selection criteria has been derived.

Some examples of inappropriate departures from published selection criteria including: ... the application of additional unpublished criteria either to exclude certain applications from further consideration or to improve the opportunity for certain applications to be approved for funding.

40 Across the three rounds, and even within the first round, there were applicants that received more than one grant.

3.18 The next stage in the published assessment and decision-making process involved obtaining Sport Australia board endorsement. Specifically, the program guidelines required that all eligible applications that met or exceeded the selection criteria were to 'proceed to the Sport Australia board for endorsement'. This was sought on Tuesday 13 November 2018, with the board provided with individual project details and informed there were 426 projects proposed for recommendation to the Minister, based on assessment score rankings within each stream.⁴¹ The board was asked to approve, by Friday 16 November 2018, 14 applications seeking above \$300,000 (which the board was informed was the limit of the Sport Australia Chief Executive Officer's financial delegation⁴²) and note the remaining recommended projects. By 17 November 2018 each board member had provided their endorsement.

3.19 The board-endorsed list and funding recommendations were to be submitted to the Minister soon thereafter. However, Sport Australia decided to put the brief 'on hold' on 22 November 2018 due to receiving advice from the Minister's Office the day prior that the amount of Community Sport Infrastructure Grant Program (CSIG/the program) funding was likely to be increased through the Mid-Year Economic and Fiscal Outlook (MYEFO) process.⁴³ Before Sport Australia had provided the board-endorsed list to the Minister, it received a list of 'approved' CSIG projects from the Minister's Office on 5 December 2018. The board-endorsed list was never subsequently provided to the Minister (discussed at paragraph 4.14).

Assessment by the Minister's Office

3.20 Contemporaneously with Sport Australia's assessment processes under the program guidelines, the Minister's Office was analysing the list of grant applications (the details of which had first been provided to it on 26 September 2018).⁴⁴ Records examined by the ANAO evidence that the Minister's Office used the spreadsheets provided to it by Sport Australia to undertake a parallel assessment process as a basis for the Minister deciding which projects should be funded with additional analysis on 'marginal' electorates held by the Coalition as well as those electorates not held by the Coalition that were to be 'targeted' in the 2019 Election (see also paragraph 4.24).⁴⁵ The Minister's Office recorded on 20 November 2018 that it had:

- identified 705 projects in 'marginal' and 'targeted' seats. This comprised:
 - 481 projects in 30 electorates held by the Coalition with assessment scores ranging between 14 and 95 out of 100;

41 This involved: 331 stream one applications with a score threshold cut off of 61; 80 stream two applications with a score threshold cut off of 76.5; and 15 stream three applications with a score threshold cut off of 83.

42 In December 2019, Sport Australia advised the ANAO that the limit on the Sport Australia Chief Executive Officer's delegation is \$250,000. None of the 426 applications proposed for endorsement had sought funding in the range between \$250,000 and \$300,000.

43 Sport Australia records indicated that it expected it would be required to amend its briefing and increase the volume of its recommendations in order to exhaust the likely additional funding. This was not the case, as the additional \$30.3 million CSIG funding was awarded separately under the second round.

44 See footnote 38.

45 Of note was that columns titled 'Successful' and 'Electorate status' were inserted and the electorate for each application was colour coded to identify which party currently held the seat (red for Labor, blue for Liberal, green for The Nationals and orange for independents).

- 126 projects in 13 electorates held by Labor with assessment scores ranging between 19.5 and 95; and
- 98 projects in four electorates held by an independent member with assessment scores ranging between 38 and 94;
- culled projects with an assessment score below 60 and some other ‘outliers’;
- taken into account representations received from a number of senators and members⁴⁶ in addition to having ‘spoken directly to other Members and Duty-Senators and some cross-bench on key priorities — with a priority on marginal and target seats’;
- developed two lists of projects:
 - one for the existing program funding of \$29.7 million, involving 82 projects in 30 ‘marginal’ electorates and 32 projects in 17 ‘targeted’ electorates able to be funded. This list also included a further 82 projects in other electorates, of which 47 were located in a Coalition held electorate, 32 in a Labor held electorate and three in an electorate held by an independent member; and
 - another for a program involving total grant funding of \$100 million. The proposal was that a further 109 projects located in ‘marginal’ and ‘targeted’ electorates could be successful (meaning 32 per cent of all projects in those categories could have been successful) along with another 298 projects located in other categories of electorates (meaning 28 per cent of all projects in those electorates could have been successful).⁴⁷

3.21 The spreadsheet provided to the Minister’s Office by Sport Australia on 8 November 2018 included assessment scores that could have been used to rank the competing applications. This was not done. Rather, it was initially proposed by the Minister’s Office on 20 November 2018 that applications located in a ‘marginal’ or ‘targeted’ electorate be successful at a significantly higher rate (114 applications or 17 per cent) than the remaining applications (82 applications or seven per cent). The applications that the Minister’s Office was proposing be successful were not those assessed as having demonstrated the greatest merit in terms of the published program guidelines. This was particularly the case for projects located in a ‘marginal’ or ‘targeted’ electorate (see Table 3.2).

Table 3.2: Applications proposed for approval as at 20 November 2018

Assessment score band	Projects in ‘marginal’ and ‘targeted’ electorates	Projects in other electorates	Total projects proposed for approval
90 or more	8	14	22
80 to 89	44	54	98
70 to 79	34	9	43
60 to 69	28	5	33

46 The evidence available to the ANAO is that representations were received across the three rounds both directly and indirectly, including through the Prime Minister’s Office.

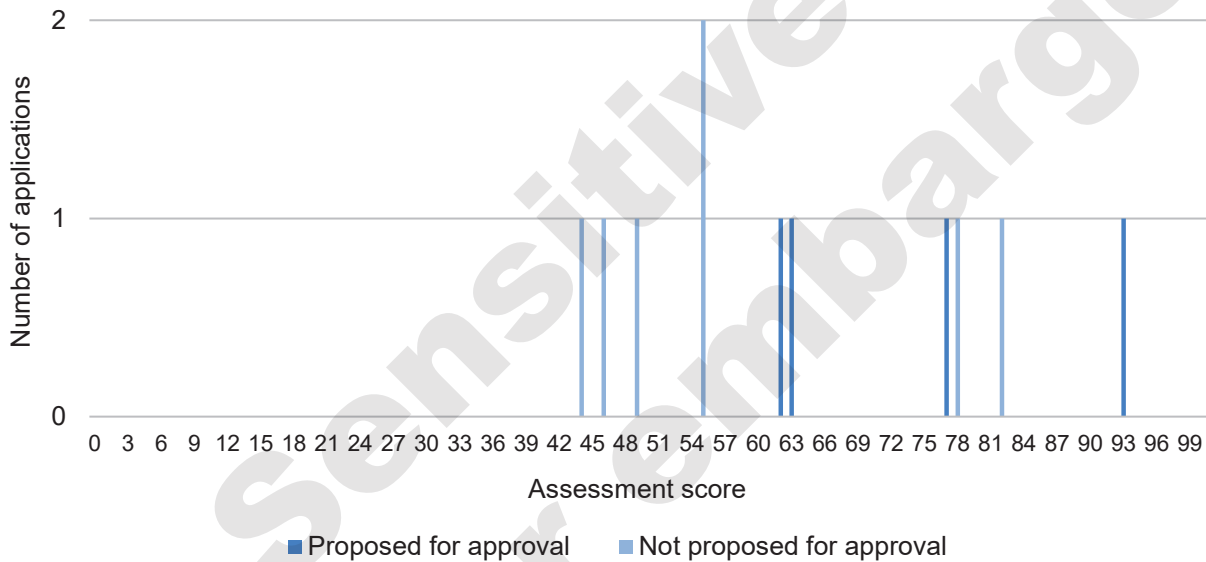
47 One project located in the electorate of Calare was included in the list for a \$29.7 million program but not in the list for a \$100 million program.

Assessment score band	Projects in 'marginal' and 'targeted' electorates	Projects in other electorates	Total projects proposed for approval
Below 60	Nil	Nil	Nil
Total:	114	82	196

Source: ANAO analysis of Sport Australian and Department of Health records.

3.22 The applications initially proposed by the Minister's Office on 20 November 2018 for approval were also not the most meritorious within each electorate. For example, Figure 3.4 illustrates that in the 'targeted' electorate of Braddon the highest scored application was proposed to be successful, but the second and third ranked applications were proposed to be overlooked in favour of approving three lower scoring applications. As it eventuated, the fourth and fifth ranked applications were approved in round one, but the highest ranked application (with a score of 93) was not approved for funding in any round.

Figure 3.4: Merit scores for applications in the electorate of Braddon



Source: ANAO analysis of Sport Australia and Department of Health records.

3.23 Subsequent to the Minister's 11 December 2018 decision, Sport Australia was advised by the Minister's Office of other changes between 13 and 20 December 2018. Overall, the changes did not lead to a greater alignment of the funding decisions with Sport Australia's assessed merit of the candidate applications:

- of the 196 applications originally proposed as successful by the Minister's Office, 108 that had applied for \$18.2 million in grant funding were not approved in the first round. These 108 applications had an average assessment score of 79 (and a range of 62 to 98).
- 136 other applications seeking \$17.2 million were approved that had an average assessment score of 72 (and a range of 50 to 86). Sport Australia's analysis included identifying three 'common issues' for those applications with a low assessment score:
 - lack of prioritisation of the project as a strategic priority by the club itself, sport governing body or any level of government;
 - benefits of the project only relate to a single sport and not multiple sports; and/or

- lack of secured co-contribution or additional funding sources.

3.24 Projects located in ‘marginal’ and ‘targeted’ electorates had applied for 36 per cent of the total funding sought across all applications, and received 47 per cent of the total amount approved in the first round.

3.25 On 29 January 2019, the Minister’s Office provided Sport Australia with an updated copy of the spreadsheet that identified which projects were to be successful in the second round. The assessment score continued to be included in the spreadsheet but those identified as successful were not comprised solely of those unfunded projects that had the highest assessment score. For example, 63 per cent of those projects identified by the Minister’s Office to be successful in the second round had scored below 74 (see paragraph 3.12).

3.26 On 11 April 2019, the Minister’s Office provided Sport Australia with a further updated copy of the spreadsheet that identified which projects were being approved for funding in the third round. The spreadsheet continued to identify the assessment score that resulted from the Sport Australia merit assessment process, but the award of funding was not directed to the highest scoring but not yet funded applications.

Are there adequate records of the assessment process?

The records of the assessment process were largely adequate. This included records of eligibility checking undertaken by Sport Australia for each application as well as the scores awarded against each merit criterion (for applications assessed as eligible). There is an opportunity for Sport Australia to strengthen its processes by making a concise record as to the reasons for the scores it awards eligible applications against published merit criteria (not just the score awarded).

3.27 Sport Australia’s *Grant Management Framework* includes a brief section on assessment documentation, emphasising the principles of probity and transparency.

3.28 To assist it implement the CSIG program, Sport Australia subscribed to a cloud-based grant administration system. The system enabled Sport Australia to create and maintain adequate assessment records. This included:

- an ‘eligibility check form’ that recorded the eligibility checking undertaken in relation to each completed application that had been received. This recorded whether the organisational and project eligibility requirements set out in the program guidelines had been met, and whether the mandatory documentation required to be provided had been received. It also provided a clear record of whether the application was to proceed to the merit assessment stage; and
- an ‘assessment form’ incorporating:
 - an eligibility re-check;
 - an overview of the application, drawn from the information submitted by the application, with the ability to access a link to the full application;
 - the score awarded against each sub-criterion, leading to the calculation of a criterion score (using the published weightings) and an overall score (also using the published weightings); and

- a recommendation from the assessor as to whether, on the basis of the assessment results, the application should be considered by the assessment panel.

3.29 The records of the assessment process could have been improved had they also included a concise reason in support of the merit assessment scores that were awarded. This approach provides increased transparency, can assist with any score moderation process in circumstances where applications are assessed by more than one person, can assist with providing feedback to unsuccessful applicants as well as potentially being useful information to decision-makers when they are considering funding recommendations.⁴⁸

3.30 Sport Australia's *Grant Management Framework* includes a section on the operation of assessment panels but it does not address the record-keeping required in relation to the assessment work undertaken by these panels. Adequate records existed of the assessment panel meeting of 9 November 2018. Those records comprised an agenda, a slide presentation prepared by Sport Australia, notes taken by Sport Australia during the meeting and meeting minutes.

3.31 At the meeting the panel decided that a list of reserve applications should be created and that additional applications should be recommended to fully allocate the grant funding available in the first round. Sport Australia adequately recorded the completion of these tasks and that each panel member endorsed the nine reserve applications proposed by Sport Australia as well as the four additional applications to be recommended in order to fully allocate the grant funding.

3.32 The Sport Australia board's consideration of the assessment outcomes was informed by a paper provided to the board on 13 November 2018. This paper outlined the process that had been employed to arrive at the list of applications proposed to be recommended to the Minister for funding approval in the first round, identified each application proposed to be recommended for funding and included an electronic link to the grant applications.

3.33 The panel was not reconvened to consider which projects should be recommended for funding in either the second or third round. Similarly, the Sport Australia board was not asked to provide its endorsement of the projects to be approved under either the second or third round. Accordingly, there were no panel records or board papers prepared in relation to the funding awarded under the second and third rounds.

Recommendation no.3

3.34 Sport Australia strengthen its assessment records for grant programs by concisely recording the reasons for the assessment scores that are awarded (in addition to recording the scores).

Sport Australia response: *Agreed.*

3.35 *Sport Australia is now using a section in its grant management system to document the reasons for assessment scores. The system now prevents the assessment of an application being submitted until this section is complete.*

48 The provision of assessment 'snapshots' for each application in briefing packages provided to ministers is a sound approach observed by the ANAO in a number of grant programs.

4. Funding decisions

Areas examined

The ANAO examined whether the funding decisions for each of the three rounds were informed by clear advice and consistent with the program guidelines.

Conclusion

Funding decisions for each of the three rounds were not informed by clear advice and were not consistent with the program guidelines. The approach adopted for each round differed, as set out in the following table.

Round	Summary of process employed	Summary of advice and decision
1	Applications assessed by a team within the Australian Sports Commission (Sport Australia) using the published criteria. Assessment panel agreed to the assessment results and proposed 426 applications be recommended. Those recommendations were endorsed by the Sport Australia board. The Minister's Office used criteria that were not published and informed Sport Australia as to which applications would be approved.	Sport Australia's written briefing did not recommend the 426 applications endorsed by the board. Recommended applications were those the Minister's Office had identified to Sport Australia as those that would be approved by the Minister. The brief did not inform the Minister that the recommendations were not those endorsed by the board. Ninety-one (41 per cent) of the approved projects were not on the list of 426 endorsed by the Sport Australia board.
2	The assessment panel and the Sport Australia board did not play a role in deciding which applications should be recommended. Sport Australia used its scores against the published criteria to identify 204 applications for recommendation. Using criteria that had not been published, the Minister's Office separately identified to Sport Australia which applications would be approved.	Sport Australia did not provide its own recommendations. It identified in the written briefing that the list of 232 projects being put forward for approval reflected amendments made to Sport Australia's recommendations. One hundred and sixty-two (70 per cent) of the approved projects were not on the list of 204 applications Sport Australia planned to recommend.
3	The assessment panel and the Sport Australia board did not play a role in deciding which applications should be recommended. Sport Australia used its scores against the published criteria to identify 245 applications for recommendation. This was after the Minister's Office had informed Sport Australia of the projects that would be approved (the Minister's Office had used criteria that had not been published).	Sport Australia provided a written briefing that identified the 245 applications it was recommending for approval. Briefing was annotated and attached a list of 228 projects that the Minister had approved. One hundred and sixty-seven (73 per cent) of the approved projects had not been recommended by Sport Australia.

Areas for improvement

The ANAO has recommended that the Australian Government have a consistent framework applying to situations where a minister decides upon the award of grant funding.

4.1 Ministers perform a role in the administration of government programs and often make the decisions about which grant applications will be approved for funding (in accordance with

section 71 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act)). It is important that funding approvals, including those taken by ministers, be informed by appropriate advice and consistent with the program guidelines.⁴⁹ The Commonwealth Grant Rules and Guidelines (CGRGs) promote such an approach (and include a small number of requirements that apply to ministers when they are the decision-maker). As noted, Sport Australia's *Grant Management Framework* is based on the CGRGs.

To what extent do the Commonwealth Grant Rules and Guidelines apply to the Minister in decision-making?

As the program was being administered by a corporate Commonwealth entity, the CGRGs did not apply to the Minister for Sport in decision-making. Over the three funding rounds, the Minister awarded 684 grants to the value of \$100 million.

4.2 The CGRGs establish the overarching Commonwealth grants policy framework and articulate the expectations for all non-corporate Commonwealth entities in relation to grants administration. The CGRGs contain a small number of requirements that apply to ministers. These are in addition to the legislative requirements that apply where a minister approves proposed expenditure (section 71 of the PGPA Act) which operates irrespective of the application of the CGRGs to corporate Commonwealth entities.⁵⁰

4.3 Advice from the Department of Finance (which administers the CGRGs) to the ANAO in March 2019 was that the ministerial obligations would only have applied if Sport Australia had been administering the Community Sport Infrastructure Grant Program (CSIG/the program) on behalf of a non-corporate Commonwealth entity that was subject to the CGRGs. This was not the case. The CGRGs would also have applied to the Minister if the administering entity for the CSIG had been a non-corporate Commonwealth entity.⁵¹

4.4 In these circumstances, the following grants related decision-making and reporting requirements of the CGRGs did not apply to the Minister for Sport in relation to the CSIG:

- obtaining written advice⁵² on the merits of proposed grants before making funding decisions (para 4.10);
- recording the basis of the approval⁵³ (para 4.10) as well as the terms of the approval as soon as practicable after the approval is given; and
- including decisions to approve projects recommended for rejection in the annual report to the Finance Minister due by 31 March of each year (para 4.12).

49 In releasing the first edition of the CGRGs, which at that time were called the Commonwealth Grant Guidelines, the Finance Minister observed that, in his view, the administration of grant programs had become significantly debased and expressed the desire that the new framework would improve the quality of grants administration and ensure Australian taxpayers receive the best possible outcomes from Commonwealth grants.

50 See also paragraph 1.7.

51 Such as the Department of Health or the Department of Infrastructure, Transport, Cities and Regional Development (the latter has delivered various grant funding programs that include community sport infrastructure projects as eligible for funding).

52 See further at paragraphs 4.9 to 4.22.

53 See further in this respect at paragraphs 4.24 to 4.26.

4.5 In relation to the first requirement, for each round the Minister's Office informed Sport Australia as to which applications were going to be approved for funding before any written advice had been provided by Sport Australia.

4.6 In relation to the final requirement, Table 4.1 illustrates the grants awarded in each round that had not been recommended for funding.

Table 4.1: Sport Australia's funding recommendations and funding decisions

Category	Round 1	Round 2	Round 3
Recommended and approved	215 \$27.2 m	108 \$17.2 m	61 \$7.0 m
Recommended but not approved	6 \$1.1 m	104 \$15.2 m	184 \$32.6 m
Not recommended but approved	9 \$1.5 m	124 \$14.7 m	167 \$32.4 m

Source: ANAO analysis of Sport Australia and Department of Health records.

Recommendation no.4

4.7 The Australian Government amend the CGRGs to require that the advising, decision-making and reporting requirements applying to situations where a minister approves grant funding be extended to apply to corporate Commonwealth entities in situations where a minister, rather than the corporate entity, is the decision-maker. This would mean that there would be a single framework in place for all circumstances where a minister decides upon the award of grant funding.

Department of Finance response: *Noted.*

4.8 *Any amendment to the Commonwealth Grant Rules and Guidelines are a matter for consideration by Government. The Department of Finance will brief the Government on the ANAO's findings and recommendation.*

Was the Minister appropriately advised in writing on the merits of applications against the published criteria?

Appropriate advice on the assessed overall merits of each eligible application was provided by Sport Australia to the Minister. The assessment score clearly indicated the extent to which the Sport Australia assessment team, the assessment panel and Sport Australia board considered each eligible application had met the published criteria. There would have been benefits in some concise further information on the assessment results for each criterion also being provided to inform decision making.⁵⁴ Information on applications being assessed was requested and provided to the Minister's Office before the assessment process had been completed.

54 In particular, and as foreshadowed in Sport Australia's *Grant Management Framework*, the Minister should have been provided with an individual assessment sheet for each eligible application that included the scores and rationale for the scores awarded against each of the three merit criteria, in addition to the aggregate of those scores for each application that was provided.

4.9 The program guidelines outlined the sequence of the application assessment and approval processes for the program, and this was reflected in the assessment process planned by Sport Australia (see Figure 2.1). Specifically, following eligibility checking and merit assessment scoring against the published criteria conducted by Sport Australia, applications were then to be assessed by the assessment panel. Those applications assessed as meeting or exceeding the selection criteria were then to proceed to the Sport Australia board for endorsement. Final approval was then to be provided by the Minister for Sport.

4.10 Information on applications was provided to the Minister's Office on four occasions before the assessment process had been completed. The four occasions were as follows:

- on 26 September 2018, in response to a 19 September 2018⁵⁵ request from the Minister's Office⁵⁶, Sport Australia provided a list of 2054 applications that had been received, excluding those that had (at that point in time) been assessed as ineligible (applications had closed less than two weeks earlier). As the assessment process had only recently commenced, this list included applications later assessed as ineligible and did not include the assessment scores (the list identified whether the application was at the eligibility checking stage or in merit assessment);
- on 1 October, Sport Australia provided the Minister's Office with information on the number of applications received for each federal electorate, but not the details of each individual grant application received by electorate, which was one of the items of information requested on 19 September 2018;
- an updated list of applications was provided on 2 October 2018. The 2 October 2018 list included 2005 applications, reflecting that further applications had been assessed as ineligible since the first list had been provided on 26 September 2018. The 2 October 2018 list included information on the electorate in which each project was located; and
- on 8 November 2018, the day before the assessment panel was to meet to consider and agree the recommended applications, Sport Australia met with the Minister's Office and showed the office a list of 1943 applications that had been assessed as eligible at that time. Sport Australia advised the Minister's Office that it could 'view any project, its location or rating from assessment', and noted that the assessment process had not yet been completed.

4.11 On the same day and following a request from the Minister's Office to do so, Sport Australia provided the office with a copy of the 'draft Community Sport Infrastructure funding spreadsheet' that was presented during the meeting. The spreadsheet had been prepared for consideration by the assessment panel and included information for each of the 1943 projects assessed as eligible at that time, including:

- the applicant's name, project title and brief project description;
- the amount requested by the applicant and the total value of the project;

55 The application period had closed five days earlier, on 14 September 2018.

56 The Minister's Office had provided Sport Australia with a list obtained in relation to another grant program, outlining the type of information it was seeking. This included the federal electorate location.

- demographic zone⁵⁷, state or territory and electorate for each project;
- sports and/or activities related to the project;
- the total score out of 100 allocated to the application by Sport Australia; and
- those applications that Sport Australia was proposing that the assessment panel agree to recommend for board endorsement and the Minister's approval.

4.12 Providing the Minister, through her office, with the assessment score meant that there was clear advice available on the extent to which the published assessment criteria and process had been applied to identify the relative merits of each competing eligible application. Specifically, the aggregate assessment score clearly indicated the extent to which the Sport Australia assessment team, the assessment panel and Sport Australia board considered each eligible application had met the published criteria.

4.13 For grants programs where a minister is the approver, it is common practice for the merits of applications against the published criteria to be outlined in a package or attachment to a formal funding recommendation briefing. Sport Australia's *Grant Management Framework* requires that, at a minimum, the approval briefing for the award of grant funding should 'outline the assessment process that has been undertaken and include a list of recommendations regarding the allocation of funding'. The framework lists other information that could usefully be provided to the grant decision maker, including an individual assessment sheet for each eligible applicant, scoring them against the merit criteria. There would have been value in an individual assessment sheet for each eligible applicant having also been provided to the Minister.

Was the Minister given clear funding recommendations that were consistent with the program guidelines?

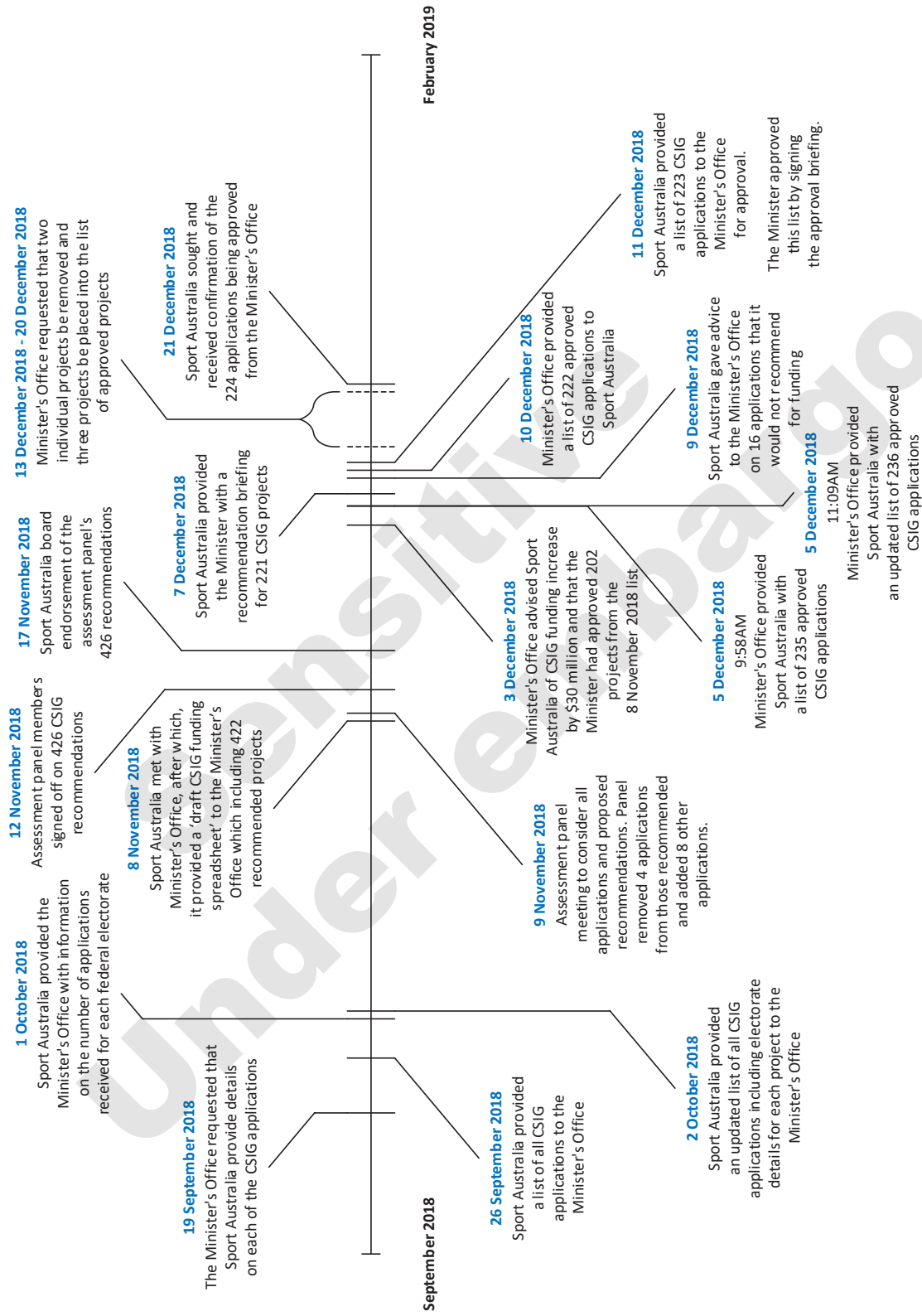
Clear funding recommendations that were consistent with the program guidelines were not provided for the first two funding rounds because Sport Australia's briefings for those two rounds did not reflect the results of its assessment work. A different approach was evident for the third round, where Sport Australia submitted a written briefing that clearly identified the applications it was recommending be approved for funding, based on the results of the assessment work that had been undertaken.

4.14 For the first round, a briefing that recommended for funding the 426 applications the Sport Australia board had endorsed was prepared, but at no stage was it submitted by Sport Australia to the Minister.⁵⁸ The Minister's Office informed Sport Australia of the applications that were going to be approved by the Minister before Sport Australia had provided its recommendations briefing. Figure 4.1 illustrates the key points in the identification of which applications were to be successful in the first funding round.

⁵⁷ Demographic zone categories were: major cities, inner regional, outer regional, remote Australia and very remote Australia.

⁵⁸ Advice to the ANAO in October 2019 was that Sport Australia's CEO and board were not informed that the prepared briefing and 426 endorsed applications were not forwarded to the Minister for funding approval.

Figure 4.1: Approval process for the first round



Source: ANAO analysis of Sport Australia records.

4.15 Sport Australia provided the Minister with its recommendations on 7 December 2018. The overall assessment score was again provided.⁵⁹ The covering brief noted that an assessment panel had 'reviewed applications and provided recommendations for funding to be endorsed by the Sport Australia Board', but did not reflect that the attached list was not the one endorsed by the Sport Australia board by 17 November 2018. Rather, it was informed⁶⁰ by a list that had been provided to Sport Australia by the Minister's Office two days earlier (see paragraph 3.19 and Appendix 4).

4.16 Taking the list from the Minister's Office into consideration, Sport Australia amended the list of recommendations endorsed by the board. It decreased the number of recommended projects from 426 (with a total value of \$28.7 million) to 221 (valued at \$28.3 million).

4.17 The Minister approved the brief on 11 December 2018, but the final list of 224 funded applications was arrived at on 20 December 2018. Subsequent to briefing the Minister on 7 December 2018, Sport Australia was informed by the Minister's Office of changes to the list of approved projects as follows:

- on 10 December 2018, that five projects be removed, five others be added and one be retained that Sport Australia had recommended be rejected (see paragraph 6 of Appendix 4);
- on 13 December 2018, the removal of one and the addition of another; and
- on 20 December 2018, the removal of two and the addition of one.

4.18 The final position was that 224 applications were confirmed by the Minister's Office to Sport Australia on 21 December 2018 as being awarded funding by the Minister. A significant proportion (41 per cent) of those 224 applications were not included in the 426 applications that were supported by the assessment panel and endorsed by the Sport Australia board at the conclusion of the published assessment process.

4.19 For the second round (announced as part of the 2018 Mid-Year Economic and Fiscal Outlook process, see Table 1.1), Sport Australia was informed by the Minister's Office which applications were being approved for funding.⁶¹ The written briefing that was ultimately submitted by Sport Australia recommended that the Minister:

approve the attached list of projects for grant funding associated with the Community Sport Infrastructure grant program – round 2 noting that the attached list reflects the amendments requested by you to Sport Australia's original recommendations.

59 Individual project scores had not been varied by the assessment panel and so remained the same as previously provided.

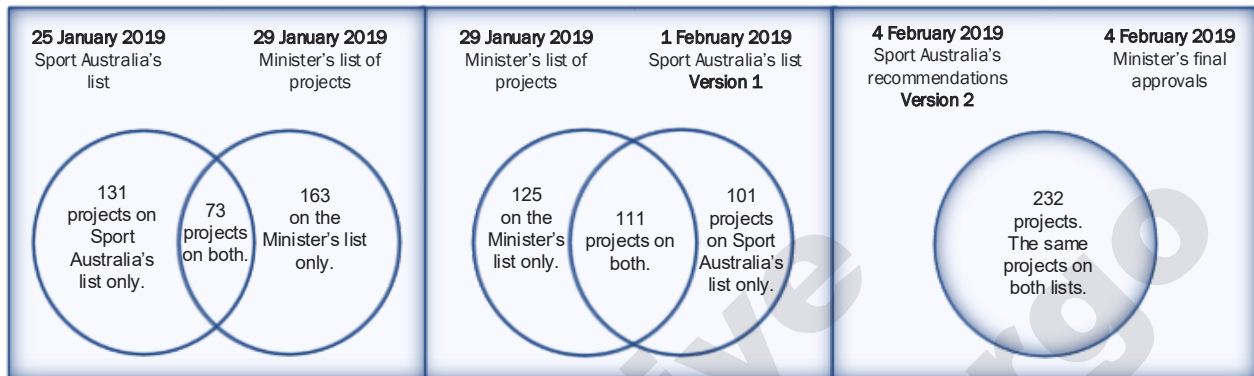
60 Taking the list from the Minister's Office into consideration, Sport Australia revised its list of recommended projects. It decreased its number of recommended projects from 426 (with a total value of \$28.7 million) to 221 (valued at \$28.3 million).

61 Sport Australia had prepared its funding recommendation (of 204 projects for \$29.3 million) for the second round by 25 January 2019, but this was withdrawn by Sport Australia before it was received by the Minister (see paragraph 11 of Appendix 4). Sport Australia subsequently provided three amended approval briefings between 1 and 4 February 2019, which had been informed by the Minister's Office. See paragraphs 9 to 15 of Appendix 4.

4.20 Further, the brief also noted 'that the list, following amendment on your advice, contains projects that carry risk'. The brief was approved by the Minister on 4 February 2019.

4.21 Of the 236 applications that Sport Australia was first advised by the Minister's Office were to be approved in round two (on 29 January 2019), four were removed from the final 4 February 2019 list of approved projects. Two of these were later approved in the third round and two have not been approved for CSIG funding.⁶²

Figure 4.2: Effect of amendments to Sport Australia's list for round two



Note: Sport Australia's 25 January 2019 list was prepared by Sport Australia prior to receiving directions from the Minister's Office as to which projects were to be recommended.

Source: ANAO analysis of Sport Australia records.

4.22 For the third round (announced as part of the 2019 Budget process, see Table 1.1), and similar to the first two rounds, Sport Australia was informed by the Minister's Office which applications were being approved on 21 March 2019. Sport Australia adopted a different approach for this round as it subsequently provided its own recommendations in a written briefing on 3 April 2019. Sport Australia recommended that 245 applications be approved for funding and advised the Minister to 'note the risks associated with approval of round three Community Sport Infrastructure grants'.⁶³ When the signed brief was returned on 11 April 2019, Sport Australia's list of recommended applications had not been approved. The Minister approved a replacement list of 228 approved grants, 73 per cent of which had not been recommended by Sport Australia. In response to the advice to note the risks, the Minister recorded that Sport Australia should 'execute as many agreements as possible by 30 June 2019.'

4.23 Further details of the recommendations briefing process are set out in Appendix 4.

62 Sport Australia's advice to the ANAO in October 2019 was that the Sport Australia CEO and board were not aware of the process by which projects were selected for funding in the second round.

63 These risks were identified in a separate section of the briefing. The identified risks relate to: the additional pressure that would be placed on Sport Australia's resources to effectively track, manage and administer more grants; and a significant program underspend was likely given the short timeframe for Sport Australia to work with successful round three proponents to update project information to finalise grant agreements and meet milestones for payments (with approval needed for Sport Australia to have an operating loss in 2019–20 in the event of an underspend from 2018–19 carried over into 2019–20).

Were the reasons for funding decisions clearly documented, including where any decisions differed from funding recommendations?

Reasons for funding decisions were not clearly documented. As Sport Australia is not subject to the CGRGs, there is no legal requirement for the reasons to be documented. Sports Australia's *Grant Management Framework* also requires that reasons be documented, but the Minister is not required to comply with that document.

4.24 The records of the decision-making process identified that the successful projects were identified to Sport Australia by the Minister's Office. Before funding decisions had been made for the first round, the Minister's Office had documented the approach that would be adopted to selecting successful applications (see paragraph 3.20). The approach was not focussed on awarding grant funding to the applicants that had been assessed as the most meritorious in terms of the published program guidelines.

4.25 The records of the decision making process were inadequate to otherwise explain how it was decided which applications would receive funding.⁶⁴ For example:

- improved lighting or addressing gender equality or disability was a program focus⁶⁵ but it was not evident how it was decided which of the various applications addressing these matters were selected from other competing applications with a similar focus, including other applications in a similar location. For example, one of the applications not funded in any round⁶⁶ had achieved an aggregate assessment score of 98 for a proposed grant of \$44,909 to redevelop the existing male and female toilets at a skating venue into a unisex accessible toilet, unisex cubicles and shower so as to create user-friendly facilities that are accessible to the broader community. Overall, the approval rate for applications that stated the project would address gender inequality (34 per cent) was similar to the approval rate for applications that said they would not address gender inequality (35 per cent);
- the guidelines referenced building additional umpire change rooms to provide a safe, private space for female officiators as an example of the types of upgrades the program had been established to fund. An application with an aggregate assessment score of 94 had sought \$480,621 to build new change room facilities for all sporting clubs that use the recreation ground, suitable for players, home and away teams and umpires, and suitable for all genders. The application had been supported by the assessment panel and endorsed by the Sport Australia board but was not awarded funding in any round;

64 As outlined at paragraph 4.4, the requirement under the CGRGs that the basis of grant approval be recorded did not apply to CSIG decision-making.

65 The published program guidelines had stated that 'In many locations, particularly in regional areas, sports venues are under-utilised due to poor lighting, disrepair or inadequate facilities such as female change rooms and toilets' and that 'Improvements to community infrastructure – such as lighting towers and expanded change room and toilet facilities, particularly for people with a disability, girls and women – will greatly increase participation opportunities'.

66 The assessment panel and Sport Australia had endorsed this project and recommended it for funding in the first round.

- if particular sports were a focus, it was not evident why some projects for those sports were preferred over others. For example, there were 18 applications received across four states and the Australian Capital Territory for 'book a court' tennis projects⁶⁷ ranging in grant value from \$5960 to \$146,720. The decision records did not explain how it was decided which of those would be successful (14 were approved for funding); and
- for applicants that submitted more than one application, it was not evident how it was decided which application would be awarded funding in circumstances where reliance was not being placed on the assessment scores; and as applicants had not been asked to identify the relative priority of their different applications. For example, one council had submitted four applications each of which was for improved lighting at different sporting facilities. The applications that scored 97 and 76 (the latter was the application seeking the largest amount of funding) were awarded funding in the second and third rounds respectively but the applications that scored 80 and 67 were unsuccessful.⁶⁸

4.26 This situation adversely affects transparency. For example, it meant that, when informing unsuccessful applicants that they had not been awarded a grant, Sport Australia was unable to communicate the full and actual reasons for the rejection of their application, or otherwise provide those applicants with advice on the reasons for their application being unsuccessful. This is clearly demonstrated, for example, with respect to the seven unsuccessful applicants that achieved an overall assessment score of 90 or above, meeting all sub-criteria to at least a 'satisfactory' level and most sub-criteria to an 'excellent' level. Of those seven applications, five were located in a 'marginal' or 'targeted' electorate (a criterion seen as favourable in the approach recorded by the Minister's Office — see paragraph 3.20), seeking grant funding amounts ranging from \$50,000 to \$500,000. While other applications assessed as less meritorious were awarded, it is not clear, nor is it recorded, as to why funding for these was not.

Was there any evidence of distribution bias in the award of grant funding?

There was evidence of distribution bias in the award of grant funding. Overall statistics indicate that the award of funding was consistent with the population of eligible applications received by state/territory, but was not consistent with the assessed merit of applications. The award of funding reflected the approach documented by the Minister's Office of focusing on 'marginal' electorates held by the Coalition as well as those electorates held by other parties or independent members that were to be 'targeted' by the Coalition at the 2019 Election. Applications from projects located in those electorates were more successful in being awarded funding than if funding was allocated on the basis of merit assessed against the published program guidelines.

67 The 'book a court' projects aimed to increase community access to the venue as it allows players to book a court at the venue by selecting a booking day, time, and enters their credit card details. Once payment is made, a text message and email is delivered to the user with a four-digit PIN. The user can then access the club or venue up to 10 minutes prior to their selected booking time and their PIN is only valid during their booking.

68 Each project was located in the same Coalition held electorate.

4.27 Applications were received from projects located in all but three federal electorates.⁶⁹ On average, 13 applications were received in relation to each electorate, seeking an average of \$2.6 million in grant funding. Evidence⁷⁰ provided in September 2019 to the ANAO from the Minister's Chief of Staff at the time funding decisions were made was that:

The success of the program relied on the support across Parliament so needed to make sure the spread of projects reflected the statistics and could be seen as fair.

Equally we were sensitive to the accusations of pork barreling so we were very conscious of projects for the Nationals, as the National Party Deputy Leader, for Victoria as Senator for Victoria or with Independents as her Electorate Office was in Indi so we made sure that we were not over represented in these areas.

4.28 Also provided as part of this testimony, was statistical analysis conducted by the Minister's Office at the time funding decisions were being made for the first round. This analysis was based on Sport Australia's draft funding recommendations as at 8 November 2018. The ANAO re-performed this analysis for all three rounds using data obtained in the course of the audit, with the following results:

- Projects located in:
 - Coalition held electorates represented:
 - 66 per cent of projects recommended by Sport Australia's assessment team and 60 per cent of the Minister approved projects; and
 - 66 per cent of the funding according to Sport Australia's assessment team recommendations and 62 per cent of final funding approved;
 - electorates held by the Australian Labor Party represented 35 per cent of approved projects and 34 per cent of approved funding. These electorates would have been less successful had Sport Australia's assessment team recommendations been maintained (26 per cent of projects and 26 per cent of funding); and
 - electorates held by minor parties or independents represented approximately four per cent of both the number of approved projects and project funding. These electorates would have been more successful had Sport Australia's assessment team recommendations been maintained (approximately nine per cent of both the number of projects and amount of funding to be awarded); and
- When comparing the distribution of CSIG funding with the proportion of electorates held by each political party:
 - across the three rounds, the proportion of projects approved in a Coalition electorate ranged between 56 per cent (in the first round) and 65 per cent (in the second round), with the proportion of funding being 61 per cent in the second round, and 63 per cent in the other two rounds;
 - the proportion of electorates held by the Australian Labor Party was lowest in the second round (29 per cent) and at its highest in the first round (40 per cent). In

69 No applications were received in relation to projects located in the electorates of Macarthur, Mitchell or Sydney.

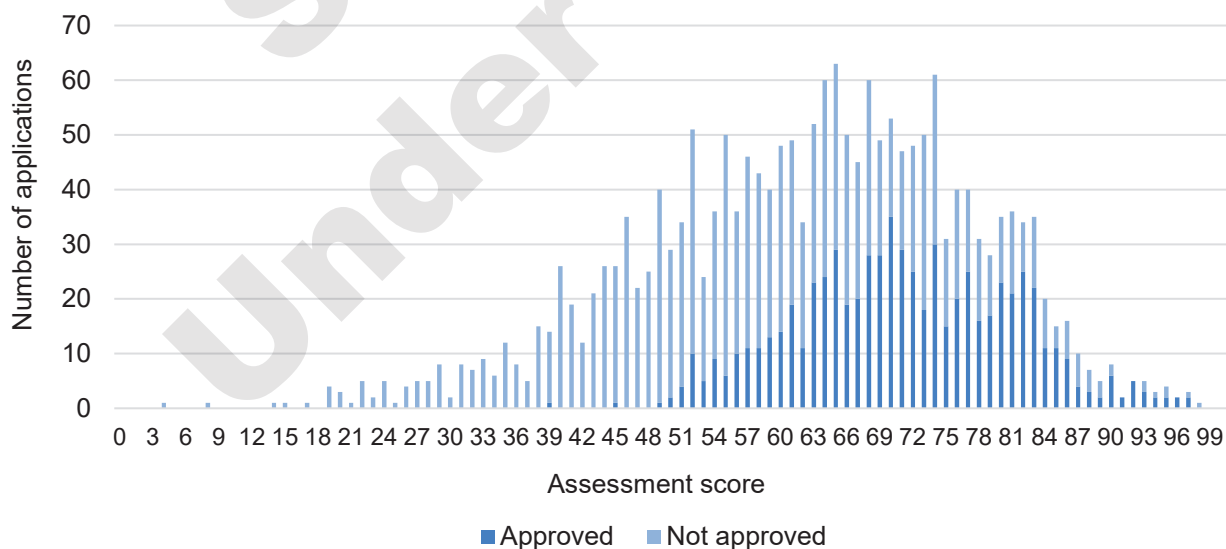
70 See the fourth dot point of paragraph 1.8.

terms of the quantum of funding awarded, projects in Australian Labor Party held electorates received between 33 and 35 per cent of total funding awarded in each round; and

- electorates held by minor parties or independents were most successful in the second round, with six per cent of projects and six per cent of funding being awarded to projects in those electorates.
- The number of applications funded and amount of funding awarded was largely consistent with the number of eligible applications received and funding sought. There were no significant differences with the most marked differences relating to:
 - projects located in New South Wales representing 26 per cent of approved projects, compared with 22 per cent of eligible projects, and 24 per cent of approved funding compared with 22 per cent applied for; and
 - projects located in South Australia representing 10 per cent of approved projects, compared with 14 per cent of eligible projects (and 11 per cent of approved funding compared with 12 per cent applied for).

4.29 The projects awarded funding did not align well with the Sport Australia assessed merit of applications in terms of the published criteria (see Figure 4.3). Rather than awarding funding to the applications assessed as having the greatest merit, applications scoring as low as 50 out of 100 were approved in the first round (see Appendix 3). As illustrated by the charts in Appendix 3 for the second and third funding rounds, those rounds were not used to approve high scoring applications that had not been supported in the first round. Rather, at the conclusion of the three rounds, there remained a significant number of high scoring applications that had not been supported. For example, there were 125 applications that scored 80 or more that were not approved for funding. Instead, applications assessed by Sport Australia as having less merit in terms of the published criteria were approved for funding.

Figure 4.3: Total merit score: approved and not approved applications



Source: ANAO analysis of Sport Australia and Department of Health records.

4.30 Testimony provided to the ANAO⁷¹ drew attention to a statement in the guidelines that the approval of funding may consider ‘other factors’ in addition to the application and supporting material. Evidence provided to the ANAO with this testimony identified 14 such ‘other factors’ (the items numbered 3 to 16 in Appendix 5). Those factors had not been set out in the published program guidelines. There were no records available that explained how they had individually or collectively impacted upon the decision-making process for the 1941 individual eligible grant applications.⁷²

4.31 Noting that applications for the CSIG closed in September 2018 and projects were required to be completed by 30 June 2019, there would have been benefit in additional due diligence on these perspectives being undertaken. This became particularly important by the third round, where funding decisions were made some three months prior to the 30 June 2019 project completion deadline. Additionally, the program guidelines stated that no projects that have already commenced works would be funded, and project works could only commence after a funding agreement has been executed. In this context, there were increasing risks that approved projects could have commenced works or been already delivered (in both instances, resulting in them being no longer eligible under the CSIG guidelines).

4.32 These risks were realised, with October 2019 data from Sport Australia’s grants management system indicating that:

- eight projects were completed by the time funding agreements were executed by Sport Australia; and
- 272 projects out of the 684 approved (or 40 per cent) across all three rounds had already commenced by the time funding agreements were executed.

4.33 In addition to program ineligibility, this situation suggests that — particularly in respect of the eight completed projects — those selected for funding under the program may not have required Australian Government funding in order to deliver their projects.

4.34 Further factors outlined within the testimony involved the consideration of whether CSIG funding should be denied on the basis that applicants had obtained funding from other sources. These funding sources included other Australian Government grant programs and funding from states and territories. In these respects, the ANAO’s analysis was that:

- not all projects that received Australian Government funding from others sources were denied CSIG funding; and
- declining to fund projects on the basis that they had secured additional state or territory funding was inconsistent with the CSIG program guidelines. Specifically, the guidelines stated that ‘while not mandatory, co-contributions (including in-kind) will be considered favourably and scored higher where co-contributions exist for projects’.

4.35 The Minister’s Office also did not have access to the individual grant applications submitted to Sport Australia or of Sport Australia’s assessment of each eligible applications against each of the three criteria (only the aggregate assessment score). Although the testimony provided by the

71 See the fourth dot point of paragraph 1.8.

72 Evidence provided in October 2019 to the ANAO from the Minister’s Senior Adviser confirmed that no such records were kept.

Minister's Senior Adviser was that these details were requested from Sport Australia in November 2018, Sport Australia advised the ANAO in October 2019 that:

- it was not aware of, and has not found any record of, the Minister's Office having sought or been provided with scores for each criterion; and
- the Minister's Office first requested copies of individual grant application forms on 1 March 2019. Specifically, this request was for all applications that had been unsuccessful under the first two rounds of funding.

4.36 The ANAO's analysis⁷³ was that the funding decisions favoured lower value applications that had been assessed as less meritorious, which allowed a greater number of applications to be approved.⁷⁴ On average, each electorate that received funding was approved to receive five grants and \$696,339. Nine of the ten electorates that were approved to receive the greatest amount of funding were either a Marginal electorate or an electorate the Minister's Office had identified as being 'targeted' by the Coalition (see paragraph 3.20).⁷⁵ Nine of the ten electorates that received the least funding were held by Labor.⁷⁶ In addition, the ANAO's analysis was that:

- projects located in Safe and Fairly Safe Coalition-held electorates received 14 per cent less funding than if funding had been awarded on the basis of assessed merit.⁷⁷ This was also the case for projects located in electorates held by minor parties or independent members not being targeted by the Coalition.⁷⁸ 'Target' projects that were located in electorates held by the Australian Labor Party received a similar amount to what they would have received had funding been awarded on the basis of assessed merit⁷⁹;
- Coalition-held Marginal electorates received \$28.0 million of the grant funding that was awarded, nine per cent above the \$25.8 million they would have received had funding been awarded on the basis of Sport Australia's merit assessments;
- the 17 electorates held by Labor, minor parties or independents that were being 'targeted' by the Coalition were more successful than they would have been if funding had been awarded on the basis of assessed merit. A total of 79 grants to the value of \$13.0 million were awarded to projects located in those electorates, compared with the 54 grants to

73 The ANAO's analysis is based on seat statuses as defined and classified by the Australian Electoral Commission.

74 Had funding been awarded to those applications that had ranked the highest according to their merit assessment scores, considerably fewer (34 per cent) applications would have been approved. This was reflected in the average grant value being \$146,598 compared with \$221,068 had funding been awarded based on assessed merit.

75 The tenth electorate in this cohort was a Fairly Safe Labor held electorate.

76 Including four electorates where at least two eligible applications each had been submitted, but none were approved. The tenth electorate in this cohort was a Marginal Coalition held seat. Only one eligible application was received for a project located in that electorate and it received funding. This was also the case for one of the Labor held electorates in this cohort.

77 Had funding been awarded based on assessed merit, grants to the value of \$40.1 million would have been awarded to Safe and Fairly Safe Coalition held seats, compared with the \$34.4 million that was awarded.

78 The amount awarded to those electorates was approximately half of the \$1.5 million that would have been awarded had funding decisions been based on assessed merit.

79 The amount of funding awarded to those electorates was \$23.5 million, 2 per cent less than the \$24.0 million that would have been awarded had funding decisions been based on assessed merit.

- the value of \$9.2 million that would have been awarded had funding decisions been consistent with the assessed merit of the competing applications; and
- there were 417 applications that were approved for funding with assessment scores below the threshold that would have applied if decisions had reflected the assessed merit of the competing eligible applications (see paragraph 3.12). The significant majority of these applications (71 per cent of the number of applications and 74 per cent of the funding) were in Coalition electorates or 'targeted' electorates.

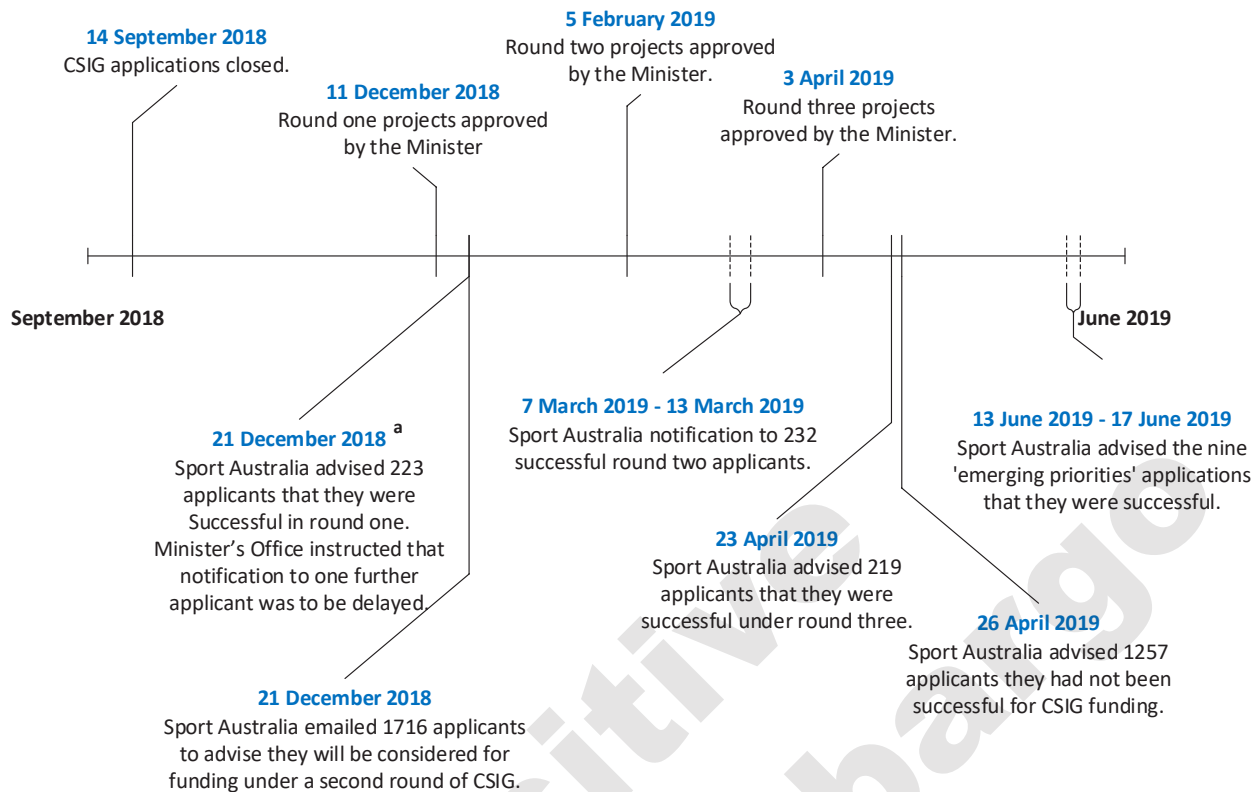
Was timely advice on funding decisions provided to applicants?

Timely advice on funding decisions was not provided to applicants.

4.37 The CSIG program guidelines stated that all applicants would be notified in writing of the outcome of their grant application. The functionality to notify applicants in bulk exists within Sport Australia's grants management system. Timely notification to applicants was important as the guidelines outlined that:

- the program would not fund projects that have already commenced works;
- project works could only commence after a funding agreement has been executed; and
- projects were expected to be completed by 30 June 2019.

4.38 For the first two rounds, the Minister's Office instructed Sport Australia that it was not to contact the successful applicants until after the Minister's public announcements had been made. This was to allow parliamentarians enough time to make public announcements, but meant that successful applicants in round one waited for up to 10 more days than they otherwise would have before being notified by Sport Australia. Those funded in round two waited for up to an additional 35 days to begin negotiating funding agreements. Figure 4.4 illustrates the time delay between the Minister's approval and Sport Australia's formal notification for each round.

Figure 4.4: Timing of funding decisions and notification of funding outcomes

Note a: The successful round one applicant not advised by Sport Australia on 21 December 2018 received its formal funding advice on 13 February 2019.

Source: ANAO analysis of Sport Australia records.

4.39 For some successful applicants, notification first occurred via a public announcement of their success. When projects were approved at the end of each of the first two rounds, Coalition parliamentarians were the first to receive letters from the Minister outlining which projects within their respective electorates had received funding.⁸⁰ Letters outlined each successful project's name, a brief project description and the amount of funding approved. Parliamentarians were encouraged to make contact with the applicants and were provided with a template media release for customisation.

4.40 Non-government members of the House of Representatives received the same information (without the media release template), but not for a further seven days for round one and 14 days for round two. On the same day the letters for round two were provided to non-government members in hard copy (19 February 2019), Coalition candidates were provided the same information electronically for the successful projects within the electorate they were contesting. Testimony to the ANAO from the Minister's Chief of Staff at that time was that the letters to non-government members were sent in hard copy because they would be received within

⁸⁰ Successful project information was sent to senators for their 'duty electorates' (that is, the electorates they have designated responsibility for within their respective state or territory).

Parliament House that same day. The ANAO's analysis was that this was only the case for the second round letters.⁸¹

4.41 Shortcomings with the information provided in the letters to parliamentarians and candidates were that:

- contact details for each of the successful applicants were not provided in any letters. This resulted in a large volume of incoming enquiries for these details. While most of these requests received prompt responses, there were at least two instances where the response was not timely. Specifically:
 - the Member for Mayo received a hard copy of the round two notification letter early on 19 February 2019. A staff member from the member's office contacted the Minister's Office that same morning seeking contact details for the successful projects — including for the Yankalilla Bowling Club. Although the response was prepared within 15 minutes of the request, the contact details were not sent until the afternoon on the following day (20 February 2019). By the time these details were provided, the Liberal candidate for Mayo had already made arrangements on 19 February 2019⁸² with the grant recipient for a formal announcement to take place on 22 February 2019; and
 - the Member for Blair received a hard copy of the round one notification letter on 18 December 2018. After receiving no response to a request for contact details by 3 January 2019, the member's office followed up with the Minister's Office. By the time the requested details were provided on 11 January 2019, the Member for Blair had already publicly announced the project (on 9 January 2019); and
- the letters sent to non-government members differed in that they did not include a paragraph requesting that the Minister's Office be advised once contact had been made with successful applicants. This was so the Minister's Office could advise Sport Australia to issue formal advice to applicants and begin negotiating funding agreements.

4.42 The latter contributed towards the delays experienced by applicants in receiving their grant funding. Not all parliamentarians notified the Minister's Office that they had contacted applicants and not all notifications were passed onto Sport Australia. This created substantial additional workload for Sport Australia in responding to applicant complaints that they had 'not heard anything' from Sport Australia as they had expected.

4.43 Once funding agreements could be negotiated, they were executed progressively for each applicant. Negotiations extended beyond 30 June 2019 in a few cases — the date on which the program guidelines required projects to be completed. In addition to the staggered announcements, a large contributor to this was the tripling of the successful projects and program funding awarded (as compared with that originally budgeted). Sport Australia advised the Minister's Office on 5 March 2019 that:

81 Round one letters were sent after Parliament had commenced summer recess on 7 December 2018. Both Houses resumed on 12 February 2019 and were both sitting when round two letters were issued on 19 February 2019. By the time decisions for round three were finalised, the 45th Parliament had been prorogued and the House of Representatives dissolved ahead of the 18 May 2019 Federal Election.

82 This was reflected by a 19 February 2019 social media post by the grant recipient.

the significant delays between an approved Round 2 list and ad hoc government announcements has a ripple effect on completing funding agreements. We will need to address this with you as many projects require a milestone to be reached before final payment – at this point by June 30 which will be impossible to achieve.

4.44 Table 4.2 shows the number of days taken to negotiate funding agreements across each round.

Table 4.2: Time taken to execute funding agreements after the Minister's approval

	Round 1	Round 2	Round 3
Days taken to execute first funding agreement following Minister's approval	51	51	58
Average days taken to execute funding agreements	83	74	77
Days taken to execute last funding agreement	217	155	174
Number of projects yet to execute a funding agreement (as at 26 September 2019)	3	2	28

Source: ANAO analysis of Sport Australia records.

4.45 In addition to delaying the process for successful applicants, the 1257 applicants that did not receive funding under the program remained uninformed of the outcome of their applications until 26 April 2019 — some seven months after the close of applications.

4.46 Table 4.3 sets out the dates on which projects were publicly announced as compared with when they were approved, and when parliamentarians and candidates were provided with project information.

Table 4.3: Timing of funding outcomes and advice to parliamentarians and candidates

		Round 1	Round 2	Round 3
Publication of funding outcomes	Funding decision finalised	21 December 2018	4 February 2019	11 April 2019
	Public announcements commenced	12 December 2018	4 February 2019	9 April 2019
	List of approved projects published by Sport Australia	21 December 2018 ^a	14 March 2019	5 July 2019
Formal notice	Successful applicants informed in writing	21 December 2018	Between 7 and 13 March 2019	23 April 2019
	Unsuccessful applicants informed in writing	21 December 2018 ^b	26 April 2019	26 April 2019
Advice to MPs and candidates	Sitting Coalition members	11 – 14 December 2018	4 February 2019	Unknown if occurred and, if so, when.

	Round 1	Round 2	Round 3
Non-government sitting members	Letters dated 11 December 2018 and sent via mail (rather than email, with at least one not received until 18 December 2018)	Letters prepared on 4 February but undated letters not sent until 19 February 2019 (for most, by mail rather than by email).	Unknown if occurred and, if so, when.
Advice to Coalition candidates provided	Unknown if occurred and, if so, when.	19 February 2019 (all by email).	Unknown if occurred and, if so, when.
Sport Australia permitted to contact successful applicants to commence funding agreement process	After parliamentarians had made contact for public announcement purposes.	As for Round 1.	11 April 2019. Applicants requested to not make their projects public without permission.

Note a: Before the funding outcomes for round one were announced on 21 December 2018, the Minister's Office requested that Sport Australia withhold contacting and publicly reporting on one of the successful projects (in a Coalition held electorate) until further notice. The Minister's Office requested that (but did not outline why) notification for this project be delayed until early the following year. The applicant received its formal funding advice from Sport Australia on 13 February 2019.

Note b: All applicants not successful in round one were informed on 21 December 2018 that they would be considered for funding under the second round.

Source: ANAO analysis of Sport Australia and departmental records.

4.47 The process for notifying applicants for round three was a significant improvement on the first two rounds. The Minister's Office advised Sport Australia on 11 April 2019⁸³ that:

The Minister is still planning to do announcements for these projects, and as such we are requesting that Sport Australia make contact with the successful applicants, but that subject to guidelines they do not make their projects public without permission.

4.48 There was no evidence that the Minister wrote letters to parliamentarians and candidates following the finalisation of the round three approvals.

Grant Hehir
Auditor-General

Canberra ACT
15 January 2020

⁸³ On the morning of 11 April 2019, the Australian Government assumed a caretaker role, after the Prime Minister announced that an election would be held on 18 May 2019.

**Sensitive
Under embargo**

Appendices

Sensitive
Under embargo

Appendix 1 Entity responses

Department of Health



Australian Government

Department of Health

Secretary

Mr Grant Hehir
Auditor-General for Australia
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Mr Hehir

Department of Health response to the Proposed Audit Report extract – Award of funding under the Community Sport Infrastructure Program

Thank you for providing an extract of the Australian National Audit Office's (ANAO) proposed report (that includes commentary relating to the Department of Health) pursuant to section 19 of the *Auditor-General Act 1947* on the audit of the Award of funding under the Community Sport Infrastructure Program.

The following is provided as the department's Summary Response:

The Department of Health notes there are no recommendations directed to the department.

Thank you for the opportunity to respond to the extract of the report.

If you have any questions regarding the department's response please contact Narelle Smith, Assistant Secretary, Corporate Assurance Branch on (02) 6289 5342.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'G. A. Beauchamp', is written over a large, light grey diagonal watermark that says 'Sensitive' and 'bargo'.

Glenys Beauchamp

// December 2019

Phone: (02) 6289 8400 Email: Glenys.Beauchamp@health.gov.au
Scarborough House, Level 14, Atlantic Street, Woden ACT 2606 - GPO Box 9848 Canberra ACT 2601 - www.health.gov.au

Department of Finance



Australian Government
Department of Finance

Rosemary Huxtable PSM
Secretary

Our Ref: EC19-000871

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

Dear Mr Hehir

I refer to your correspondence of 14 November 2019 providing an extract of the proposed audit report, *Award of funding under the Community Sport Infrastructure Program*, pursuant to section 19 of the *Auditor-General Act 1997*.

Thank you for the opportunity to respond to the extract of the report as it relates to the responsibilities of the Department of Finance (Finance).

Finance's summary response to the extract of the report is:

The Department of Finance (Finance) notes Recommendation No. 4, which is a legislative and policy matter for consideration by Government.

Finance's response to Recommendation 4

Noted. Any amendment to the Commonwealth Grant Rules and Guidelines are a matter for consideration by Government. The Department of Finance will brief the Government on the ANAO's findings and recommendation.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Huxtable'.

Rosemary Huxtable
Secretary

2 December 2019

One Canberra Avenue, Forrest ACT 2603 • Telephone 02 6215 3445
Internet www.finance.gov.au

Appendix 2 Audit methodology

1. The auditing standards require that sufficient and appropriate audit evidence be obtained to address the audit's objectives, and support the audit's findings and conclusions.⁸⁴
2. A key source of audit evidence was the Australian Sports Commission (Sport Australia) records of the design of the program as well as of the application assessment and the decision-making processes. In addition to Sport Australia records, the ANAO obtained ministerial briefings held by the Department of Health (as the department's briefing system was used to advise the Minister for Sport on the award of grant funding) and email records held by both the Department of Health and the Department of Infrastructure, Transport, Cities and Regional Development (advisers from the Minister's Office involved in deciding which projects would receive grant funding used email accounts provided by those two departments).
3. The ANAO also extracted data for visualising application demographics, application assessment results, funding recommendations and funding decisions taken.
4. Interviews were conducted by the ANAO of relevant entity staff including the Chief Executive Officer of the Australian Sports Commission (Sport Australia), senior Sport Australia employees with responsibilities for the CSIG program, the CSIG program manager and members of the Sport Australia assessment team.
5. Evidence (including sworn testimony and documentation) was also obtained using the powers provided by section 32 of the *Auditor-General Act 1997* (Auditor-General Act) from two key individuals from within the Minister's Office at the time funding was awarded. The section 32 interviews conducted as part of this audit related to the role the Minister's Office played in deciding which grant applications would be awarded funding and so related to the commitment and spending of relevant money (see paragraph 1.7), which is an executive government function.⁸⁵
6. The use of the information-gathering powers in respect of ministers and their staff was considered by the Joint Committee of Public Accounts and Audit (JCPAA) in its Report 419 *Inquiry into the Auditor-General Act 1997* (see paragraphs 3.122 to 3.126). In short, the JCPAA agreed with the Auditor-General that it was not necessary to amend the Act to enable the ANAO to gather information from ministers and their staff, based on legal advice sought by the ANAO in the context of a 2009 audit⁸⁶ and provided to the JCPAA, the Prime Minister and the Treasurer by the ANAO.

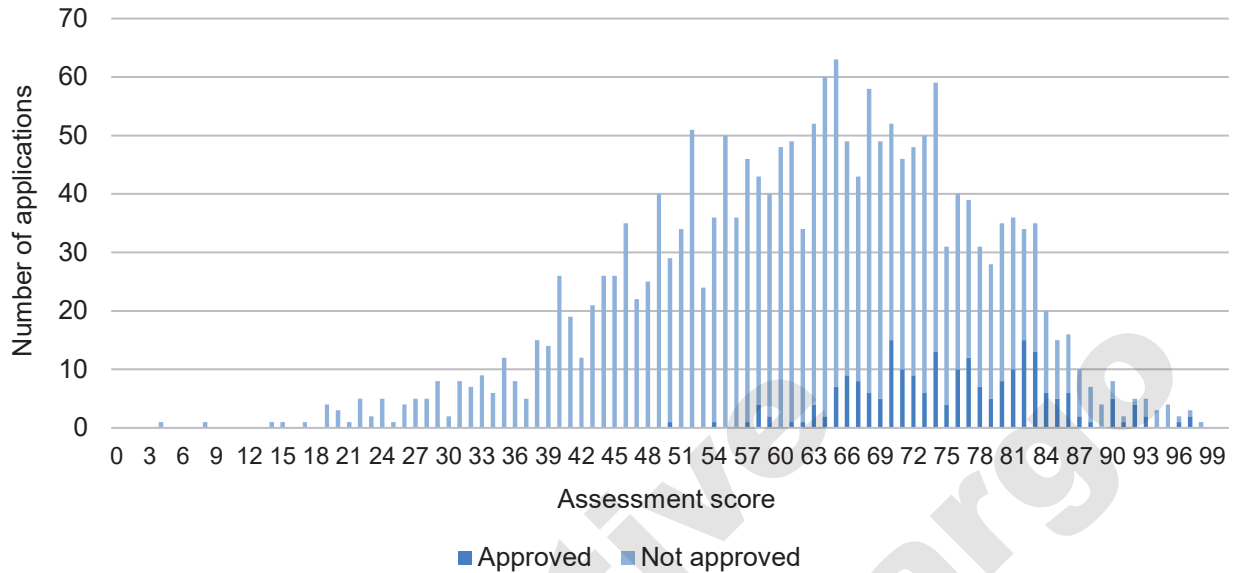
84 See paragraphs 35 and 41 of ASAE 3500 Performance Engagements.

85 This element of the grants administration process has been examined by the ANAO on numerous occasions, including for various programs where a minister was the approver.

86 Auditor-General Report No. 1 2009–10 *Representations to the Department of Treasury in Relation to Motor Dealer Financing Assistance*. In that audit, the power was used in relation to the Prime Minister and Treasurer as well as relevant staff in their respective offices, senior Treasury officials and a range of individuals from the motor vehicle dealer sector.

Appendix 3 Merit scores of approved and not approved applications by round

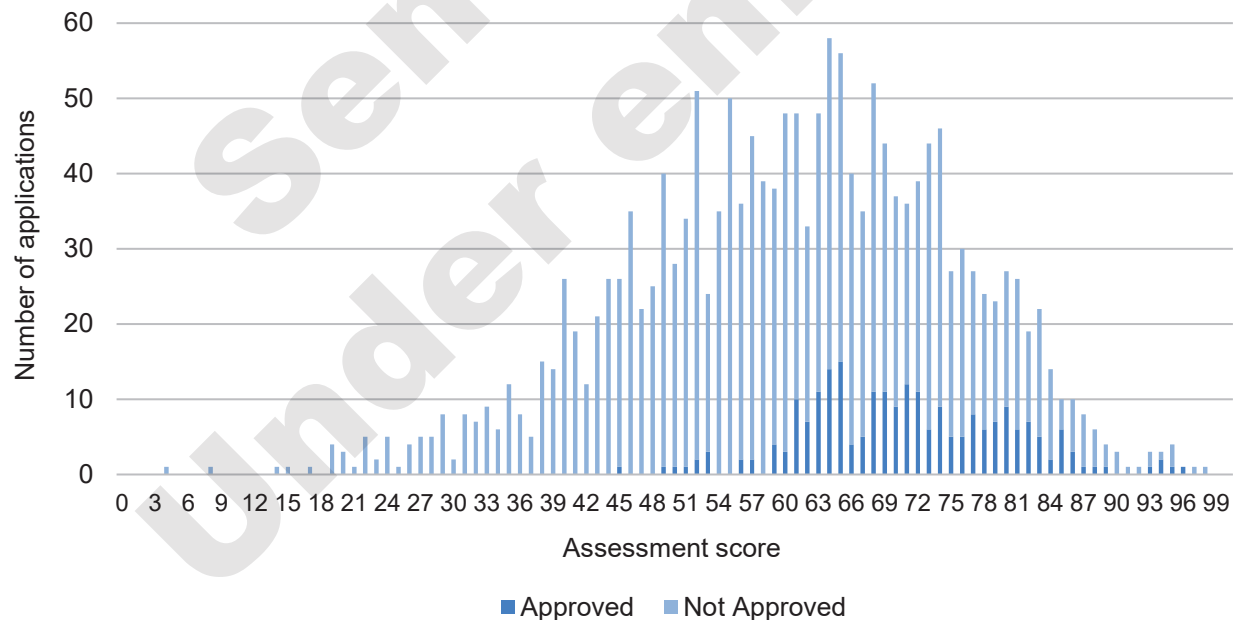
Figure A3.1: First funding round



Note: For round one, there were 224 applications approved out of 1949 eligible applications.

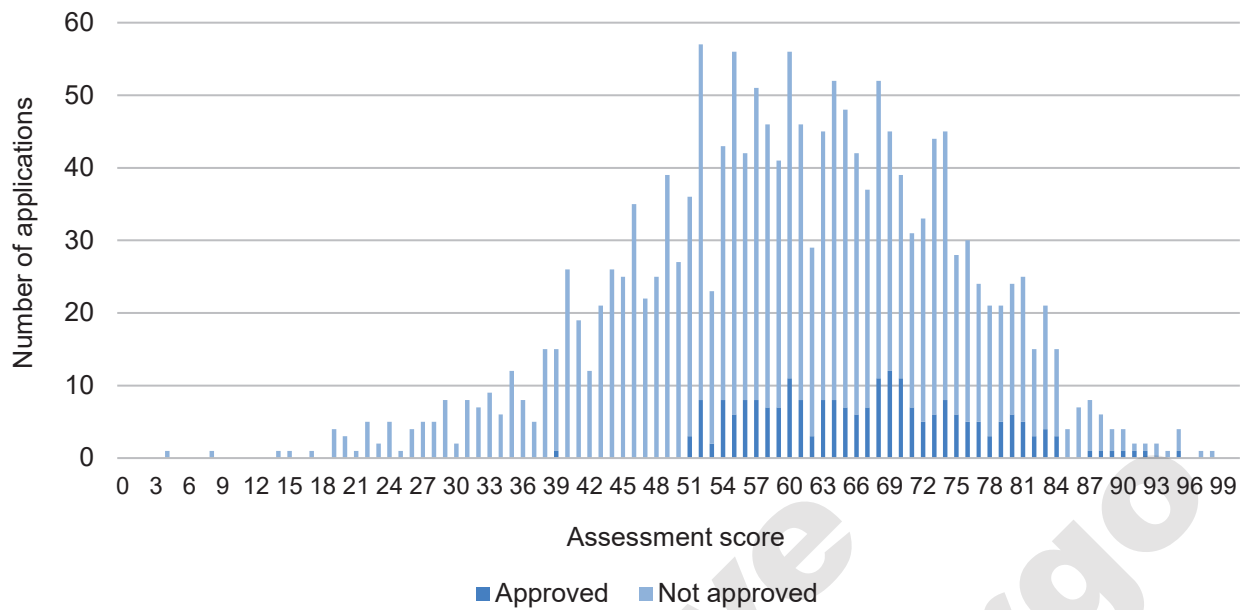
Source: ANAO analysis of the Australian Sports Commission (Sport Australia) and Department of Health records.

Figure A3.2: Second funding round



Note: For round two, there were 232 applications approved out of 1725 remaining eligible applications.

Source: ANAO analysis of Sport Australia and Department of Health records.

Figure A3.3: Third funding round

Note: For round three, there were 228 applications approved out of 1493 remaining eligible applications (including five new applications received in March 2019. See paragraphs 2.28 to 2.31).

Source: ANAO analysis of Sport Australia and Department of Health records.

Appendix 4 Analysis of approach to providing funding recommendations for each round

Round one

1. By 17 November 2018, the Australian Sports Commission (Sport Australia) had sought and received board endorsement of the funding recommendations that had been supported by the assessment panel. The covering brief Sport Australia prepared met the minimum standards of Sport Australia's *Grant Management Framework* in that it accurately outlined the assessment process that had been undertaken and clearly identified the 426 grants that were being recommended for a total of \$28.7 million.

2. Sport Australia was advised by the Minister's Office on 20 November 2018 that the Minister was seeking to have the quantum of funding increased for the Community Sport Infrastructure Grant Program (CSIG/the program) and that the size of the increase would not be known until approximately 10 December 2018. On that basis, Sport Australia decided to delay submitting the recommendations briefing until the total funding amount was confirmed.

3. The Minister's Office provided this confirmation sooner than anticipated on 3 December 2018. It notified Sport Australia that an additional \$30.3 million had been allocated to the CSIG program and the first 202 projects to be funded under the program had been selected using the draft assessment spreadsheet obtained on 8 November 2018 (see paragraph 4.11). Sport Australia requested that the Minister's Office provide its list as soon as possible so that it could be compared with the recommendations that resulted from the assessment process. Additionally, Sport Australia sought confirmation from the Minister's Office that it had correctly understood its advice that:

- on 12 December 2018:
 - the first 202 CSIG projects and the additional \$30 million for a second round of funding under the program would be announced by the Minister for Sport; and
 - individual parliamentarians would announce successful projects for their electorates;
- during the first week of February 2019, the second tranche of successful CSIG projects would be announced. These were to include the projects previously identified through the assessment process; and
- any additional projects chosen by the Minister had been selected using the 'rating system provided by Sport Australia'.

4. Two days later (5 December 2018), the Minister's Office provided Sport Australia with a list of 236 projects for a total of \$29.7 million in CSIG funding, noting that 'the projects highlighted in yellow are the ones the Minister approves'. Of the 236 projects identified, 106 (45 per cent) were not recommended for funding in the Sport Australia board-endorsed list.

5. Taking the list from the Minister's Office into consideration, Sport Australia revised the board-endorsed list of recommended projects. It decreased its number of recommended projects from 426 (with a total value of \$28.7 million) to 221 (valued at \$28.3 million). On 7 December 2018, Sport Australia submitted this list and a recommendation briefing to the

Minister for Sport (this briefing was largely the same as the version that had been on hold since mid-November 2018). The ANAO's analysis is that the 221 projects listed comprised:

- eighty-nine applications that had been selected by the Minister's Office, but not through the assessment and recommendation processes set out in the published program guidelines;
- two applications that had been selected through the published process, but not by the Minister's Office; and
- one hundred and thirty projects that had been endorsed by the assessment panel and the Sport Australia board.

6. On 9 December 2018, Sport Australia provided additional advice to the Minister's Office in respect of its 7 December 2018 briefing. The advice outlined that:

- there were 16 applications that had been identified for funding on the Minister's list that Sport Australia explicitly highlighted were 'not recommended for funding' for one or both of the following reasons:
 - projects ranged in scores from 59 down to 39 are considered too low to fund without significant risk to the completion period and / or safe passage of the project' ... ; and
 - included seeking support for equipment, furniture, scoreboards, power supply, repair and maintenance – that constitute ineligible projects under the program guidelines'; and
- as the delegate, the Minister was entitled to make changes to the recommendations of the assessment panel. If the Minister were to do so, Sport Australia required the brief to be returned with the Minister's changes annotated.

7. On 10 December 2018, the Minister's Office noted this advice, but advised that the Minister had chosen to continue to approve one of the 16 applications Sport Australia had highlighted as not recommended for funding.⁸⁷ Additionally, a further five were added to the list of approved applications and five removed. Between 11 and 20 December 2018, four more applications were added and three removed from the approved list. On 21 December 2018, Sport Australia sought and received final approval from the Minister's Chief of Staff for 224 grants for a total value of \$28.7 million.⁸⁸

8. Overall, of the 224 approved grants, 91 (41 per cent) were not included in the 426 that were recommended for funding at the conclusion of the assessment process. The majority (293 or 69 per cent) of the 426 recommended applications were not approved for funding in the first round.⁸⁹

87 The reason provided by the Minister's Office for continuing to fund this project was:

Please NOTE that the Minister has asked that the proposal from [applicant's name removed] remains on the list as the other project in the same region is being funded through another source.

88 The applicants of two of these projects subsequently contacted Sport Australia in January 2019 and their applications were withdrawn. One had received funding through the Victorian Government and the other had already completed its project (making it no longer eligible for funding).

89 Of those 293, 157 (54 per cent) were approved in a later funding round (99 in the second round and 58 in the third round). This left 136 not approved for funding in any round.

Round two

9. The assessment panel and the Sport Australia board did not play a role in deciding which applications should be approved for funding in the second round.

10. In early January 2019, Sport Australia advised the Minister's Office that it intended to commence work promptly on 'the allocation of additional funds for round two of the Community Sport Infrastructure grants' and that it would be 'working to allocate approximately 200 additional grants for a February announcement.' Sport Australia's proposed approach was consistent with the earlier advice from the Minister's Office (see paragraph 3) that the second round would fund the projects identified through the assessment process.

11. Sport Australia initiated the lodgement of its recommendations for the second round of CSIG on 25 January 2019 through the Department of Health.⁹⁰ Within 20 minutes and before it was received by the Minister, Sport Australia requested that the department withdraw the submission. This was because the Minister's Office had advised Sport Australia 'that there may be a late change to the submission'.

12. On the next business day (29 January 2019), the Minister's Office provided Sport Australia with a list of 236 projects it had identified for round two funding. By 1 February 2019, Sport Australia had revised its recommendations as a result of receiving this list and provided them to the Minister. Sport Australia:

- deselected 36 projects that it was recommending;
- retained 168 recommended projects that the Minister was approving;
- included 44 that it had not recommended; and
- did not include 125 projects that were on the Minister's list.

13. After conducting a reconciliation between the approved projects and those that Sport Australia had recommended, the Minister's Office contacted Sport Australia advising that:

the Office has provided the below list of the projects that we ask to remove followed by a list of projects that we ask to be added for approval.

Once you send through the updated list we will exchange for Attachment A in [the ministerial submission] and provide to the Minister for approval.

14. Acting on these directions, Sport Australia made further changes to the projects on its list of recommendations. In summary, from the list of 236 approved projects first identified by the Minister's Office on 29 January, four were removed. Two of these were later approved in the third round and two were not approved.

90 Reflecting that it is uncommon as a corporate Commonwealth entity for Sport Australia's grant programs to involve ministerial approval, Sport Australia does not have access to the 'Parliamentary Document Management System' (PDMS) used by most Australia Government entities to submit and manage advice to and responses from ministers. As a result, Sport Australia must first provide its briefings to the Department of Health. The department provides the briefings to the Minister for Sport through the PDMS on Sport Australia's behalf. In practice and for greater efficiency, Sport Australia frequently provides the briefing simultaneously (via Sport Australia's unclassified network) to both the Department of Health and the Minister's Office.

15. In addition to amending Attachment A and unlike the approach taken during round one, Sport Australia also made amendments to the covering brief (discussed at paragraphs 4.19 to 4.20).

Round three

16. The assessment panel and the Sport Australia board did not play a role in deciding which applications should be approved for funding in the third round.

17. Sport Australia received a request from the Minister's Office on 4 March 2019 for a copy of the CSIG application form. Sport Australia records indicate that it had understood the request was to allow for new applications to be submitted for funding under a potential third round. On 5 March 2019 and in response to Sport Australia's concerns⁹¹ about providing the form, the Minister's Office advised that it was needed for the purposes of advocating in the Budget process for a third round of the CSIG (the additional \$42.5 million for a third round had already been sought and was approved in the 2019 Budget context that same day). Departmental records for 4 March 2019 indicate that six potential 'extra' projects had already been identified for funding under the third round.⁹² After seeking advice from the Department of Health, Sport Australia provided the Minister's Office with a copy of the application form on 6 March 2019.⁹³

18. Two weeks later (20 March 2019), the Minister's Office directed Sport Australia to undertake merit assessments of four resubmitted and five new CSIG applications. The Minister's Office advised Sport Australia that the projects had been 'identified as emerging priorities' in accordance with section 8.1 of the CSIG program guidelines (see paragraph 2.29).

19. Sport Australia received a request from the Minister's Office on 25 March 2019 for a list of funding recommendations for \$39.6 million of projects under a third round, including consideration of the nine new or revised applications being assessed.⁹⁴ This was after the Minister's Office had provided a list titled 'Round 3 CSIG projects' to Sport Australia on 21 March 2019. Sport Australia reiterated its concerns that accepting the nine applications and assessing them without the involvement of an assessment panel would be outside the program guidelines.

20. Sport Australia's funding recommendations for the third round were provided to the Minister on 3 April 2019. Advice provided to the Minister included for her to:

- approve 245 grants for a total of \$39.6 million;

91 Sport Australia advised the Minister's Office that:

To invite applications on an ad hoc basis outside of the grant program means that all applicants do not enjoy the same opportunity. Further, it is inappropriate to provide the application form without attached guidelines, and as the program has closed the guidelines are not relevant. We are therefore not comfortable providing you with a copy of the application form.

92 Five of these projects were later among the nine that submitted new or amended applications forms and were funded under round three (see paragraph 2.30).

93 Sport Australia records indicate that the Department of Health advised that, given the insistence of the Minister's Office, Sport Australia should provide the application form and it was for the Minister to then decide how it will be used.

94 Noting that the deadline nominated by the Minister's Office for the round three recommendations was 29 March 2019, Sport Australia was not provided with the entirety of the applications and supporting documents for those nine applications until 28 March 2019.

- record her reasons for rejecting or changing the recommended grant applicants, as required by section 6.1.1 of Sport Australia's *Grant Management Framework*;
- note the significant risks associated with approval of round three CSIG projects, including:
 - project management risks due to the tripling of the number of approved projects envisaged within the original \$29 million envelope;
 - risk that the CSIG program will not be fully expended by 30 June 2019, as required;
 - likely risk of a significant underspend in relation to the third round due to the short timeframes to work with successful applicants to: update information; finalise projects and grant agreements; and to meet milestones for payments;
- approve Sport Australia as delegate to make minor changes to the scope/amount of individual grants, due to the lengthy period of time since the receipt of original applications and the likelihood of changes to the status of projects; and
- note that the recommendations had not been endorsed by the Sport Australia board as required by section 8 of the CSIG program guidelines.

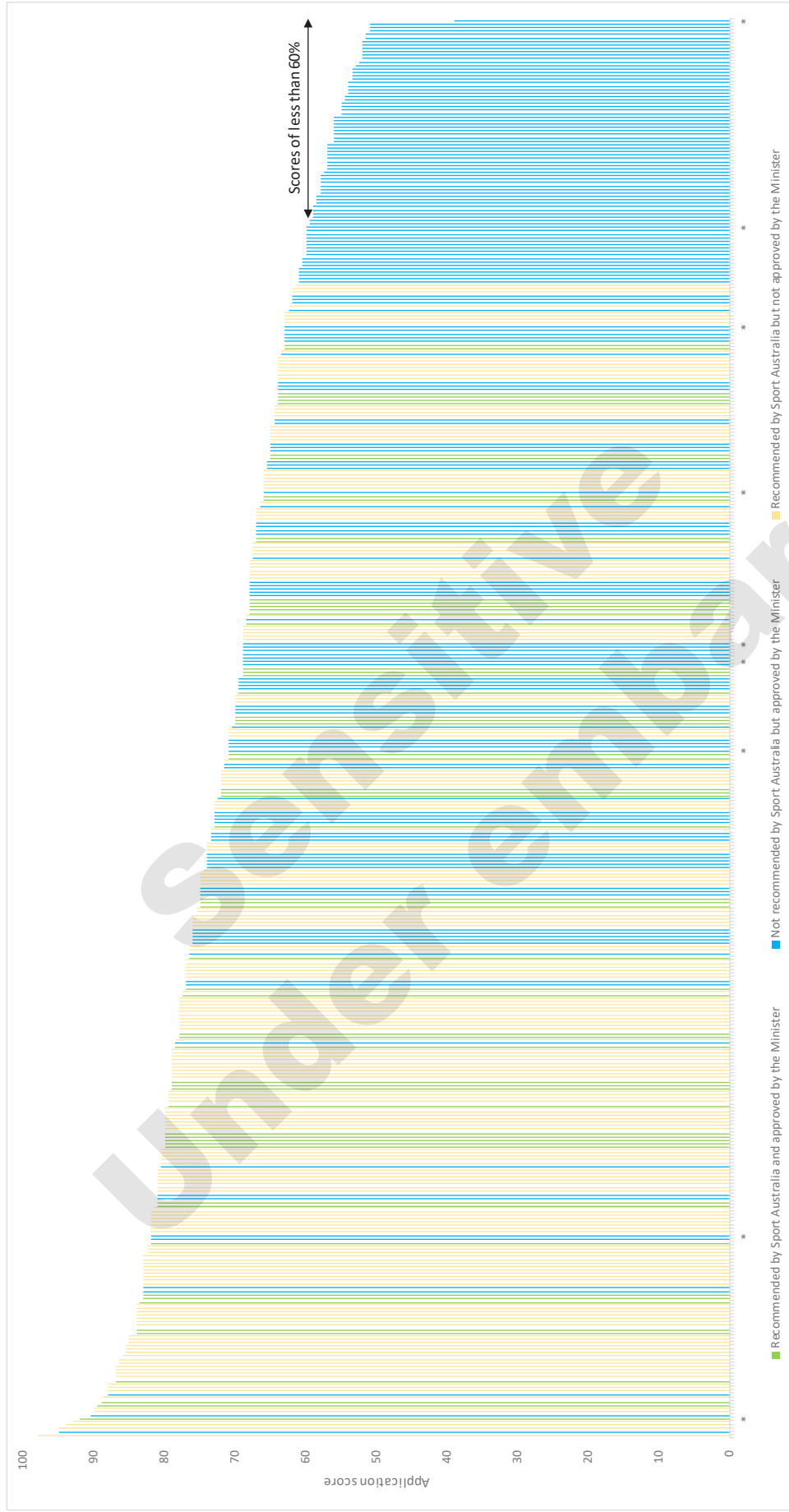
21. Also outlined was that Sport Australia had been provided with the details of nine additional projects received outside the program closing date and that 'the Minister can consider these projects if she chooses under Clause 8.1 of the CSI program guidelines.' The attached list of recommended projects included one of these nine projects, which had originally scored 92 during merit assessment and was supported for funding by the assessment panel in round one and by Sport Australia in round two. The remaining eight additional/amended projects were not recommended for funding.

22. In contrast to the previous rounds, Sport Australia was not requested to amend and resubmit its recommendations. Rather, when the signed brief was returned, Sport Australia's list of recommendations had been replaced with an alternative list. The two lists were significantly different, with there being:

- 184 projects recommended by Sport Australia that were not approved by the Minister;
- 61 projects that Sport Australia had recommended and the Minister approved; and
- 167 projects (73 per cent of the total number approved) that Sport Australia did not recommend that the Minister approved.

23. A feature of the round three approvals was that they had significantly less assessed merit overall than was the case for the applications funded in the first two rounds. The merit assessment scores ranged from 62 to 98 for the projects recommended by Sport Australia and those approved for funding by the Minister had scores ranging between 39 and 95. Figure A4.1 illustrates the differences between Sport Australia's recommendations and the projects approved by the Minister.

Figure A4.1: Funding recommendations and approvals for round three



Note: * Nine applications that were new or amended as a result of the Minister's identification of 'emerging issues'.

Source: ANAO analysis of Sport Australia records.

Appendix 5 Statement on the selection process provided to the ANAO

1. The following document was provided to the ANAO in September 2019 during an interview with the Minister's Chief of Staff at the time the Community Sport Infrastructure Grant Program funding decisions were made.

Project assessment criteria CSIG

1. Ranking from Sport Australia Assessment
2. Further considerations always keeping in minds three assessment criteria
 - a. Community Participation
 - b. Community need
 - c. Project design and delivery

Many of the following considerations relate to the broader assessment of community need and getting and appropriate spread has major implications on the public assessment that community need is addressed properly. Noting page 10 of the guidelines states *"The Minister for Sport will provide final approval. In addition to the application and supporting material, other factors may be considered when deciding which projects to fund."*

3. Geographic Distribution by State, within State, Electorate, within electorate for large Electorates
4. Distribution by political party Coalition, Labor, Independent..... mindful of the overall proportions of application by Party (the media were inquiring regularly about the distribution of projects).
5. 150 electorates so not possible to deliver a \$500,000 project for each electorate with a \$30 million funding envelope so when we learnt there would be subsequent rounds it was about getting a fair distribution (ie the electorate may get a \$500,000 project this round but not the next round to help with geographic distribution)
6. The advice to the Minister was not to deliver mostly small projects in the first round (as per Sport Australia's recommendation) as that was not a good distribution of projects across the funding streams and reduced the ability to get a fair geographic distribution of projects across subsequent rounds
7. Consideration of whether these organisations received money from other grant programs (Building Better Regions, Stronger Communities Programs etc) that may provide concerns on providing this funding. This Minister had responsibilities across other portfolios and this could provide further sensitivities. This was not a perfect science as projects often had different titles or combined parts of this project with other elements to meet grant guidelines in another state or commonwealth program.
8. Consider whether States are states co-funding
9. Consider whether states funding through other programs and this funding would be seen as duplicative ie Election commitments for NSW and Vic.
10. Consider local knowledge from MPs on the impact of Community participation and community need, noting the application process encouraged clubs to engage with their local MPs.
11. Consider local knowledge from MP whether this project was likely to go ahead without Commonwealth funding and therefore impacting on community need.

12. Consider local knowledge from MP whether Community need was high and that project application quality was likely impacted by the lack of capacity of the organisation and whether they still had the capacity to deliver a project.
13. This was a giant puzzle and there was concertina effect. Every time we had to make adjustment because of a new piece of information such as the state government funded a project, this project was dropped off the list and the next best project was usually larger or smaller so that impacted on the amount of money available for other projects, the geographic and electorate spread..
14. Some electorates had more than 50 project applications and were very large in size, so how do you get a fair distribution within those electorates to properly reflect community need so welcomed feedback from MPs and other sources where provided. Electorates like Grey and Mallee is where we had good feedback from MPs about community need.
15. We were constantly getting new information from various sources, letters from local government, sporting organisations, letters from individuals and these factors were all considered where it might impact on applications ie that it had been funded through another source or project had already commenced.
16. Also important to look at the spread of sports to get good community participation

Notes

The success of the program relied on the support across Parliament so needed to make sure the spread of projects reflected the statistics and could be seen as fair. Equally we were sensitive to the accusations of pork barrelling so we were very conscious of projects for the Nationals, as National Party Deputy Leader, for Victoria as Senator for Victoria or with Independents as her Electorate office was in Indi so we made sure that we were not over represented in these areas.