



INFRASTRUCTURE, PLANNING AND NATURAL RESOURCES COMMITTEE

Members present:

Mr J Pearce MP (Chair)
Mr MJ Hart MP
Mrs BL Lauga MP
Mr LL Millar MP
Mrs JE Pease MP

Staff present:

Dr J Dewar (Research Director)
Ms M Westcott (Principal Research Officer)

PUBLIC BRIEFING—ROYALTIES FOR THE REGIONS

TRANSCRIPT OF PROCEEDINGS

WEDNESDAY, 20 APRIL 2016

Brisbane

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Committee met at 9.00 am

CHAIR: I declare open the public briefing on the Queensland Audit Office report to parliament No. 4 of 2015-16, *Royalties for the regions*. Thank you for your attendance here today. I am Jim Pearce, the member for Mirani and chair of the committee. With me are Mr Michael Hart, deputy chair and the member for Burleigh; Mrs Brittany Lauga, the member for Keppel; and Mr Lachlan Millar, the member for Gregory. Mr Shane Knuth, the member for Dalrymple, and Ms Joan Pease, the member for Lytton, are apologies this morning.

Today's public briefing will form part of the committee's consideration of the report. Before I commence may I ask that mobile devices be switched off or put on silent mode. Those here today should note that these proceedings are being broadcast to the web and media may also be present, so it is possible that you may be filmed or photographed. The briefing is also being transcribed by Hansard. The briefing is a formal committee proceeding and as such you should be guided by schedule 9 of the standing orders.

GREAVES, Mr Andrew, Auditor-General, Queensland Audit Office

HANWRIGHT, Mr John, Audit Manager, Queensland Audit Office

CHAIR: Mr Greaves, would you like to make an opening statement?

Mr Greaves: Thank you for the opportunity to assist the committee in its review of my report No. 4, *Royalties for the regions*. I have with me today Mr John Hanwright, who was the audit manager on this particular audit. John has the detail, if you like, behind the report. I thought I would start by putting some context around this particular report.

The committee may be aware that I publish a three-year audit plan which sets out the proposed performance audits I will undertake over the subsequent three years. For the committee's information, this performance audit was listed as a topic in my three-year strategic plan for the period 2014-17 which I first published in June 2014, so it is not a topic that was put into the plan recently: it is a topic that has been in the plan for a number of years. We had it originally listed a year later, and we brought it in in our subsequent planning.

The reason we focused on this program is partly because it is a grant program, and grants are a significant and material expenditure for the state. This was a material grant program. One of the other criteria that I use when I am determining what topics to look at is the potential for social, economic and environmental impacts or effects from such programs, and of course this program was designed to give a significant economic and social uplift, if you like, to the regions. From those two perspectives it became an important topic for me to examine.

Having said that, the focus of the audit, as I set out in the report, was primarily on the competitive grants program that was applied to councils and councils seeking funding under the program. As I made it clear in the report, one of the areas I did not look at was the funding of projects that were election commitments. I wanted to focus predominantly on the administration and management of the grant program to local government, and that is really the focus of the report. The objective was to determine how well the projects that were funded contributed to regional community sustainability and resilience, which were in fact the stated aims of the program.

My conclusions were that, while the program fulfilled its aims of delivering much needed infrastructure to regional communities, the department that was administering the program could not demonstrate that the suite of projects—the totality of the projects that were funded, if you like—were the optimal mix of projects. We do not question necessarily the individual merits of individual projects, but we ask ourselves the question, 'Given that there was a finite amount of money to be allocated on these projects, was the best mix of projects funded? Was the best value for money obtained from the total program perspective?' rather than focusing on the individual merits of a particular project.

Why do I draw the latter conclusion that we were not sure that the best mix of projects were funded? We do it largely because the program was funded under four rounds, and as the fourth funding round progressed the stated criteria against which the grants were to be awarded the

decisions starting diverging, if you like, from the criteria that were stated or expressed in things like the grant guidelines. That in and of itself is not necessarily the problem. The problem is that there was not documentation supporting the rationales for why particular projects may have been funded and why others may not have been funded, particularly in the case where a project was not funded where it had been ranked in relative order as having relatively more merit than another project that was funded. Really the key public interest message from this report was around the lack of documentation associated with decisions where those decisions varied from stated criteria and, if you like, stated objectives of the program.

Of course it is the accountable officer of the department—the Director-General of the department under the legislation, the Financial Accountability Act and the supporting acts—who is primarily responsible for documenting the decision-making processes and documenting the reasons why certain projects were funded and other projects were not funded. From that perspective in terms of public administration we did not find that the department was really up to the standard we would expect and the standard that would be expected of things like the Public Records Act in and of itself.

If we cannot conclude that we had the best mix of projects funded, optimised value for money and that projects were funded that were not necessarily rated—as in some cases that were rated as ineligible and in other cases were rated relatively lower in that they did not satisfy some or all of the criteria that were expressed—the inference I can draw from that is we face the risk that councils and the department are putting in a lot of effort for no outcome and that they are going through a process of what they believe they need to do to make the business case; yet if a decision is made which is inconsistent with the stated criteria, then to what end am I going through this process? From our perspective as the rounds progressed it would have been appropriate not just to document the reasons why decisions were made where they diverged from the criteria, but to signal back to those seeking funds what the criteria were that were actually being used to make the decisions rather than what the stated criteria were. If that had happened, of course it could have saved a lot of people a lot of time and effort in putting together submissions seeking funding.

The other point that is raised in the audit which also goes to this lack of documentation therefore is a lack of transparency in decision-making. This program involved ministerial approval and we make it quite clear, I should first say, that we do not question the ability of a minister to make decisions that are at odds with the advice given to them from their department, and we state that quite clearly in the report. We are not questioning the executive power of the minister to take and make decisions, and that of course is contemplated in the guidelines that are promulgated under the *Financial Accountability Handbook* and the ministerial codes of conduct, so that is not the question. The question comes back to the documentation of the rationale for the decisions.

The point I make in the report—and which the former Deputy Premier in one of his communications to me conceded—was that the lack of documentation opens you up to accusations of bias and unfair or inequitable treatment. Without informing a view as to whether there was bias or what the bias may have been, it simply exposes decision-makers and decision-takers to accusations of bias. The point I make in the report is that they become harder to refute if you have not documented your reasons. Through the recommendations in the report we were really seeking to strengthen public administration by making sure—this is coming back to the key point—that where a decision is taken that is at odds with the advice from the department, the rationale for that is clearly documented.

We made a recommendation to that effect in the report, and my understanding is that the guidelines which support the Financial Accountability Act have subsequently been updated by Queensland Treasury to reflect that requirement for the accountable officer of the department—as I said earlier on, the onus is primarily on the accountable officer of the department—to make sure that they document the rationale for the decisions that are taken. I am happy to take any questions that the committee may have on the report.

CHAIR: Would you be able to expand a bit more on the documentation that is required and the difference between what is required and what you are getting?

Mr Greaves: In the report there are a range of criteria that are expressed in the grant guidelines, and the criteria speak to matters like: does this project address a local, regional or statewide need? I am referring to page 13 of the report here where we talk through the assessment criteria. One of them is about aligning with state regional economic planning priorities and building and operating assets in financially sound ways. When we look at the administration of a program we first asked ourselves: was that information being provided? John may be able to amplify that, but my view was that by and large that information was being provided. Certainly in round 1 that information was provided and analysed. The department came up with an order of relative merit, and all of the recommendations that were made by the department for the projects that should be funded were

funded. We had some questions about whether or not all relevant information that should be provided was provided, and so we observed in the report that for round 1 there was no requirement to do a cost-benefit analysis, so speaking to value for money of the project.

When I refer to cost-benefit analysis, it is not just the narrow financial cost/financial benefit. Cost-benefit analyses, of course, encompass wider economic benefits and other intangible benefits. In round 1 that information was not asked for. In rounds 2, 3 and 4 that information was requested as the program evolved but the point at which it was provided changed. It was going to a two-step process where there was an expression of interest, and if you got through that first gate you then did your cost-benefit analysis and demonstrated with a bit more rigour that this project had legs in terms of the benefits of it exceeding the cost of it. As the program evolved through the rounds that two-step process was truncated, so the cost-benefit analysis did not come before the decision was made; towards the end it was after the decision was made. It was not actually used to evaluate the worth of the project: it was used to work out whether or not there were any risks associated with it and how the department might better manage those risks. That is one example of how the information required change over time.

By and large the information was provided, although we do say in the report—maybe this reflects to some extent on the sophistication of councils and those submitting grant programs—there was some review over the rigour of, for example, the cost-benefit analyses, and quite often information was not provided that you would expect to see provided in a cost-benefit analysis. They did not always clearly state their underlying assumptions. I think we say in the report there was a reference discount rate that was required to be used for the net present value—I believe it was six per cent—and that reference discount rate was not always used.

By and large it was not so much that we had a problem with the information that was required. The concern I had was that the information was provided, whether or not it was complete and reliable is a question, and based on the information provided a ranking or assessment was done. We can question whether or not the ranking or assessment was appropriate. Then what happened after that is that in putting through the submission to the minister sometimes projects were put through that in fact the department assessed were not eligible or were minor and went up for recommendation for approval and at other times decisions were taken where the project was lower ranked but was actually funded. It was appropriately lower ranks but it was also funded. What we are talking about with the lack of documentation is primarily around those decisions—to discern the rationale for why one project was funded over and above another against the evidence that it was rated lower. That is really the crux of the issue—that later documentation of rationales.

As I said, I was after that for a couple of reasons. I wanted to try to discern if these were not ostensibly the evaluation criteria that were being used to take the decision and what were the actual criteria that were being used—No. 1. That is about transparency and accountability of decision-making. No. 2: if the actual criteria that were being applied in the mind of the then deputy premier or the department diverged from the stated criteria there would have been an obligation on the department to go back to those seeking funds and explain to them that the criteria had changed. That would be good public administration. For example, we talk about some of the ineligible ones where they were funded above and below the dollar limits. Once again, I am not going to question whether or not the dollar limits were right. If I state publicly that you can submit it but that it has to be above \$250,000 or below \$10 million, I think they were the dollar ranges, those councils that adhered to that did not submit proposals that were outside the dollar range. Other councils submitted proposals that were outside the dollar range and they were approved. Clearly that criteria was not being applied consistently and universally. It would have been good to tell the rest of the councils that that criteria had been diverged from and that in fact they could submit projects that did not fall within those quantitative bounds.

CHAIR: If we were standing together having a beer and talking about Royalties for the Regions, and I asked 'What does that mean? What is the definition of that program? What is Royalties for the Regions?', what would you say?

Mr Greaves: My answer to that is that I go back to the documentation that was provided. Just to clarify and contextualise my role as the Auditor-General, I am actually prohibited under my act from questioning the merits of government policy objectives. My starting point is: what has the government in its policy statements defined Royalties for the Regions to be?

Once the policy objectives have been set and the policy instruments have been defined as to how they will deliver this particular program or this particular policy my role as an Auditor-General is to see how well that policy was implemented, how well it was managed and administered by the public sector and whether the public sector in its management and administration gave effect to the policy

intent, but I do not question the policy intent. That is the contextual response before I respond to your question about what Royalties for the Regions is. My answer is that you need to look at what was described by the then government as to what the Royalties for the Regions program was. We do not question that. We work against that as a frame of reference.

CHAIR: I do not want to refer to members by name, but I need to ask you a question. There was a response from the minister at the time with respect to the decision-making which states—

Subsequently, to ensure a higher level of accountability and transparency, I as the minister took the decision, after the pilot round, to implement a three-stage approval process that ensured projects were assessed objectively by the DSDIP and then submitted by me to the Property and Infrastructure Cabinet Committee.

I get a feeling about that process. Is that the right thing to do? Is that the proper thing to do?

Mr Greaves: From my perspective as the Auditor-General it is not for me to opine whether or not it is appropriate for decision-making to be delegated down to the department or retained by either the minister, as the executive, or the cabinet. That really is a matter for the government of the day as to how they want to administer their programs.

Once again, it is not that, per se. I do not have issue with that, as I have said clearly in the report. The executive is there to take and make decisions. The documentation that is provided to support the public servants in this regard and the ministerial codes of conduct make it clear that in fact sometimes ministers will make decisions that are at odds with the advice of their departments. That to me is not problematic either.

The Public Records Act and good government administration speak to documenting reasons for decisions. Was it appropriate to have three levels of review and approval? That really is not appropriate for me to comment on. That is a matter for the executive. Were those three levels of approval as articulated in the response what I observed in the report? What the report says—and maybe where I am at odds with that assertion by the former minister—was that the first pass was the rigorous review by the department.

What we are saying in the report is that on some occasions for some projects the evidence is at odds with there being a rigorous review. We point, as I have said in my earlier evidence, to inconsistency between ratings and recommendations or endorsement that came from the department up to the minister, which are unexplained because we did not have any documentation to ascertain why those inconsistencies were there.

That was the first question about the rigour by the department and then of course we have the subsequent question about whether the decisions were at odds with the department's recommendation. Even if apparently it looked like there was rigour by the department, some of the decision were at odds with the endorsement or recommendation by the department.

Another point we make in the report is that over time it shifted from a very clear recommendation by the department to more of a 'here is the relative rankings'. That would, in my mind, signal that the decision-making had been transferred to the minister. The minister was no longer seeking a recommendation. The minister was simply seeking a list of ranked projects on which the minister would then make the decisions.

Mr HART: I guess this is a little hard for the Auditor-General in that this is a different process for funding some of these projects. Royalties for the Regions was about funding projects that otherwise would not be funded in our regions so those regions benefit from the mining royalties. I am assuming that this is a little bit hard from your way of thinking—that these things have to have a proper cost-benefit analysis that makes sense. If they did that sort of thing they would be approved through the normal approval processes that councils have and they would be able to fund them themselves. This was something different.

I think you have made some good recommendations. I have a couple of questions around the documentation side of it. Given that you looked at this about a year after the process finished and the government changed, how did you go about trying to find that documentation? Who did you talk to because I imagine that there were not too many people actually left who were involved in that decision-making process? Can you give us some details around that?

Mr Greaves: As it goes to audit evidence, which is your question about the documentation of the decision-making, the audit standards that I must comply with require a standard of evidence that is higher than simply assertion or representation. Part of the evidence that I gather is the oral representations to me that are made by those people who were involved in the process. To the extent that those people were no longer there then I do not have available to me that evidence, and I accept that. Maybe John can answer or the department itself can answer, if you subsequently talk to them about this, about the continuity of the people who were involved in the process.

The point I make is that I cannot just rely on oral evidence anyway. The auditing standards require me to get a higher standard of evidence. The standard of evidence that I use is documented evidence. Then we have different standards of documented evidence. Something that is produced externally by somebody who is disinterested, if you like, is considered to be a higher standard of evidence than an internal document that is generated. We look at that and we balance all the evidence.

You are right, there is always a risk in any audit—it is about a reasonable assurance, not an absolute assurance—that there is evidence that is missing. Under my act there are very clear requirements and responsibilities for agencies to provide evidence and assist in the audit. We make it quite clear from the beginning their obligations to cooperate with the audit. In fact, I also have coercive powers if I so need them to compel people to cooperate with the audit. I did not exercise my coercive powers in this regard.

Then we have a staged series of processes throughout the audit where we periodically test the evidence that we have obtained to date and check back with the agency. At each point the expectation is that the agency has made available to us all the relevant evidence and when we make a finding if they believe there is other evidence that we have not taken into account we ask them to draw it to our attention.

From my perspective, as much as I can control the evidence gathering within the frame of providing reasonable assurance not absolute assurance, I was satisfied that we followed our due process and that there was no missing evidence. The evidence was that missing in the context of this audit was the documentation of the rationales.

That is why, toward the end of the process, because we had asked the department a number of times whether or not these rationales were documented, I then wrote to the former minister because it may have been that the former minister had kept documentation himself. The former minister acknowledged, in one of his responses to me in one of my engagements with him, that he did not keep the evidence and that that would open him up and make him susceptible to accusations of bias. I guess there is a concession there that that evidence did not exist.

Mr HART: You said there that you suggested to the department that they update the rationale for all of the decision-making processes and that that has changed. What was the situation before with regard to the rationale? Was there a requirement to keep that documentation specifically?

Mr Greaves: You would argue that the Public Records Act in and of itself would establish the requirement. Now was there a specific guideline? So under the Financial Accountability Handbook there are a couple of guidelines that are relevant to this. The one that has most recently been updated or published is information sheet 1.6 which specifically goes to this issue of information and advice in relation to ministerial decision-making. What we had available to us at the time of the audit and what we understood was in operation was the former premier's requirement that he specifically expressed that it was an obligation of a minister, if a minister rejected or disagreed or made a decision counter to a departmental decision, to document that. That is what we talk about in the report. We make reference to that specific requirement.

Mr HART: That rationale has been updated now so it is crystal clear to everyone. Going forward from here we can expect a minister's decision-making process to be clearly documented so we should not have an issue again? I guess at the end of the day you have the desired result. I think you have made some good recommendations. I am going to leave my questioning there, but reserve my right to jump back in at any time.

Mrs LAUGA: In the report it says that the department kept records of the former minister's decisions but did not document why the former minister approved projects scored as minimal against the grant criteria over others that scored higher. Was the department questioned as to why records were not kept to that effect?

Mr Hanwright: Yes. We spoke to the department and asked them to explain the process of how the selections were made and how the minister made those decisions. They kept a record of the decisions that the minister made in terms of, 'Fund this program, maybe this one, definitely not this one,' but there was no record of why projects that were only assessed as being minimal or ineligible were funded above projects that were rated as strong. When questioned, the departmental staff could not provide a specific response as to why they did not keep records of the minister's decisions. I guess the best people to ask about that would be them.

Mrs LAUGA: Was the process a memo saying, 'These are our recommendations,' and the minister wrote back and said, 'No, this one, this one, this one,' and that was it or was there a workshop around it?

Mr Hanwright: Because there were four rounds and in some cases some of the projects were approved outside those rounds, because sometimes the minister had queries about particular projects about whether that was the right amount of money or whether that was needed in that particular place, the process occurred in different phases. My understanding from the discussions with the department is that the minister met with the director-general and they had a discussion around the rankings. The minister was given a spreadsheet with all the projects and their rankings based on the assessment of the department. The minister advised the director-general which projects were to be approved or not approved and then that information was provided back to the team who then sent a ministerial briefing note to the minister confirming that these were the projects that had been approved.

Mr HART: Many of these projects went back to the Cabinet Budget Review Committee though, didn't they? Sorry for jumping in.

Mr Hanwright: Yes. He approved them in collaboration with CBRC.

Mr HART: They were expanded in there. Did you get any information from the budget review committee?

Mr Hanwright: We did. We did get the copies of the CBRC decisions and we also got copies of the cabinet documentation around those.

Mrs LAUGA: In the report you acknowledge that the Liberal National Party held the majority of the eligible electorates in which the Royalties for the Regions program was operating. It does mention in the report that, even though the LNP held a majority of the eligible electorates, there was a large number of projects approved in those eligible electorates held by the LNP. Was there any cross-reference with how marginal those seats were at all?

Mr Greaves: No. If I can give some background to that particular analysis, I would start by saying if the ministerial decisions had all been consistent with the departmental recommendations this would have been a fairly boring report and unremarked. When we started seeing a divergence and we could not find documentary evidence as to the rationale, we then tried to work out if there were any other rationales, and it was not just about the electorate in which the project was funded. We looked at the other rationales that the former minister represented to us which were to favour the smaller councils that did not have the funds. Our examination of that again was at odds with that assertion. We found that the smaller councils' applications were rated at the same rate in terms of their strength as the larger ones and in fact at the end of the day the funding was pretty much evenly distributed across councils.

I might also say by way of responding to that it is not unremarkable that auditors-general do this type of analysis. The guidelines in fact that the public servants use refer to the Australian National Audit Office guidelines, the better practice guidelines. It is common practice for the Commonwealth Auditor-General to analyse the allocation of grants and in two recent reports has done so, but of course this has been going on since, I think, from my memory, Ros Kelly and what they used to call the sports rorts affair and the whiteboard. Of course, that was all about a lack of documentation of decision-making. It is not unremarkable that I would do that analysis, but the reason I did the analysis is I was trying to discern whether there was any particular bias or favouritism but I was not concerned about whether it was a marginal electorate or not. It was simply to demonstrate that there was potential for accusations to be made, and this is the key point. We are not saying there was bias. We are not saying that that is what drove it, and the former member asserted that it did not and I will take that assertion. We are simply saying that you are open to accusations if you have not documented your reasoning.

Mr HART: Let us dig a bit further into that, Andrew, because I think the member is trying to get at something specific here. Your findings were that 82 per cent of the electorates in Queensland were held by the government.

Mrs LAUGA: Eighty-eight.

Mr HART: Sorry, 88 per cent. I am not reading that verbatim, but I am informed it is 88 per cent. It would not be unusual then to see—

Mr Greaves: Not at all.

Mr HART:—88 per cent of grants come out. It was in fact less than that, wasn't it?

Mr Greaves: To take your point, of course and we did not measure against that. You would expect if the majority of the electorates were and the electorates that were subject to this program in round 1 were predominantly of a particular political persuasion—

Mr HART: In fact, 51 per cent of them were in the Mackay area which had a Labor member at the time.

Mr Greaves: Yes, so you would expect there to be proportionally and so that was not the analysis we did.

Mr HART: This is outside the scope of your report anyway. You are just looking at reasons why things might have happened.

Mr Greaves: Yes, which is within the context of the audit because we had to discern whether or not the money was allocated efficiently and effectively and the best mix. The analysis that is relevant to this is figure 3B, and it is not the relative proportions; it is the last column, if you like, in terms of what we call the conversion rate. As we say in figure 3B with the electorates, 10 from a particular political party of which only two were funded is a 20 per cent conversion rate. Some 174, as you would quite reasonably expect because there were more electorates, from another political party of which 77 were funded is 44 per cent. It is the conversion rate discrepancy, if you like, that is the key point of the analysis, not the total proportion or mix of the funding.

Mr HART: Given that the majority of the Labor seats were in city areas in what is a regional funding process, that would not be unusual.

Mr Greaves: Once again it is a different point we are making, and of course by round 4 I think it had been opened up pretty much to all councils. The point we are making is that it is not the proportional; it is the relative rate of success. The other point we make in figure 3B of course is that, in terms of having projects that were rated as minimal, 12, which is 12½ per cent, of one from a particular party were funded whereas none from another were funded. There is a discrepancy between the funding of those rated minimal as well.

Mrs LAUGA: The electorates which were granted projects is one issue, but I am interested in particular in figure 2B in terms of, for example, the Livingstone Shire Council Panorama Drive project which is in my electorate which was ineligible for the Royalties for the Regions program but funded. I think that those projects are quite interesting. My next question is in relation to the projects that were eligible and were ranked high but were not funded. Could you provide some more information or perhaps some examples of some of the projects that were ranked higher but were not funded?

Mr Greaves: That information is not in the public report and typically that is then considered to be protected information which I cannot publicly disclose, but I may be able to provide that information privately to the committee under my act. Chair, would you like me to investigate whether or not I can provide that information because it is not in the public report?

CHAIR: If you can.

Mr HART: I think that is a bit dangerous, but anyway.

CHAIR: If he is allowed to do it under the act, there is nothing stopping us from asking for it, is there?

Mr HART: As long as it stays private within the committee.

CHAIR: Yes, if you do not mind.

Mr Greaves: We will take that on notice. Thanks, Chair.

Mr MILLAR: My question is with regard to figure 2A. Looking at where I come from with the below \$250,000 such as the Boulia shire water capital works infrastructure project, the Burke shire pontoon project and the Barcoo shire's Jundah airstrip fencing, which is important, these are projects that necessarily have all the documentation but the scope of Royalties for the Regions was to put money back out to those regions. I guess what I am saying is that for some of these projects—take away the documentation part—the justification would have been hard to meet the criteria and Royalties for the Regions was a way of funding those projects.

Mr Greaves: My observation there and the point we make about those predominantly is not whether or not they had merit and it is not whether or not there was appropriate documentation to establish a business case for them. The point we make about those is that the published guidelines said that the only projects that would be funded were ones above \$250,000 and below \$10 million and all we are trying to make with that point is not question the merits of them but simply say that that is one example of an inconsistency between the published guidelines and the awarding of the funding. That is the only point we are actually trying to make with regard to those.

Mr MILLAR: We are obviously very efficient with our projects out in the western part of Queensland.

Mr Greaves: As I said to you earlier, it is not for me to determine whether or not it was appropriate to set that threshold. That was a matter for the policy decision of the minister at the time.

Mr MILLAR: I understand. Thank you.

CHAIR: The committee will be looking to make recommendations about how we think it can be improved, so that is the reason I am asking you this question: is there any rule or any guideline that prevents outside influence with regard to decisions being made about particular projects? I do not really want to explain myself, but I am sure you understand where I am coming from.

Mr Greaves: That is a very broad question. My answer is the criteria that are set ostensibly are the criteria that should be applied. It is not for me to question what those criteria are per se and, if the criteria were to include something about an influence from a particular area, if that was an important criteria the point I simply make in the report is from a transparency and accountability perspective: it would have been good for everybody to know what that criteria was. I am not going to speculate about the influences you may be talking about, but of course we have a whole range of integrity legislation in this state and ministerial codes of conduct and corruption legislation. There are broader issues here about influence and undue influence and inappropriate influence which may be the point behind your question, but from my perspective that is not for me to judge. That is for others to judge.

CHAIR: I accept that; thank you. I think I have this right: was it the case that sometimes the amount that was granted was in some cases more than what was applied for and in some cases less?

Mr Hanwright: I can certainly say that in some cases it was less. From memory I do not recall any where more was provided than asked for. We could look into that and get back to you if you like on notice, but I certainly do not recall any projects.

Mr Greaves: There also may have been a difference between the EOI estimate and then the final estimate based on the business case and the cost-benefit analysis, so those variations would be quite explicable and quite appropriate on that basis.

CHAIR: Fair enough.

Mrs LAUGA: Many councils ask for feedback after putting in a lot of time and effort into making these applications. Were the councils that ranked high told that their application ranked high and what justification were they given, do you know, by the department as to why their projects were not funded?

Mr Hanwright: After each round the departmental staff offered feedback to all the councils and that was usually in the form of a phone conversation, so all councils had access to feedback if they requested it. With regard to the details of the specific feedback, I am not aware of exactly what was discussed at those sessions. We did visit four councils and we ran telephone interviews with 10 other councils and on the whole councils were satisfied with the feedback that they got.

Mr HART: I imagine that in some cases some of the highly rated projects may have been funded in a different fashion or may have been eligible for funding in a different fashion as well; would that be correct?

Mr Hanwright: Certainly we have looked at councils' projects and, depending on how much time they had invested themselves in developing their application, they saw the Royalties for Regions grant as one avenue to get funding for that project and if they were unsuccessful, then they were also considering looking for funding from Commonwealth grants and looking at other ways they could fund particular projects, because they had prioritised those projects as significant issues that they needed to resolve, so they saw Royalties—

Mr HART: The whole point of Royalties for Regions was to try and fund things that may not have been funded in another way and increase liveability of the regions.

Mr Hanwright: I think in many cases they were trying to get funding from the Commonwealth and the state at the same time, and that was one of the things that they had to manage in terms of grant applications to two different levels of government.

Mrs LAUGA: Do you know if there was a complaints process or any complaints made by councils who wanted to complain about the process?

Mr Hanwright: All government departments have to have a complaints management process and they have to document those. I am not aware of any complaints that were made through that process to the department or to the minister.

Mr MILLAR: Certainly for these smaller councils to be able to put the documentation and criteria together, they do not have a plethora of staff. Not that staff sit around, but they have a small number of staff trying to put an application together, whereas we are looking at projects such as the Boulia Water Capital Works Infrastructure Upgrade or the airstrip at Jundah or something like that. I know the Jundah project was necessary because they needed to put a fence around the airstrip so kangaroos were not jumping across the airstrip when you were landing planes.

Mr Hanwright: We looked at that, and what we observed is that departmental regional staff were very proactive in helping those councils to develop their applications in terms of providing advice to them. That was staff from not just the Department of State Development, but also the Department of Local Government and even the Department of Community Safety in some cases. They provided support to council officers, and the council office that we spoke to was very grateful for the support and assistance that they were provided in preparing the expression of interest.

To reinforce one point in our recommendation, that is why we particularly thought it was important that there be a two-stage process for councils. The expression of interest is a relatively short form for councils to fill in. It identifies the priority, recognises the need and what community consultation has been undertaken and gives some ideas about the budget, but council does not have to spend a lot of time or resources developing a full business case for the project so they do not have to do that work until they get approval to progress that and go ahead. That was one of the things we thought was really important for councils to have that opportunity, which gave a bit more of a level playing field for those smaller councils. As you point out, they do not have the same capacity in terms of the number of staff to work on grant applications.

Mr MILLAR: Therefore the government of the day may see issues such as: here is a council that is struggling with an issue or a project. This is an opportunity for some funding. Would it be fair to say that there is always going to be a bit of that in any funding and you are going to try and help these smaller regional councils get across the line on some of these projects without having to go through all the hurdles and compete with bigger, more sophisticated projects that may be along the coast?

Mr Greaves: I think that sentiment was expressed by the former member in terms of some of his correspondence. Once again it is about the design of the program. If there was a recognition that the smaller councils were relatively under-resourced and ill-equipped, then you could differentiate how you process applications. John has already indicated that as a two-stage process it takes some of the burden off the smaller councils. It comes back to the key point we make in the report, that if there were a criteria, if that were the intent, it would be better if that was clearly stated and articulated so that people understood there was a differential approach to the funding of the smaller councils or for the smaller projects than what was required for the larger ones.

Mr HART: Are you satisfied that the government has responded to the recommendations that you have made and that they will fix the issues that you have identified?

Mr Greaves: Based on the responses we have received, Chair, and my review of subsequent documentation—for example, I referred to the updated *Financial Administration Handbook* 5.6—I am quite comfortable that the processes that are now in place for the program that has replaced this program should address the issues that we have identified.

Ms PEASE: Will you be reviewing this again?

Mr Greaves: For the context of the committee, I have a limited budget and I do a limited number of reviews. About two or three years later I typically follow up about two of my reports, but I make the judgement at the time based on what information I already have about if they have implemented the recommendations and any other indications that things may be not quite as they should be. I really cannot give you a definitive answer that I will be following this one up, but at the appropriate time in the next couple of years we will be consulting with the committees and the agencies about which ones we should follow up.

CHAIR: Would you expect the couple of things that you have taken on notice to come back in a week or 10 days?

Mr Greaves: That will be fine.

CHAIR: I will make it Friday of next week. Thank you for being here today. It is always interesting to listen to what you have to say. I think on a lot of occasions we are restricted as to where we can go with questions, but sometimes that is a good thing and other times it is not. I am sure the committee is more than happy with the responses you have given us today.

Committee adjourned at 9.51 am