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Stronger safeguards to prevent pork-barrelling

Submission to the Joint Committee of Public Accounts and Audit inquiry into
Commonwealth grants administration

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Summary

We welcome the opportunity to contribute to the Joint Committee of Public Accounts and Audit inquiry into Commonwealth grants administration. Our submission focuses on preventing pork-barrelling of government grants and draws on the analysis and recommendations of our recent Grattan Institute report, *New politics: Preventing pork-barrelling*.

Pork-barrelling is a waste of taxpayer money, and risks entrenching power and promoting a corrupt culture. Australians consider it to be a serious breach of faith: more than three-quarters agree politicians should resign if they engage in pork-barrelling.

Strengthening safeguards to prevent pork-barrelling would help to rebuild public trust and ensure that government grants are allocated where they are most needed and will be most effective.

Governments on both sides of politics have used grants to 'reward' voters in government seats and 'buy votes' in marginal seats. This means worthy projects in other electorates miss out.

Under the previous federal government, more than twice as much in discretionary grant funding was allocated to government seats, on average, compared to opposition ones. Some programs particularly stood out. For example, the federal Community Development Grants program allocated more than four times more per seat on average to government seats compared to opposition seats.

Ministerial discretion in choosing grant recipients was a common feature across all the grant programs in our analysis with

politically skewed allocations. For example, in the \$660 million Commuter Car Park scheme, the Prime Minister's department shut down a proposal from Treasury to run a competitive, merit-based process. Instead, the recipients were largely chosen by agreement between ministers and the Prime Minister, and the decisions appear to have been politically driven.

In contrast, we found no evidence of politicised spending when grant programs included guardrails around ministerial discretion. For example, in the Safer Communities program, when the process changed the funding became less politicised. The first funding round was closed and non-competitive, with eligibility restricted to specific organisations to fund election commitments. As a result, most of the funding went to government or marginal electorates in that round. But most subsequent funding rounds have been open and competitive, leading to a more equal distribution of funds overall.

We recommend substantive changes to grants processes and oversight, to deter politically-motivated allocation of grants.

Recommendations

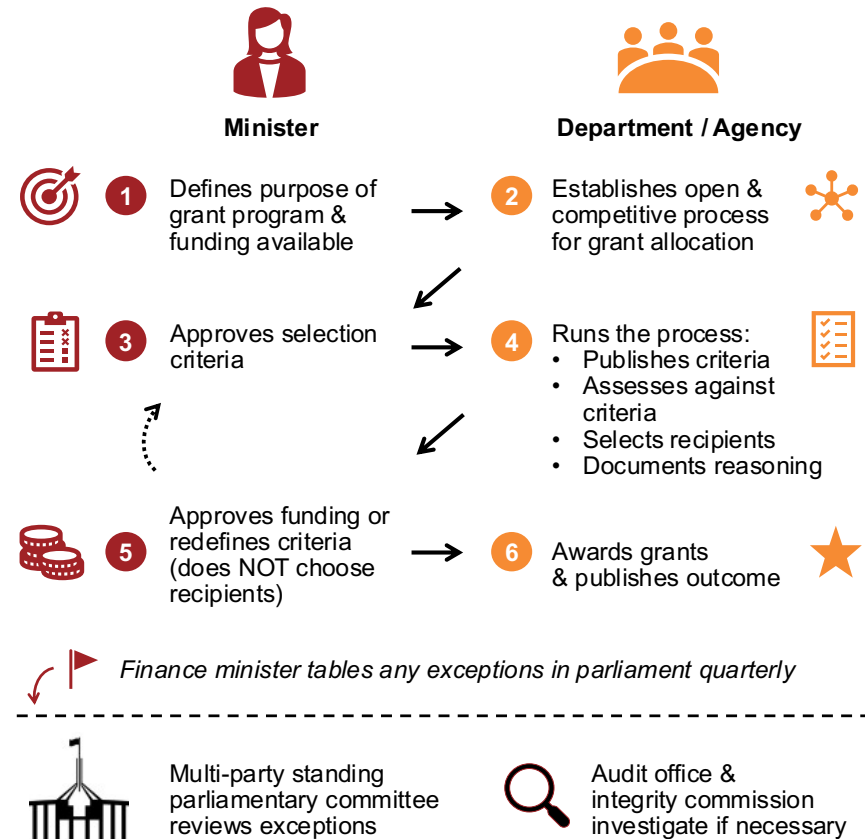
Improve the grants process

1. All grants should be allocated through an open, competitive, merit-based assessment process. Expected outcomes and selection criteria should be published, and selection processes documented.
2. Ministers should decide grant programs but not grant recipients: the process of shortlisting applicants and selecting grant recipients is an administrative function for the relevant department or agency.
3. If a minister is unhappy with the recommended recipients, the minister can redefine and republish the selection criteria but should not intervene in shortlisting or selection.
4. Any exception to the new process should be reported to the finance minister, who in turn should report to parliament at least quarterly. It should also be published by the relevant department alongside the outcome of the grant round.

These changes should be written into Part 1 of the Commonwealth Grants Rules and Guidelines (the mandatory requirements).

Strengthen oversight of public spending

5. A multi-party standing parliamentary committee should oversee compliance with grant rules.



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6. Funding for the Australian National Audit Office should be increased, and its budgets should be determined at arms-length from the government of the day.
7. A strong and well-resourced integrity commission should act as a last line of defence in investigating pork-barrelling.

Make grants administration more transparent

8. The Department of Finance should publish an annual report covering all grant programs, with a particular focus on new programs, to enable scrutiny of the legal authority for grant-making, reasons for choosing non-competitive processes, and other risks to effective use of public money.

Public officials may need specific training to manage the grants administration process well and ensure all steps are fully documented. Funding for this should form part of any proposal to establish a new grant program or expand an existing one.

Further detail about the need for and nature of these reforms is provided in the **attached** 2022 Grattan Institute report, *New politics: Preventing pork-barrelling*.