

SUBMISSION TO THE ADMINISTRATION OF GOVERNMENT GRANTS: INQUIRY INTO AUDITOR- GENERAL'S REPORT 5

January 2020

Universities Australia (UA) welcomes the opportunity to make a submission to the Joint Committee of Public Accounts and Audit inquiry into matters contained and associated with the Auditor-General's report No. 5 (2019-20).

UA is the peak body for Australia's 39 comprehensive universities. Our members are spread across Australia, in both regional and metropolitan areas. They educate more than a million students each year and undertake research that adds to Australia's stock of knowledge, and to Australia's economic and social wellbeing.

KEY POINTS

Auditor-General report No. 5 (2019-20): Australian Research Council's Administration of the National Competitive Grants Program

UA thanks the Australian National Audit Office (ANAO) for its informative report.

UA supports the overall conclusion by the ANAO that the administration of the National Competitive Grants Program (NCGP) by the ARC is effective. It provides the following observations on the report.

SCIENCE AND RESEARCH PRIORITIES

The report highlights the progressive change in the research system as a result of the science and research priorities (SRIs) (para. 2.19 and 2.20). Whilst the ARC does not ask assessors to assess proposals against the priorities, or assign weightings, it is clear that the system has shifted in response to the policy change.

The NCGP is one of the few streams of funding that supports basic, non-oriented research. We need priorities but we also need to be mindful that non-directed research is a critical feedstock for discovery and (further downstream) innovation. Attempting to predict the outcomes from the research *a priori*, risks likelihood that we reduce the potential impact of the total research investment.

Figure 2.1 shows the share of 'no priority' research in 2018 to be around 37 per cent and 22 per cent in 2017, down from close to 70 per cent in 2016. While the 'no priority' category research does not equate to basic research, it illustrates the shift of the research system towards oriented research.

In addition, the Science and Research Priorities are inequitable with regards disciplinary and workforce diversity in their significant emphasis on engineering sub-disciplines. This may be a contributing or aggravating factor influencing the gender gap in the research workforce, as examined recently in the ARC's consultation on increasing women's participation in ARC grant processes.

NATIONAL INTEREST TEST

The audit notes the 11 grants recommended for funding by the ARC that were not funded by the Minister (paras. 2.47 and 3.45 – 3.47) and the introduction of the National Interest Test (NIT). UA would welcome efforts by the ANAO to evaluate the effectiveness of the NIT and would be pleased to contribute on this matter.

COMMUNICATION ACTIVITIES

The report identifies at para. 2.47 the call from universities for improved communication around the timing of grant announcements. The sector has expressed concern about potential impacts to the management of research programs and staff due to the recently introduced practice of progressive announcements of ARC grant outcomes by the Minister and Government members and senators.

The ARC has provided clarification on this issue on its website (link [here](#)). However, it remains a significant departure from historical practice, and arguably contributes neither to the effectiveness, nor the efficiency, of the administration of the program. In fact, it poses a significant logistical challenge to universities in satisfying the dual (competing) requirements of maintaining an embargo on grant outcomes whilst pursuing activities in relation to the operation of the grant. These include advising successful and unsuccessful applicants (allowable activity), and planning grant application writing activities for subsequent rounds.

In relation to grant approvals, as shown in Table 3.6 (p.42), it is common practice to partially fund projects. While assessors consider funding requests in detail, these deliberations are not communicated to applicants. This encourages an inefficient process, wherein applicants spend considerable time preparing budgets that may then be subject to shortfalls. This practice is increasingly rare internationally and does not compare favourably to practices adopted by the NHMRC.

The ARC should adopt a more transparent budget process, communicating to successful applicants what budget items have been disallowed, and why this will not impact the integrity of the project. Scope for applicants to challenge funding exclusions should also be considered.

PERFORMANCE AND REPORTING

The audit recommends (Recommendation 2 and paras. 4.6, 4.7, 4.12 and 4.13) the use of targets, baseline and trend data to improve the reliability of select KPIs, in particular those lacking target measures.

UA supports the use of baseline and trend data to show changes but advocates for caution in the use of absolute values as targets as these may distort the system in unanticipated ways. For example, a number of indicators under the 'ARC funding supports research training and career development' element in the 2018-19 ARC corporate plan measure the absolute number of researchers. It would be more helpful to have a measure that shows these as a share of an appropriate total (e.g. the percentage of researchers on ARC-funded grants).

For the 'ARC funding grows Australia's research capacity in priority research areas' element in the ARC 2018-19 corporate plan, the target corresponds to a four-year rolling average. As noted earlier in relation to the science and research priorities, given the shift in favour of the priorities, there is a risk that the share of basic research declines to levels that are damaging to the broader research system. In this instance, a target, or a limit may therefore be appropriate.

On the issue of the adequacy of the KPIs (para. 4.10), UA supports efforts to clarify the strategy 'Cultivate a system-wide culture of research integrity' including through improvements in the evidence base.

EFFICIENCY OF GRANT ADMINISTRATION

The audit identifies (paras. 4.30 and 4.31) inefficiencies in the administration of variations to the grant agreements. UA supports efforts to reduce the compliance burden when varying grant agreements. Effort in this area could see significant efficiency gains both for the ARC and universities.

INSTITUTIONAL REVIEWS

The audit found that the institutional reviews were not well targeted and of limited value (paras. 4.42, 4.43 and 4.56 – Recommendation 3). UA would be pleased to engage with the ARC in the development of an efficient, risk-based approach to reviewing institutions that enables universities to identify and address key issues.

CONCLUSION

UA would like to highlight the following points:

Research priorities

1. UA encourages supporting non-directed research as well as directed research, and would be pleased to engage with the ARC about the trends being observed.

Communication activities

2. The sector would welcome improvements in the process for grant announcements.
3. The ARC should adopt a more transparent budget process in relation to grant approvals and communication about disallowed budget items. Scope for applicants to challenge funding exclusions should also be considered.

Performance and reporting

4. UA supports the use of baseline and trend data to show changes.
5. UA encourages the use of indicators that are more representative of the research system, rather than absolute values where possible.
6. For the 'ARC funding grows Australia's research capacity in priority research areas' element, UA suggests that a target or a limit be adopted instead of the current four-year rolling average.
7. UA supports efforts to clarify the strategy 'Cultivate a system-wide culture of research integrity', including through improvements in the evidence base.

Institutional reviews

8. UA would be pleased to engage with the ARC in developing an efficient, risk-based approach to reviewing institutions that enables universities to identify and address key issues.