

AUDITOR-GENERAL'S REPORT

PERFORMANCE AUDIT

Follow-up of Performance Audits

**Office of the Protective Commissioner
Office of the Public Guardian**

Complaints and Review Processes
(September 1999)

Department of State and Regional Development

Provision of Industry Assistance
(December 1998)

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Foreword

Our performance audit reports invariably contain recommendations for change. Where an agency accepts our recommendations, there is an expectation that they will be implemented expeditiously.

It is good practice - and one we strongly support - for the agency's audit committee or Board to monitor the implementation of the recommendations. In my 2001 follow-up audit I provided agencies with guidance on how to monitor and report on recommendations following a performance audit.

Agencies should also be aware that the Parliament's Public Accounts Committee is increasingly looking at the implementation of recommendations made in our reports. To complement the Committee's work, we periodically conduct follow-up performance audits to provide Parliament with an assessment of any changes that have occurred in an agency in response to a previous performance audit report.

In this report we examine changes following two reports:

- complaints and review processes in the Office of the Protective Commissioner and Office of the Public Guardian (September 1999)
- provision of industry assistance in the Department of State and Regional Development (December 1998)

Seventy-four per cent of our recommendations were accepted by the agencies and we are pleased to report that all these recommendations have now been fully or largely implemented.

R J Sendt
Auditor-General

September 2003

Complaints and Review Processes (1999)

Office of the Protective Commissioner (OPC) Office of the Public Guardian (OPG)

Audit opinion

In response to the 1999 audit, both Offices focussed on improving the transparency and consistency of decisions. Both introduced client service standards and implemented systems to improve their management of complaints.

In addition, OPC introduced six monthly financial statements which are sent to clients or their carers.

However, there are three recommendations from the 1999 audit that are not fully implemented although progress has been made in addressing the issues. These matters relate to establishing external appeal mechanisms and the review of OPC client fees.

Background

Under the Guardianship Act, a person in need of a guardian is someone who, because of a disability, is totally or partially incapable of managing themselves. The Public Guardian is only appointed where there is no other suitable or willing person to act as guardian.

The Public Guardian may be appointed by either the Guardianship Tribunal or the Supreme Court.

The Tribunal may also appoint a financial manager where an adult is incapable of managing their financial affairs. The Tribunal may appoint the Protective Commissioner or a person as manager of that estate (under the supervision of the Protective Commissioner).

During 2001-02, there were over 2,000 people under guardianship with the Public Guardian. In addition, over 8,000 people had their estates managed by the Protective Commissioner.¹

¹ Office of the Public Guardian, Annual Report 2001-02; Office of the Protective Commissioner Annual Report 2001-02.

The 1999 audit

The 1999 report focussed on, and made recommendations relating to:

- the documentation and transparency of decision-making
- transparency of trust accounts
- funding of the OPC
- internal complaints systems
- the external review of decisions.

Findings

1999 audit findings

The 1999 audit reviewed a sample of cases. The audit found no evidence that decisions by OPC or OPG were flawed, but opportunities to improve both transparency and accountability were identified.

The audit found the most critical issue to be the absence of a simple, inexpensive and accessible avenue to appeal decisions of OPC or OPG. At the time, appeals were only heard in the Supreme Court.

The 1999 audit also found that the reasons for decisions were not always transparent and there was a need to improve the accountability of OPC and OPG to its clients.

Other reviews

In 2001, the NSW Parliament Public Bodies Review Committee (PBRC) also reviewed OPC and OPG.²

The findings of this review supported a number of the recommendations of the performance audit such as the need for alternate avenues of appeal, the need for a review of OPC's client fees and the need for better complaints handling processes.

Status of the implementation of recommendations

2003 follow-up audit

OPC and OPG accepted all six recommendations from the 1999 audit, but only half of these have been fully implemented. A summary of the status of recommendations is provided in Table 1.

² NSW Parliament Public Bodies Review Committee, Personal Effects: A Review of the Offices of the Public Guardian and the Protective Commissioner October 2001

Table 1: Status of the implementation of recommendations		
Recommendation	Status	Changes in practice
Simpler, quicker and cheaper means of external review of decisions by OPC and OPG	In progress	Some change. Legislative changes made to allow the Administrative Decisions Tribunal (ADT) to review decisions made by OPC and OPG. However, the regulation regarding decisions made by OPG has not been finalised.
Improve the documentation and transparency of OPC and OPG decision-making	Implemented	Satisfactory change. Improved documentation of reasons for decisions. Improved transparency through recording reasons for all significant or major decisions.
Reliance on prescribed fees to fund OPC's activities	In progress	No change. OPC relies on the common fund to cover operating costs. The Independent Pricing and Regulatory Tribunal (IPART) completed its review of OPC's fees in May 2003, and the Cabinet Budget Committee approved a fee proposal in July 2003. OPC anticipates a new fee structure from October 2003.
Independent review of OPC's fees	In progress	No change. IPART completed its review of OPC's fees in May 2003 and the Cabinet Budget Committee approved a fee proposal in July 2003. OPC anticipates a new fee structure from October 2003.
Provision of financial statements to OPC's clients or their carers	Implemented	Satisfactory change. Statements are provided every six months to clients or their carers.
Review and improvements to complaints handling in OPC and OPG	Implemented	Satisfactory change. New procedures for handling complaints have been introduced.

Review of client cases

It should be noted that it is not the role of the Audit Office to review the merits of decisions or actions relating to individuals. As in the 1999 audit, we reviewed a sample of cases to test if recommendations had been implemented. However, we did not undertake a detailed analysis of specific cases.

Providing alternate review mechanisms

The 1999 audit found there was no simple, inexpensive, external system available to review and challenge decisions of the Protective Commissioner or the Public Guardian. Clients can lodge appeals to the Supreme Court of NSW, however this was regarded as intimidating, time consuming and expensive particularly if it involved administrative decisions.

In response, the *Guardianship Act 1987* and the *Protected Estates Act 1983* were amended in 2002.

The amendments allow appeals to the Administrative Decisions Tribunal (ADT) in regard to specific decisions by the Protective Commissioner and the Public Guardian. For the Protective Commissioner, these decisions relate to property matters, the employment of agents, the execution of documents, payments into trust funds and disposition of money.

However, the regulation listing the decisions of the Public Guardian that could be heard by the ADT has not been finalised, preventing ADT from hearing any matters relating to OPG.

Review by the NSW Ombudsman

In regard to administrative decisions by the Protective Commissioner, the NSW Ombudsman can now review these as the legislative amendments removed the Protective Commissioner as an officer of the Supreme Court.

Review of investment decisions

To oversee OPC's investment strategies, an Investment Advisory Committee was established with representatives from both the public and private sectors. The committee advises OPC on issues associated with the investment of client funds.

Improving transparency in decision-making

The 1999 audit found that the reasons for decisions by OPC and OPG were not always transparent and/or clearly communicated to clients or other relevant people. As a consequence, decisions by OPC or OPG may be viewed with suspicion by clients or their carers.

Following the 1999 audit, both Offices have:

- introduced new procedures for recording reasons for decisions. In OPC, the procedures require decisions involving client property, changing the status of an asset, expenditure greater than \$10,000, group expenditure by institutions or any matter considered significant by the Estate Manager, to be fully documented. In OPG, the reasons for decisions that may have a significant impact on the life and circumstances of the person under guardianship are documented
- developed client service standards in conjunction with disability organisations. Standards cover advice to clients, consultation and records to be maintained
- published newsletters and leaflets on services, placed information on services and standards on the websites and conducted visits to regional areas to explain services to clients.

For the current audit, we reviewed a sample of client files. We found that:

- clients and relevant parties had been consulted and views recorded before a decision was made
- decisions were recorded and details provided to clients and relevant parties on request
- requests from clients or relevant parties were responded to within the target of 15 days for OPC and 28 days for OPG.

Results of the client satisfaction survey

In 2002, OPC and OPG conducted a client survey. Although the response rate for OPC was too small to be representative (7.8 per cent) some clients raised concerns about communication, fees and financial management matters such as:

I would like to know more about OPC and what's going on.

I need more help understanding what is being done for me.

I wish my (estate) manager would stop changing all the time.

Similar issues concerning client consultation and the need to communicate more with clients were raised in regard to the Public Guardian.

OPC and OPG have both indicated they will conduct surveys in the future to assess client satisfaction with services. OPC and OPG should report the results of client surveys in its annual report and use this information to better align services to client needs.

Funding arrangements and OPC fees

The 1999 audit found the funding arrangements for OPC were not transparent and diminished accountability.

At the time (1997-98), the annual cost of OPC was paid for from fees for services (\$8.8 million) and a contribution from the common fund (\$5.8 million) to meet the shortfall. The common fund is the trust fund that holds the client funds.

The audit also found that OPC's client fees had not been reviewed since 1995.

The 1999 audit recommended that OPC be fully reliant on prescribed fees to fund its activities and that fees should be reviewed on a regular basis by an independent pricing body.

Since 1999, there has been a number of independent reviews of OPC's fee structure in accordance with requests from Cabinet but there has not been any change to fees.

OPC now relies more heavily on the common fund to cover its shortfall in operating costs and the prescribed fees for service cover less than half the cost of its operations.

The contribution from the common fund has increased by 76 per cent since 1998-99 as OPC client fees have remained static. Also, OPC's target of keeping the transfer from the common fund to less than 1 per cent has been exceeded each year after 1998-99 (refer table 2).

Year	1998-99	1999-2000	2000-01	2001-02
Fees (\$m)	10.3	9.5	9.3	10.0
Transfer from Common Fund (\$m)	7.1	13.0	12.0	12.5
Per cent of Common Fund	0.7	1.2	1.1	1.1
Investment and Sundry Income (\$m)	0.9	0.9	1.0	0.9
Total revenue from these sources (\$m)	18.3	23.4	22.3	23.4
Number of clients	9,082	8,096	8,404	8,644

Source: OPC Annual Report, 1999-2000, 2000-01, 2001-02.

There have been some changes to improve accountability namely amendments to the *Protected Estates Act* in 2000 requiring the Director-General, Attorney General's Department to approve transfers from the common fund.

OPC reports that it has received \$4.8 million in government funding towards covering the 2002-03 shortfall.

In February 2003, the Premier referred the review of OPC's prescribed fees to the Independent Pricing and Regulatory Tribunal (IPART). The Protective Commissioner advises that IPART completed its report in late May 2003, and the Budget Committee of Cabinet approved a fee proposal in July 2003. The Protective Commissioner anticipates the new fee structure to commence on 1 October 2003.

Providing financial statements to clients

The 1999 audit recommended that clients, their carers or designated family members should receive regular financial statements from OPC. In circumstances where this is considered impractical by OPC, a record should be made on the file detailing the circumstances.

Since 2000, OPC has provided six monthly financial statements to clients or their carers, except where OPC has decided it is inappropriate.

OPC has developed guidelines on the reasons why a statement should not be sent and requires these decisions to be recorded on the client's file. These decisions are also authorised by a more senior officer.

Criteria used to assess whether or not a statement will be issued include:

- clinical evidence that the client is incapable of understanding the statement and there is no-one immediately available to assist the client
- there is reason to believe the receipt of the statement would cause the client distress
- the client has requested that no statement be forwarded
- the client is itinerant.

A recent review by OPC of client records indicated that only 265 clients (3 per cent) do not receive regular financial statements.³

OPC has also improved the quality and content of financial statements to make them easier for clients to understand.

³ Office of the Protective Commissioner, Internal review of client records where clients do not receive financial statements 2003.

Improvements to the complaints handling system

The 1999 audit recommended that the procedures used by both Offices to handle complaints be enhanced to meet best practice guidelines.

Both OPC and OPG have introduced new systems for complaint handling. Some key features are:

- frontline staff try first to resolve complaints
- staff can escalate complaints to more senior staff for review
- staff have been trained in complaints procedures and conflict management
- improved recording of complaint details including reasons for actions taken and outcomes
- the establishment of time frames for responding to complainants
- better information to clients on the reasons for a decision
- better information to clients and their carers on how to make a complaint or request a review of a decision
- the introduction of external avenues for review and appeal.

OPC and OPG have different targets for responding to complaints. OPC's target is within 21 days while OPG's target is within 10 days.

In 2000-01, OPC achieved only 56 per cent of complaints being responded to within 21 days. The results for 2001-02 were not published in the Annual Report. Both Offices should report performance against timeframes each year in the annual report.

Monitoring the implementation of recommendations

Monitoring and reporting on implementation

Systems are in place in both Offices to monitor and review the implementation of performance audit recommendations. As part of the annual corporate planning process, recommendations are reviewed, action plans developed and progress discussed.

More recently, OPC established an audit committee to develop the audit program and review the progress of recommendations arising from internal audit reports.

OPC also established the position of Manager, Quality Control and Audit. This role will be responsible for reporting to the audit committee on matters raised by the Auditor-General in either financial or performance audit reports.

Public reporting

Annual Reports for both Offices have commented on the performance audit and the action taken by the Office to address recommendations.

**Response from the Office of the Protective Commissioner
and Public Guardian**

*Thank you for forwarding to me a copy of your final report.
I do not wish to make any further submission or comment.*

(signed)

*Ken Gabb
Protective Commissioner & Public Guardian*

Dated: 28 August 2003

Provision of Industry Assistance (1998)

Department of State and Regional Development

Audit opinion

At the time of the 1998 audit, the Department was in the process of introducing a number of changes to improve the effectiveness and transparency of its operations.

Since the audit, the Department has enhanced its management information systems, adopted a more rigorous process for assessing and evaluating projects, improved record keeping and records management and provided more detailed guidance to staff on assessing proposals.

Overall, the Department has made satisfactory progress implementing those recommendations it accepted in the 1998 audit.

Background

The Department provides advice and a range of services to advance the economic development of both metropolitan and regional NSW. The Department promotes investment and offers financial and non-financial assistance to attract business.

The Department's main objectives are to:

- promote investment
- boost exports
- encourage innovation
- improve the State's business climate
- improve the capability of small and regional businesses.

The 1998 audit

The 1998 audit assessed the adequacy of processes which underpin the provision of industry development incentives and the effectiveness of the management and administration of those incentives.

The audit reviewed the main industry assistance schemes: the Industries Assistance Fund (IAF), the Regional Business Development Scheme (RBD) and the Regional Headquarters Scheme (RHQ).

In 1997-98, these schemes provided nearly \$26 million in direct financial assistance to businesses. In 2001-02, the Department reported that direct financial assistance under these schemes amounted to over \$16 million.

Findings

1998 audit findings

The 1998 audit reviewed a sample of case studies under the three schemes. Thirty nine key projects were examined.

The report identified opportunities to maximise value for money from projects, the need for additional guidance for staff and the need for better documentation, reporting and monitoring of assistance to firms.

At the time of the 1998 audit, a number of the issues raised during the audit and a number of recommendations in the report were being addressed by the Department.

Other reviews

Following the 1998 audit, the Public Accounts Committee (PAC) examined the issues raised in the report. The PAC report included 27 recommendations regarding the management of industry assistance in NSW.⁴

Status of the implementation of recommendations

2003 follow-up audit

This follow-up audit examines the extent to which the Department has implemented the recommendations it accepted.

The current audit found that, overall, satisfactory progress had been made on the accepted recommendations. Only two matters had not been fully implemented, although the Department is addressing the issues of concern.

A summary of the status of the recommendations is provided in Table 3.

Details of the recommendations rejected and comments on recommendations are provided in Appendix 1.

⁴ NSW Parliament Public Accounts Committee, Industry Assistance Report No. 130 June 2001

Table 3: Status of the Implementation of recommendations		
Recommendation	Status	Changes in practice
<p>Maximise value for money in the provision of assistance</p> <p>1.1 Consider combining the present pool and Treasury funded components of the IAF.</p> <p>1.2 Continue to work towards the development of improved performance indicators.</p> <p>1.6 Improve follow up action and clawback provisions where benefits are not realised.</p>	Implemented	Processes improved to maximise value for money in providing assistance, such as changes to funding allocation, improved performance indicators and clawback provisions in the Deed of Agreement.
<p>Enhance systems and procedures to minimise the potential for providing more assistance than is necessary to proponents</p> <p>2.2 Expedite the refinement of the management information system and the development and utilisation of an activity based costing approach.</p> <p>2.6 Introduce procedures to provide assurance that officers who have been involved in the attraction and assessment of a proposal are not also solely involved in negotiation.</p>	Partially implemented	Systems and procedures enhanced to improve management and control of funds. New procedures and guidelines issued to staff. The Department reports that officers are accompanied by a senior manager in the negotiation phase.
<p>Increase accountability and transparency for the provision of assistance</p> <p>3.4 Ensure Departmental files and records meet desired standards.</p>	Implemented	Both record keeping and records management have improved.
<p>Improve guidance to staff in how to attract proposals, undertake assessments, negotiate agreements and monitor assistance</p> <p>4.1 Expedite the development of more detailed handbooks to supplement staff guidelines.</p> <p>4.2 Ensure that guidelines/handbooks are sufficiently detailed.</p> <p>4.3 Clearly record departures from guidelines/handbooks in assessment records.</p>	Implemented	Investment Procedures and Standards Handbook published. Handbook reviewed and updated. Detailed guidance provided to staff.
<p>Improve monitoring and evaluation of assistance</p> <p>5.1 Develop and implement a framework for regular and on-going monitoring and evaluation of scheme performance.</p> <p>5.2 Refine current 'organisational' benchmarking initiatives and consider undertaking process and activity benchmarking.</p>	Partially implemented	Standard framework introduced for evaluating project outcomes. Benchmarking initiatives underway. Audit and Review Committee established.

Maximising value for money

The 1998 audit made six recommendations on how the Department could maximise value for money in the provision of assistance. Three were accepted by the Department and have been implemented.

Funding arrangements

The Industries Assistance Fund (IAF) is made up of two components. At the time of the 1998 audit, the fund consisted of an allocation to the Department to provide assistance up to the net present value of \$1 million; and a Treasury funded component where the Department could offer assistance greater than \$1 million subject to the Treasurer's approval.

The 1998 audit recommended the two components be combined to provide an incentive to the Department to prioritise projects and better manage its budget.

At the time, the Department advised that it was negotiating changes to the fund with Treasury. Rather than combine the components, it was agreed to increase the Department's IAF allocation from \$3 million to \$5 million. In addition, the threshold for Treasury funding was increased from \$1 million to a net present value of more than \$2 million of assistance.

The Department reports that this increase in IAF funds has reduced the need to seek supplementary funding from Treasury.

Of the 125 firms receiving assistance in 2001-02, only 2 (1.6 per cent) met the threshold for funding by Treasury.

The Department reports that only around 30 per cent of major projects actually receive financial assistance. The majority of these firms receive non-financial assistance such as:

- an introduction to business and government networks
- information for conducting feasibility studies and preparing business plans
- assistance with site location
- coordination of commonwealth, state and local government agencies.

Performance indicators

The Department had commenced a review of its performance measurement system at the time of the 1998 audit.

The current audit found that the Department has expanded its suite of performance indicators to include outcome measures. For example, the Department monitors and reports on both client satisfaction and community impacts (including economic benefits) and can more easily access data on assistance through enhancements to the project database.

The Department has indicated that it plans to further improve the performance measurement system in 2003-04.

Follow-up and clawback provisions

The 1998 audit recommended that the Department improve follow-up action and the recouping of funds where benefits were not realised or if firms left NSW after receiving assistance.

Since the 1998 audit, the Department has made a number of changes to address this such as:

- changes to the Deed of Agreement which have strengthened clawback provisions and allowed financial assistance to be provided only after firms have met targets or milestones
- changes to follow-up procedures including client satisfaction surveys and visits to firms to assess job creation/retention outcomes
- enhancing procedures for evaluating assistance in the Investment Handbook.

Preventing bidding wars

The Department reports that it has obtained oral agreement with similar organisations in other jurisdictions (except Queensland) to restrict the use of financial incentives to attract investors from interstate. The Department plans to formalise these agreements in 2003-04.

Minimise the risk of excess assistance

The 1998 audit made six recommendations on how the Department could capture all costs in the provision of assistance. Two were accepted by the Department and have been partially implemented.

Improving the MIS

The 1998 audit recommended that the Department improve management information systems (MIS) to enable it to capture data on the provision of non-financial assistance to firms.

The current audit found that the Department had:

- enhanced its management information system to include the recording of project details and outcomes on a database
- introduced performance indicators to monitor financial and non-financial assistance in management reports.

An activity based costing system to monitor the amount of non-financial assistance to firms was considered by the Department but reportedly not implemented due to the cost of data collection and operational staff/union questioning the value of the proposal.

The risk of capture The 1998 audit recommended that officers involved in attracting and assessing proposals should not also be solely involved in negotiation.

At the time of the 1998 audit, the Department had commenced a review of procedures for approving financial assistance and as a result, issued new guidelines and delegations to staff.

In the case of projects assessed by the Investment Division, all assistance packages are approved by the Director General and negotiations conducted by at least two staff (one at a senior level).

In regional offices, the staff member assessing the project cannot approve assistance. Approval is by either a Program Manager (located in head office) or Regional Manager under delegation.

In addition, the Department has procedures in place to check project assessments including:

- requiring projects needing more than \$100,000 in assistance to be reviewed by the Policy and Resources Division
- requiring projects needing more than \$250,000 in assistance to be assessed by the Policy and Resources Division.

The Department reports that it has recently established an internal audit program to provide assurance that projects are assessed in accordance with policies and procedures.

Increasing accountability and transparency

The 1998 audit made four recommendations to improve accountability and transparency. Only one was accepted by the Department and changes have been implemented to improve the quality of records.

Files and records The 1998 audit found that files were incomplete, with key information on discussions and decisions missing, including detailed evidence in support of the assessment of proposals.

Following the audit, the Department introduced a new thesaurus and file management procedures and in 1999, completed a records management audit. As a result of the audit, a records manager was appointed and new policies and procedures introduced. Training in the new procedures was provided in 2000-01.

In addition, the Department was included in a series of compliance audits conducted by the Audit Office in 2002 and was found to comply substantially with the requirements of the *State Records Act 1998*.

The Department has indicated that its internal audit program will include a review of files to provide assurance that procedures are complied with.

Improve guidance on the investment schemes

The 1998 audit made three recommendations regarding the provision of guidance to staff on the investment schemes. The Department accepted all three and stated it was addressing this issue at the time of the audit.

The Investment Handbook

The Investment Handbook was published in late 1998. The most recent version (2002) is available on the Department's intranet site.

The Department advised that staff have received training in the procedures including training in negotiation skills. In addition, staff involved in industry assistance are rotated through the Policy and Resources Division to increase their skills and knowledge of the assessment process.

The current audit found that detailed procedures are available to staff covering all aspects of assistance. The procedures establish a consistent approach to assessment and require staff to document where practice departs from approved procedures.

The Department has advised that the internal audit program will include a review of a sample of files to test compliance with the procedures outlined in the handbook.

Improve monitoring and evaluation of scheme performance

The 1998 audit made two recommendations to improve the manner in which the Department monitored and evaluated the assistance provided to firms. Both recommendations were accepted and the Department stated at the time, it had changed its approach to project evaluation and was reviewing its performance indicators.

The current audit found that even though there had been some change, the recommendation had not been fully implemented.

The Department has carried out considerable work in this area including:

- the introduction of monthly and quarterly reports on programs
- the evaluation of project performance using a standard framework, including a penultimate payment report and follow up
- analysis of wins and losses.

Although there is substantial project evaluation, there has been limited review of whole schemes since 1998.

A four year review cycle has been established for all regional development programs and particular schemes such as the Regional Economic Transition Scheme have been reviewed.

The Department is currently developing a review program for all development schemes. The Department has also established an Audit and Review Committee to monitor program implementation and results.

Benchmarking

The Department completed international benchmarking studies in 1998 and 2003. In 2002 the Department participated in a benchmarking study with Queensland and Victoria. The Department reports it has established benchmarking partnerships with Wales and New Zealand to achieve process improvements.

Ensuring the implementation of recommendations

Monitoring and reporting on progress

The current audit found there was no mechanism in place to monitor and report on the implementation of recommendations arising from the original audit.

The Department has recently established an Audit and Review Committee that will be responsible for monitoring the implementation of recommendations arising from future performance audits.

Public reporting

There was no reference to the audit in the Department's Annual Report that followed the audit.

Response from the Department of State and Regional Development

Thank you for your letter of 20 August 2003 and the copy of the Auditor-General's Report on the Follow-up Audit of the Provision of Industry Assistance through the New South Wales Department of State and Regional Development.

I note that there has been extensive consultation between our agencies over this Report. In light of this, I have no further submissions or comments to make about the Report except to say that the Audit process has proved to be valuable to this Department in reinforcing its culture of continuous improvement.

Since the initial performance audit, the Department has improved its management information systems, enhanced its processes of project evaluation, improved record keeping, and improved the training of its staff in methods and procedures for assessing projects. It is my intention that such improvements continue in future years.

I would like to thank you for providing me with a copy of the Report and also your staff for the professional way in which this review has been conducted. I look forward to the tabling of the Report in Parliament.

(signed)

*Loftus Harris
Director General*

Dated: 10 September 2003

Appendices

Appendix 1: Recommendations rejected or comments by the Department of State and Regional Development (DSRD)

Rec No.	Recommendation	DSRD response
1.3	Develop options for the reform of the Country Industries Payroll Tax Rebate Act (1966).	The Department reports that regulations were amended to preclude a company that has received a payroll tax rebate from being eligible for further rebate(s) if taken over.
1.4	Develop protocols to cover circumstances where DSRD and Strategic Projects Division (Premier's Department) are both involved in projects.	In addition to having procedures in place, the Department and Premier's Department have established a shared staff position responsible for managing cross over projects.
1.5	Consider adopting an appropriate form of a competitive tendering approach to assist in the prioritisation of industry assistance proposals.	<p>The Department did not accept that competitive tendering is the best or only means of prioritising and ranking proposals.</p> <p>The Department considers that competitive tendering is incompatible with its current practice of winning most large investment projects without providing financial assistance.</p>
2.1	Expedite the introduction of systems to monitor and manage the expenditure and commitment of funds more effectively.	<p>Commitment databases have been developed for all industry assistance schemes.</p> <p>Mechanisms to manage expenditure include a payment checklist completed by staff before making payments, project closure sheets, procedures for project follow up and a program of company visits. Deeds of Agreement have changed to ensure payment only occurs after officers verify that milestones are met.</p>
2.3	Reconsider the assessment model being used so that it reflects the full costs and consequences of assistance in the decision making process.	<p>Since the audit, the economic impact assessment (EIA) model has been reviewed and procedures in the Investment Handbook revised.</p> <p>The Department reports that developments in this field are continually monitored and incorporated where appropriate. For example, the Department is conducting a trial of cost benefit analysis modelling with the aid of consultants.</p>
2.4	Consider ways of reducing the footlooseness of firms that accept assistance.	<p>Criterion for footlooseness is outlined in the new Investment Handbook.</p> <p>The Deed of Agreement outlines that assistance is not provided if performance milestones are not met and includes clawback clauses.</p>

Rec No.	Recommendation	DSRD response
2.5	Consider having all economic assessments undertaken centrally in the Policy and Resources Division.	<p>All economic assessments relating to Investment Division projects are carried out in Policy and Resources Division (PRD).</p> <p>Economic assessments by PRD are carried out for all proposals above \$250,000. For proposals between \$100,000 and \$250,000, PRD reviews the assessment. Below \$100,000, assessments are carried out by the Regional Development Division in accordance with procedures.</p>
3.1	Do not define information as commercial in confidence unless it is demonstrably so.	<p>The Department noted this recommendation at the time of the 1998 audit and advised that an assurance of confidentiality is fundamentally important to investors. The Department considered anything less would compromise its ability to work with the private sector to develop major projects.</p>
3.2	Consider reporting of assistance provided in line with the preferred approach of the Industry Commission.	See above
3.3	Establish a mechanism to act as a proxy for public scrutiny for decisions regarding assistance (such as an operations review committee) where information is not published.	<p>The Department states that decisions are subject to scrutiny by the Budget Estimates Committee, the Public Accounts Committee, and the Audit Office.</p> <p>The Department considers that further scrutiny is not required.</p>

Appendix 2 Audit scope and objectives

Audit scope

In this follow-up performance audit we examined the extent to which accepted recommendations from the following reports had been implemented by agencies:

- *Complaints and Review Processes* (September 1999)
- *Provision of Industry Assistance* (December 1998).

We judged changes in practice or performance based on whether:

- the agency had assessed the impact of the recommendations, determined the course of action, and implemented accepted recommendations
- the implementation plan was monitored and progress reported (eg, through an Audit Committee or other monitoring mechanisms)
- the agency had reported its progress in subsequent annual reports.

Cost of the audit

The audit cost \$81,738 which includes printing costs of around \$5,000.

Acknowledgement

The Audit Office gratefully acknowledges the cooperation and assistance provided by representatives of the Office of the Protective Commissioner and Office of the Public Guardian and the Department of State and Regional Development.

Performance Audits by the Audit Office of New South Wales

Performance Auditing

What are performance audits?

Performance audits are reviews designed to determine how efficiently and effectively an agency is carrying out its functions.

Performance audits may review a government program, all or part of a government agency or consider particular issues which affect the whole public sector.

Where appropriate, performance audits make recommendations for improvements relating to those functions.

Why do we conduct performance audits?

Performance audits provide independent assurance to Parliament and the public that government funds are being spent efficiently and effectively, and in accordance with the law.

They seek to improve the efficiency and effectiveness of government agencies and ensure that the community receives value for money from government services.

Performance audits also assist the accountability process by holding agencies accountable for their performance.

What is the legislative basis for Performance Audits?

The legislative basis for performance audits is contained within the *Public Finance and Audit Act 1983, Part 3 Division 2A*, (the Act) which differentiates such work from the Office's financial statements audit function.

Performance audits are not entitled to question the merits of policy objectives of the Government.

Who conducts performance audits?

Performance audits are conducted by specialist performance auditors who are drawn from a wide range of professional disciplines.

How do we choose our topics?

Topics for a performance audits are chosen from a variety of sources including:

- our own research on emerging issues
- suggestions from Parliamentarians, agency Chief Executive Officers (CEO) and members of the public
- complaints about waste of public money
- referrals from Parliament.

Each potential audit topic is considered and evaluated in terms of possible benefits including cost savings, impact and improvements in public administration.

The Audit Office has no jurisdiction over local government and cannot review issues relating to council activities.

If you wish to find out what performance audits are currently in progress just visit our website at www.audit@nsw.gov.au.

How do we conduct performance audits?

Performance audits are conducted in compliance with relevant Australian standards for performance auditing and operate under a quality management system certified under international quality standard ISO 9001.

Our policy is to conduct these audits on a "no surprise" basis.

Operational managers, and where necessary executive officers, are informed of the progress with the audit on a continuous basis.

What are the phases in performance auditing?

Performance audits have three key phases: planning, fieldwork and report writing.

During the planning phase, the audit team will develop audit criteria and define the audit field work.

At the completion of field work an exit interview is held with agency management to discuss all significant matters arising out of the audit. The basis for the exit interview is generally a draft performance audit report.

The exit interview serves to ensure that facts presented in the report are accurate and that recommendations are appropriate. Following the exit interview, a formal draft report is provided to the CEO for comment. The relevant Minister is also provided with a copy of the draft report. The final report, which is tabled in Parliament, includes any comment made by the CEO on the conclusion and the recommendations of the audit.

Depending on the scope of an audit, performance audits can take from several months to a year to complete.

Copies of our performance audit reports can be obtained from our website or by contacting our publications unit.

How do we measure an agency's performance?

During the planning stage of an audit the team develops the audit criteria. These are standards of performance against which an agency is assessed. Criteria may be based on government targets or benchmarks, comparative data, published guidelines, agencies corporate objectives or examples of best practice.

Performance audits look at:

- processes
- results
- costs
- due process and accountability.

Do we check to see if recommendations have been implemented?

Every few years we conduct a follow-up audit of past performance audit reports. These follow-up audits look at the extent to which recommendations have been implemented and whether problems have been addressed.

The Public Accounts Committee (PAC) may also conduct reviews or hold inquiries into matters raised in performance audit reports.

Agencies are also required to report actions taken against each recommendation in their annual report.

To assist agencies to monitor and report on the implementation of recommendations, the Audit Office has prepared a Guide for that purpose. The Guide, *Monitoring and Reporting on Performance Audits Recommendations*, is on the Internet at www.audit.nsw.gov.au/guides-bp/bpglist.htm

Who audits the auditors?

Our performance audits are subject to internal and external quality reviews against relevant Australian and international standards. This includes ongoing independent certification of our ISO 9001 quality management system.

The PAC is also responsible for overseeing the activities of the Audit Office and conducts reviews of our operations every three years.

Who pays for performance audits?

No fee is charged for performance audits. Our performance audit services are funded by the NSW Parliament and from internal sources.

For further information relating to performance auditing contact:

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email: tom.jambrich@audit.nsw.gov.au

Performance Audit Reports

No.	Agency or Issue Examined	Title of Performance Audit Report or Publication	Date Tabled in Parliament or Published
64*	Key Performance Indicators	<i>Government-wide Framework Defining and Measuring Performance (Better practice Principles) Legal Aid Commission Case Study</i>	31 August 1999
65	Attorney General's Department	<i>Management of Court Waiting Times</i>	3 September 1999
66	Office of the Protective Commissioner Office of the Public Guardian	<i>Complaints and Review Processes</i>	28 September 1999
67	University of Western Sydney	<i>Administrative Arrangements</i>	17 November 1999
68	NSW Police Service	<i>Enforcement of Street Parking</i>	24 November 1999
69	Roads and Traffic Authority of NSW	<i>Planning for Road Maintenance</i>	1 December 1999
70	NSW Police Service	<i>Staff Rostering, Tasking and Allocation</i>	31 January 2000
71*	Academics' Paid Outside Work	<i>Administrative Procedures Protection of Intellectual Property Minimum Standard Checklists Better Practice Examples</i>	7 February 2000
72	Hospital Emergency Departments	<i>Delivering Services to Patients</i>	15 March 2000
73	Department of Education and Training	<i>Using Computers in Schools for Teaching and Learning</i>	7 June 2000
74	Ageing and Disability Department	<i>Group Homes for people with disabilities in NSW</i>	27 June 2000
75	NSW Department of Transport	<i>Management of Road Passenger Transport Regulation</i>	6 September 2000
76	Judging Performance from Annual Reports	<i>Review of Eight Agencies' Annual Reports</i>	29 November 2000
77*	Reporting Performance	<i>Better Practice Guide A guide to preparing performance information for annual reports</i>	29 November 2000
78	State Rail Authority (CityRail) State Transit Authority	<i>Fare Evasion on Public Transport</i>	6 December 2000

No.	Agency or Issue Examined	Title of Performance Audit Report or Publication	Date Tabled in Parliament or Published
79	TAFE NSW	<i>Review of Administration</i>	6 February 2001
80	Ambulance Service of New South Wales	<i>Readiness to Respond</i>	7 March 2001
81	Department of Housing	<i>Maintenance of Public Housing</i>	11 April 2001
82	Environment Protection Authority	<i>Controlling and Reducing Pollution from Industry</i>	18 April 2001
83	Department of Corrective Services	<i>NSW Correctional Industries</i>	13 June 2001
84	Follow-up of Performance Audits	<i>Police Response to Calls for Assistance (March 1998)</i> <i>The Levying and Collection of Land Tax (August 1998)</i> <i>Coordination of Bushfire Fighting Activities (December 1998)</i>	20 June 2001
85*	Internal Financial Reporting	<i>Internal Financial Reporting including a Better Practice Guide</i>	27 June 2001
86	Follow-up of Performance Audits	<i>The School Accountability and Improvement Model (May 1999)</i> <i>The Management of Court Waiting Times (September 1999)</i>	14 September 2001
87	E-government	<i>Use of the Internet and Related Technologies to Improve Public Sector Performance</i>	19 September 2001
88*	E-government	<i>e-ready, e-steady, e-government: e-government readiness assessment guide</i>	19 September 2001
89	Intellectual Property	<i>Management of Intellectual Property</i>	17 October 2001
90*	Intellectual Property	<i>Better Practice Guide Management of Intellectual Property</i>	17 October 2001
91	University of New South Wales	<i>Educational Testing Centre</i>	21 November 2001
92	Department of Urban Affairs and Planning	<i>Environmental Impact Assessment of Major Projects</i>	28 November 2001
93	Department of Information Technology and Management	<i>Government Property Register</i>	31 January 2002
94	State Debt Recovery Office	<i>Collecting Outstanding Fines and Penalties</i>	17 April 2002

No.	Agency or Issue Examined	Title of Performance Audit Report or Publication	Date Tabled in Parliament or Published
95	Roads and Traffic Authority	<i>Managing Environmental Issues</i>	29 April 2002
96	NSW Agriculture	<i>Managing Animal Disease Emergencies</i>	8 May 2002
97	State Transit Authority Department of Transport	<i>Bus Maintenance and Bus Contracts</i>	29 May 2002
98	Risk Management	<i>Managing Risk in the NSW Public Sector</i>	19 June 2002
99	E-government	<i>User-friendliness of Websites</i>	26 June 2002
100	NSW Police Department of Corrective Services	<i>Managing Sick Leave</i>	23 July 2002
101	Department of Land and Water Conservation	<i>Regulating the Clearing of Native Vegetation</i>	20 August 2002
102	E-government	<i>Electronic Procurement of Hospital Supplies</i>	25 September 2002
103	NSW Public Sector	<i>Outsourcing Information Technology</i>	23 October 2002
104	Ministry for the Arts Department of Community Services Department of Sport and Recreation	<i>Managing Grants</i>	4 December 2002
105	Department of Health Including Area Health Services and Hospitals	<i>Managing Hospital Waste</i>	10 December 2002
106	State Rail Authority	<i>CityRail Passenger Security</i>	12 February 2003
107	NSW Agriculture	<i>Implementing the Ovine Johne's Disease Program</i>	26 February 2003
108	Department of Sustainable Natural Resources Environment Protection Authority	<i>Protecting Our Rivers</i>	7 May 2003
109	Department of Education and Training	<i>Managing Teacher Performance</i>	14 May 2003
110	NSW Police	<i>The Police Assistance Line</i>	5 June 2003
111	E-Government	<i>Roads and Traffic Authority Delivering Services Online</i>	11 June 2003
112	State Rail Authority	<i>The Millennium Train Project</i>	17 June 2003

No.	Agency or Issue Examined	Title of Performance Audit Report or Publication	Date Tabled in Parliament or Published
113	Sydney Water Corporation	<i>Northside Storage Tunnel Project</i>	24 July 2003
114	Ministry of Transport Premier's Department Department of Education and Training	<i>Freedom of Information</i>	28 August 2003
115	NSW Police NSW Roads and Traffic Authority	<i>Dealing with Unlicensed and Unregistered Driving</i>	4 September 2003
116	NSW Department of Health	<i>Waiting Times for Elective Surgery in Public Hospitals</i>	18 September 2003
117	Follow-up of Performance Audits	<i>Complaints and Review Processes (September 1999)</i> <i>Provision of Industry Assistance (December 1998)</i>	September 2003

* Better Practice Guides

Performance Audits on our website

A list of performance audits tabled or published since March 1997, as well as those currently in progress, can be found on our website www.audit.nsw.gov.au

If you have any problems accessing these Reports, or are seeking older Reports, please contact our Governance and Communications Section on 9285 0155.



THE AUDIT OFFICE
OF NEW SOUTH WALES

THE AUDIT OFFICE MISSION

Assisting Parliament improve
the accountability and
performance of the State

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