

# PERFORMANCE AUDIT IN BRIEF

## Grants Administration

May 2009

### About the audit

In 2007-08 New South Wales spent \$5.5 billion or 12 per cent of general government expenditure on grants.

This audit asks how grants are defined, where grants went and what recipients think of the grant system. It will be followed by a second report that examines specific grant programs.

### Audit opinion

In 2006 the Department of Premier and Cabinet coordinated the release of a *Good Practice Guide to Grants Administration* to encourage transparency and coordination, less red-tape and effective evaluation. Agencies need to spend wisely to maximise the benefits to the State.

The Australian National Audit Office has used electoral analysis as a consistent way of examining where grants go. We used such analysis to look at the distribution of 26,800 grants worth \$5.2 billion made by five agencies over five years.

We found no significant difference in the funding of government and opposition electorates. However, more money was given to electorates that were safely held by the major parties.

Such variations may reflect valid agency objectives. But while agencies publish who gets what, they do not adequately evaluate or explain what grant programs have achieved. As a result, there is a risk that New South Wales may not get the best value for its spending.

Agencies generally support the need for improved transparency. Agencies have to balance a range of factors when managing grants including efficiency and the objectives of the specific program. One

factor agencies should consider is the impact on grant recipients. We surveyed 65 councils and 101 non government organisations to get their views about NSW grants.

The respondents are positive about what grants achieve. But many are dissatisfied with the lack of information about available funding, how applications are assessed and why applications fail. There is a risk that some communities may miss out on worthwhile projects.

Most respondents say overall reporting requirements are reasonable and that agencies are clear about what has to be reported, but many respondents identify how red-tape can interrupt and frustrate their operations.

Agencies need to achieve an appropriate balance between accountability, transparency and value for money. Risk has to be managed and multi-million dollar grants require more rigorous controls than modest grants to community groups. It is encouraging that some agencies are improving their grant administration.

### Key findings

#### What are grants?

Grants mean different things to different people. Traditionally a grant was a gift where the grant maker did not expect to receive a benefit.

More typically, a grant is funding for a specified purpose directed at achieving goals and objectives consistent with government policy.



## Further information

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Most NSW grant spending funds social, health and transport services to the community. A large number of smaller grants fund community activities and a range of other activities such as research and environmental works.

More needs to be done to ensure grant-makers spend wisely and get value for money. Where outcomes are important and substantial funds are involved, agencies should set up timely monitoring systems, tie payment to clear performance measures and require the recipient to establish internal controls.

### Where did the money go?

We followed the lead of the Australian National Audit Office and examined internal agency records to assess the electoral and geographic distribution of grants.

We found no significant difference in the way grants were distributed to government and opposition electorates. We did find that safe electorates held by the major parties got \$1.29 for every dollar received by marginal and independent seats. Regions also received different levels of funding.

Agencies can have good reasons for funding electorates differently. These vary depending on the specific program and can include socio-economic need or the particular population, resources, infrastructure or environmental and heritage features being addressed.

While agencies publish who gets grants and how much they get, most do not publish robust evaluations that explain what grant programs have achieved and how the distribution of funds has made good use of public money.

### What do recipients think of the grants system?

The 166 respondents to the survey are very positive about what grants achieved, but many have concerns about transparency and red-tape.

Transparency means citizens should be able to "see through" what goes on when public officials act. Less than one in five say decisions to approve or reject grant requests are fair and transparent or agree that grants are directed at the areas of highest need.

Red-tape refers to inconvenient and unnecessary procedures. Less than a third agree that the amount of work to apply for grants is reasonable and that reporting requirements are consistent across programs.

Fewer than one in four agree that decisions to approve grants are timely and only one in ten say there is coordination between grant-making agencies (including the Commonwealth). Some respondents indicate that agencies create unnecessary paperwork by requiring annual applications for recurrent funding.

### Summary of recommendations

We make a number of recommendations that seek to:

- inform the community about available funding and how to apply
- reduce red-tape
- ensure the State gets the best value from its grant spending.