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# Appendix one – Response from agencies

## Response from Department of Premier and Cabinet



Ref: A5276394

OFFICIAL: Sensitive - NSW Cabinet

Margaret Crawford  
Auditor-General for New South Wales  
Audit Office of New South Wales  
GPO Box 12  
SYDNEY NSW 2001

Dear Ms Crawford

### Auditor-General's final report - Integrity of grant program administration

I refer to your letter of 22 December 2021 enclosing your final report for the performance audit on the integrity of grant program administration. Thank you for accepting and addressing our comments on the draft report. As invited by you, our formal response to the final report is set out below.

I understand that you have also provided your final report to the Secretary of the Department of Planning and Environment (DPE) and that DPE has addressed aspects of your report that relate to the Stronger Communities Fund, noting that the fund was administered by the former Office of Local Government (now the Local Government Group within DPE). The following response to your final report concerns your comments about the Regional Cultural Fund (RCF) only, which is administered by Create NSW, a branch of the Department of Premier and Cabinet (DPC).

### Regional Cultural Fund

Your final report concludes that 'the assessment process that Create NSW used for the Regional Cultural Fund (RCF) was robust and produced transparent and defensible recommendations to the then Minister for the Arts.'

We note that, consistent with our feedback on the draft report, the final report reflects the following information about the RCF:

- The purpose of the RCF grant program is to support the development of cultural infrastructure in regional areas of New South Wales. Eligibility decisions were made having regard to the RCF guidelines, noting that the RCF program was available only to the regions. Your final report clarifies the percentage of seats held in regional areas by party.
- The \$100 million RCF, which is part of the \$2 billion NSW Government Regional Growth Fund, was, during the life of the program, under the remit of the former Deputy Premier and Minister for Regional NSW.
- For rounds one and two, the former Special Minister of State, Minister for the Public Service, Employee Relations, Aboriginal Affairs and the Arts (the **former Arts Minister**) provided the full list of projects appraised by the panel to the former Deputy Premier and Minister for Regional NSW for consideration consistent with the RCF guidelines.

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- Every project that has received funding through the RCF was assessed as eligible to receive funds under the program guidelines.
- In all rounds, an independent probity advisor found that the application and assessment process complied with principles in the Probity Plan. Create NSW implemented actions to address matters flagged for improvement. Create NSW has also clarified the assessment process in the RCF guidelines for the current Creative Capital funding rounds.
- The RCF is administered in accordance with strict probity principles including but not limited to C2010-16: *Good Practice Grants Administration*, the ICAC's guidance on Managing Conflicts of Interest in the Public Sector (2012); and relevant guidance from the Australian National Audit Office.
- Key dates for the RCF and the number of successful projects were also updated by you as a result of our feedback on the draft report.

Create NSW wishes to make the following further comments in respect of the RCF:

- The former Deputy Premier and Minister for Regional NSW consulted with local MPs to determine the key needs of local communities, and to confirm the merit of the eligible projects, consistent with the approach for other Regional Growth Fund programs. Final assessment panel advice was submitted for consideration of the former Arts Minister and the former Deputy Premier and Minister for Regional NSW. Final funding decisions were made by the former Arts Minister in concurrence with the former Deputy Premier and Minister for Regional NSW.
- 104 RCF projects have been completed. All have delivered significant cultural, social and economic benefits for their communities and NSW, particularly as regional NSW communities manage the combined impacts of drought, bushfires, floods, the mouse plague, and COVID-19. Evaluation of the outcomes of the program is underway now with preliminary data suggesting significant funds were leveraged from other government sectors and philanthropy because of the RCF spend.
- Create NSW has undertaken reform of the Arts and Cultural Funding Program – the key arts funding mechanism under the sole remit of the Minister for the Arts. These reforms simplify the application process, expand the eligibility criteria to a wider range of applicants, and provide greater transparency and consistency of decision-making through the introduction of ten Artform Advisory Boards. The Minister meets with the chairs of the Artform Boards to discuss their Board's funding advice and their strategic advice on issues facing their artform. These discussions are documented by the Create NSW Secretariat.
- The changes to the guidelines and the assessment process in the Arts and Cultural Funding Program and Creative Capital ensure that funding decisions by the Minister for the Arts and Create NSW are well documented, and the outcomes are transparent to applicants and the wider arts and cultural sector.
- Create NSW's learnings from the RCF have directly informed these reforms to the Arts and Cultural Funding Program. They have also informed the development of the guidelines and assessment processes currently in place for the Creative Capital program:
  - In the most recent rounds of cultural infrastructure funding, Create NSW has clarified the assessment process in the guidelines of these funding rounds.
  - The policy objective of having infrastructure projects with a First Nations focus has been specified as one of five Creative Capital Priority Activities in the guidelines.
  - Applicants are asked to demonstrate Community Support and Reach of Public Benefit as one of five assessment criteria, which can include a letter of support from the local Member of Parliament.

## Recommendations

The final report recommends that DPC develop a model for grant administration that must be used for all grant programs administered in NSW and also makes specific recommendations in relation to that model.

As acknowledged in the final report, the Premier has commissioned a review of grants administration in NSW, led by DPC in partnership with the Productivity Commissioner, Mr Peter Achterstraat AM. I note that, as set out in the Terms of Reference for that review (**ToR**), one objective of the review is to produce an updated *Good Practice Guide to Grants Administration*. The ToR indicate that the review will have regard to, among other things, recommendations made by NSW parliamentary, integrity and oversight bodies.

Yours sincerely



**Michael Coutts-Trotter**  
**Secretary**

7 February 2022



## Response from Department of Planning and Environment



Department of Planning and Environment

Ms Margaret Crawford

Auditor-General for New South Wales  
GPO Box 12  
SYDNEY NSW 2001

Our ref: LEX21641

Your ref: D2127471

File: M/9269

Dear Ms Crawford

**Subject: Performance Audit – Integrity of grant program administration**

Thank you for your letter of 22 December 2021 providing your Performance Audit of 'Integrity of grant program administration' including the *Stronger Communities Fund* (round two tied grants round) administered by the Office of Local Government during the 2017-2018 and 2018-2019 financial years (**the Fund**).

The functions of the Office of Local Government are now administered by the Department of Planning and Environment (**the Department**) as a consequence of Administrative Arrangements Orders made on 1 July 2019 and 21 December 2021 (following the period the subject of the Audit).

The Public Accountability Committee of the Legislative Council has heard evidence and reported on the administration of the fund as part of its inquiry into the 'Integrity, efficacy and value for money of NSW Grant programs'.

The Department acknowledges, as found by your Audit, that the design of the grant guidelines for the Fund was not best practice and could have been improved in a number of respects – including by clearly identifying the decision-maker and setting out the process for the selection and assessment of projects against specified criteria.

The creation of the Planning, Industry and Environment cluster brought together a diverse range of entities with different approaches to grants management. In August 2021 the Department commenced a whole of cluster grants management review and design program.

The design development program is ongoing, however the initial outcome of our review has found that generally, the recommendations of the Performance Audit are already being implemented in relation to Departmental grant programs.

In designing the proposed grants management and governance framework the Department will consider the findings of your Performance Audit, as well as the outcomes of the whole of government review of grants by the Department of Premier and Cabinet in partnership with the Productivity Commissioner, due to report in April 2022. This will ensure that the new DPE Grants Management process is best practice.

The new DPE Grants Management process will be ready for implementation across the cluster by 1 July 2022. We would welcome the opportunity to discuss the proposed framework with you prior to its implementation.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Mick Cassel'.

**Mick Cassel**  
Secretary