

# **Auditor-General's Report**

## **Performance Audit**

### **Managing Grants**

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## Foreword

Governments are increasingly recognising that public services need no longer be provided only by government agencies. This trend is apparent through privatisation and private sector provision of infrastructure such as motorways. But it is also notable where agencies rely on not-for-profit or non-government organisations to provide public services through the use of grants. Grants are also provided for a wide range of purposes which benefit the broader community. They come in many forms and are a large part of government spending.

In 2001-02 the NSW Government provided \$4.86 billion in grants and subsidies. This represents \$730 for each man, woman and child in the State. So we have a right to expect that this money is used efficiently and that the benefits of grants programs are realized.

Grants also remain an area that gives rise to allegations of waste, mismanagement and lack of transparency. Grants administration is a topic that is regularly raised by Auditors-General around the world, and has been the subject of many publications on better practice.

Those managing grants programs must have processes in place to ensure the fair and equitable selection of grants, and that the money is spent as intended.

This report highlights key issues in the grants process and illustrates the range of challenges which agencies may face in administering grants. We found that agencies still have some way to go before they can ensure that best value is obtained from their grants programs.

While this report examined only three agencies, the issues and recommendations apply to all organisations responsible for administering grants.

R J Sendt  
Auditor-General

December 2002



# **Executive Summary**

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## Executive Summary

### What are grants?

Grants are resources that governments give to organisations or individuals for a defined purpose. They are a means to an end and they come in many forms.

They can be for services that governments might provide, such as community welfare, or that a government has decided is worthy of funding and beneficial for the community as a whole, such as support for the arts.

Grants are a large part of government spending. In 2001-02, the NSW Government provided grants and subsidies worth \$4.86 billion to organisations from a wide variety of industry sectors including community services, health, education and the environment.

### The audit

In this audit we examined the administration of grants by three NSW Government agencies for whom grants are a major activity. In total our audit looked at 125 projects from 13 grant programs worth \$180 million.

We considered two simple, but key, issues. We wanted to find out whether agencies had processes in place to ensure:

- that grants align with their corporate objectives
- that outcomes for the grant program are achieved.

Each agency faced different challenges in adapting best practice principles to their grants programs. We selected them for that reason. They were conscious of their challenges, and efforts to improve their programs were obvious.

This report illustrates the problems and difficulties faced by each agency, some of which have yet to be mastered.

### Audit Opinion

**In our view, the agencies we studied cannot be sure that the grants they allocate align with their corporate objectives, and that program outcomes are achieved. This is mainly due to problems with grant selection and the evaluation of results.**

**It was good to see that most of the grants programs had funding objectives which were fairly clear. But we found problems across most programs which could affect the fair and equitable selection of grants, such as:**

- often no procedures for assessing applications
- no assessment guidelines for advisory committees
- often no clear rationale for assessments
- poor documentation of the reasons for decisions.



**There was not enough evaluation by agencies of the results achieved from individual grants.**

**Likewise, not enough formal reviews were undertaken of grants programs to assess the benefits they deliver and determine whether they continue to be relevant.**

## **Recommendations**

All agencies who use grants as a means of achieving their objectives should:

- |                   |   |
|-------------------|---|
| <b>Alignment</b>  | <input type="checkbox"/> ensure that their grants programs are consistent with their corporate programs   |
| <b>Planning</b>   | <input type="checkbox"/> develop program objectives and outcomes which clearly outline the purpose of the program<br><input type="checkbox"/> develop performance measures to assess overall program effectiveness  |
| <b>Selection</b>  | <input type="checkbox"/> develop comprehensive assessment guidelines to assist the selection of grants, including guidelines for advisory committees<br><input type="checkbox"/> develop a system for prioritising applications<br><input type="checkbox"/> fully document the reasons for funding decisions at all stages of the decision making process including assessment by departmental staff, advisory committees and Ministers   |
| <b>Management</b> | <input type="checkbox"/> document informal monitoring of project performance<br><input type="checkbox"/> introduce more rigorous follow-up of outstanding reporting documents<br><input type="checkbox"/> consider introducing sanctions which correspond with the seriousness of breaches in grant conditions<br><input type="checkbox"/> introduce standard reporting documentation to improve the consistency of performance information, and require recipients to report on overall program objectives |
| <b>Evaluation</b> | <input type="checkbox"/> introduce formal systems to review projects to determine whether project and program outcomes have been achieved<br><input type="checkbox"/> introduce a rolling program of review for all funding programs to assess overall program relevance and effectiveness.   |

## **Response from the Ministry for the Arts**

*I refer to your letter dated 1 November 2002 and to the attached report on Government Grants.*

*Thank you for the opportunity to comment on the report. Please find attached a detailed response to the report.*

*The Ministry has noted your comments and, as discussed in the meeting you had with senior officers, already made changes to the grants system prior to the draft report being circulated. Further refinements will be introduced.*

*(signed)*

*Roger B. Wilkins  
Director-General*

*Dated: 20 November 2002*

A detailed response appears at Appendix 3

## **Response from the Department of Community Services**

*The NSW Department of Community Services welcomes the Performance Audit on Government Grants.*

*As highlighted in the Audit Report, DoCS has implemented major reforms to its grants administration over the past two years to ensure clear alignment with our corporate objectives and that outcomes are achieved. We are delighted that the Audit Report validates our reform program (see page 16) and acknowledges that the priorities we have set ourselves for continuing to improve are the right ones*

*Grants Administration is of vital importance to DoCS as it purchases around \$300 million in services from the community sector, which amounts to some 50 % of its budget. These funds are used to provide essential services for our clients and the community in areas as diverse as providing emergency accommodation for the homeless, family support and youth services, child care, out-of-home care services and broader community development projects.*

*A clear policy framework, Purchasing, A Partnership Approach, outlines our new approach to purchasing based on clear service agreements which define our program objectives, the outcomes we are seeking for our clients and how performance against these outcomes will be measured. This framework reinforces DoCS' commitment to working in partnership with the community sector and clearly positions grants administration within the cycle of planning, monitoring and evaluation.*

*We are at different stages of implementing this approach for each of the grants programs we administer. As highlighted in the Audit Report we are very well advanced with the Community Services Grants Program, in which we have developed a clear service framework identifying the program objectives and the key activities, outputs and outcomes to be achieved. Service agreements that comply with the service framework are now in place for 50% of the 1000 projects we fund, and the remaining 50% should be negotiated by 30 June 2003. In the case of the second program selected by the Audit Office for its review, the Children's Services Program, work is less advanced.*

*DoCS strongly supports the key recommendations of the Report (see page 2). Indeed DoCS' reform agenda for grants administration was designed to address exactly these important issues. DoCS already complies with the majority of these recommendations and has clear plans underway to implement the remainder.*

*It is important to note that many of the criticisms in the Report relate to agency approaches to allocation of **new** funds. These issues are irrelevant for the two DoCS programs that were reviewed by the Audit Office as most of DoCS' grants funds in these programs are fully committed to existing services. Service agreements with organisations are annual or triennial, with an expectation that funding will be continued, provided outcomes are achieved and funding is available. For those programs, DoCS fully complies with the approach recommended by The Audit Office.*

*The report by The Audit Office identifies a few areas where DOCS needs to improve. In many cases, DOCS concurs and already has steps in train to deal with the issues.*

*However, the Audit Report indicates that the Children's Services Program lacks clear program objectives. This is not the case. The Program objectives are those articulated in the Government's Early Childhood Services Policy. DoCS acknowledges that the Program is complex and that a clear service framework is needed to bring together the different components of the program more cohesively. Work has already commenced on the development of this Framework as one of a series of further planned improvements in our grants administration.*

*The Report also comments on the need to improve consistency across our local network offices in the allocation of any unspent funds arising from factors such as temporary or permanent service closures or relocations. A new policy and procedures have been implemented which aim to reduce the amount of unspent funds and target uncommitted funds towards stated corporate and regional priorities. Chief among those priorities is sustaining service viability, to prevent further service closures.*

*When regions have access to uncommitted funds, they make their assessment about local services that are at risk of failure, and allocate resources accordingly. The comments in the Audit Report highlight for DOCS the fact that, whilst it has clear and consistent allocation processes, improved documentation of the rationale for funding decisions is needed in some network offices. DOCS is happy to take this on board.*

*The Report is critical of the response of all three agencies to the failure of funded organisations to comply with reporting requirements. DoCS monitors non-compliance carefully and does all it can to ensure compliance before making each quarterly payment to the thousands of organisations it funds. Nevertheless, DoCS is somewhat constrained in applying effective sanctions to organisations that continue to fail to comply with reporting requirements. First and foremost, the ultimate sanction of defunding a service, or withholding funds until compliance*

*is achieved, can only be used in extreme circumstances, so that communities are not deprived of the services they need. These sanctions are therefore only used in cases where services are patently mismanaged, or breach legislation.*

*Treasury restrictions on rollover of grant funds from one financial year to the next, pose an obstacle to the application of effective sanctions in other less extreme circumstances. If funds are withheld from organisations while awaiting their compliance, DoCS and the organisations risk the irretrievable loss of these funds at the end of the financial year, thereby contributing to service reduction or loss in communities.*

*DoCS has made significant improvements in the last 2 years in grants administration. This work has been done in partnership with the community sector, cementing good working relationships and eliciting favourable comment from organisations such as the Council of Social Services of NSW. We welcome the Audit Report and its findings as a positive contribution to continuing our reform agenda.*

*(signed)*

*Neil Shepherd*  
**Director General**

*Dated: 25 November 2002*

## **Response from the Department of Sport and Recreation**

*Thank you for the opportunity to comment upon the Performance Audit Report on Government Grants administered by the Department of Sport and Recreation.*

*The recommendations contained in the Report as they relate to this Department are generally supported and will provide the basis for ongoing review and modification of the Department's various grants programs.*

*I am grateful for the acknowledgment of the work the Department has already completed to update current practices, particularly in relation to the expected outcomes of the programs subject to the audit and in the area of improvement in accountability.*

*In that regard, the concern that 'more will need to be done to improve assessment processes, document better and evaluate results at project and program levels' is accepted and will continue to be addressed.*

*The audit report will also assist us in working with external advisory committees to ensure improved practices in relation to assessment and documentation.*

*The Department welcomes the Audit Office findings and recommendations as a constructive contribution to the aim of continuously improving its performance. Please pass on my thanks and the thanks of my staff to those members of your staff with whom we worked so closely during this audit.*

*(signed)*

*Lisbet Dean  
A/Director-General*

*Dated: 20 November 2002*

# 1. Introduction

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## 1.1 Introduction

### What are grants?

Most people think of grants in quite narrow terms. But this is a mistake. Grants are resources that governments give to an organisation or person for a defined purpose. They are a means to an end and they come in many forms.

In 2001-02, the NSW Government provided grants and subsidies worth \$4.86 billion to organisations and individuals from a wide variety of industry sectors including community services, health, education and the environment.

Grants can be for services that governments might provide, such as community welfare, or that a government has decided is worthy of funding and beneficial for the community as a whole, such as support for the arts.

### Types of grants

Grants are not a uniform means of providing resources. One size does not fit all. They can be defined in three ways:

- **Non-conditional payments:** generally a one-off payment with predetermined criteria, no accounting for money spent. For example, Federal Government's First Home Owners Grant.
- **Grants for general support:** often for discrete projects or programs, predetermined criteria, some limited accountability requirements. For example, grants in support of the arts.
- **Conditional grants:** conditional payments to community organisations for the delivery of services, particularly in the welfare or human services sector, involve detailed service agreements and funding tends to be recurrent.

### Why are grants important?

It is important that agencies are able to provide assurance that grants align with government objectives and that the money is spent as intended.

Grants remain an area that gives rise to allegations of waste, mismanagement and lack of transparency. In 2001-02 the Audit Office and ICAC received 28 complaints about government grants.

This report highlights key issues in the grants process and illustrates the range of challenges which agencies may face in administering grants.



## 1.2 The audit

### **Audit expectations**

For many years now, grants administration has been highlighted as an issue needing management's attention. It is an area of concern regularly discussed at conferences and raised by auditors, central agencies and the media. Worldwide it has been the subject of many publications on better practice.

Given this, it seems reasonable to assume that any agency for whom grants are a major issue would have had ample exposure to the issues and problems to be addressed, and how to do so.

We chose agencies with different types of grants so that we could illustrate the range of challenges to be faced in administering grants in different contexts and for different purposes. While these differences give rise to varying process issues, the basic elements of grants administration are the same, regardless of the type of grant.

### **Audit scope**

In this audit we examined the administration of grants by three NSW Government agencies for whom grants are a major activity. The agencies examined included:

- ❑ one from the welfare sector which provides conditional grants (Department of Community Services)
- ❑ two that issue grants for general support, although of very different nature (Department of Sport and Recreation, Ministry for the Arts).

In total our audit looked at 125 projects from 13 grant programs worth \$180 million.

To gain a picture of the whole grant process, from selection to acquittal, we reviewed projects from the 2000 or 2000-01 funding period.

### **Audit focus**

We considered two simple, but key, issues. We wanted to find out whether agencies had processes in place to ensure:

- ❑ that grants align with their corporate objectives
- ❑ that outcomes for the grant program are achieved.

To this end, we posed five questions:

1. do agencies adequately plan grants programs?
2. can agencies ensure fair and equitable selection of grants?
3. how well do agencies manage grants programs?
4. do agencies check whether program outcomes are achieved?
5. do agencies help grant recipients to understand government accountability requirements?

Our findings are discussed in Chapter 2.

Further details of the audit's scope, criteria and sample are provided in Appendices 1 and 2.

### **1.3 Acknowledgements**

The Audit Office gratefully acknowledges the co-operation and assistance provided by representatives of the Ministry for the Arts, Department of Community Services and Department of Sport and Recreation.

### **1.4 Cost of the audit**

The cost of the audit was \$139,450 which includes printing costs of around \$4,000.

### **1.5 Audit team**

Ai-Binh Phu, Tiffany Blackett and Stephen Horne.

## **2. Do grants bring results?**

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## 2 Do grants bring results?

### Key elements of the grants process

To provide assurance that outcomes are achieved in line with program and government objectives, agencies must have adequate systems in place to plan, monitor and evaluate grants.

This includes:

- ❑ predetermined program objectives and selection criteria
- ❑ fair and equitable selection processes which align with program objectives
- ❑ funding agreements which clearly outline the purpose of the grant, and monitoring and reporting requirements
- ❑ processes to evaluate the effectiveness of individual projects and grants programs.

### Key audit concerns

In our view, the agencies we studied cannot be sure that grants align with their corporate objectives and that program outcomes are achieved. This is mainly due to problems with grant selection and the evaluation of results.

While most have developed funding objectives, there were a number of factors which impact on the fair and equitable selection of grants.

In addition, there was limited evaluation of individual projects and there had been few formal reviews to assess the overall relevance or effectiveness of grants programs.

Common problems that we found across most programs were:

- ❑ no performance measures to assist program review
- ❑ no assessment procedures, particularly for advisory committees
- ❑ no weighting of criteria or prioritisation of applications
- ❑ poor documentation of the reasons for decisions
- ❑ inadequate project evaluation
- ❑ few formal program reviews.

Most of the grants programs we reviewed had recently undergone administrative changes to streamline processes and improve accountability.

Prior to this audit the Department of Community Services and Department of Sport and Recreation were in the process of making further improvements. The Ministry for the Arts had also made some recent program changes and reviewed its selection procedure. This is encouraging. But in each case more will need to be done to improve assessment processes, document better, and evaluate results at project and program levels.

## 2.1 Do agencies adequately plan grants programs?

Generally, each agency had adequate systems in place to plan grants programs. Program objectives and the magnitude of funds had been determined, responsibilities had been assigned and selection criteria, where relevant, had been established.

### Program objectives

Program objectives and outcomes had been developed for 12 of the 13 programs. This is the first step in the grants process. To ensure grants align with corporate objectives an agency must also have adequate systems in place to select, monitor and evaluate grants.

Program objectives had not been developed for the Department of Community Services' (DoCS) Children Services Program. While it was apparent that the money was for children's services such as pre-schools, vacation and long-day care, it was difficult to determine what outcomes the Department wanted to achieve.

DoCS reports that program objectives will be developed as part of funding reforms currently being implemented. This includes the development of a service framework which will align with the Department's early childhood policy.

### Predetermined selection criteria

All programs with non-recurrent funding had predetermined eligibility and assessment criteria to assist the selection of grants. The case study below shows the assessment criteria used to assess applicants for visual arts and crafts grants.

<b>Case Study 1: Ministry for the Arts - Cultural Grants Program</b>
<p>Program: Visual Arts and Crafts (VAC)</p> <p>Outcome: To stimulate development of the visual arts and crafts within New South Wales.</p> <p>Objectives:</p> <ul style="list-style-type: none"> <li>▪ facilitate increased public access to high quality VAC programs</li> <li>▪ increase public awareness and understanding of VAC</li> <li>▪ support the development of VAC infrastructure</li> <li>▪ encourage innovation and raise artistic standards</li> <li>▪ acknowledge Australia's cultural diversity</li> <li>▪ increase employment and professional development opportunities, economic support and visibility for VAC practitioners</li> <li>▪ facilitate access by VAC practitioners and organisations to professional expertise, support and advice.</li> </ul> <p>Assessment criteria:</p> <ul style="list-style-type: none"> <li>▪ quality in terms of artistic merit and innovation</li> <li>▪ support for VAC practitioners</li> <li>▪ audience development strategies</li> <li>▪ sound planning and organisational and financial management</li> <li>▪ access and equity.</li> </ul>

**Source:** Ministry for the Arts, Cultural Grants Program, Guidelines for 2003

**Resources and staff training**

All agencies had assigned administrative responsibility for grants to relevant departmental staff. Agencies either hired staff with skills relevant to grants administration and/or provided additional training where necessary.

For example, one DoCS Network Office provided training on interpreting financial statements and certificates of expenditure, which recipients are required to provide to demonstrate that the grant was spent as intended.

**Performance measures**

While program objectives were in place for most programs, performance measures to assess overall program effectiveness and relevance had not been developed.

In May 2002, the Australian National Audit Office published a better practice guide on grants administration which includes several examples of performance measures. See the case study below.

<b>Case Study 2: Performance Measures for Grants Programs</b>
<b>Commonwealth National Heritage Trust</b>
<p>Program objectives: \$1.1 billion in financial assistance to achieve the conservation, sustainable use and repair of Australia's natural environment.</p> <p>Outputs: goods and services produced</p> <ul style="list-style-type: none"><li>▪ number of seedlings planted</li><li>▪ number of litter traps installed</li><li>▪ kms of fencing constructed</li><li>▪ number of workshops held</li><li>▪ amount of land acquired for national reserves</li></ul> <p>Intermediate outcomes: benefits and changes resulting from outputs</p> <ul style="list-style-type: none"><li>▪ changes in the number of farms using best practice technique</li><li>▪ percentage of introduced pests moving from the area</li><li>▪ changes in the area of native vegetation cover</li></ul> <p>Overall outcomes: final or long-terms consequences</p> <ul style="list-style-type: none"><li>▪ percentage of farms integrating environmental objectives</li><li>▪ changes in biodiversity and land and water quality</li><li>▪ contribution made to the sustainability of the river basin.</li></ul>

**Source:** ANAO, Administration of Grants, Better Practice Guide, 2002

If an agency has difficulty developing performance measures, it could suggest that the purpose of the program is unclear. Program objectives and outcomes might need to be reviewed accordingly.

## 2.2 Can agencies ensure fair and equitable selection of grants?

### Program guidelines

Program guidelines which clearly stated the intended purpose and outcomes of the funding scheme had been developed for 12 of 13 programs.

The appraisal and decision making process was fully disclosed so that applicants were in a position understand what is expected of them and how they are to account for the use of funds.

Program guidelines had not yet been developed for DoCS' Children Services Program. DoCS officers report that guidelines or service framework will also be developed as part of the funding reforms mentioned previously.

### Application assessment

Systems were in place to assess applications for funding, although processes varied considerably across programs. Selection processes generally involved assessment against selection criteria, before final recommendation for the Minister's approval.

The table below shows some of the different selection methods used to assess applications for cultural arts grants, and various sport and recreation programs.

Grant Programs	Sport and Recreation				Arts
	SR1	SR2	SR3	SR4	A1
1 <sup>st</sup> assessment – eligibility	✓	✓	✓	✓	✓
2 <sup>nd</sup> assessment – selection		✓	✓		
- points system		✓	✓	✓	
- classification system	✓				
- MP/Council input		✓			
- discussion with Cttee chair					✓
Sub-Committee	✓			✓	✓
Full Committee	✓			✓	
Minister's approval	✓	✓	✓	✓	✓

**Note:** Selection processes are not relevant to DoCS programs because funding is allocated on a recurrent basis.

Although systems were in place to assess applications, there were a number of inconsistencies in selection processes which could jeopardise the fair and equitable selection of grants.

The rationale for assessment decisions was not always obvious. Why were some applications approved and not others? This is a key issue. It is vital that the method of assessment is clear, applied consistently, and that the rationale and factors supporting decisions are well documented.

While assessment forms had been developed, there were no comprehensive assessment guidelines for 7 of 11 programs (excluding DoCS programs), particularly for advisory committees. Written guidelines for assessors help ensure consistent assessment against selection criteria. The Ministry reports that it has recently introduced assessment forms for advisory committees which include program objectives and assessment criteria.

Another way to distinguish the relative merits of applications is to weight the selection criteria. Applications with high rankings against the important criteria become more apparent. For arts grants and some sports programs, we could not determine which criteria or other assessment tools were more important. Likewise, advisory committees did not rank or prioritise applications.

Such tools may not be appropriate in all contexts. But without them, we found that documentation was not detailed enough for us to understand the rationale used for assessments.

**Assessment  
against criteria**

For several project-based programs, individual projects were not always assessed against selection criteria. Assessment tended to relate to the overall performance or sophistication of an organisation rather than the benefits of specific projects.

For example, prior to 2002 the Department of Sport and Recreation's (DSR) Sports Development Program offered project based funding. Assessment involved checking the eligibility requirements and proposed budget, and grading an organisation's performance against previous activities. It was difficult for us to determine how individual projects related to program objectives.

The program has since been restructured and targeted funding has been introduced which corresponds with an organisation's capacity to achieve specified program outcomes. See Case Study 5.

**Documentation**

Funding assessments and recommendations were documented for 9 of 11 programs. There was no assessment documentation for two DSR programs for 2000-01, however assessment forms have recently been introduced.



Subcommittee meetings of the Sports and Recreation Advisory Council were not minuted, and the reasons for decisions were not recorded.

It was also difficult to determine the reasons for some funding decisions, particularly recommendations for reduced funding, or funding some projects over others within the same application. Agencies reported that the reasons probably related to funding limitations, although this was not clearly outlined in assessment documentation.

Documentation of funding decisions is also important at ministerial level. When ministerial discretion is exercised in a way that departs from selection procedures, it is important that the decision is justified and the reasons clearly documented.

The case study below provides an example where this occurred and where the reasons for the departure were clearly recorded.

<b>Case Study 3 Cultural Grants Program – Theatre Company</b>
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<p>In 2001 a theatre company wrote to the Minister for the Arts requesting assistance to address the company's financial problems. Ministry staff advised that under the cultural grants guidelines the theatre was clearly ineligible for funding and had been rejected in the past for capital assistance funds on this basis.</p>
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<p>However, due to the company's historical importance, it was advised that a one-off emergency grant could be provided to assist the theatre with its deficit. Standard funding conditions and reporting requirements would still apply.</p>
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**Source:** Audit file review, Ministry for the Arts

**Advisory committees**

The role of advisory committees differs considerably across programs. The committees for international sporting events and arts funding are actively involved in the assessment and decision-making process.

In contrast, the subcommittee for the Sports Development Program has no role in the assessment process, but reviews and either endorses or amends recommendations made by DSR staff.

Regardless of the role, it is important that meetings are minuted and the reasons for decisions clearly documented.

**Unallocated funds**

DoCS funding programs are recurrent which means that services do not have to reapply for funds each year. However there was an inconsistent approach to the allocation of unspent funds across network offices. This is called slippage and occurs when services close or relocate.

One network office had developed a selection process to allocate slippage funds. Another provided the money mainly to services which had requested extra funds during the year. While it is important that decisions are made with network priorities in mind, inconsistent approaches increase the risk that money may not be directed to areas of greatest need.

### **2.3 How well do agencies manage grants programs?**

#### **Funding agreements**

All agencies had written funding agreements in place which clearly stated the conditions of the grant. They varied in form from 1 page conditions forms to detailed cooperative agreements. Regardless of the type of agreement, they all included information on the funding timeframe, terms and conditions, reporting requirements and acquittal processes.

However, we could not determine from the funding agreements what results DoCS was seeking to achieve for Children Services projects. While funding was clearly linked to the number of places and the number of weeks a childcare service is open, the outcomes of the program were more ambiguous. DoCS reports that the new service framework will address this.

We also found that 8 of 40 (or 20%) conditions forms for arts funding could not be located or had not been returned to the Ministry. This makes it difficult to monitor compliance with the terms and conditions of the grant.

#### **Monitoring**

Formal monitoring strategies were only in place for triennial agreements, grants for general running costs, or for programs where the timeframe exceeded a year, such as capital grants. Otherwise there were no formal monitoring systems other than annual acquittal processes.

However, each agency reported that informal monitoring regularly occurs. For example:

- through relevant industry networks and contacts
- attending annual general meetings, planning workshops
- site visits or attending performances/exhibits
- assisting organisations with problems as they arise.

While this is an important part of performance management, much of this activity was not documented. It was difficult to determine whether any assessment was made against project objectives. Documentation becomes even more important in the absence of formal evaluation systems. See section 2.4.

**Acquittal processes**

Acquittal processes were in place for all programs. Organisations were generally required to report on the previous year's activities or project, and provide an audited certificate of expenditure of funds.

A significant problem across all funding programs was recipients' failure to comply with monitoring and reporting timeframes. Acquittal reports for 32% of the grants reviewed for the Ministry for the Arts and DSR were outstanding at the time of audit, being anywhere from 2 to 12 months overdue.

DoCS had similar problems, particularly with financial statements. Reporting timeframes did not necessarily correspond with an organisation's annual business cycle, which could vary considerably between organisations.

**Case Study 4: Children's Services - Council Toy Library**

A major city council receives a grant from the Department of Community Services to operate a toy library for children in the local area.

As part of the conditions of the grant, the council must submit an audited financial statement for funds spent during the reporting period.

The Department's annual review of reporting documents revealed that financial statements for the library had been overdue for each of the past 4 calendar years. In some cases statements were received more than a year past the due date.

**Source:** Audit file review, Department of Community Services

DoCS and DSR follow-up outstanding documents with phone calls or correspondence. Although the status of acquittal reports was tracked, follow-up action for arts funding was not documented.

**Sanctions**

The Ministry for the Arts and DSR reported that organisations are ineligible for future funding if reporting documentation is not received.

DoCS is in a more difficult position. Funding is recurrent and organisations receive quarterly payments. If performance issues arise, payments may be withheld until the problems are resolved.

However, DoCS stated that funding processes prevent unspent funds from being rolled-over at the end of each financial year. This may mean that payments are made regardless of performance.

DoCS officers also reported that non-compliance with reporting requirements was insufficient to justify a stop-payment. There was a general reluctance to withhold payments, particularly where it may affect service provision and therefore community welfare. It was felt that other sanctions were needed which correspond with the seriousness of the breach.

Other breaches appeared to go unchecked. Projects under DSR's capital assistance program must commence within 6 months and be completed within 2 years. Yet 1½ years into the 2000-01 funding period, 44% of projects had not commenced.

Similarly, 442 projects since 1997-98 are overdue for completion, with \$2.3 million already paid. DSR reports that they have recently introduced processes to reclaim these funds.

**Quality of reporting documents**

The quality of reporting documents also varied considerably across and within programs. While some guidance was provided, there was often no standard format recipients could use. In addition, few agencies required recipients to report on overall program objectives.

Inconsistency in reporting documentation makes it more difficult to assess and compare performance.

**2.4 Do agencies check whether program outcomes have been achieved?**

**Project evaluation**

There were no formal systems in place to review projects for 11 of 13 programs. Officers indicated that reporting documents and acquittals were checked, however there was little evidence of formal evaluation. There were no evaluation forms or guidelines to determine whether project or program objectives were achieved.

The exceptions were DoCS Children Services Program (CSP), where a detailed evaluation form is used to review performance, and DSR's Sports Development Program, where an assessment rating is provided. Some agencies issued feedback letters to organisations which indicated that acquittal documents had been received. However, there was no evidence of a detailed review.

And although evaluation forms were in place for CSP, they were not used consistently across all networks. There was some confusion as to whether the feedback component of the evaluation form was optional, and almost 25% of the reporting documents reviewed for 2001 had not been evaluated at all.

The Ministry for the Arts advised that staff attend performances and exhibits which serves as an evaluation. They also examine reports on an organisation's operations if subsequent applications for funding are made. However attendances at performances and relevant observations are not documented. And organisations may not always reapply for funds so examining the results of grants by assessing future applications will not always be effective.

**Program  
evaluation**

There had been only 1 recent program review to assess overall program relevance or effectiveness. DSR's Sport's Development Program was reviewed in 2001 to improve program effectiveness and better align grants with project objectives.

<b>Case Study 5: Sports Development Program</b>
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The Sports Development Program (SDP) aims to assist State sporting organisations and peak industry bodies develop sport and recreation activities in NSW.

Prior to 2002, funding was allocated to organisations for specific projects to be completed during the funding period.

A review of the SDP identified a number of problems with project-based funding. These included high administration costs, funding inequities, and failure to recognise the different needs and capacities of organisations to meet funding objectives.

The program was restructured to address these issues. The key change was the introduction of targeted funding support to correspond with the sophistication of an organisation. There are six categories of funding which reflect key funding outcomes. Funding is linked to organisations' business plans.

Organisations that rely heavily on volunteer effort with a small membership receive funds for basic administration only. Organisations with a larger membership and capacity to generate revenue and employ staff, receive funding for more strategic outcomes like training, participation development, and access and equity.

**Source:** Review of SDP 2001, SDP Funding Guidelines 2002

While no other formal program reviews had been undertaken, all three agencies indicated that further improvements were being actioned or considered which should enhance the effectiveness of their grants programs.

**Case Study 6: Community Service Funding Reforms**

The Department of Community Services is currently reforming all programs to ensure continued relevance and improve the effectiveness of projects. The aim of the reforms is to better align services with corporate objectives and to introduce outcomes based funding.

In November 2001 DoCS released a position paper on the new funding framework and reform initiatives. A service framework will be developed for each program. This includes clarification of program objectives and outcomes, the development of standard performance measures for each type of activity, costing information, quality standards and minimum data sets. This information will then be used to develop new funding agreements.

The reform process is staged. The Community Service Grants Program (CSGP) had progressed the furthest through the reform agenda. A CSGP service framework has been developed and new funding agreements are currently being put in place.

DoCS report that formal program reviews will be undertaken once all reforms have been implemented.

**Source:** Purchasing: A Partnership Model, DoCS 2001

The Ministry for the Arts has undertaken a number of special purpose reviews, such as the review of Regional Arts Development, and the Western Sydney Arts Strategy. Advisory committees for arts and sports funding also monitor relevant industry developments and offer strategic advice on the direction of their programs.

Other grants programs have recently undergone administrative changes to streamline processes and improve efficiency and accountability.

Such reviews and improvements should greatly assist agencies to undertake the final step required: evaluation of program outcomes. It is a good general point to make that without such lead-up work program evaluation may be more difficult. But it also needs to be noted that such other steps do not substitute for program evaluation, as they do not properly assess the outcomes achieved.

## 2.5 Do agencies help grant recipients to understand government accountability requirements?

### Varied business skills

An issue raised by all agencies which affects funding outcomes, was recipients' business skills and understanding of government accountability requirements.

Agencies reported that many organisations are run by volunteers or rely on in-kind services by community members. As a result, many grant recipients may not have the relevant business skills or knowledge to understand the funding process, which may appear complex and time consuming.

Each agency had strategies in place to help recipients understand these issues. For example,

- seminars or information days on accountability requirements
- governance workshops
- program newsletters.

Agencies also fund peak bodies and other organisations who provide assistance to organisations receiving grants, such as the NSW Council of Social Services, and Sydney Arts Management Advisory Group. DSR has also developed an accountability resource tool for Sport Development Program (SDP) recipients.

### Case Study 7: Accountability Resource Tool

In 2002 the Department of Sport and Recreation developed *It's Your Business*, an accountability resource tool to help organisations develop the skills needed to tackle issues and understand their business obligations.

It contains modules on risk management, financial management, corporate governance, social responsibility and legal issues. It is aimed at directors of sport and recreation organisations, however it also has wider application and is not limited the sports industry.

All SDP funding agreements also require at least two board directors of state sporting organisations to attend directors education programs, such as *It's Your Business* workshops which are run by the Department.

**Source:** SDP funding agreements, and *It's Your Business* DSR 2002

## 2.6 Opportunities for improvement

Unless already in place, all agencies who use grants as a means of achieving their objectives should:

- Alignment**
- ❑ ensure that their grants programs are consistent with their corporate programs
- Planning**
- ❑ develop program objectives and outcomes which clearly outline the purpose of the program
  - ❑ develop performance measures to assess overall program effectiveness
- Selection**
- ❑ develop comprehensive assessment guidelines to assist the selection of grants, including guidelines for advisory committees
  - ❑ develop a system for prioritising applications
  - ❑ fully document the reasons for funding decisions at all stages of the decision making process including assessment by departmental staff, advisory committees and Ministers
- Management**
- ❑ document informal monitoring of project performance
  - ❑ introduce more rigorous follow-up of outstanding reporting documents
  - ❑ consider introducing sanctions which correspond with the seriousness of breaches in grant conditions
  - ❑ introduce standard reporting documentation to improve the consistency of performance information, and require recipients to report on overall program objectives
- Evaluation**
- ❑ introduce formal systems to review projects to determine whether project and program outcomes have been achieved
  - ❑ introduce a rolling program of review for all funding programs to assess overall program relevance and effectiveness.



## Appendices

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## **Appendix 1      Audit scope and objectives**

### **Previous audits**

We have previously looked at grants administration in a number of audits.

In 1995 we examined grants administration in the Ethnic Affairs Commission (performance audit report no. 23), and published a very simple checklist of better practice elements as an appendix in that report.

In 1998 we examined the Infrastructure Grants Program in NSW Health (performance audit report no. 56), and grants for the provision of industry assistance by the Department of State and Regional Development (performance audit report no. 60).

A compliance review of grants administration practices was reported in Volume Two of the Auditor-General's Report to Parliament for 1999.

And some aspects of grants administration were canvassed in our 2000 report on Group Homes for People with Disabilities (performance audit report no. 74).

In May 2002 the Auditor-General delivered a conference keynote address on "Best Practice Management of Government Grants", where seven key steps were suggested for better grant management (available at <http://www.audit.nsw.gov.au/agspeech/IIR-2-5-02.pdf>).

### **Scope and objectives**

For many years now, grants administration has been highlighted as an issue needing management's attention.

It is an area of concern regularly discussed at conferences and raised by auditors, central agencies and the media.

Worldwide it has also been the subject of many publications on better practice.

Given this, it seems reasonable to assume that any agency for whom grants are a major issue would have had ample exposure to the issues and problems to be addressed, and how to do so.

In this audit we thus selected three NSW government agencies for whom grants are a major activity, and we considered two simple but key issues. We wanted to find out whether agencies had processes in place to ensure:

- that grants align with corporate objectives
- that program outcomes are achieved.

**Audit  
Criteria**

The audit team developed criteria to test accountability mechanisms and effectiveness measures within the four stages of the grants process: planning, selection, monitoring and evaluation.

**1. Planning**

Hypothesis being tested: That systems are in place to adequately plan and resource funding programs.

Issues examined:

- program objectives and outcomes
- resourcing and training
- program specifications.

**2. Application and selection**

Hypothesis being tested: That systems are in place to ensure fair and equitable selection of grant recipients.

Issues examined:

- application guidance
- application appraisal
- approval and selection.

**3. Management and monitoring**

Hypothesis being tested: That systems are in place to administer grants and monitor performance against program objectives.

Issues examined:

- funding agreements
- monitoring
- communication and liaison.

**4. Evaluation**

Hypothesis being tested: That systems are in place to evaluate the effectiveness of the project and determine whether program outcomes have been achieved.

Issues examined:

- project evaluation
- program evaluation
- public reporting.

## Appendix 2 Audit sample

Programs	Approx value (\$m)	Approx no. of projects	No. of projects reviewed
<b>Department of Community Services</b>			
Children Services Program	105.00	2000	21
Community Services Grants Program	60.00	1200	15
Subtotal	165.00	3200	36
<b>Ministry for the Arts</b>			
Cultural Grants Program			
- Theatre	3.70	58	16
- Visual Arts & Crafts	2.00	78	16
- Performing Arts Touring	0.76	22	6
Fellowships & Scholarships			
- History Fellowship	0.02	1	1
- Writer's Fellowship	0.02	1	1
Subtotal	6.50	158	40
<b>Department of Sport and Recreation</b>			
Sports Development Program	2.70	90	18
Capital Assistance Program	4.00	467	14
Active Communities Program	0.30	50	
- Active Kids			5
- Active ATSI			5
- Opportunities for people with a disability			3
International Sporting Events Program	0.30		4
Subtotal	7.30		49
<b>Total</b>	<b>178.80</b>		<b>125</b>

**Source:** Annual Reports 2000-01, agency data request and interviews.

### Notes

- Projects were reviewed from the 2000 or 2000-01 funding period.

## **Appendix 3     Response from the Ministry for the Arts**

### **Background**

The basis of the audit was to review two key issues of the agencies involved: that grants aligned with their corporate objectives; and that outcomes for the grants program are achieved.

The audit reviewed the Ministry's 2001 program year and sampled 16 files each from the Visual Arts & Crafts (VAC) and Theatre programs, six files from Performing Arts Touring and one each from the History and Writers' fellowships. A total of 40 files.

It is worth noting that for the 2001 program year the Ministry dealt with 2,136 grant applications (most of which had individual files) and funded 352 separate clients. There were 13 grants programs, 10 fellowships / scholarships programs and the Premier's Literary Awards (11 individual awards) and the Premier's History Awards (five individual awards). The staff numbers involved in this process included the eight program managers, three program assistants, one administrator and one Coordinator.

### **Comments**

The audit identified six common problems across all agencies (p.6). These are quite general and require some formal response.

#### **1. No procedures for assessing applications**

The Ministry has a number of procedures for assessing applications. A key one is the use of assessment panels. The audit officers were invited to sit in on any assessment panel they wished but because of time pressures were unable to do so. This is unfortunate as this is where the bulk of the grant recommendations are formed and evaluations are discussed.

The Ministry's Visual Arts and Crafts program (p.7) was sighted as a good example of clear selection criteria. In fact all the Ministry's sub programs contain specific criteria and this is used for assessment purposes.

#### **2. No assessment guidelines, particularly for advisory committees**

In May 2002 new assessment procedures were introduced at a training session for all committee chairs. These new procedures were subsequently conveyed to all committee members both in a letter (copy attached) and also reinforced with discussion at their committee meeting. This new procedure was instituted this year at the assessment meetings.

#### **3. No weighting of criteria or prioritisation of applications**

The Ministry's new ratings sheet provided for marking an application on a 'low, medium, high' scale on all assessment criteria (program objectives and Government policy objectives). In addition the pre-assessment meeting provides for the Chair and the program manager to prioritise applications and cull ones that are not competitive.

As discussed with members of the audit team the Ministry believes that weighting of criteria is not the best method of evaluating arts projects. It is a way of identifying projects / programs which are not competitive, and of ones which are highly competitive, but it should not be used as the sole determinant for recommending a grant. It is extremely important to have discussion about a project to confirm ratings or scores and then come to a recommendation. It is agreed, however, that clearer documentation of assessment processes which are more clearly tied to each program's assessment criteria will make the rationale for decisions easier to review.

It is reassuring that the report commends the Ministry (p. 11) for its documentation of funding decisions made at a ministerial level.

**4. Poor documentation for the reasons for decisions**

It is noted that program year on which the audit was done did not have the best documentation. Again this has been addressed this year and the Ministry will continue to work to further improve all documentation. The Ministry also created three new Assistant Program Manager positions this year which means that the large workload associated with the grants program is now shared on a more equitable basis and provides for more time for accurate documentation.

**5. Inadequate project evaluation**

As noted in the report (p.14) the Ministry employs a number of ways of evaluating projects apart from the actual acquittal documentation. Staff in particular, and committee members, frequently attend performances, exhibitions, visit organisations, conduct field trips etc which serve as an evaluation. Client meetings are also conducted either with program managers and the Director, Arts Development and/or with a full committee. Committees and program managers will identify which organisations need to be visited, or asked to attend a meeting, and which performances (given that a company could do six separate shows per year) need to be attended. Reports on visits / viewings etc are conveyed at a committee meeting where there is a specific time allocated for discussion. Sometimes this information is minuted at other times it is not. Depending on the project and the issue, file notes may be made.

The Ministry funds approximately 300 organisations each year (for projects and /or operational costs) and with a staff of eight program managers it is not possible to visit every organisation every year or to see every project. Organisations on triennial funding have stricter reporting guidelines with identified performance indicators. However this is a time consuming process and only major organisations are offered triennial funding. A risk management approach must be implemented in determining which organisations require special funding conditions, visits and formal noting in the file.

Given the comments of the report program managers will be asked to be more rigorous in making short file notes on visits etc and minutes of meetings will detail the discussion of the visits.

**6. Few formal program reviews**

The Ministry's cultural grants program has been operating for many years and has evolved. The Ministry reviews program guidelines and relevance at the policy meetings held at the end of each year. This is the opportunity for the committee to address any issues that have been identified previously at the assessment meetings. Guidelines are amended accordingly.

In addition, as noted on p.16, the Ministry has conducted a number of special purpose reviews and also commissioned a report, in 2001, on assessment procedures and programs for grant applications. However there has been no comprehensive review of the cultural grants program. This can partly be attributed to the generally positive view of the Government about arts outcomes in NSW. Where omissions / gaps in funding have been identified new programs have been added as required or existing ones reshaped. The Ministry however agrees that an overall review of the cultural grants program (rather than individual sub programs) is important.

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To this end the Ministry is currently undergoing a strategic planning exercise which will shape the future cultural grants program. Four key areas – leadership, education, innovation and cultural environment - have been identified as areas in which the Government can make a difference. Flowing from this it is intended to reshape the grants program. Consultations with key stakeholders are planned. The Ministry will be working on this process over the next six months with a view to implementation in 2004.

#### **Other points for noting**

- ♦ It should be noted that the Ministry requested amendments to table 1 (p. 9) which have not been incorporated into the report. As the Arts Advisory Council no longer endorses or recommends grant decisions, each artform committee should be considered as the full committee rather than a subcommittee.
- ♦ The report noted (p.12) the varying types of conditions forms attached to grants. It noted that 20% of the conditions forms from the sample of the Ministry's programs could not be returned. It should be noted that the draft report listed 18%, not 20%, and we are unaware of any reason for the change. The report should be amended.

It is also worth explaining that in line with advice from ICAC, it is the Ministry's practice to send out payment of grants under \$30,000 *with* conditions forms. Clients are requested to sign and return one copy of the conditions form. In light of the number of staff the Ministry had in 2000 (dealing with the 2001 applications) the chasing up of conditions forms was not a high priority as the banking of the cheque indicates that the conditions are accepted. This is made explicit in the conditions form and was approved by ICAC.

For grants over \$30,000 and those with special conditions, it is usual practice for conditions forms to be returned prior to payment of the cheque. It is acknowledged that there was an oversight where one grant in excess of \$30,000 was paid out without the conditions form being returned. This process has been tightened so that grants will not be paid unless conditions forms have been returned.

- ♦ Formal monitoring strategies (p. 12) for project grants are implemented, at the very least, when the grant is acquitted. An evaluation is made of whether the funding was used in line with the detail contained in the application and the conditions attached to the grant. As noted, under point 6 above, program managers will attend performances, make visits etc to organisations which have received project funding and make an assessment. However this is not possible in the case of all grants.
- ♦ The report also noted that 32% of grants reviewed had outstanding acquittal reports (p. 13). At the time of the audit applications for the 2003 program year and acquittals for the 2001 program year were simultaneously being received, processed by Records staff and reviewed by program managers. It is likely that had the auditors visited two months later that the percentage of outstanding acquittals would be significantly smaller. Nonetheless the Ministry is reviewing the acquittal process and with the Assistant Program Managers now employed (whose role is to check acquittals) the problem should not arise again.
- ♦ The report commented on the quality of acquittal reports submitted by clients (p.14). The Ministry's conditions and acquittal forms provide direction on the type of reports required but not the format. It is agreed that the Ministry will develop a report template for distribution to clients.

- ♦ The report notes (p.14) there was little evidence of formal evaluation as evaluation forms or guidelines are not used to determine the outcome of project or program objectives. This is true for some Ministry programs and not for others. For example:
  - the international program (which is now in its fourth year of operation) has an evaluation form on the value of the program, which all grant recipients provide along with their acquittal;
  - the capital infrastructure program was reviewed a few years ago in light of a budget submission for additional funds – new guidelines were developed in conjunction with key stakeholders such as Lgov (Local Government and Shires Associations).
  - the VAC program held a review of its funding two years ago and revised the guidelines. Meetings with key clients were held to discuss the new guidelines and provide advice on how to make an application.
  - the Ministry is planning an evaluation of the Western Sydney Arts Strategy (and its programs) in February 2003.

For the 'older' art form programs the evaluation process usually occurs at the end of the year policy meeting in which the guidelines are reviewed by the committee. The cultural grants review process planned for 2003 will be an opportunity to better evaluate the program's effectiveness and assist with future directions. The Ministry views this as essential and is about to advertise for a new officer (Manager, Arts Development Strategy) to coordinate the process.



## **Copy of letters sent to committee members regarding new assessment procedures**

29 May 2002

I am writing to advise you of some minor changes to the assessment process this year. The Director-General recently discussed these changes with the Committee Chairs and they provided their wholehearted support. The changes should enable straightforward applications to be dealt with more efficiently, and free-up time for discussing more difficult assessment issues.

### **1. Ratings Sheet**

All committee members will be given a set of ratings sheets for each application in their folders (sample attached). Many of you will be familiar with this process as a number of program managers have been providing ratings on specific assessment criteria on their Comments sheet. This is an adaptation and extension of this process. Program managers will continue to provide their ratings but you will also have the opportunity to do so as well.

As you will note there are two sets of boxes – one relates to program criteria and the other to Government policy. Obviously an application does not have to meet every criterion in order to receive funding. The lists in the boxes are there to remind you of the criteria as you read the application.

The ratings are intended to be a guide only – hence the rankings are ‘low, medium and high’ – and not the sole determinant of the assessment process. They are to be used as a tool to focus discussion on the application and to assist in the debate. They will be destroyed at the end of the meeting.

I would encourage you to use them and provide feedback on their value.

### **2. Culling Process**

As you are aware program managers provide written recommendations on each eligible application. Most program Managers also recommend a funding level in order to start discussion and keep a check on the program budget. They will continue to do this but in addition they will work with their Chairs on culling applications that are likely to receive funding because they meet so few of the program criteria. The Chair and the program manager will also review the budget and funding recommendations and put a proposal regarding expenditure to the committee. This will not predetermine the final recommendations of the committee but again is to be used to focus discussion on the more difficult issues that the committee must address.

Committee members will receive copies of all applications that are recommended for funding plus ones that are considered ‘borderline’. The committee will also receive copies of the program managers’ cover sheets on the culled applications. The culled applications will be available to read at the assessment meeting if any committee member wishes to do so.

The Ministry is very aware of the amount of work involved in assessing applications and is most appreciative of your contribution to the process. I hope these two changes will assist your deliberations. I would welcome your feedback on this or any other matter you wish to raise.



**Performance Audits by  
the Audit Office of New South Wales**

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## Performance Auditing

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### 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, 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](mailto: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 our procedures are 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](http://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.

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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## 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
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

No.	Agency or Issue Examined	Title of Performance Audit Report or Publication	Date Tabled in Parliament or Published
84	Follow-up of Performance Audits	<i>Police Response to Calls for Assistance The Levying and Collection of Land Tax Coordination of Bushfire Fighting Activities</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) 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*	Better Practice Guide	<i>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
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

<b>No.</b>	<b>Agency or Issue Examined</b>	<b>Title of Performance Audit Report or Publication</b>	<b>Date Tabled in Parliament or Published</b>
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 Service	<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>	December 2002

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\* 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](http://www.audit.nsw.gov.au)







## THE AUDIT OFFICE MISSION

Assisting Parliament  
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