



Dominic Perrottet MP
Premier of New South Wales

Ref: A5401361

Mr David Blunt
Clerk of Parliaments
Parliament House
6 Macquarie Street
SYDNEY NSW 2000

By email: david.blunt@parliament.nsw.gov.au

Dear Mr Blunt,

Public Accountability Committee inquiry on integrity, efficacy and value for money of NSW Government grant programs – NSW Government response to Final Report

I write to provide the NSW Government's response to the Public Accountability Committee's (**Committee**) Final Report (**Report 10**) on its inquiry into the integrity, efficacy and value for money of NSW Government grant programs.

Grants are a significant means by which the Government supports communities and individuals. The distribution of funding through grants allows the Government to deliver outcomes for, and improve the lives of, the people of NSW, and respond to critical needs.

Recognising the important role played by grants, the Government is committed to ensuring that grants are administered fairly, effectively and transparently.

To that end, in November 2021, I announced the Review of grants administration in NSW (**Review**), to be led by the Department of Premier and Cabinet (**DPC**) in partnership with the Productivity Commissioner, Mr Peter Achterstraat AM. The purpose of that Review was to deliver value for money by ensuring that the administration, assessment, and assurance of grants programs in NSW is in line with best practice.

The Review has now been completed and the Report on the Review (**Review Report**), which made 19 recommendations to bring grants administration into line with best practice, was published on 7 May 2022. The Government has indicated its support for the recommendations made by the Review and has published its response to each of the recommendations at: <https://www.dpc.nsw.gov.au/publications/reviews/review-of-grants-administration-in-nsw/>.

The Terms of Reference for the Review required that the Review have regard to, among other things, recommendations made by NSW parliamentary, integrity, and oversight bodies. I note that, in line with this requirement, the Review closely considered the Public Accountability Committee's recommendations made in its First Report and Final Report, and how the Review addressed those recommendations is outlined in the table at Appendix E to the Review Report.

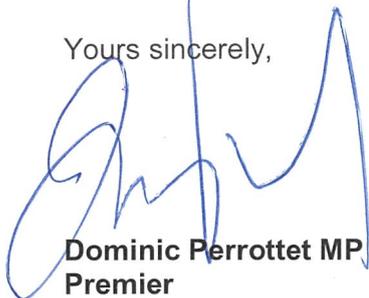
The Government response to the Committee's First Report on its inquiry into the integrity, efficacy and value for money of NSW Government grant programs, tabled on 17 September 2021, stated, relevantly, that:

The Government will provide a holistic response to the Committee's recommendations in its First Report together with any additional recommendations in its Final Report following its tabling.

In accordance with that commitment, **Attachment A** to this letter sets out the Government's response to each of the Committee's recommendations in its First and Final Reports.

I would be grateful if you could arrange for this letter to be tabled as the Government's response to Report 10.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'D Perrottet', written over the typed name.

Dominic Perrottet MP
Premier

8/6/22

Government Response to the Final Report of the Public Accountability Committee on its inquiry into the integrity, efficacy and value for money of NSW Government grant programs

Public Accountability Committee – First Report (March 2021)		
No.	Recommendation	Government Response
1	<p>That the NSW Government review and update the Good Practice Guide to Grants Administration and related circular to ensure it aligns with current best practice including:</p> <ul style="list-style-type: none"> • minimum requirements including publication of guidelines, clear chains of authority and decision-making and adequate record keeping • guidelines around the role of members of parliament and discretion of ministers and other decision-makers. 	<p>Supported. The NSW Government has reviewed and updated the Good Practice Guide to Grants Administration (see Recommendation 1 of the Review).</p> <p>The Review Report, including the updated Grants Administration Guide (Guide) at Appendix A to that Report, is available on the DPC website at https://www.dpc.nsw.gov.au/publications/reviews/review-of-grants-administration-in-nsw/.</p>
2	<p>That the NSW Government ensure that key requirements of the Good Practice Guide to Grants Administration are enforceable.</p>	<p>Supported. The Guide will be made enforceable by being issued under a Premier’s Memorandum, which is binding on Ministers, officials, and ministerial staff and can be readily updated in line with evolving best practice. The NSW Government is also considering legislative options to make compliance with the Guide a legislative requirement (see Recommendations 2 and 3 of Review).</p>
3	<p>That the NSW Government create and maintain a central website, similar to the Australian Government’s Grant Connect website for:</p> <ul style="list-style-type: none"> • all grant application information, including guidelines, objectives and eligibility • an annual calendar with open and closing dates along with projected times of project announcements. 	<p>Supported. Work is already underway to implement this recommendation. Grants are discoverable to the public through the Department of Customer Service’s NSW Government Grants and Funding Finder (www.nsw.gov.au/grants-and-funding).</p>

Public Accountability Committee – First Report (March 2021)		
No.	Recommendation	Government Response
4	<p>That the NSW Government:</p> <ul style="list-style-type: none"> increase the powers and remit of the Auditor-General of New South Wales to include 'follow the dollar' powers, consistent with other Australian State and Territory jurisdictions enable the Auditor-General of New South Wales to conduct more regular performance audits on the design and guidelines of government grant programs. 	<p>Supported in principle. NSW Treasury is examining how 'follow the dollar' powers may be applied in NSW. NSW Treasury will undertake consultation with stakeholders who might be affected by proposed 'follow the dollar' reforms, ahead of implementing the reforms via legislation.</p> <p>Noted. Section 38B of the <i>Government Sector Audit Act 1983</i> (NSW) enables the Auditor-General to 'conduct an audit of all or any particular activities of an authority to determine whether the authority is carrying out those activities effectively and doing so economically and efficiently and in compliance with all relevant laws'. A similar provision is contained in Section 421B of the <i>Local Government Act 1993</i> (NSW).</p> <p>Section 14 of the <i>Government Advertising Act 2011</i> requires the Auditor-General to 'conduct a performance audit of the activities of one or more Government agencies in relation to Government advertising campaigns of the agency in each financial year'. Outside of this prescribed performance audit, the Auditor-General has the discretion to select performance audit topics, including in relation to government grants, as has occurred recently.</p>
5	<p>That the NSW Government ensure all grant programs have, as an absolute minimum, the following legally binding and mandatory elements:</p> <ul style="list-style-type: none"> a designated decision-maker eligibility criteria a process for identifying and assessing proposed projects against those criteria 	<p>Supported. The Guide addresses this recommendation (see Chapter 6 of the Guide).</p>

Public Accountability Committee – First Report (March 2021)	
No.	Recommendation
	<ul style="list-style-type: none"> program guidelines that are clear, detailed and publicly available.
6	<p>That the Board of the [State Archives and Records Authority] reconsider its decision not to pursue further action against the Premier of New South Wales, the Hon Gladys Berejiklian MP, and her office, in light of its findings that the Office of the Premier breached the <i>State Records Act 1998</i> by destroying working advice notes regarding the Stronger Communities Fund tied grants round.</p>
7	<p>That the Legislative Council refer its concerns regarding the inappropriate design and maladministration of the Stronger Communities Fund tied grants round to the Audit Office of NSW, along with this report and committee transcripts of evidence for investigation.</p>
8	<p>That the Legislative Council refer its concerns regarding the inappropriate design and maladministration of the Stronger Communities Fund tied grants round to the Independent Commission Against Corruption, along with this report and committee transcripts of evidence for investigation.</p>
9	<p>That the Legislative Council send a message to the Legislative Assembly to establish a Joint Select Committee to inquire into and report on the NSW budget process and parliamentary oversight.</p>
10	<p>That the NSW Government, in close consultation with Local Government NSW, overhaul its current model of grant</p>
Government Response	
	<p>The decision whether to pursue legal penalties is a matter for the State Archives and Records Authority (the Authority), not the Board, to determine.</p> <p>It is noted that the Authority made recommendations on the steps that the Office of the Premier can take to help prevent non-compliance in the future. The implementation of these recommendations is ongoing.</p>
	<p>This recommendation is not directed to the NSW Government.</p>
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	<p>Noted. Councils already pursue funding opportunities according to their strategic plans which they consult on with their communities. These plans are also</p>

Public Accountability Committee – First Report (March 2021)	
No.	Recommendation
	<p>funding to local councils to move towards providing the bulk of its funding through a funding formula that:</p> <ul style="list-style-type: none"> • is linked to local councils' existing strategic planning documents and priorities • acknowledges the additional costs and needs of regional and remote councils • is predictable and provides multi-year funding commitments • is regularly and publicly reviewed to ensure it meets the needs of the sector.
11	That the NSW Government consider using staged application processes for large grants so that applicants submit an initial expression of interest and are shortlisted to progress through to a full application.
12	That the NSW Government ensure that no local government grant funding announcement is made before the recipient has been informed and accepts.
13	That the NSW Government review and standardise eligibility classifications across grant programs, including investigating whether to include a third category of 'gateway city' in its classification of regions.
	<p>Government Response</p> <p>regularly updated according to community need and economic opportunities, for example those made available through the increased presence of renewables in the regions.</p> <p>All Councils have unique strategic plans that are tailored to their communities. Flexibility and variations of grants programs allows councils to leverage and tailor their forward planning to the needs of their community.</p>
	<p>Supported. The Guide addresses this recommendation.</p>
	<p>Supported in principle. The Guide provides at 6.3 that public announcement of a grant decision should not be made before the grantee has been informed, and that written advice should be provided to unsuccessful applicants (where practicable, with reasons for the application being unsuccessful) on or before the announcement. There may be circumstances where it is impractical to require formal acceptance before an announcement is made, such as in the case of grants for emergency relief.</p>
	<p>Noted. The NSW Government will consider this recommendation through a grants administration Community of Practice (the establishment of which is recommended by the Review – Recommendation 4).</p>

Public Accountability Committee – First Report (March 2021)		
No.	Recommendation	Government Response
14	<p>That the Department of Premier and Cabinet table half-yearly reports to the Legislative Council on all current grant processes, including:</p> <ul style="list-style-type: none"> • guidelines for open and upcoming grant programs and any revisions to these guidelines • total amount available for the round and approximate amounts available to each applicant • updates on amounts paid for each project for the last quarter. <p>Further, that the Department of Premier and Cabinet publish this information on an online dashboard and update it regularly</p>	<p>Noted. The Guide addresses the substance of this recommendation through requiring the publication of grants information.</p>
15	<p>That the NSW Government ensures the Office of Local Government is audited for each grant funding round it administers, including checks to ensure whether the Office has complied with the relevant guidelines, ensured programs are subject to probity audits, and kept accurate and sufficient records</p>	<p>Noted. Recommendation 18 of the Review is that Chief Audit Executives be required to ensure that their agency's internal audit program includes regular audits of grant programs to monitor and assess compliance with the Guide. That recommendation has been supported by the NSW Government.</p>

Public Accountability Committee – Final Report (February 2022)		
No.	Recommendation	Government Response
1	<p>That this committee calls on the NSW Government to respond as a matter of urgency to its first and now its final</p>	<p>Noted. This Recommendation is addressed by the provision of this government response.</p>

Public Accountability Committee – Final Report (February 2022)

No.	Recommendation	Government Response
	<p>report on grants administration in New South Wales, in particular, the recommendations of a systemic change.</p>	
2	<p>That Service NSW ensure that:</p> <ul style="list-style-type: none"> • the current level of fraud, both paid and unpaid, are thoroughly investigated and money recovered • capable and resilient fraud control measures and identification systems are put in place to detect fraud on future grant programs and retrospectively as a matter of urgency 	<p>Supported. Service NSW has an established Fraud Response Team that operates under a Fraud Control Framework, and is responsible for investigating all allegations of, or suspected, fraud. The team is also responsible for referring any alleged criminal activity to NSW Police. Recovery of fraudulent transactions may be undertaken, and recovery measures include: bank recalls, voluntary returns, formal debt recovery through Revenue NSW, or compensation orders awarded by courts following police prosecution.</p> <p>Service NSW has implemented various preventative and detective fraud controls for each grant program and conducts fraud risk assessments for grants programs, operates in accordance with a Fraud Control Framework and utilises fraud detection and analytics software, which together assist in detecting and preventing any fraudulent applications and associated cases.</p>
3	<p>That the NSW Government urgently allocate resources, including adequate funding and staffing, to ensure that it mitigates the risk of fraud across all future government grant programs, including the implementation of sufficient fraud control measures and identification system</p>	<p>Noted. The NSW Government is committed to mitigating risk of fraud in grant programs and the Guide provides measures to mitigate such risk.</p>
4	<p>That the Minister for the Arts publish reasons whenever the Minister deviates from a grant application recommendation made by Create NSW or an Artform Advisory Board</p>	<p>Supported. The Guide addresses this recommendation more generally (not specifically in relation to the Minister for the Arts, Create NSW or an Artform Advisory Board).</p>

Public Accountability Committee – Final Report (February 2022)

No.	Recommendation	Government Response
5	<p>That Create NSW publish online a list of all applications recommended to the Minister for the Arts for funding when funding announcements are made, including:</p> <ul style="list-style-type: none"> • name of the applicant • a broad description of the project • the ranking of each application by the assessment panel 	<p>Noted. The Guide addresses aspects of this recommendation (not specifically in relation to Create NSW).</p> <p>For example:</p> <ul style="list-style-type: none"> • Section 6.3 of the Guide imposes certain mandatory requirements with respect to documenting decisions including where the decision maker departs from the recommendation of the assessment team. • Section 6.5 of the Guide provides for publishing of grant information. Officials must publish information about grants awarded, including the name of the grant or a description of the grant, the number of grants recipients, the total value of the grant opportunity and the decision-maker. <p>The Guide does not require the ranking of applications and nor does it require the publishing of all information immediately upon the making of a funding announcement – for reasons of administrative practicality it allows for a period of 45 days within which to publish grant information. That timeframe aligns with the timeframe for registering government contracts under the <i>Government Information (Public Access) Act 2009</i>.</p> <p>In addition to Ministers and their staff, the Guide applies to officials, being government sector employees within the meaning of the <i>Government Sector Employment Act 2013</i> (NSW) - this includes employees of Create NSW.</p>
6	<p>That Create NSW review all arts-related grant application forms and processes with a view to simplifying and streamlining the process</p>	<p>Supported. Create NSW reviewed its application forms and processes following the inquiry hearings and has already made significant changes to its application processes in order to simplify and streamline the process. Create NSW regularly seeks customer feedback on the application process with a view to continuous improvement, noting the need for clarity and relevance of information given the competitive nature of its grants.</p>

Public Accountability Committee – Final Report (February 2022)

No.	Recommendation	Government Response
7	That the NSW Government ensure that arts organisations, peak bodies and individual artists are considered in separate funding streams with targeted application requirements and criteria for each distinct group.	Noted
8	That the NSW Government reinstate devolved funding programs under the Arts and Cultural Funding Program.	Noted
9	That the NSW Government revise its provision of grant funding to peak bodies and restore dedicated funding for these bodies outside of a grants process. If this recommendation is not supported, the committee instead recommends that Create NSW return to funding peak bodies with multi-year, rather than annual, funding.	Noted
10	That all NSW Government grant schemes follow a mandatory set of guidelines which detail the process for award of the grant, the criteria considered and the requirements for public reporting of the guidelines, criteria, decision making process and final outcomes. Such guidelines are to provide different streams for different grant processes, with all grants subject to common requirements of integrity, transparency and prioritising of the public good.	Supported. The Guide addresses this recommendation.
11	That, where the decision maker for a grant program is a public servant, the committee notes the submission of the Independent Commission Against Corruption that in certain circumstances Ministers or Ministerial staff attempting to influence that decision could prove to be a breach of public trust. It is recommended that the NSW Government	Supported. The Guide addresses this recommendation.

Public Accountability Committee – Final Report (February 2022)

Public Accountability Committee – Final Report (February 2022)		Government Response
No.	Recommendation	Government Response
	strengthen its processes to make sure that this does not occur	
12	That the NSW Government ensure that when a Minister who is a decision maker for a grants process does not agree, in whole or in part, with a written recommendation of the agency administering the grants program, the Minister is required to do so in writing, providing full and adequate reasons. Such a decision should be made public, for example, by publishing on a centralised grants website.	Supported. The Guide addresses this recommendation.
13	That the Public Accountability Committee conducts a further inquiry into the integrity, efficacy and value for money of NSW Government grant programs, including whether recommended reforms from key bodies have been implemented.	This recommendation is not directed to the NSW Government.