



THE AUDIT OFFICE  
OF NEW SOUTH WALES

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Mr Paul Gibson MP  
Chair  
Public Accounts Committee  
Legislative Assembly  
Parliament House, Macquarie Street  
SYDNEY NSW 2000



24 June 2010

Dear Mr Gibson

**Examination of Auditor-General's performance audit report  
*Grants Administration***

We have reviewed the submission provided by the Department of Premier and Cabinet concerning the recommendations in the *Grants Administration* report.

We are pleased that the Department's submission indicates that it has accepted our recommendations and is making satisfactory progress in implementing them.

DPC has incorporated all of our recommendations into its revised *Good Practice Guide to Grants Administration*, except for one - the *Guide* does not explicitly recommend that agencies tie payment to clear performance measures where outcomes are important and significant funds are involved. However, the *Guide* does recommend agencies adopt appropriate performance measures and monitoring regimes appropriate for the risks involved.

Please find attached our assessment of the extent to which each response addresses the issue raised in the original report, along with a comment on progress. We have not substantiated the submission.

I plan to forward a copy of this correspondence to the Director-General of the Department of Premier and Cabinet.

I am happy to provide any further assistance the Committee may need in completing its examination.

Peter Achterstraat  
Auditor-General

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Schedule of Grants recommendations, DPC's response and Audit Office comments

| Recommendations  | Does DPC's response indicate appropriate action has started? | NSW Audit Office comments on progress reported in DPC's comment   |
|--|--|---|
| 1. manage risk and streamline procedures to the minimum needed to ensure accountability and value for money (Pages 14 and 34).   | Yes  | Rec incorporated in DPC <i>Guide</i> p.5  |
| 2. improve transparency by publishing in an accessible and timely way: <ul style="list-style-type: none"> <li>• a rolling calendar of grants funding expected to be available in the next 12 months (Page 30)</li> <li>• their procedures for making grant decisions (Page 31)</li> <li>• Ministerial Directions to make or refuse grants outside of normal procedures (Page 31)</li> <li>• evaluation of what grant programs achieved and how the distribution of funds has supported government objectives (Page 21).</li> </ul> | Yes  | Rec incorporated in DPC <i>Guide</i> :<br><br>p.9<br><br>p.12<br>p.13<br><br>p.13, 22   |
| 3. set up timely monitoring systems,<br><br>tie payment to clear performance measures<br><br>and require the recipient to establish internal controls (Page 14).   | Yes<br><br>Partly<br><br>Yes                                 | Rec incorporated in DPC <i>Guide</i> p.16 - 21<br><br>The Guide supports performance measures but does not explicitly recommend that agencies tie payment to performance where outcomes are important and significant funds are involved<br><br>Rec incorporated in DPC p.3 |
| 4. tell unsuccessful applicants why their proposal was rejected (Page 32).   | Yes  | Rec incorporated in DPC p.11, 13  |

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| <p>5. reduce red-tape by using:</p> <ul style="list-style-type: none"> <li>• standard terminology when dealing with grant recipients (Page 37)</li> <li>• three or four year agreements for recurrent services and ongoing projects (Page 38)</li> <li>• targets to better manage the time taken to process grants (Page 38)</li> <li>• integrated funding and management of multiple grants (Page 35).</li> </ul> | <p>Yes</p> | <p>Rec incorporated in DPC <i>Guide</i>:</p> <p>p.3 (this rec is also compatible with the Guide's call for agencies to use a standard chart of accounts)</p> <p>p.14</p> <p>p.3</p> <p>p.3</p>                           |
| <p>6. review its Guide and amend it to provide:</p> <ul style="list-style-type: none"> <li>• more assistance for planning, evaluating and reporting on programs designing funding agreements and managing risk (Page 13)</li> <li>• consistent standard terminology for agencies dealing with grant recipients (Page 37).</li> </ul>   | <p>Yes</p> | <p>Rec incorporated in DPC <i>Guide</i>:</p> <p>p.3-5</p> <p>p.22 -23</p> <p>p.14 -'17</p> <p>p.5 -6</p> <p>p.3 (this rec is also compatible with the Guide's call for agencies to use a standard chart of accounts)</p> |
| <p>7. encourage agencies to regularly evaluate programs and publish the results (Page 29).</p>   | <p>Yes</p> | <p>Rec incorporated in DPC <i>Guide</i> p.22</p>   |
| <p>8. encourage agencies to use web-technology to:</p> <ul style="list-style-type: none"> <li>• make it easier to apply for grants</li> <li>• improve the information available to grant makers and recipients</li> <li>• streamline interactions between grant makers and recipients (Page 32).</li> </ul>  | <p>Yes</p> | <p>Rec incorporated in DPC <i>Guide</i> p.12</p>   |