

**Submission
No 13**

**EXAMINATION OF THE AUDITOR-GENERAL'S
PERFORMANCE AUDIT REPORTS JULY 2015 –
JANUARY 2016**

Organisation: Department of Industry
Name: Mr Simon Smith
Position: Secretary
Date Received: 24 February 2017



Office of the Secretary

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Mr Bruce Notley-Smith MP
Chair, Public Accounts Committee
Parliament of New South Wales
Macquarie Street
SYDNEY NSW 2000

Dear Mr Notley-Smith

Auditor-General's performance audit report - *Government Assistance to Industry*

Thank you for your letter dated 1 December 2016, requesting a submission from the NSW Department of Industry, Skills and Regional Development outlining action to date in response to the recommendations in the Auditor-General's Report on *Government Assistance to Industry*. The Department's submission is enclosed.

The Auditor-General's Report coincided with the NSW Government's decision to close the State Investment Attraction Scheme and the Regional Industries Investment Fund, and was a key reference for the establishment of Jobs for NSW and the Jobs for NSW Fund.

In its design, Jobs for NSW has served to address a number of issues identified in the Report. In the last twelve months, job creation has been formalised as the overarching rationale for industry assistance, and associated sub-targets have been set across Divisions to achieve this aim.

The consolidation of funding under Jobs for NSW has also established a consistent framework for the allocation of direct assistance, as outlined in the *Jobs for NSW Project Assessment Framework*, as well as a standard approach for the reporting of direct assistance paid from the Jobs for NSW Fund.

While many of the recommendations in the Report have informed, and will continue to guide industry assistance programs, the Department notes that a one size fits all approach does not meet the needs of all industries and regions. Consequently, the Department continues to utilise program-specific objectives and associated principles, where it is in the best interest of the State.

Should you require any further information please contact David Mitchell, Manager, Policy Coordination, Ministerial Liaison Office, (02) 9338 6957, david.a.mitchell@industry.nsw.gov.au.

Yours sincerely

Simon A Y Smith
Secretary

Encl.

IMPLEMENTATION OF RECOMMENDATIONS

Department of Industry, Skills and Regional Development

Performance Audit – Government Assistance to Industry

RECOMMENDATIONS	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS (COMPLETED, ON-TRACK, DELAYED) AND COMMENT	RESPONSIBILITY	
By September 2016, the Department of Industry, Skills and Regional Development and the Department of Premier and Cabinet should:						
1.	Jointly develop a whole-of-government definition for industry assistance	Accepted with qualification	Determine whether a whole-of-government definition for industry assistance would deliver results for NSW.	September 2016	Completed The Department of Industry concurs that a whole-of-government definition for industry assistance will provide increased consistency across government. Although any single definition will not reflect the diverse nature and objectives of industry assistance programs undertaken by the NSW Government, 'industry assistance' generally refers to those initiatives targeted at groups of businesses or individual businesses, including grants, that lead to job creation or retention, or economic development, or productivity and innovation more generally.	The Department of Industry The Department of Premier and Cabinet – Economic Policy Group
2.	Jointly develop guiding principles for the circumstances when providing direct assistance to industry is appropriate, including genuine market failures, sustainability of firms, long term industry viability, and demonstrating net community benefits through requiring comprehensive cost-benefit analysis for assistance above \$200,000	Accepted with qualification	Develop a framework that outlines the circumstances when providing direct assistance to industry is appropriate.	September 2016	Completed The Jobs for NSW Board has endorsed the Project Assessment Framework to guide investment in job creation projects in New South Wales. This includes consideration of marginal impact of assistance and job creation, amongst other assessment metrics. Where suitable, cost benefit analysis is used to determine potential impact. The Project Assessment Framework is regularly reviewed and ensures that Jobs for NSW supports projects that lead to genuine new jobs. Additionally, the Department of Industry has a range of program-specific objectives and associated principles for the provision of industry assistance. The Department of Industry will continue to use program-specific objectives, to enable programs to be targeted and responsive.	The Department of Industry The Department of Premier and Cabinet – Economic Policy Group
By September 2016, the Department of Industry, Skills and Regional Development should:						
3.	Develop departmental level targets for industry development outcomes	Accepted	Job creation to be adopted as the departmental level target for industry development, reflecting the Premier's priority.	September 2016	Completed The Premier of NSW has committed to creating 150,000 new jobs by 2019. The job creation target has been formalised in the NSW Department of Industry's Corporate Plan 2015-19, and reported against the Premier's Priority Dashboard.	Economic, Skills and Regional Development

RECOMMENDATIONS		ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS (COMPLETED, ON-TRACK, DELAYED) AND COMMENT	RESPONSIBILITY
4.	Develop targets for each industry assistance program which align with departmental level targets	Accepted	Develop indicators to measure Jobs for NSW programs.	December 2016	Completed Jobs for NSW has developed job creation indicators for each program. The methodology for the measurement of indicators and the subsequent reporting framework are currently in development. Additionally, each division has a strategic plan that aligns with the Corporate Plan. The Divisional Strategic Plans capture each division's own specific targets and performance measures. The Corporate Dashboard tracks the Department's collective performance against each of the outcomes on the Corporate Plan.	Jobs for NSW
5.	Report comprehensive industry assistance program information annually, covering: overall level of assistance (both direct and indirect); program administration costs; level of assistance by priority industry sector; geographic coverage; number of applicants and number of approved projects; ongoing program benefits (expected and realised)	Accepted with qualification	Jobs for NSW to produce an annual report, in line with the <i>Jobs for NSW Act 2015</i> .	October 2016	Completed Jobs for NSW delivered the first Annual Report to the Minister on 1 October 2016, and it is published on the Jobs for NSW website. The Department of Industry reports on all other industry assistance initiatives in accordance with the NSW Treasury guidelines. In some cases commercial-in-confidence details are not released in order to protect taxpayers' interests. There is often strong competition between jurisdictions seeking to attract footloose investment, and revealing amounts paid will place upward pressure on funding offers that are required.	Jobs for NSW
6.	Increase the amount and detail of public reporting on all projects that receive direct industry assistance, including the amount of assistance provided (where this is not possible, the Department should outline why), recipient name, industry, project description and benefits	Accepted with qualification	Jobs for NSW to produce an annual report, in line with the <i>Jobs for NSW Act 2015</i> .	October 2016	Completed Jobs for NSW delivered the first Annual Report to the Minister on 1 October 2016, and it is published on the Jobs for NSW website. Jobs for NSW is not able to divulge information relating to specific assistance where this is provided as commercial-in-confidence information. The Department of Industry reports on all other industry assistance initiatives in accordance with the NSW Treasury guidelines. In some cases commercial-in-confidence details are not released in order to protect taxpayers' interests (as explained in response to recommendation 5).	Jobs for NSW
7.	Review industry assistance programs to ensure objectives are clearly defined (i.e. specific, measurable and time-related)	Accepted	Commission an independent review of industry assistance programs.	September 2016	Completed In preparation for the Jobs for NSW Initiative, the Department commissioned an independent	The Department of Industry

RECOMMENDATIONS		ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS (COMPLETED, ON-TRACK, DELAYED) AND COMMENT	RESPONSIBILITY
					<p>review of industry assistance programs, focusing on eight principal activities and programs (including the Regional Industries Investment Fund and the State Investment Attraction Scheme). The design of Jobs for NSW was informed by this review, as well as by draft performance recommendations provided by the Audit Office.</p> <p>The remaining industry assistance programs will be considered for evaluation as part of the Department's rolling program evaluation schedule, in line with the 2016 NSW Government Program Evaluation Guidelines.</p>	
8.	Review the suite of industry assistance programs to determine whether coverage of regions and priority industries is appropriate and the extent of overlap between programs	Accepted	Commission an independent review of industry assistance programs.	September 2016	<p>Completed</p> <p>Legislation governing Jobs for NSW requires a minimum of 30 per cent of the Fund to be directed to regions. This includes all areas outside of Sydney, Newcastle and Wollongong.</p>	The Department of Industry
9.	Evaluate the State Investment Attraction Scheme and Regional Industries Investment Fund to inform the design of the Jobs for NSW Fund. The evaluations should be done at arms-length from the responsible program managers, address whether the programs achieved long term benefits and met their objectives efficiently, and be made public	Accepted with qualification	Commission an independent review of industry assistance programs, including the State Investment Attraction Scheme and Regional Industries Investment Fund.	September 2016	<p>Completed</p> <p>In preparation for the Jobs for NSW Initiative, the Department commissioned an independent review of industry assistance programs, including the State Investment Attraction Scheme and the Regional Industries Investment Fund.</p> <p>The State Investment Attraction Scheme and the Regional Industries Investment Fund were closed and remaining uncommitted funds were reallocated to the Jobs for NSW Fund.</p> <p>The Report was not made public as it contained analysis of policy issues that were under consideration by the NSW Government at the time.</p>	Jobs for NSW
10.	Establish a schedule of formative and summative evaluations for all programs that use direct industry assistance	Accepted	Develop a schedule of formative and summative evaluations for all programs that use direct industry assistance.	September 2016	<p>Completed</p> <p>Programs that use direct industry assistance are a subset of all Departmental programs, which are all to be progressively evaluated in order of priority as outlined in the 2016 NSW Government Program Evaluation Guidelines and accompanying Department of Premier and Cabinet Circular (C2016-01-Program Evaluation).</p>	Economic, Skills and Regional Development