



Tasmanian
Audit Office



**Report of the Auditor-General
No. 4 of 2016-17**

Event funding

November 2016

THE ROLE OF THE AUDITOR-GENERAL

The Auditor-General's roles and responsibilities, and therefore of the Tasmanian Audit Office, are set out in the *Audit Act 2008 (Audit Act)*.

Our primary responsibility is to conduct financial or 'attest' audits of the annual financial reports of State entities. State entities are defined in the Interpretation section of the Audit Act. We also audit those elements of the Treasurer's Annual Financial Report reporting on financial transactions in the Public Account, the General Government Sector and the Total State Sector.

Audits of financial reports are designed to add credibility to assertions made by accountable authorities in preparing their financial reports, enhancing their value to end users.

Following financial audits, we issue a variety of reports to State entities and we report periodically to the Parliament.

We also conduct performance audits and compliance audits. Performance audits examine whether a State entity is carrying out its activities effectively and doing so economically and efficiently. Audits may cover all or part of a State entity's operations, or consider particular issues across a number of State entities.

Compliance audits are aimed at ensuring compliance by State entities with directives, regulations and appropriate internal control procedures. Audits focus on selected systems (including information technology systems), account balances or projects.

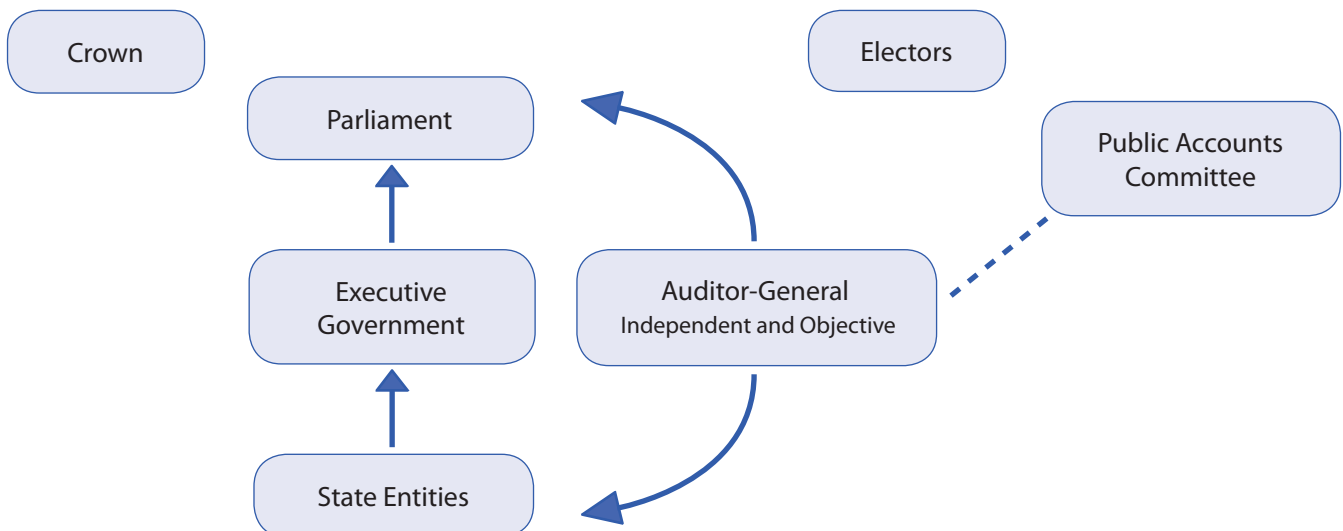
We can also carry out investigations but only relating to public money or to public property. In addition, the Auditor-General is now responsible for state service employer investigations.

Performance and compliance audits are reported separately and at different times of the year, whereas outcomes from financial statement audits are included in one of the regular volumes of the Auditor-General's reports to the Parliament normally tabled in May and November each year.

Where relevant, the Treasurer, a Minister or Ministers, other interested parties and accountable authorities are provided with opportunity to comment on any matters reported. Where they choose to do so, their responses, or summaries thereof, are detailed within the reports.

The Auditor-General's Relationship with the Parliament and State Entities

The Auditor-General's role as Parliament's auditor is unique.



2016

No. 21



2016

PARLIAMENT OF TASMANIA

**REPORT OF THE
AUDITOR-GENERAL
No. 4 of 2016–17**

Event funding

November 2016

Presented to both Houses of Parliament in accordance with the provisions of the Audit Act 2008

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15 November 2016

President
Legislative Council
HOBART

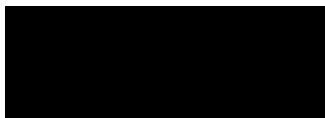
Speaker
House of Assembly
HOBART

Dear Mr President
Dear Madam Speaker

REPORT OF THE AUDITOR-GENERAL
No.4 of 2016–17: Event funding

This report has been prepared consequent to examinations conducted under section 23 of *the Audit Act 2008*. The objective of the audit was to express an opinion on whether supported events were cost effective for Tasmania and funded in accordance with applicable government policy.

Yours sincerely



Rod Whitehead
AUDITOR-GENERAL

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Foreword

Tasmanian Government departments contribute funding to more than 100 events annually, at an estimated annual cost of \$10.0 million. This often gives rise to questions as to whether this level of funding is required, or justified, and whether the benefits derived by the Tasmanian community exceed the funding provided.

There are often good economic and non-economic reasons why a government provided support for a special event. Special events increase the opportunities for new expenditure within a host region by attracting visitors to the region. They have the capacity to stimulate business activity, creating income and jobs in the short term and generate increased visitation and related investment in the longer term. Sponsorship by governments of special events, even when they are run at a financial loss, is often justified by the claim that the events produce economic benefits for the region in which they are hosted, or the state as a whole.

It is recognised that there may be other perceived benefits from events, such as enhancing the image of a city or region, facilitating business networking and civic pride. Events can also result in associated social and cultural benefits to a destination, providing forums for continuing education and training, facilitating technology transfer etc. On the other hand, events are recognised to generate adverse environmental impacts such as various forms of pollution and adverse social impacts such as disruption to local business and community backlash.

This Report examines whether supported events were funded in accordance with applicable government policy and whether they are cost effective for Tasmania. The second element is often difficult to test or evaluate, as there are qualitative, as well as quantitative factors that should be considered when evaluating the success or benefit of an event. Granted this, however, we do not think it reasonable that public funds be spent without evidence-based belief that the benefits will exceed the cost. Accordingly, our expectation was that quantitative evaluation would have been performed, wherever reasonably possible.

Within Australia, there is ongoing debate about how the value of events should be measured. In the absence of a generally accepted evaluation methodology, or approach, we developed our own cost benefit model to assess the value of a sample of events supported by government departmental funding in 2014.

I hope that this Report:

- emphasises the importance of being able to evaluate individual events in their own right so that sound decisions can be made on which events to support
- enhances the understanding of the value that government funded events provide to Tasmania.

This performance audit benefitted strongly from the input of an advisory committee consisting of representatives from the Department of State Growth, the Department of Premier and Cabinet, the Department of Health and Human Services and the University of Tasmania. I thank them all for their contribution to this report.

Rod Whitehead

Auditor-General

15 November 2016

List of acronyms and abbreviations

AFL	Australian Football League
DHHS	Department of Health and Human Services
DPAC	Department of Premier and Cabinet
State Growth	Department of State Growth
HFC	Hawthorn Football Club
ROI	Return on investment
TCP	Tasmanian Communications Policy
TI	Treasurer's Instruction

Executive summary

Executive summary

Background

Tasmanian Government departments contribute funding to more than 100 events annually, at an estimated annual cost of \$10.0 million.

The events are supported for many reasons including attracting tourists, promoting business and supporting cultural activities, such as arts and sport.

Sponsorship of events is often justified by the ‘market failure’ argument that an anomaly in the market place prevents optimal economic outcomes. In the case of sporting and cultural events, the anomaly is that organisers may not achieve a positive financial return because they are unable to take advantage of all the benefits to the state or community generated by the events.

Audit objective

To express an opinion on whether supported events were cost effective for Tasmania and funded in accordance with applicable government policy.

Audit scope

The audit included a sample of events supported by government departmental funding in 2014¹. Audit clients included all those that provided funding to the sampled events.

Audit criteria

Audit criteria used:

- Was event funding properly approved?
- Was there evidence of adequate pre-funding evaluation?
 - Did business cases or other rationales indicate a significant quantitative net benefit for government and its clients?
 - Did business cases or other rationales indicate a significant qualitative benefit for government and its clients?

¹ In limiting the scope to events funded by departments, we have excluded events funded by other state entities, such as TT Line’s sponsorship of the North Melbourne Football Club games in Hobart.

- Was the sponsorship cost effective?
- Were risks identified and controls and mitigation strategies implemented?
- Were funding agreements effectively managed?
 - Was there a written agreement clearly outlining terms, conditions and responsibilities?
 - Did agencies seek advice from Crown Law regarding proposed sponsorship agreements (where appropriate)?
 - Were controls (e.g. monitoring) imposed to ensure compliance with agreements?
- Were post-event evaluations performed?

Detailed audit conclusions

Had funding agencies complied with reasonable processes?

Based on our testing, event funding was approved at appropriate levels.

Qualitative criteria (e.g. effective management of event) were used to assess eligibility for funding, for all but four of our sample of funded events. However, quantitative pre-funding evaluations had not been performed for 14 of 17 funded events.

Despite substantial evidence of risk mitigation, risk management process had not been undertaken. Funding agreements existed, were considered by Crown Law and included adequate monitoring controls.

However, despite an exit report being required and obtained, no evidence was provided for 13 of 19 events that post-event evaluations had been performed.

Did funded events generate a net benefit to Tasmania?

Based on our own simplified cost-benefit model we concluded that funding of most individual events was justified by cost-benefit analysis.

We also concluded that total event funding generated a substantial net benefit for Tasmania.

Recommendations made

The Report contains the following recommendations:

Rec	Section	We recommend that ...
1	1.3	... all documentation related to event-funding decisions be retained.
2	1.4	... evaluation against qualitative criteria including at least alignment with government policy and effective management of the event be performed prior to agreeing to fund events.
3	1.5	... quantitative assessment, preferably cost benefits analysis, be performed wherever reasonably possible, prior to agreeing to fund events.
4	1.8	... exit reports for funded events be routinely compared with the information used to make funding decisions.

Audit Act 2008 section 30 — Submissions and comments received

Audit Act 2008 section 30 — Submissions and comments received

Introduction

In accordance with section 30(2) of the *Audit Act 2008*, a copy of this Report was provided to the departments indicated in the Introduction to this Report.

A summary of findings, with a request for submissions or comments, was also provided to the relevant portfolio Ministers and the Treasurer.

Submissions and comments that we receive are not subject to the audit nor the evidentiary standards required in reaching an audit conclusion. Responsibility for the accuracy, fairness and balance of these comments rests solely with those who provided the response. However, views expressed by agencies were considered in reaching review conclusions.

Section 30(3) of the Act requires that this Report include any submissions or comments made under section 30(2) or a fair summary of them. Submissions received are included in full below.

Department of Health and Human Services

Thank you for letter dated 2 November 2016 providing a copy of the above report and the opportunity to provide a response.

The Department of Health and Human Services (DHHS) welcomes the report and agrees with the recommendations, noting that these recommendations apply to all events funded by Government.

I note the report identified social benefits as an aim of events, however these benefits were not within the scope of the audit. In terms of measuring the net value of funded events to the Tasmanian community, social benefits may have also been included in the audit.

This may be a matter that you wish to consider in future audits. Again, thank you for the opportunity to comment on the report.

Michael Pervan
Secretary

Department of Premier and Cabinet

Thank you for providing a copy of the Report of the Auditor-General No.4 of 2016-17 - Event Funding (the Report) and for the opportunity to provide comments. I note that two of the events selected for review were Seniors Week 2014 and the Tasmanian Youth Forum 2014 which received funding through the Department of Premier and Cabinet (DPAC)'s Communities, Sport and Recreation (CSR).

DPAC welcomes the findings contained in the Report. I am particularly pleased to note the Report concludes that overall event funding was approved at appropriate levels; funding of most individual events was justified by cost benefit analysis and that total event funding generated a substantial net benefit for Tasmania.

The Report contains four recommendations. In regards to Recommendations Two and Three, I wish to provide some observations, particularly as they relate to Seniors Week 2014.

Recommendation Two – Qualitative assessment

The Report recommends that qualitative criteria, including alignment with government policy and effective management of the events, be performed prior to agreeing to fund events. It states that qualitative assessment was not provided for Seniors Week 2014.

I note that CSR considered a number of factors prior to supporting Seniors Week 2014 to ensure the funding provided was appropriate:

- o Funding Seniors Week 2014 directly supported the objectives of the government's policy - the Inclusive Ageing: Tasmania 2012-2014 Strategy.
- o Seniors Week 2014 supported a recognised cohort and responded to Tasmania's ageing population.
- o Seniors Week funding is effectively managed through a Grant Deed between DPAC and the Council on the Ageing Tasmania (COTA TAS) in which a Key Performance Indicator requires COTA TAS to provide an annual evaluation of Seniors Week and written report to DPAC, including for Seniors Week 2013. CSR considered the Seniors Week 2013 Report prior to supporting Seniors Week 2014.
- The Seniors Week 2013 Report states, 'informal and anecdotal feedback from a variety of sources was also noted and will again be used in conjunction with the structured formal

research to inform COTA's post-program review and future planning processes'.

- The Seniors Week 2013 Report also highlights the COTA Tas patron survey found that over 99 per cent of respondents thought that Seniors Week benefited the community.

Recommendation Three - Quantitative evaluation

The Report states that quantitative assessment was not provided for Seniors Week 2014. I note that the Seniors Week 2013 Report highlighted:

- o the COTA Tas Seniors Week event organiser survey found that 81 per cent of event organisers thought that Seniors Week participation assisted with promotion of their business or organisation;
- o nearly three quarters of respondents had between one and nine volunteers to help run events (the economic benefit of volunteering in Australia has been valued at \$290 billion); and
- o there was an explicit economic benefit with 52 per cent of organisers employing between one and 20 paid staff at the events.

While there are economic benefits which come from community-focused events, they are hard to quantify. For example, these include savings to the health system resulting from older Tasmanians staying healthy, active and engaged in their community.

The Report recommends that quantitative assessments, preferably cost benefits analysis, should be performed wherever reasonably possible, prior to agreeing to fund events. DPAC supports this recommendation in-principle, as it recognises that while cost benefit analysis is preferable, especially for large events which involve substantial funding, it is not always critical, applicable or even possible.

However, this principle of 'wherever reasonably possible' does not seem to be adopted consistently throughout the Report. There is a lack of consideration for non-economic benefits which flow from community-based events in the Report. For example, page 34 states that there is no evidence that funding Seniors Week 2014 provides greater benefits to the State than the cost of funding. This is despite another conclusion on page 49 of the Report, which states there are strong reasons to fund Seniors Week, unrelated to cost benefit analysis.

The intended purpose of the Seniors Week funding is not to generate an economic benefit for the State. Seniors Week and

the Tasmanian Youth Forum are two examples of many programs, policies and grants delivered by DPAC aimed at increasing opportunities for participation and social inclusion; addressing participation barriers for specific population groups; and building community capacity.

DPAC asserts that any evaluation must consider the purpose and objectives of funding, beyond a cost-benefit evaluation. This is particularly important in relation to DPAC grants, which are governed by Treasurer's Instruction 7109, which does not specifically require rationales to show a net benefit.

Additional comments

I note there is some ambiguity around the concept of Seniors Week. Page 34 notes that Seniors Week is an annual event. While this is technically correct, the Report does not explain that Seniors Week is not a single event, but a number of events held across the State during a specified time period. For example, funding for Seniors Week 2014 supported 455 events by 144 organisers. This means the Tasmanian Government funding of \$35,133 equated to less than \$78 per event.

I am pleased to advise that since 2014, improvements to grants management processes have been implemented by CSR. However, the recommendations contained in the report will be considered by DPAC as part of annual reviews and risk mitigation processes.

Thank you once again for the opportunity to provide comments on the Report.

Greg Johannes
Secretary

Department of State Growth

The Department of State Growth welcomes the opportunity to provide management comment in response to this audit report.

The audit includes a sample of events supported by State Government funding for the period 2013 to 2014. Events Tasmania and Arts Tasmania Business Units of the Department of State Growth were included in the audit scope. The Department wishes to advise that some of the events included in this time period were assessed and contracted under previous administrative arrangements prior to the formation of the Department of State Growth in July 2014.

With regards to your offices' query regarding the nature of the contracts used throughout the assessed programs, we note that with the exception of the Hawthorn Football Club contract (which contains an element of sponsorship) contracts are generally managed as grants, thus current Treasurer's instruction relating to Grants (TI 709) are currently not subject to quantitative evaluation, however the Department considers there is merit in exploring the benefits of this approach in the future.

I note your comments and assessment in the report on the most appropriate method for assessing and estimating the benefits of event grant funding by way of a Return on Investment (ROI) model, used to assess the value of the events covered within the audit. The Department is pleased to note that on this basis your office has returned a finding that adequate pre-evaluation activity was undertaken.

Further, the Department takes great comfort in the endorsement of the decisions made under a grants management model through your office's retrospective application of quantitative analysis through an ROI methodology. In particular your comments that the benefits from total event funding have generated substantial net benefits for Tasmania demonstrate the return on investment to the Tasmanian community in addition to the economic effects.

We note recommendations and findings in several key areas, including:

1. That event funding was approved at appropriate levels and against generally sound criteria aimed at assessing funding eligibility and overall event risks. These processes have been and continue to be refined through the Department's annual planning and review processes.
2. The report correctly notes inconsistencies in relation to documented processes in previous pre- and post-event evaluation processes. The Department is pleased to note that the same issues were identified as part of an internal business improvement program, resulting in the development of risk matrixes and assessments within selection criteria, compulsory exit reporting and project acquittals compared against contracted deliverables and the implementation of a robust grants management system to track, report and analyse funding outcomes. This approach is now in active use for Events Tasmania funded projects.
3. The Department recognises that supported events should demonstrate a level of cost effectiveness for Tasmania and as

such are funded in accordance with applicable Government policy. The Department recognises any assessment of the value of events should include an understanding and analysis of compliance against the qualitative and quantitative outcomes and objectives developed within the relevant business unit strategy documents, as these represent the Department's direct response to the Government's priorities of the day. The recommendation of your office relating to quantitative assessment is noted and will be considered by the Department for adoption in future evaluation matrices on a program by program basis.

I thank you for the opportunity to provide comment in relation to this report and will continue to work with your office to ensure shared awareness of our improvement processes in place for the assessment and valuing of the events supported under our programs.

Kim Evans
Secretary

Introduction

Introduction

Background

Tasmanian Government departments contribute funding to more than 100 events annually, at an estimated annual cost of \$10.0 million.

Most events are funded through Events Tasmania, a unit of the Department of State Growth². Other departmental units, such as Communities, Sport and Recreation Tasmania³, Screen Tasmania and Arts Tasmania⁴ also fund events that are relevant to their objectives. Funding models used include grants, sponsorships and partnerships which are subject to different but similar regulations.

Notable supported events in 2014 included:

- Dark MOFO, in Hobart (\$1.0 million)
- V8 Supercars Championship Series at Symmons Plains (\$650 000)
- Hawthorn Football Club (HFC) playing Australian Football League (AFL) games in Tasmania and promoting Tasmania (\$3.8 million).

The events are supported for many reasons including attracting tourists, promoting business and supporting cultural activities, such as arts and sport.

Sponsorship of events is often justified by the 'market failure' argument that an anomaly in the marketplace prevents optimal economic outcomes. In the case of sporting and cultural events, the anomaly is that organisers may not achieve a positive

² Events Tasmania was a unit of the Department of Economic Development, Tourism and the Arts. In 2014, it was transferred to State Growth. Approvals for some of the events covered in this report occurred prior to the transfers.

³ Sport and Recreation Tasmania was a unit of the Department of Economic Development, Tourism and the Arts until June 2014 when it was transferred to the Department of Premier and Cabinet, merging with the Community Development Division to form Communities, Sport and Recreation. Approvals for some of the events covered in this report occurred prior to the transfer.

⁴ Events Tasmania, Screen Tasmania and Arts Tasmania were units of the Department of Economic Development, Tourism and the Arts until 2014 when they were transferred to State Growth. Approvals for some of the events covered in this report occurred prior to the transfers.

financial return because they are unable to take advantage of all the benefits to the state or community generated by the events.

Audit objective

To express an opinion on whether supported events were cost effective for Tasmania and funded in accordance with applicable government policy.

Audit scope

The audit included a sample of events supported by government departmental funding in 2014⁵. Departments included in the audit were:

- Department of Health and Human Services (DHHS)
- Department of Premier and Cabinet (DPAC)
- Department of State Growth (State Growth).

Audit criteria

Audit criteria used:

- Was event funding properly approved?
- Was there evidence of adequate pre-funding evaluation?
 - Did business cases or other rationales indicate a significant quantitative net benefit for government and its clients?
 - Did business cases or other rationales indicate a significant qualitative benefit for government and its clients?
 - Was the sponsorship cost effective?
 - Were risks identified and controls and mitigation strategies implemented?
- Were funding agreements effectively managed?
 - Was there a written agreement clearly outlining terms, conditions and responsibilities?
 - Did agencies seek advice from Crown Law regarding proposed sponsorship agreements (where appropriate)?

⁵ In limiting the scope to events funded by departments, we have excluded events funded by other state entities, such as TT Line's sponsorship of the North Melbourne Football Club games in Hobart.

- Were controls (e.g. monitoring) imposed to ensure compliance with agreements?
- Were post-event evaluations performed?

Audit approach

The audit:

- selected events funded by government from 2014⁶
- assessed a sample of events provided by the departments against the criteria
- collected evidence through analysis of funding submissions made to departments
- discussed funding processes with relevant officers.

Timing

Planning for this audit began in November 2015 with fieldwork undertaken until September 2016. The report was finalised in October 2016.

Resources

The audit plan recommended 900 hours and a budget, excluding production costs, of \$184 437. Total hours were 821 and actual costs, excluding production, were \$172 864, which was within our budget.

Why this project was selected

This audit was included in our Annual Plan of Work for 2014–15 and 2015–16 because funding of events represents significant discretionary funding and is of interest to the public. Events also have the potential to generate significant flow-on economic benefits to Tasmania.

⁶ Events from 2014 were selected at our discretion based on a list of funded events compiled by officers from the Department of Premier and Cabinet. The audit was not commenced for some time, but the list was still considered relevant because:

- most of the events were still funded at the time of the audit
- the elapsed time provided the opportunity to consider post event reviews.

1 Had funding agencies complied with reasonable processes?

1 Had funding agencies complied with reasonable processes?

1.1 Background

Events are funded under agreements that are variously categorised as grants, sponsorships and partnerships.

With both sponsorships and grants, the provider of funds receives no direct economic benefit. The difference appears to be that with grants, benefits are not derived from being associated with the event, but rather the benefit comes from some other objective of the grantor being achieved.

Partnerships are mutually beneficial and co-operative relationships. In practice though, while the two parties may share values and objectives and even some resources, the grantor provides funding for no direct economic benefit.

Accordingly, the three types of agreement have a lot in common.

In terms of regulation:

- Grants are subject to Treasurer's Instruction No. 709, *Grants Management Framework* (TI 709)⁷.
- Sponsorships and partnerships are subject to the Tasmanian Communications Policy (TCP), Sections 8.10 and 8.11, respectively⁸.

Regulations with respect to audit criteria are summarised in Table 1.

⁷ Department of Treasury and Finance, *Treasurer's Instruction 709 Grant Management Framework*, Treasury, Hobart, July 2011.

⁸ Department of Premier and Cabinet, *Tasmanian Government Communications Policy*, Fourth Edition, DPAC, Hobart, 2015.

Table 1: Regulations relevant to audit criteria.

Audit criteria	Grants TI 709	Sponsorships TCP 8.10	Partnerships TCP 8.11
Funding approved at an appropriate level?	Y	Y	Y
Business cases show net benefit?	N	Y	Y
Risks identified and managed?	Y	Y	Y
Written agreement?	Y	Y	Y
Legal advice?	Y	Y	Y
Compliance controls in agreement?	Y	Y	Y
Post-event evaluations?	Y	Y	Y

Although TI 709 does not specifically require rationales to show a net benefit it does require grant funds to be allocated in accordance with publicly available eligibility and selection criteria that align with relevant government policies. We maintain that public funds should only be expended where there is a reasonable belief the benefits to the state exceed the cost.

Accordingly, our criteria were applied uniformly to all sampled event funding regardless of its denomination as a grant, sponsorship or partnership.

1.2 *Summary of results*

Table 2 shows the results of our testing of the criteria against our sample of funded events. We have combined results for HFC games and HFC naming rights and sponsorship, since in practice the matters were dealt with jointly.

‘Ticks’ and ‘crosses’ are self-explanatory. ‘P’ is used where the criterion is partially met, but an important element of the test was not performed. Cells are ‘greyed out’ where the test was considered not applicable for the funded event. This was done for two events which were separately itemised in government budget papers. We do not question government policy, so the separate itemisation of those two events in the state Budget

placed the criteria relating to pre-funding evaluation and post-event evaluation outside our scope.

Table 2: Results of audit testing

Department	State Growth (Arts Tasmania)		DHHS*	DPAC**	State Growth	State Growth (Events Tasmania)														
	Cygnnet Folk Festival	Ten Days on the Island				Know Your Odds	Seniors Week	Youth Conference	HFC games and rights	Artentine	Breath of Fresh Air	Cygnnet Folk Festival	Dancesport	Dark MOFO	Festival of Voices	Festival of Golden Words	Hobart Baroque	Junction Arts Festival	MONA FOMA	Pure Cycle Challenge
Funding approved at appropriate level?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Pre-funding qualitative evaluation?	✓		✗	✗		✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✗	✓	✓	✓	✓
Pre-funding quantitative evaluation?	✗		✗	✗		✓	✗	✗	✗	✗	✗	✗	✗	✓	✗	✗	✗	✗	✗	✓
Risks identified and managed?	✗		✗	✓		✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗
Written agreement?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Legal advice?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Compliance controls in agreement?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Post-event evaluations?	P	✗	✓	✓	✓	✓	P	P	P	P	P	P	P	✓	P	✓	P	P	P

*Department of Health and Human Services

**Department of Premier and Cabinet

1.3 Was funding approved at an appropriate level?

The events were consistently approved at a high level, generally by head of agency or unit director. No documentation of approval for funding of Dancesport was provided. However, given the consistent evidence provided of high-level approvals for other events funded by Events Tasmania, it seems highly likely that Dancesport was similarly approved, but that documentation had been mislaid.

Separate approval documentation was also not provided for the Pure Cycle Challenge. However, the signature of senior agency personnel on instruments of agreement was sufficient for us to conclude that there was high-level agency approval of the funding⁹.

Section 1.3 conclusion

Event funding was approved at appropriate levels.

Recommendation 1

We recommend that all documentation related to event-funding decisions be retained.

1.4 Was there qualitative pre-funding evaluation?

Qualitative evaluations are necessary to determine whether an event is likely to be of high quality and consistent with government policy. For example, criteria relating to effective management of the event are essential to minimise reputational

⁹ We have previously noted that some units responsible for event funding decisions had been transferred from another department. It was possible that documentation existed but had been mislaid during the transfer.

risk to the state, provide confidence in estimates provided and to assess whether or not an event is likely to be a long-term success.

For most funded events some form of qualitative evaluation was provided. Criteria used were:

- Events Tasmania criteria: impact, quality, feasibility, reach, strategy, community.
- Arts Tasmania criteria: quality of the project, resource management, planning and calibre of personnel.

Events for which a qualitative assessment was not provided included:

- Know Your Odds (DHHS)¹⁰
- Seniors Week (DPAC)
- Festival of Voices (Events Tasmania)
- MONA FOMA (Events Tasmania).

Section 1.4 conclusion

Qualitative criteria were used to assess eligibility for funding, in the majority of our sample of funded events (13 of 17).

Recommendation 2

We recommend that evaluation against qualitative criteria including at least alignment with government policy and effective management of the event be performed prior to agreeing to fund events.

1.5 *Was there quantitative pre-funding evaluation?*

As noted in Section 1.4, qualitative evaluations are necessary to determine whether an event is likely to be of high quality and consistent with government policy. However, we do not think it reasonable that public funds be spent without evidence-based belief that the benefits will exceed the cost. Accordingly, our expectation was that quantitative evaluation would have been performed, wherever reasonably possible.

Our preferred method of quantitative evaluation is some form of cost-benefit analysis, which has been defined as:

¹⁰ A qualitative rationale for Know Your Odds was provided during the audit, however, we were not provided with a rationale prepared prior to funding of the event.

... a tool used to determine whether or not the full economic costs of a policy are outweighed by its full economic benefits—that is whether the policy has a net benefit for society.¹¹

Note that cost-benefit analysis requires inclusion of full economic costs and benefits rather than just financial flows. Hence, cost-benefit analysis requires monetary values to be assigned for all significant costs and benefits including, for example, enjoyment of attendees at an event, civic pride and conversely disruption to residents.

Another type of evaluation approach used for such decisions is economic impact assessment, which estimates the impact of the event on variables such as Gross State Product and employment. However, this approach has the disadvantages that:

- they require the use of sophisticated modelling by experts
- they are too narrow in scope and ignore social and environmental impacts.

We note and endorse the view of academics, Larry Dwyer and Peter Forsyth, that:

Cost-Benefit Analysis is the ‘ideal’ approach to event assessment, as it is the expected net benefits from any use of government funds that should guide resource allocation.¹²

We found that only four of the funded events (including HFC games and HFC naming rights as separate events) met our criteria, with an additional two considered not assessable.

We accept that this is a difficult criterion for funding bodies and that it is not reasonable to expect extensive data collection and expert analysis for every grant or sponsorship. Quantification of costs and benefits — particularly social costs and benefits — is one of the most difficult elements of economic analysis¹³. We also believe from our analyses in Chapter 2 that decision makers

¹¹ Access Economics Pty Ltd, *Cost benefit analysis of the 2022 FIFA World Cup*, Department of Resources, Energy and Tourism (Commonwealth), Canberra, 2010, p.8.

¹² L. Dwyer and P. Forsyth, ‘Public Sector Support for Special Events’, *Eastern Economic Journal*, 35(4), pp.481–499, January 2009, p.482.

¹³ Examples of difficult factors to measure include disruption to resident lifestyles (cost) and enhancements to community cohesiveness (benefit).

have demonstrated an intuitive ability to ‘get it right’ with regard to net benefits derived from funded events.

However, without cost-benefit analysis, there is a greater risk that events that are likely to yield positive outcomes to Tasmania may be rejected and vice versa. We also believe some level of quantification of net benefit is possible, commensurate with the level of funding. We attempt to demonstrate how this can be achieved in Chapter 2.

Section 1.5 conclusion

Quantitative pre-funding evaluation had not been performed for 14 of 17 funded events.

Recommendation 3

We recommend that quantitative assessment, preferably cost benefits analysis, be performed wherever reasonably possible, prior to agreeing to fund events.

1.6 *Were risks identified and managed?*

Despite the requirements for risk management for grants, sponsorships and partnerships (Table 1), the only documentation of risk management provided was for Seniors Week (DPAC).

We noted numerous risk management assessments in documentation provided by event organisers, but these reflected event risks from the organiser’s point of view, rather than that of the government. Examples of risks to the government included:

- Funds might be stolen, defrauded or used for purposes other than those intended.
- The funded event might be seen to promote activities or values inconsistent with those of the government or community (e.g. movies promoting terrorism or racism).
- The government might face litigation over an event tragedy.

Some responses to our queries noted that controls and mitigation strategies existed for the examples above and other risks. We agree that there was evidence of risks identified and managed. In particular, the standard agreements used introduced controls over a number of probable risks.

In respect of the HFC deal, State Growth advised that ‘risk is monitored and assessed as a part of the scope of the HFC Steering Committee’.

Nonetheless, we consider that:

- in the absence of a documented risk management plan, or at least documentation of overt consideration of the full spectrum of risks, the criterion had not been met
- the development of a documented risk management plan introduces thoroughness and rigour to the process that might not otherwise be achieved.

Section 1.6 conclusion

Despite substantial evidence of risk mitigation, risk management process had not been undertaken, as required by TI 709 and TCP.

1.7 *Were funding agreements effectively managed?*

We found funding agreements for all events. The agreements were standard form agreements that had received consideration from Crown Law. They also included adequate monitoring controls to ensure compliance.

Section 1.7 conclusion

Funding agreements existed, had been considered by Crown Law and included adequate monitoring controls.

1.8 *Post-event evaluations?*

In all agreements, event organisers were required to submit exit reports and did so (with the exception of Event Tasmania’s funding of Ten Days on the Island, for which documentation was not provided).

However, we only found evidence of evaluation of those reports for:

- Know Your Odds (DHHS)
- Seniors Week (DPAC)
- Youth Conference (DPAC)
- HFC games and naming rights (State Growth)
- Hobart Baroque (Events Tasmania)
- MONA FOMA (Events Tasmania).

In some cases, it was argued that evaluations for future funding periods constituted post-event evaluation. We believe that there was a distinct benefit in routinely comparing the data from exit reports with information used to make the funding decision to:

- improve future decision making
- better specify information requirements in funding proposals.

Section 1.8 conclusion

Despite an exit report being required and obtained, no evidence was provided for 13 of 19 events that post-event evaluations had been performed.

Recommendation 4

We recommend that exit reports for funded events be routinely compared with the information used to make funding decisions.

1.9 Conclusion

Based on our testing, event funding was approved at appropriate levels.

Qualitative criteria (e.g. effective management of event) were used to assess eligibility for funding, for all but four of our sample of funded events. However, quantitative pre-funding evaluations had not been performed for 14 of 17 funded events.

Despite substantial evidence of risk mitigation, risk management process had not been undertaken. Funding agreements existed, were considered by Crown Law and included adequate monitoring controls.

However, despite an exit report being required and obtained, no evidence was provided for 13 of 19 events that post-event evaluations had been performed.

2 Did funded events generate a net benefit to Tasmania?

2 Did funded events generate a net benefit to Tasmania?

2.1 Background

As discussed in Chapter 1, we found few cost benefit analyses or any other quantitative evaluations of funded events. Reasons given included the expense of extensive data collection and expert analysis and the difficulty in evaluating many of the benefits, particularly social benefits.

We decided to perform our own cost-benefit analyses of our sampled events because we:

- thought it unreasonable to be critical of state entities for not performing quantitative evaluations without illustrating how such analyses might be performed
- regarded providing an opinion on whether funding of events was justified to be an important part of this report.

To achieve this, we:

- constructed a model with simple rules and low data requirements (Section 2.2)
- applied our model to our sample of funded events (Section 2.3)
- also briefly analysed whether total event funding had generated a net benefit for Tasmania (Section 2.4).

2.2 Net benefit model

2.2.1 Background

We accept that it is not reasonable to expect complex cost-benefit analysis supported by painstaking data collection and expert analysis for every small grant or sponsorship. However, we do not think it reasonable that public funds be spent without evidence-based belief that the benefits will exceed the cost. We also thought it necessary for the audit that we attempt to assess whether each of our sampled events yielded a net benefit to Tasmanians.

Accordingly, we developed a model for estimating net benefits using rules-of-thumb¹⁴ to estimate likely benefits from a minimal set of data.

2.2.2 Preliminary matters

Before outlining the model, some preliminary matters should be clarified.

Uncertainty

Even the most sophisticated data collection and analysis will involve substantial uncertainty for many reasons — but mostly because it involves prediction of people’s future behaviour.

Our view is that a model based on reasonable expectations and available data is better than no cost-benefit analysis at all. Also, estimates and projections can be subsequently compared with actual results in post-event evaluations prior to determining future funding.

Some benefits and costs not included

The model does not include every benefit that might flow from funding an event. There are additional benefits that we ignored for our simplistic model because they were difficult to measure. Some of the many examples include:

- integration of new arrivals into the community
- community cohesiveness
- the perception of Tasmania as an exciting place where events happen, by both Tasmanians and potential visitors. This benefit applies to the cumulative impact of many events more than to a single event.

There are similarly costs that are not readily quantified. Dwyer and Forsyth stated:

Social and environmental costs include noise, congestion, disruption to resident lifestyles, traffic diversion, impact on destination image, carbon footprint, and loss of access to amenities incurred by the host-destination community. ... Many

¹⁴ Rules of thumb are principles with broad application that are not intended to be strictly accurate or reliable in every situation.

such effects are not sufficiently defined or measurable to be included in a cost-benefit analysis.¹⁵

While we have made no attempt at quantitative valuation, we think it reasonable that such costs and benefits be considered where the funding decision is close.

Benefits must be consistent with government policy

Benefits should only be included where they are consistent with declared government objectives. In practice, none of the benefits of the events in our sample were debateable since government policy includes:

- supporting cultural and sporting events for the enjoyment of Tasmanians
- promoting responsible gambling
- supporting tourism to Tasmania
- supporting the arts.

Funding should be limited to need

In many cases, cost-benefit analysis will show net benefits well in excess of requested funding. The rationale for government funding is the specific market failure that events generate benefits from which organisers are unable to obtain sufficient recompense to succeed financially. Our view is that funding should be provided only to the level necessary for the event to break even.

Cost-benefit analysis is not the only criterion

Events Tasmania uses a number of criteria that relate mainly to the professionalism of the event and of the organisers. We do not intend that these be replaced, but rather that a cost-benefit analysis be an additional criterion. Criteria relating to professionalism are essential to minimise reputational risk to the state, provide confidence in estimates provided and to assess whether or not an event is likely to be a long-term success.

Future estimates

Some new events may not attract the attendances and revenues to merit funding in the short-term using this model. In our view,

¹⁵ Dwyer and Forsyth, op.cit, pp.489–490.

it was reasonable to use future estimates as inputs to the model where 'growth' assumptions were reasonable.

2.2.3 *Our net benefit model*

For the model, we have attempted to estimate the following categories of benefits:

- expenditure by interstate¹⁶ visitors who came to Tasmania primarily to attend the event
- multiplier effects of expenditure by interstate visitors
- enjoyment of the event by attendees (this is estimated using the concept of consumer surplus, which measures how much additional value attendees received above their ticket price)
- promotion of a message (e.g. responsible gambling, visit Tasmania) by media, or directly to an audience
- costs avoided (for services obtained under a funding agreement that would otherwise have needed to be separately procured).

Interstate visitors

This benefit relates to expenditure by interstate and overseas visitors to Tasmania who come to Tasmania primarily because of the event.

A survey by Tourism Tasmania in 2014, found that the average visitor to Tasmania stays for 8.7 nights and spends \$1530 while in the state¹⁷. It is possible that this may vary depending on the purpose of the visit, however in our view it represents a reasonable basis for a rule of thumb.

¹⁶ Throughout this report, when we refer to benefits from interstate visitors we are also including the relatively smaller number from other countries.

¹⁷ Tourism Tasmania, *Expenditure in Tasmania, Tasmanian Visitors Survey*, Table 5 Average Expenditure in Tasmania per Interstate Visitor by Origin and Table 3 Average Length of Stay [Nights] by Purpose of Travel,

<<http://www.tvsanalyser.com.au>> .

Note that since we performed our field work, the information in the Survey has been revised by Tourism Tasmania to allow for comparability over time. As a consequence, the average 2014 expenditure per visitor in Table 5 had been amended from \$1530 to \$1592. We have not altered our report to reflect the revised figure because it made no significant difference to our evaluations.

The greater uncertainty was in estimating the number of interstate visitors who come to Tasmania primarily for the event. Most applications for funding we reviewed estimated interstate visitors, however in many cases:

- estimates were given without explanation as to how they had been derived, or
- estimates were based on surveys of a sample of event attendees, but without determining whether the event was the primary reason for them coming to Tasmania.

In a search for an alternative estimation method, we noted that in most cases we had reasonably reliable estimates for total attendance at events. It followed that if we could estimate the average proportion of the attendees coming to Tasmania for that event we could calculate their number.

We noted that a 2014 Tourism Tasmania survey of visitors indicated that 15 per cent¹⁸ of 1.1 million visitors (160 200)¹⁹ to Tasmania came to Tasmania primarily for a cultural or sporting event. We then estimated total attendees at Tasmanian events from ticket data, data provided by agencies for the audit and from our own research to be \$1.3 million. On that basis, we estimated an average of 12.1 per cent of attendees were visitors primarily visiting Tasmania for that event.

Note that if better information is available it should be preferred. For example:

- surveys of attendees from previous years that ask whether interstate visitors came to Tasmania primarily for the event
- postcode data from ticket purchases.

¹⁸ Tourism Tasmania, 'Wanted to visit for a special event / festival / sporting game', *Tourism Info Monitor* (TIM), Oct-Dec 2014, p. 12.

¹⁹ Tourism Tasmania, *Expenditure in Tasmania, Tasmanian Visitors Survey*, Table 2 Reasons for Visiting Tasmania,

<<http://www.tvsanalyser.com.au>>

Rules of thumb

VE_rule	Benefit from expenditure by visitors to Tasmania was \$1530 per visitor for 2014
IV_rule:	12.1 per cent of attendees at an event that is advertised nationally, or has a national profile, were interstate visitors who came to Tasmania primarily for that event.

Multiplier

Multipliers are used to quantify the impact increased activity in one area may have in terms of flow-on benefits for the rest of the economy. A research paper prepared for the Western Australian Department of Treasury and Finance stated:

In many cases these multipliers are presented as evidence to support claims for taxpayer funding However, such multipliers should be used with caution and a healthy respect for their shortcomings maintained if they are not to be abused²⁰.

We are dubious about the use of multipliers when event income is generated from within Tasmania, as there is an equivalent adverse impact on the economy from where the income was generated. For that reason, we have only applied it to income generated from interstate visitors. The research paper also noted that:

It is in assessing claims for government assistance that the potential for misuse of multipliers is greatest.

A number of problems were discussed in the research paper, including the following, which in our view have particular application to Tasmania:

- Increased demand does not necessarily equate to increased production particularly in response to a one-off event.
- National input-output tables overstate the level of induced production in the state economy and understate expenditure on imports.

²⁰ The West Australian Department of Treasury and Finance, *Economic Research Articles March 2002*, Perth, p.19.

For those reasons we have chosen to take a conservative approach, applying a ten per cent multiplier to income generated from interstate visitors.

Rule of thumb

Multiplier_rule Flow-on benefits from expenditure by visitors to Tasmania is ten per cent of the expenditure.

Consumer surplus

An important benefit to be considered in cost benefit analyses is the enjoyment of the event by Tasmanian attendees. This is done using the concept of consumer surplus, which the University of Tasmania has defined as:

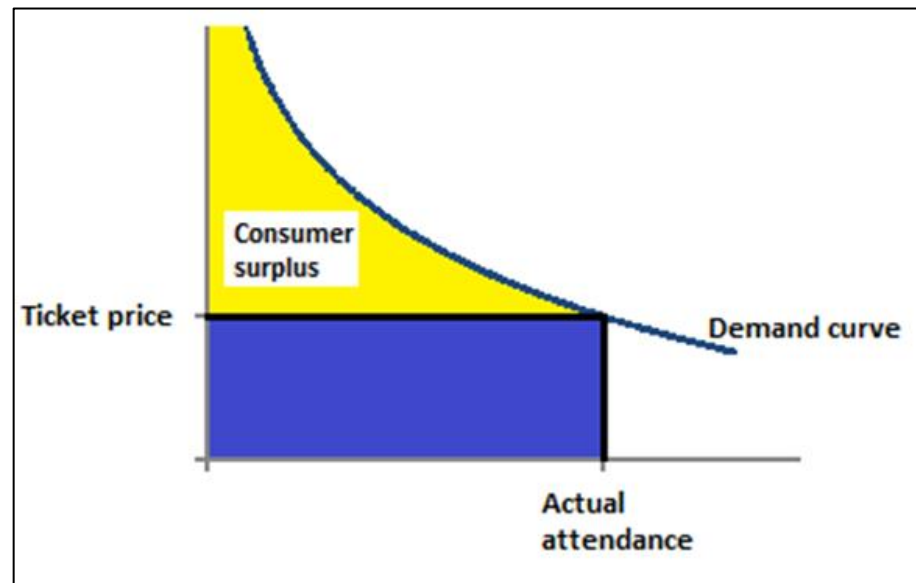
... a financial measure of the satisfaction that people get from their purchases above and beyond the amount they paid for them.²¹

Ticket revenue is excluded since this part of consumer value is merely compensating consumers for the value lost from their purses/wallets in paying for their ticket.

Consumer surplus is calculated as the area under a demand curve (a function giving the number of people who would attend the event for various ticket prices) less actual ticket revenue. This is shown in Figure 1.

²¹ Muller, P, Wadsley, A, Adams, D, Arthur, D & Felmingham, B, *The Value of Sport and Physical Recreation to Tasmania* (Summary), Australian Innovation Research Centre, University of Tasmania, Hobart, 2010, p.11.

Figure 1: Consumer surplus



Source: TAO

The difficulty in calculating consumer surplus is that the demand curves are unknown. Moderately reliable estimates of the amount attendees would be prepared to pay could be obtained through customer surveys, but that information is rarely available and unlikely to be reliable because:

- some people surveyed will overestimate because of their enthusiasm during the game at which the survey is taken
- some people surveyed will underestimate because of concern that the survey might be used to increase future prices
- the amount people are willing to pay varies from game to game
- the amount people are willing to pay varies over time with changes in their economic circumstances.

Instead, we have considered a variety of 'plausible' demand curves, with our choice based on the following criteria:

- The demand curve must enable a simple calculation of a demand surplus. If decision makers need to integrate exponential functions to estimate consumer surplus, they probably will not do it.
- We assume that if total ticket revenue could have been increased with higher ticket prices then organisers would have already done so. This puts an upper limit on attendance at each price and hence on consumer surplus.

- The demand curve should yield a reasonably ‘generous’ consumer surplus, reflecting Tasmania’s relative lack of competing events.

The demand curve we selected was based on the assumption that every 25 per cent increase in the actual ticket price results in a decrease in attendance of 25 per cent.

The equation for the resultant demand curve is an exponential function but has the advantage that the area representing consumer surplus is always equal to 87 per cent of actual ticket revenue. We further conservatively assumed that ten per cent of attendees are not Tasmanians and their consumer surplus should, therefore, be excluded. Consumer surplus to Tasmanians from an event is, therefore, to be calculated at 78 per cent.

Rule of thumb

CS_rule	Consumer surplus benefit from enjoyment of Tasmanian attendees above the value of their tickets is 78 per cent of ticket revenue.
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Promotional value: display of brand name or message

One of the potential benefits from sponsorship of an event is the opportunity to promote a brand name or message.

Determination of promotional value is ideally performed by consultants with specialist knowledge.

From our analysis of a consultant’s calculations for a major television event, we noted that average cost per viewer per minute that the message was displayed averaged \$0.012. This is a considerable simplification since the consultant also took into account additional factors, such as the part of the screen in which the brand name appeared.

Nonetheless, in the absence of authoritative reports (which may be cost prohibitive for small to medium levels of funding), this provides a basis for an approximate estimate of brand name sponsorship at televised events. In addition, we also considered it reasonable to apply the rate for ‘live’ events with the message considered to be on display for the full duration of the event.

Hence, a message displayed in front of 500 people for a 90-minute game is estimated to have promotion value of $\$0.012 \times 500 \times 90 = \540 .

Rule of thumb

Promotion_rule promotional benefit from displaying a message to a live or televised event, equal to \$0.012 per viewer, per minute.

Costs avoided

One further potential benefit of funding agreements for events is costs avoided for services obtained under a funding agreement. For example, one of our sampled events required sponsored sport clubs to provide speakers to deliver a ‘responsible gambling’ message to school students. In this situation, government would otherwise have incurred costs to deliver the message by other means.

Generally, we prefer to measure benefits rather than avoided costs. However, measurement of costs avoided is reasonable where:

- the services obtained were necessary (e.g. government policy or legislation)
- there is no reasonable way to reliably estimate the benefit of the services.

Rule of thumb

Avoided_rule value of avoided costs, but only where services were necessary and benefits not estimable.

Costs

We were concerned with the cost to the government, not to the event providers. For instance the cost of booking an arena, performers or support staff is important to the organisers but not to the government.

In some cases, some government services may be supplied at no charge to assist the event. However, in most cases, the costs will be negligible compared to the benefits of the event and the funding. An example is police costs for crowd control or to control roads. On enquiry, Tasmania Police indicated that its costs for policing Targa Tasmania (see Section 2.3.18), which was the event we expected to involve the largest provision of policing services, were low.

In addition, there are costs that are not sufficiently defined or measurable to be included in a cost-benefit analysis, such as noise, congestion and disruption to resident lifestyles. These are

assumed to be too small to have a significant impact on cost-benefit analysis.

Rule of thumb

Costs_rule costs to be considered negligible, other than the funding itself.

Attribution of benefits

Lastly, we consider the question of what proportion of the benefits should be attributed to state government funding. An economist, with whom we discussed the audit, considered that we should allocate all the net benefits to government funding, where that funding determined the event's viability. The difficulty was that we are rarely, if ever, in a position to determine whether an event would have proceeded without government funding. Instead, we decided to attribute benefits on a pro-rata basis by proportion of cash funding provided (excluding earned revenue).

Rule of thumb

Attribution_rule Benefits attributable to government funding to be based on proportion of total funding provided for the event.

2.3 *Was funding of individual events justified by cost-benefit analysis?*

Data

We largely used data, at least potentially available to funding decision makers, as a starting point. However, where we had doubts as to the reliability of the data, we sought confirmation from additional data, such as publicly available accommodation data and organisers' post-event reports.

Our rationale was that we would expect decision makers to verify key data provided by organisers before agreeing to provide funding. So, while the confirmation data we used was not available at the time, decision makers could have requested equivalent confirmations such as:

- attendance numbers and trends for similar events elsewhere
- market research to estimate likely attendees
- data from the event in previous years.

Lastly, we noted that while forecast data is inherently uncertain, we expected those providing the funding to obtain exit reports

and to evaluate actual outcomes against forecast outcomes, with a view to reassessing future funding.

2.3.1 *Ten Days on the Island (\$1.3 million)*

Ten Days on the Island is a biennial festival established by the Tasmanian Government in 2001 to:

- deliver a statewide cultural festival of national significance that provides opportunities for Tasmanian artists and companies to present their works to a wider audience
- provide opportunities for the Tasmanian community to be exposed to national and international artists and companies of the highest quality
- provide Tasmania with a legacy of expert professional arts infrastructure.

Each festival delivers productions in more than 100 individual places around Tasmania; from Alonnah to Currie and Triabunna to Zeehan. Funding in 2014 was \$1.3 million delivered as a separately administered item in the state budget.

Since the funding was a government decision specifically identified in the budget, it is outside our mandate to review the decision.

2.3.2 *Cygnets Folk Festival (\$9800)*

The Cygnets Folk Festival is a three-day event held annually in January since 1982. It aims to:

- foster and promote interest in folk and world music
- showcase Tasmanian performers
- provide opportunities for Tasmanian audiences to see interstate and overseas artists.

In 2014, the Cygnets Folk Festival received two government grants, one from Events Tasmania for \$4500 to support a welcoming ceremony and one from Arts Tasmania for \$5300 to support a festival summer school. Both grants were reviewed in this audit.

This evaluation took into account the two government grants to this festival, both were included in our audit sample.

Interstate visitors

The funding application indicated an expected influx of 2100 interstate visitors among the 6000 total attendees. However, no

basis was given to justify this number, for what we considered an optimistic number. Also, even if accurate, not all of the interstate visitors would have had the festival as their primary reason for visiting Tasmania.

Applying the visitors' rule (12.1 per cent of total attendance) gave an estimated 726 interstate visitors who came to Tasmania primarily for the festival. Applying the visitor-expenditure rule (\$1530 per visitor) and the multiplier rule (additional 10 per cent) estimated the benefit to Tasmania from visitors to be \$1.2 million.

Consumer surplus

The funding application estimated ticket revenue to be \$144 000. Using the consumer-surplus rule (78 per cent of ticket revenue), the consumer surplus is estimated to be \$112 000.

Costs

No substantial costs were expected other than the event funding.

Attribution of benefits

State government funding of \$9800 represented 64 per cent of total sponsorship funding (\$15 300).

Net benefit

Benefits attributable to the two state government grants were estimated to be \$855 000 (64 per cent of the sum of \$112 000 and \$1.2 million). This benefit easily exceeded total government funding of \$9800.

2.3.3 Know Your Odds (\$78 000)

The 'Know Your Odds' campaign is part of the Gambling Support Program's education strategy. The campaign used partnerships with the Hobart Chargers, North West Thunder, Devon Netball Association and Launceston Tornados sporting clubs to communicate messages that contribute to the reduction and prevention of problematic gambling behaviours. This is achieved through brand placement at events and community education sessions by sports people in schools and other community settings.

Costs avoided: players delivering message

The main intended benefit of the funding was promotion of the 'Know Your Odds' message through use of elite athletes to reach at-risk groups (mainly at schools).

We found 67 sessions had been provided throughout the state. A local organisation that makes bookings for speakers advised that the cost of booking a player from a second-tier national sports club to deliver a promotional message at a school would be approximately \$1750. On that basis, we estimated the value of the information sessions at \$117 250 (67 by \$1750).

Consumer surplus

We calculated annual ticket revenue for the three basketball teams to be \$167 500, based on estimated attendance data provided by DHHS. Using the consumer-surplus rule (78 per cent of ticket revenue), the consumer surplus is estimated to be \$130 650.

However, for a number of reasons we thought the rule of thumb was greatly overstating the benefit:

- all of the three clubs have many listed sponsors
- funding documents indicate that the funding is mainly intended for delivery of the 'Know Your Odds' message, rather than grants to enable the provision of high-level basketball games in Tasmania.

Accordingly, we have allowed only ten per cent of our normal rule-of-thumb, resulting in an assessed benefit of \$13 065. This is a very subjective judgement, intended to recognise that there is community benefit in the games being held but that only a small part of the funding is intended for that purpose.

Promotional value: display of brand name or message

DHHS advised that it had calculated annual attendance for the three basketball clubs at 15 050. Using the promotion rule (\$0.012 per attendee per minute) and assuming average duration to be 1.5 hours, we estimated this benefit to be \$16 254.

Costs

No significant costs were expected other than funding.

Attribution of benefits

Because most of the benefit relates to specific service provision rather than sponsorship (and we have already discounted the consumer value), we have allocated 100 per cent of benefits to the government funding.

Net benefit

The benefits totalled \$146 569 (\$117 250 + 13 065 + \$16 254), which was considerably more than the DHHS funding.

2.3.4 *Seniors Week (\$35 133)*

Seniors Week is an annual event for promoting healthy ageing through physical, mental, social and spiritual wellbeing. It aims to improve community attitudes towards older people and encourage activity by older people. It involves numerous separate events across Tasmania.

No documented rationale was provided for the funding nor was information (e.g. attendances) to allow quantification of benefits, even using our rules of thumb.

We noted that Seniors Week occurs in states and territories across Australia and that it has a 17-year history, which suggests that there would have probably been a strong expectation of government that the event be funded.

Nonetheless, we could find no evidence that funding the event provides greater benefits to the state than the cost of funding.

2.3.5 *Youth Conference (\$40 000)*

The Tasmanian Youth Conference (TYC) is a biennial August event which celebrates and explores what it means to be a young person in Tasmania. It provides an opportunity for young people to get together with the wider youth sector and initiate projects, learn skills, hear from a range of speakers, and engage with interactive workshops on a wide-range of subjects. Youth Conference is funded (\$40 000) by the state government in accordance with a specific election commitment. Funding is delivered as a separate administered item in the state budget.

Since the funding is a government decision specifically identified in the budget, it is outside our mandate to review the funding decision.

2.3.6 *Hawthorn Football Club games (\$1. 4 million)*

AFL games had been played on an ad hoc basis for many years. In 2005, the government sought a formal agreement to expand on the 'broader community benefits' from having AFL games played in Tasmania. Subsequently, the Tasmanian Government entered into the current arrangement with the HFC, whereby it was contracted to play four roster games at Aurora Stadium in Launceston, at a cost of \$1.4 million in 2014.

Interstate visitors

We considered three estimates of visitor numbers:

1. Using accommodation data, we estimated 3256 visitors per game in 2014.

2. Using postcodes from AFL ticket data we estimated 2600 visitors per game.
3. A 2010 consultant²² used surveys to estimate 6000 per game.

We used the second estimate (2600 per game, 10 400 for 2014) because we regarded it as objective but conservative²³.

Applying the VE_rule (\$1530 per visitor) and the multiplier rule (additional 10 per cent) estimated the benefit to Tasmania from visitors to be \$17.5 million²⁴.

Consumer surplus

The exit report for 2014²⁵ advised that average attendance at the four 2014 roster games had been 13 825. On that basis, ticket revenue was estimated to be \$1.4 million (13 825 x 4 x \$25 per average ticket), and consumer surplus estimated using the consumer-surplus rule (78 per cent of ticket revenue) to be \$1.1 million.

Costs

No substantial costs were expected other than the event funding.

Attribution of benefits

All of the benefits were apportioned to the Tasmanian funding since this is a very clear instance of events that would not be held in Tasmania without the government funding.

Net benefit

As above, estimated benefits for 2014 are \$18.6 million, well in excess of the funding.

²² A confidential 2010 consultant's report that evaluated the economic impacts of the Tasmanian Government sponsorship of the Hawthorn Football Club.

²³ We have not dismissed the consultant's estimate as incorrect. We have merely taken a conservative option, since if funding was justified at the lower estimate it would also be justified at the higher estimate.

²⁴ Similarly, a 2010 consultant's report estimated from surveys that the expenditure per visitor was \$1508.

²⁵ Hawthorn Football Club, *Tasmania End-of-season Report 2014*, November 2014, p.5.

Other benefits

The consultant also listed unquantified social capital benefits such as community integration. In our view, factors such as this could be taken into account where the funding decision is a close one. But in this case, it was not.

2.3.7 Hawthorn Football Club naming rights (\$2.0 million)

In addition to funding of AFL games to be played in Tasmania, the government entered into sponsorship arrangements at an annual cost of \$2.0 million. The agreement also provides for bonus payments for a preliminary final appearance (\$50 000), a grand final appearance (\$150 000) or a premiership (\$300 000). Sponsorship benefits included:

- branding of HFC as the ‘Tassie Hawks’
- signage at games
- advertising on the ‘big screen’ at games
- logos on uniforms and merchandise
- availability of football ‘personalities’ for marketing campaigns
- advertising space on the HFC website, magazine and AFL football record
- support for football camps and development programs.

Promotional value: display of brand name or message

Based on a sports sponsorship consultant’s²⁶ 2010 report, we reviewed assessed sponsorship value by half year from first half 2008 to first half 2009 and noted that:

- three of the half years yielded value less than \$800 000
- there was one exceptional half year that yielded \$2.5 million in media value. In that period (second half of 2008), HFC won the AFL premiership and HFC forward, Lance Franklin, achieved the rare feat of kicking 100 goals during the year
- a half-yearly average of \$0.8 million was achieved if we exclude the exceptional second half of 2008.

²⁶ A confidential 2010 consultant’s report of analysis of the value of Tasmania’s sponsorship of the Hawthorn Football Club. The consultant was an international firm with expertise in sports intelligence.

Based on that analysis, we think \$1.6 million per year was a realistic prediction of media value for future years. In hindsight, we know that HFC won premierships in 2013, 2014 and 2015 and presumably generated high media value in those years. However, relying back in 2010, on future premierships and exceptional individual performances to generate media exposure would appear to have been more of a gamble than a reasoned basis for sponsorship of \$2.0 million per annum.

Also based on the 2010 consultant's report, we noted that Tasmania had one of the highest prices for sponsorship at \$2.0 million (the average was \$1.2 million)²⁷. However, when value was benchmarked against other major sponsors within the AFL, Tasmania ranked 22 out of 26 for the 2010 half season.

Costs

No significant costs were expected other than funding.

Net benefit

We concluded that considered in isolation, the \$2.0 million funding of HFC naming rights was overpriced. However, we also think it reasonable to see the funding for games and for naming rights as a package deal. Based on the very high net benefit from the games and the reasonable contribution of sponsorship value, the HFC arrangements yield a large net benefit to the state.

2.3.8 Artentwine (\$7980)

Artentwine was a biennial month-long event designed to celebrate the art and culture of the West Tamar. It consisted of a series of art events held during the month of October in the vineyards, gardens and community halls of the West Tamar. The project was managed by the West Tamar Arts Group in conjunction with Tasmanian Regional Arts.

Interstate visitors

The funding application indicated 240 interstate visitors were expected to attend. However, we considered the estimate to be optimistic since no basis was provided for the visitor estimates and the application stated that '... it is difficult to estimate numbers'. There was also the difficulty of determining how many of the visitors had the festival as their primary motivation to come to Tasmania.

²⁷ Drawn from a 'Cabinet in Confidence' report.

Nor were we willing to apply our IV_rule (12.1per cent of total attendees) since we were not persuaded that the event had a national profile or had received extensive national advertising.

Consumer surplus

The exit report for 2014 noted that ticket sales totalled \$9235. Based on that figure, consumer surplus was calculated using our consumer-surplus rule (78 per cent of ticket revenue) as \$7203.

Other benefits

Any artistic festival will provide benefits to artists, including:

- opportunity to meet and learn from other artists
- encouragement in the form of attendee's demonstrated interest in art
- provision of a market place.

We have not attempted to quantify these benefits. However, as noted in Section 2.2, we think it reasonable that such benefits be considered where the funding decision is close.

Costs

No significant costs were expected other than funding.

Attribution of net benefits

This grant was the only sponsorship for the event therefore 100 per cent of the net benefits were attributable to the sponsorship.

Net benefit

Consumer surplus (\$7203) alone nearly justifies the grant and even two interstate visitors (at \$1530 expenditure per visitor) would produce an overall net benefit. Given the existence of unquantified benefits to local artists of such a festival, we believe the benefits exceed the cost of funding.

2.3.9 Breath of Fresh Air (\$100 000)

Breath of Fresh Air (BOFA) was a five-day festival of digital media and events, intended to be a celebration of fresh perspectives and innovative approaches to screen based story-telling.

Interstate visitors

We considered two estimates of visitor numbers:

1. The application for funding indicated that BOFA attendees included 317 tourists in 2012. However, there was no indication of how many of the tourists were primarily motivated by the event to visit Tasmania.

2. Our IV_Rule (12.1 per cent of attendees) applied to total attendance of 4320 gives an estimate of 522 interstate visitors who came to Tasmania for the festival.

Using the more conservative estimate (317) and the VE_rule (\$1530 per interstate visitor) together with the multiplier rule (additional 10 per cent) we estimated the benefit to Tasmania from interstate visitors to be \$533 000.

Consumer surplus

Box office revenue was estimated by the organiser's business plan to be \$35 000 for 2013. Based on that estimate, consumer surplus was calculated using our CS_Rule (78 per cent of ticket revenue) as \$27 300.

Costs

No significant costs were expected other than funding.

Attribution of net benefits

This grant of \$100 000 was included in total sponsorship of \$212 000; that is 47.1 per cent.

Net benefit

Net benefits attributable to the state funding were estimated at \$264 533 (47.1 per cent of \$533 000 + \$27 300), well in excess of the funding.

2.3.10 Dancesport (\$20 000)

The Tasmanian Open Dancesport Championship was an annual competitive event held across a weekend in Launceston in August. It was comprised of master classes by world-class dance teachers, public dance activities, open competition, and a showcase finals event.

Interstate visitors

The 2012 application states that in 2011, 200 interstate dancers and 200 supporters from interstate attended the championship. Using the VE_rule (\$1530 per interstate visitor) together with the multiplier rule (additional 10 per cent) gives an estimated benefit of \$673 200.

Consumer surplus

The 2012 application noted that there had been 1200 attendees providing \$35 000 in ticket sales in 2011 with organisers hoping to increase numbers to 5000 by 2016.

Taking the conservative approach of using actual ticket sales in 2011, our CS_Rule (78 per cent of ticket revenue) estimates consumer surplus at \$27 300.

Costs

No significant costs were expected other than funding.

Attribution of net benefits

This grant of \$20 000 was included in total sponsorship of \$48 000. On that basis 42 per cent of the net benefit was attributed to this funding.

Net benefits

Net benefits attributable to the state funding are estimated at \$291 875 or 42 per cent of (\$27 300 + \$673 200), well in excess of the funding.

2.3.11 Dark MOFO (\$1.0 million)

MONA's annual midwinter festival Dark Mofo is a series of Hobart-based events celebrating the dark through large-scale public art, food, film, music, light and sound.

Interstate visitors

From accommodation data, we estimated 5946 interstate visitors to Tasmania for Dark MOFO per annum. Using the VE_rule (\$1530 per interstate visitor) together with the multiplier rule (additional 10 per cent) gave an estimated benefit of \$10.0 million.

Consumer surplus

Box office revenue was estimated at \$260 000 for 2014. Using our CS_rule (78 per cent of ticket revenue), we estimated consumer surplus at \$200 000.

Costs

No significant costs were expected other than funding.

Attribution of net benefits

Other cash sponsorship on top of this \$1.0 million grant totalled \$400 000. On that basis, we attributed 71.4 per cent of benefits to this state government funding.

Other benefits

We also accept that substantial events such as this one have the potential to change perceptions of Tasmania to that of a place where exciting events happen and that this probably has an impact beyond that of the interstate visitors attracted to this

event. In our view, less quantifiable benefits such as this one could be used where the funding decision is a close one. But in this case, it is not.

Net Benefit

We estimated net benefits attributed to this funding to be \$7.3 million (71.4 per cent of \$10.0 million + \$200 000), well in excess of the funding.

2.3.12 Festival of Voices (\$350 000)

The Festival of Voices has been a regular winter event since its inception in 2001. It was designed to attract local, interstate and overseas choirs to participate in numerous choral events and vocal workshops, across the state.

Interstate visitors

We considered three estimates of visitor numbers:

1. The organiser's business plan claimed that in 2010 there were more than more than 10 000 attendees and 2500 visitors.
2. Data from the 2014 exit report indicated that there had been 1550 visitors.
3. Our IV_Rule (12.1 per cent of total attendees) applied to the 10 000 total attendees claimed in organiser's business plan provides an estimate of 1210 visitors who came to Tasmania for the festival.

Although our IV_Rule is the most conservative estimate, we prefer not to use it where a reasonable alternative exists. Accordingly, we chose to use the second option (1550). Using the VE_rule (\$1530 per interstate visitor) together with the multiplier rule (additional 10 per cent) we estimated the benefit to Tasmania from visitors to be \$2.6 million.

Consumer surplus

From the organiser's business plan, ticket revenue (including workshop participation fees) revenue was estimated at \$200 000 for 2014. Using our CS_Rule (78 per cent of ticket revenue), we estimated consumer surplus at \$156 000.

Costs

No significant costs were expected other than funding.

Attribution of net benefits

Other cash sponsorship on top of this \$350 000 grant totalled \$120 000. On that basis, we attributed 74.5 per cent of benefits to government funding.

Net Benefit

We estimated net benefits attributed to this funding to be \$2.1 million (74.5 per cent of (\$2.6 million + \$156 000), well in excess of the funding.

2.3.13 Golden Words (\$10 000)

'Golden Words' was a writer's festival held in Beaconsfield in 2014. The festival offered three days of conversations with authors, panel discussions, debates, keynote addresses, readings, author signings, book launches, workshops, a short story competition, and other literary events.

Interstate visitors

The organiser's 2014 exit report estimated that there had been 5000 attendees. Applying our IV_Rule (12.1 per cent of total attendees) provided an estimate of 605 interstate visitors came to Tasmania for the festival.

Using the VE_rule (\$1530 per interstate visitor) together with the multiplier rule (additional 10 per cent) we estimated the benefit to Tasmania from visitors to be \$1.0 million.

Consumer surplus

Maximum ticket sales were estimated by the organiser in its application at \$10 700. Based on actual attendance of 5000, against capacity of 6000, we estimated ticket sales at \$8900. Using our CS_Rule (78 per cent of ticket revenue), we estimated consumer surplus at \$6900.

Costs

No significant costs were expected other than funding.

Attribution of net benefits

Other cash sponsorship on top of this \$10 000 grant totalled \$47 500. On that basis, we attributed 17.4 per cent of benefits to government funding.

Net Benefit

We estimated net benefits attributed to this funding to be \$178 680 (17.4 per cent of (\$1.0 million + \$6900), well in excess of the funding.

2.3.14 *Hobart Baroque (\$400 000)*

Hobart Baroque was a festival of early music (defined as mostly 17th and 18th century) for Tasmania, which had its first presentation in April 2013 primarily at the Theatre Royal in Hobart. The Tasmanian Government, through Events Tasmania, provided funding of \$200 000 to Hobart Baroque for staging the inaugural festival in 2013 and another \$400 000 to stage it again in 2014.

Interstate visitors

A consultant's research report estimated that 850 interstate visitors attended the festival in 2014.

Using the VE_rule (\$1530 per interstate visitor) together with the multiplier rule (additional 10 per cent) we estimated the benefit to Tasmania from visitors to be \$1.4 million.

Consumer surplus

Earned income in 2013 was \$280 000. Using our CS_Rule (78 per cent of ticket revenue) we estimated consumer surplus at \$218 400.

Costs

No significant costs were expected other than funding.

Attribution of net benefits

Other cash sponsorships on top of this \$400 000 grant totalled \$300 000. On that basis, we attributed 57 per cent of benefits to this state government funding.

Net Benefit

We estimated net benefits attributed to this funding to be \$939 673 (57 per cent of \$1.4 million + \$218 000), well in excess of the funding.

2.3.15 *Junction Arts Festival (\$150 000)*

The Junction Arts Festival was a Launceston-based, five-day multi-arts annual festival, held in August. The festival featured works in all stages of creation and sought to build the arts in Tasmania through new commissions, artist residencies and training and development for local artists. The festival was free to the public, with the aim of increasing awareness and understanding of contemporary art. Since 2012, it had been hosted and coordinated by an independent not-for-profit organisation.

Interstate visitors

We considered the following estimates of visitor numbers:

1. Analysis of August accommodation data in Launceston for 2008 to 2014 indicated 974 additional visitors to Launceston.
2. The organiser's strategic plan estimated 13 768 unique attendees. Using our IV_Rule (12.1 per cent of total attendance), an estimated 1665 visitors came to Tasmania to attend the festival.
3. Surveys indicated 11 per cent of attendees were from interstate, which gave an estimate 1514. However, that estimate does not necessarily translate to the number of visitors who came to Tasmania primarily for this event.

Using the most conservative number (974), the VE_rule (\$1530 per interstate visitor) and the multiplier rule (additional 10 per cent) we estimated the benefit to Tasmania from visitors to be \$1.6 million.

Costs

No significant costs were expected other than funding.

Attribution of net benefits

Other cash sponsorship on top of this \$150 000 grant totalled \$155 000. On that basis, we attributed 49.1 per cent of benefits to government funding.

Net Benefit

We estimated net benefits attributed to this funding to be \$804 750 (49.1 per cent of \$1.6 million), well in excess of the funding.

2.3.16 MONA FOMA (\$350 000)

MONA FOMA (an acronym for Museum of Old and New Art: Festival of Music and Art, often further shortened to MOFO) is an annual Hobart-based festival since 2009. It showcases the work of artists from a broad range of art forms, including sound, dance, theatre, visual art, performance and new media.

Interstate visitors

We considered the following estimates of visitor numbers:

1. Analysis of January accommodation data for 2008 to 2014 indicated 9000 additional visitors to Hobart.

2. The organisers 2014 attendance report noted that total attendance at events was 28 197 and its surveys indicated that 50 per cent (14 000) were from interstate. A commissioned research report found that 79 per cent of the interstate visitors (11 060) came to Tasmania mainly or solely for the festival.

We opted for the more conservative estimate (9000). Using our VE_rule (\$1530 per interstate visitor) and our multiplier rule (additional 10 per cent) we estimated the benefit to Tasmania from visitors to be \$15.1 million.

Consumer surplus

Ticket revenue recorded in the organiser's 2014 financial summary was \$514 073. Using our CS_Rule (78 per cent of ticket revenue) we estimated consumer surplus at \$400 976.

Costs

No significant costs were expected other than funding.

Attribution of net benefits

Other cash sponsorship on top of this \$350 000 grant, totalled approximately \$35 620. On that basis, we attributed 90.8 per cent of benefits to this state government funding.

Net Benefit

We estimated net benefit attributed to this funding to be \$14.1 million (90.8 per cent of (\$15.1 million + \$400 976), well in excess of the funding.

2.3.17 Pure Cycle Challenge (\$25 000)

The 'Pure Tasmania Cycle Challenge' was a Cycloportive²⁸ event that offered a choice of a 135km ride from Cradle Mountain to Strahan, or a 219km ride from Devonport to Strahan (via Cradle Mountain). Cycloportives are long-distance events that fall between a traditional road race and a non-competitive event. Riders carry a number and the time they take to complete the course is recorded. Organisers provide sign-posting, marshalling, feeding stations and mechanical and medical support.

²⁸ A cycloportive, or often simply sportive, is a short to long distance, organised, mass-participation cycling event, typically held annually.

Interstate visitors

The organiser's 2014 exit report stated that there had been just 15 interstate participants in the 2014 event. Using the VE_rule (\$1530 per interstate visitor) together with the multiplier rule (additional 10 per cent) we estimated the benefit to Tasmania from visitors to be \$25 245.

We noted that the application envisaged 350 interstate competitors, which illustrates the need for funding decision-makers to:

- not accept applicant's claims without a degree of professional scepticism
- perform post-event evaluations to determine if events should receive future funding.

Consumer surplus

Based on the organiser's 2014 exit report, 80 Tasmanians participated, with entry fees totalling \$16 000. Using our CS_Rule (78 per cent of ticket revenue) we estimated consumer surplus at \$12 480.

Costs

Based on low policing costs for Targa, this was unlikely to be a significant factor.

Attribution of net benefits

The Events Tasmania grant was the only funding received, hence 100 per cent of benefits were attributed to the Events Tasmania funding.

Net benefit

Net benefits of the \$25 000 funding were estimated to be \$37 725. Even with the unexpectedly low numbers of entrants, there appeared to have been a small net benefit to Tasmania.

2.3.18 Targa Tasmania (\$240 000)

Targa Tasmania is a tarmac-based rally event held annually since 1992. The five-or-six-day event takes its name from the Targa Florio, a former motoring event held on the island of Sicily.

Interstate visitors

The organiser's application estimated 8500 people coming to Tasmania for the event and that 75 per cent of 334 Targa competitors would be visitors to Tasmania.

No explanation of the derivation of the 8500 visitors was provided. However, the estimate of competitors and proportion of them from interstate appeared reasonable.

It seems reasonable to assume driver, navigator and partners for each vehicle, hence 1002 visitors (75 per cent of 334 visitors x 4 people per vehicle). It was possible that figure grossly underestimated the number. It was argued, in the application, that most competitors did a separate trip prior to the event to survey the course. It was also possible that significant numbers of visitors come to Tasmania to view Targa.

Nonetheless, we chose to use our very conservative estimate of 1002, with the thought that if that low estimate provided a positive net benefit, then we could be very confident of that conclusion.

Using the VE_rule (\$1530 per interstate visitor) together with the multiplier rule (additional 10 per cent) we estimated the benefit to Tasmania from visitors to be \$1.7 million.

Consumer surplus

Based on the organiser's business plan, entry fees were estimated to be \$1.5 million. Using our CS_Rule (78 per cent of ticket revenue), we estimated consumer surplus at \$1.1 million.

Promotional value: display of brand name or message

The application included an evaluation by a marketing consultant that valued Targa's media coverage in 2012 at \$632 300 across TV, newspapers, radio and the internet.

Costs

Advice from Tasmania Police indicated that its recorded costs for Targa Tasmania were approximately \$10 000 per year.

Attribution of net benefits

The organiser's application noted that 10 per cent of budgeted revenue was funding support from the Tasmanian Government with 30 per cent coming from corporate support. On that basis, a quarter of the net benefits are attributable to the Tasmanian Government funding.

Net Benefit

We estimated net benefit attributed to this funding to be \$859 142 (25 per cent of \$1.7 million + \$1.1 million + \$632 300 less \$10 000), well in excess of the funding.

2.3.19 V8 Supercars (\$650 000)

Information provided by Events Tasmania was briefer than for other events but did include a confidential minute which included the following information:

- 60 000 spectators per annum
- 4000 interstate visitors per annum
- Cost (track upgrades) of \$5.2 million over seven years would be required.

Interstate visitors

The minute contained no support for the claim of 4000 interstate visitors. However, given the substantial national profile and the involvement of mainly interstate drivers, support crew and officials, it appeared to be a reasonable estimate.

In addition, our IV_Rule (12.1 per cent of estimated 50 000 spectators) estimated interstate visitors at 6050.

Using the more conservative estimate (4000), the VE_rule (\$1530 per interstate visitor) together with the multiplier rule (additional 10 per cent), we estimated the benefit to Tasmania from visitors to be \$6.7 million.

Consumer surplus

As noted, an internal minute estimated annual attendance to be 60 000. We also noted a news article which estimated the number of spectators to be 50 000, with spectators paying on average \$25 per ticket. Using the more conservative estimate (50 000), our CS_Rule (78 per cent of ticket revenue) estimated consumer surplus at \$975 000.

Costs

As per the internal minute, track upgrades were estimated at \$743 000 per year.

Attribution of net benefits

The minute indicated that for 2014, the state government's funding was \$650 000 out of \$722 000. On that basis, 90 per cent of the net benefits were attributable to the Tasmanian Government funding.

Net Benefit

We estimated net benefit attributed to this funding to be \$6.3 million (90 per cent of \$6.7 million + \$975 000, less 743 000), well in excess of the funding.

Section 2.3 conclusion

Of 20 funded events examined, cost-benefit analysis indicated substantial net benefits for 15 and marginal net benefits for two. We were unable to form an opinion with respect to funding of Senior’s Week but accept that strong reasons to fund this event existed, unrelated to cost-benefit analysis. Evaluation of funding for the remaining two events was deemed to be outside our mandate since these were separate items in the government’s annual budget and therefore deemed to be specific government policy. In summary, funding of most individual events was justified by cost-benefit analysis.

2.4 Did total event funding generate a net benefit for Tasmania?

In Section 2.3, we found that most of the funded events had generated substantial net benefits based on our rules-of-thumb, as applied to available data from 2014.

To put that in context, we thought it would be useful to estimate the total benefit from interstate visitors who came to Tasmania for a cultural or sporting event.

Results are shown in Table 3.

Table 3: Benefits from interstate visitors attracted by events

Visitors to Tasmania in 2014	1 068 050
Proportion who visited primarily for a cultural or sporting event	15%
Number who visited primarily for a cultural or sporting event	160 208
Direct expenditure (using VE_rule)	\$245 117 475
Multiplier effect(using Multiplier_rule)	\$24 511 748
Total benefit	\$269 629 223

Table 3 shows a very large benefit from the \$10.0 million provided for event funding in 2014. This is not to suggest that the Tasmanian Government should increase its funding for events. In practice, the benefits of event funding flow to the whole community, but not directly to the government. Accordingly, funding of events must compete with other government funding priorities.

Section 2.4 conclusion

Total event funding generated a substantial net benefit for Tasmania.

2.5 Conclusion

Based on our own simplified cost-benefit model we concluded that funding of most individual events was justified by cost-benefit analysis.

We also concluded that total event funding generated a substantial net benefit for Tasmania.

Independent auditor's conclusion

Independent auditor's conclusion

This independent conclusion is addressed to the President of the Legislative Council and to the Speaker of the House of Assembly. It relates to my performance audit on the cost effectiveness of supported events.

Audit objective

The objective of the audit was to express an opinion on whether supported events were cost effective for Tasmania and funded in accordance with applicable government policy.

Audit scope

The audit included a sample of events supported by government departmental funding in 2014. Departments included in the audit were the:

- Department of Health and Human Services (DHHS)
- Department of Premier and Cabinet (DPAC)
- Department of State Growth (State Growth).

Management responsibility

The Secretaries for DHHS, DPAC and State Growth were responsible for ensuring their departments' supported events were cost effective for Tasmania and funded in accordance with applicable government policy.

Auditor-General's responsibility

In the context of this performance audit, my responsibility was to express a conclusion on whether supported events were cost effective for Tasmania and funded in accordance with applicable government policy.

I conducted my audit in accordance with Australian Auditing Standard ASAE 3500 *Performance Engagements*, which required me to comply with relevant ethical requirements relating to audit engagements. I planned and performed the audit to obtain reasonable assurance that supported events were cost effective for Tasmania and funded in accordance with applicable government policy.

My work involved obtaining evidence that:

- event funding was properly approved
- there were adequate pre-funding evaluations
- funding agreements were effectively managed

- post-event evaluations were performed.

Auditor-General's conclusion

Based on the audit objective and scope and for reasons outlined in this Report, it is my conclusion that:

- Based on our testing, event funding was approved at appropriate levels.
- Qualitative criteria (e.g. effective management of event) were used to assess eligibility for funding, for all but four of our sample of funded events. However, quantitative pre-funding evaluations had not been performed for 14 of 17 funded events.
- Despite substantial evidence of risk mitigation, risk management process had not been undertaken. Funding agreements existed, were considered by Crown Law and included adequate monitoring controls.
- Despite an exit report being required and obtained, no evidence was provided for 13 of 19 events that post-event evaluations had been performed.
- Based on our own simplified cost-benefit model we concluded that funding of most individual events was justified by cost-benefit analysis.
- We also concluded that total event funding generated a substantial net benefit for Tasmania.

Rod Whitehead

Auditor-General

15 November 2016

Recent reports

Recent reports

Tabled	No.	Title
July	No. 1 of 2015-16	Absenteeism in the State Service
August	No. 2 of 2015-16	Capital works programming and management
October	No. 3 of 2015-16	Vehicle fleet usage and management in other state entities
October	No. 4 of 2015-16	Follow up of four reports published since June 2011
November	No. 5 of 2015-16	Financial Statements of State entities, Volume 2 — Government Businesses 2014-15
November	No. 6 of 2015-16	Financial Statements of State entities, Volume 3 — Local Government Authorities and Tasmanian Water and Sewerage Corporation Pty Ltd 2014-15
December	No. 7 of 2015-16	Financial Statements of State entities, Volume 1 — Analysis of the Treasurer's Annual Financial Report, General Government Sector Entities and the Retirement Benefits Fund 2014-15
February	No. 8 of 2015-16	Provision of social housing
February	No. 9 of 2015-16	Funding of Common Ground Tasmania
May	No. 10 of 2015-16	Financial Statements of State entities, Volume 4 — State entities 30 June and 31 December 2015 findings relating to 2014-15 audits and other matters
June	No. 11 of 2015-16	Compliance with legislation
September	No. 1 of 2016-17	Ambulance emergency services
October	No. 2 of 2016-17	Workforce Planning in the Tasmanian State Service
October	No. 3 of 2016-17	Annual Report 2015-16

Current projects

Current projects

The table below contains details of performance and compliance audits that the Auditor-General is conducting and relates them to the *Annual Plan of Work 2016–17* that is available on our website.

Title	Audit objective is to...	<i>Annual Plan of Work</i> reference
Tasmanian Forests Intergovernmental Agreement	... assess the effectiveness of the state's administration of projects listed for implementation by the Tasmanian Government, under the Tasmanian Forests Intergovernmental Agreement 2011 and 2013.	Page 19 Topic No. 1
Follow-up audit	... measure the extent to which audit clients implemented recommendations contained in four reports of the Auditor-General tabled between September 2011 and June 2014.	Page 24 Topic No. 9
Tasmanian prisons	... review the management of Tasmanian prisons including security, reduction in recidivism and cost control/efficiency considerations. Also, explore the impact of prisoner release program run by nongovernmental organisations (NGOs) such as Bethlehem House.	Page 17 Topic No. 1

AUDIT MANDATE AND STANDARDS APPLIED

Mandate

Section 17(1) of the *Audit Act 2008* states that:

‘An accountable authority other than the Auditor-General, as soon as possible and within 45 days after the end of each financial year, is to prepare and forward to the Auditor-General a copy of the financial statements for that financial year which are complete in all material respects.’

Under the provisions of section 18, the Auditor-General:

‘(1) is to audit the financial statements and any other information submitted by a State entity or an audited subsidiary of a State entity under section 17(1).’

Under the provisions of section 19, the Auditor-General:

- ‘(1) is to prepare and sign an opinion on an audit carried out under section 18(1) in accordance with requirements determined by the Australian Auditing and Assurance Standards
- (2) is to provide the opinion prepared and signed under subsection (1), and any formal communication of audit findings that is required to be prepared in accordance with the Australian Auditing and Assurance Standards, to the State entity’s appropriate Minister and provide a copy to the relevant accountable authority.’

Standards Applied

Section 31 specifies that:

‘The Auditor-General is to perform the audits required by this or any other Act in such a manner as the Auditor-General thinks fit having regard to –

- (a) the character and effectiveness of the internal control and internal audit of the relevant State entity or audited subsidiary of a State entity; and
- (b) the Australian Auditing and Assurance Standards.’

The auditing standards referred to are Australian Auditing Standards as issued by the Australian Auditing and Assurance Standards Board.



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