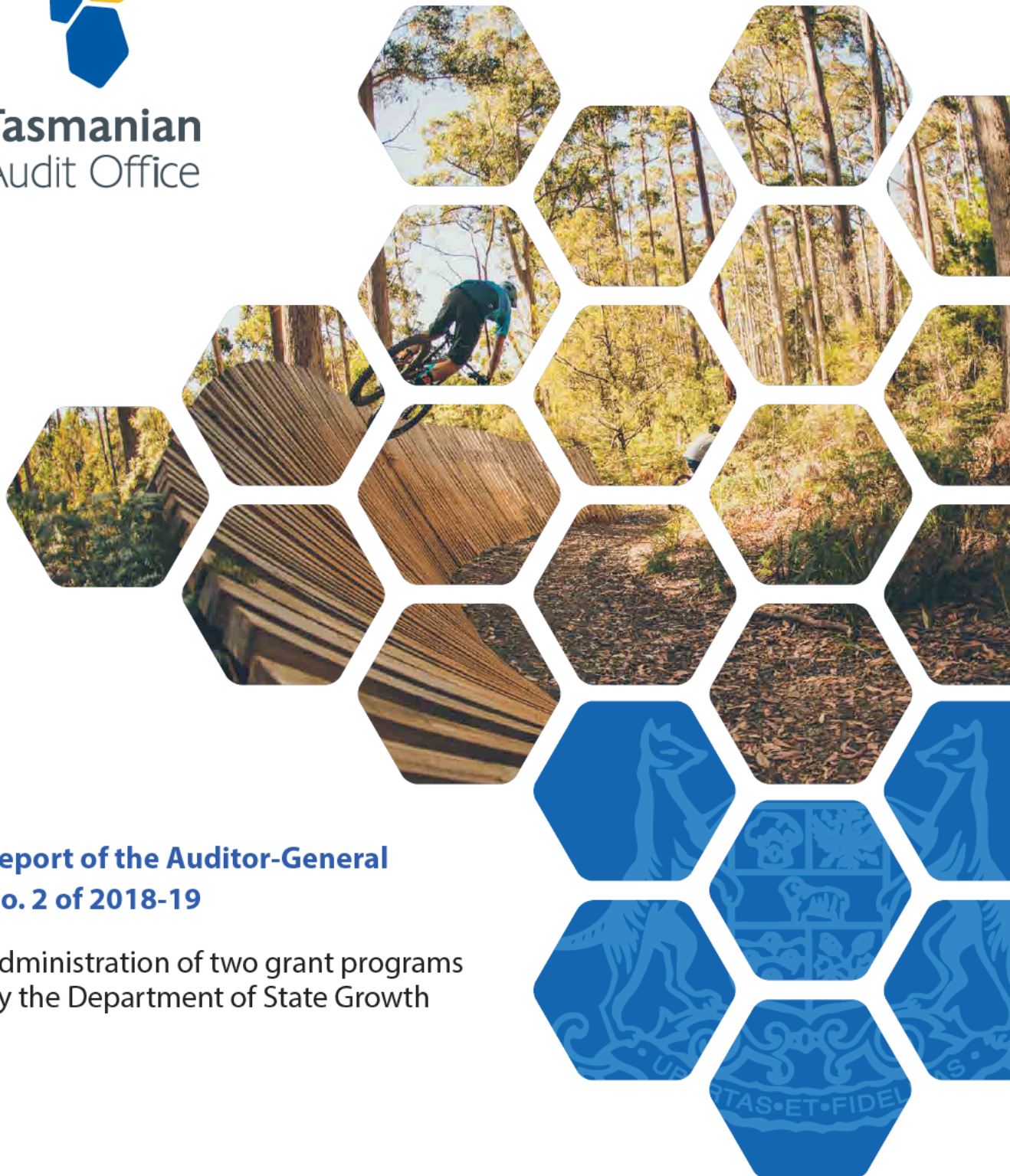




**Tasmanian**  
Audit Office



**Report of the Auditor-General  
No. 2 of 2018-19**

Administration of two grant programs  
by the Department of State Growth

October 2018

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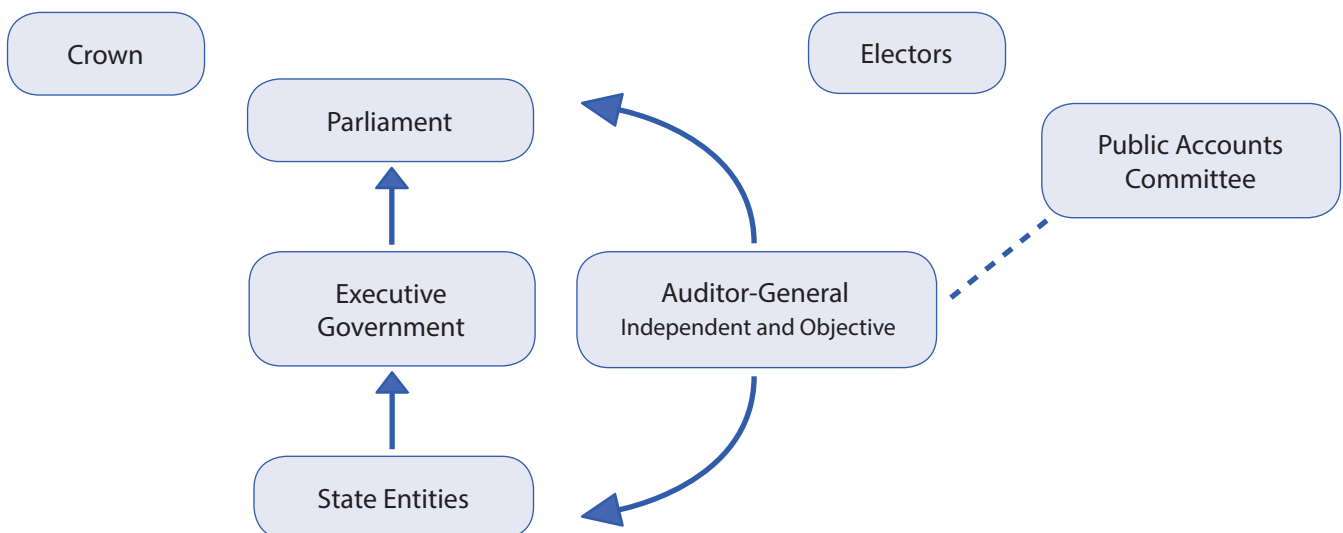
We can also carry out investigations but only relating to public money or to public property. In addition, the Auditor-General is now responsible for state service employer investigations.

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.

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





**TASMANIA**

**2018  
PARLIAMENT OF TASMANIA**

**Report of the Auditor-General  
No. 2 of 2018-19**

**Administration of two grant programs  
by the Department of State Growth**

**October 2018**

Presented to both Houses of Parliament pursuant to  
Section 30(1) of the *Audit Act 2008*

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30 October 2018

President  
Legislative Council  
HOBART

Speaker  
House of Assembly  
HOBART

Dear Mr. President

Dear Ms. Speaker

**Report of the Auditor-General No. 2 of 2018–19: Administration of two grant programs by the Department of State Growth**

This report details the findings from our examination of two grant programs administered by the Department of State Growth. The examination assessed activities relating to program design, application and assessment processes and monitoring of grant funding use.

Yours sincerely



Rod Whitehead  
**Auditor-General**

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# TABLE OF CONTENTS

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<b>EXECUTIVE SUMMARY</b>	<b>1</b>
Introduction	1
Examination objective	1
Examination scope	1
Examination criteria	1
Examination approach	2
Summary of findings	2
Conclusion	3
Recommendations	3
Submissions and comments received	3
<b>CONTEXT</b>	<b>4</b>
Regional Tourism Infrastructure and Innovation Fund	4
Regional Revival Fund Grant Program	5
DISTRIBUTION OF FUNDING	5
<b>DETAILED FINDINGS</b>	<b>8</b>
1. Were application and assessment processes transparent and equitable?	8
2. Were grant funds used as intended?	13
<b>SUBMISSIONS AND COMMENTS RECEIVED</b>	<b>17</b>

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# EXECUTIVE SUMMARY

## INTRODUCTION

In May 2017, the Tasmanian Audit Office received a referral<sup>1</sup> relating to a grant made under the *Regional Tourism Infrastructure and Innovation Fund* (RTIIF) that was administered by the Department of State Growth (State Growth).

Following the completion of inquiries relating to the referral, the Auditor-General decided to conduct an examination, pursuant to section 23(e) of the *Audit Act 2008*, into two grant programs administered by State Growth.

## EXAMINATION OBJECTIVE

The following grant programs were selected for this examination due to the similar nature of the projects being funded and the amount of funding awarded:

- RTIIF
- *Regional Revival Fund Grant Program* (RRFGP).

The examination objective was to determine whether grants provided under RTIIF and RRFGP were effectively and efficiently administered by State Growth.

## EXAMINATION SCOPE

The examination scope included the activities by State Growth in regard to program design, application and assessment processes and monitoring of grant funding use.

## EXAMINATION CRITERIA

The following criteria were established to evaluate State Growth's administrative processes against the examination objective.

1. Were application and assessment processes transparent and equitable?		
<b>1.1</b> Was program design sound?	<b>1.2</b> Were applications equitably assessed?	<b>1.3</b> Did funding decisions reflect the documented assessment of applications?
2. Were grant funds used as intended?		
<b>2.1</b> Did grant deeds sufficiently detail the purpose and intended outcomes for which the grant funds were provided?	<b>2.2</b> Did acquittal reports contain information that demonstrated funds had been used as intended?	<b>2.3</b> Were actual outcomes of projects consistent with expected outcomes?

1. Referral - a voluntary disclosure made by a member of the public to the Tasmanian Audit Office relating to the use of public money and/or public property.

## EXAMINATION APPROACH

The examination involved:

- discussing the grant programs with relevant State Growth staff
- analysing:
  - applications to the grant programs
  - assessment of applications against the assessment criteria
  - grant deeds
  - acquittal and evaluation reports.

## SUMMARY OF FINDINGS

### Regional Tourism Infrastructure and Innovation Fund

For the application and assessment process:

- Expression of Interest (EOI) review forms for 26 applications could not be provided to us for inspection
- 22 business case reviews could not be provided to us for inspection, 11 of which related to projects that were ultimately funded
- documentation summarising the evaluation of business cases was not consistent with the final funding decisions, with:
  - one project funded under RTIIF identified for funding under a different program
  - clear recommendations not documented for four projects that were ultimately funded.
- risk assessments were performed on all applications prior to funds being awarded, but it appears to have been an input to the funding decision rather than an exercise to identify and manage risks associated with individual grants.

In examining the disbursement of grant funds, we identified one grant recipient under the RTIIF program was awarded additional funding of \$25 000 without an assessment being undertaken to determine whether other applicants could, or should, have received an additional funding allocation.

We noted that the approved use of grant funds in RTIIF grant agreements could have been more prescriptive. This increased the risk of State Growth being unable to recover grant funds not spent in accordance with the EOI application.

With regard to management of the successful projects, the required progress and acquittal reports were provided before grant payments were made. However:

- 88% of RTIIF projects were completed after the original completion date
- deeds of variation had not been entered into for seven of the delayed RTIIF projects.

### Regional Revival Fund Grant Program

We found that five unsuccessful applications scored higher during the assessment process than two successful projects. These applications were not funded due to qualitative factors that appear to have been reflected in the scores. Similar comments were also made about some of the projects that ultimately received funding.

State Growth could not provide an appropriate risk assessment and management plan for the RRFGP at time of this examination.

We noted that 50% of RRFGP projects were completed after the original completion date. Deeds of variation were entered into for all of the delayed projects.

## CONCLUSION

We concluded:

- program design, with regard to the establishment of program objective and evaluation criteria, was sound
- effective risk assessment and management plans that tied risks to the programs' success to mitigating activities in the application, assessment and monitoring and evaluation processes were not in place for RTIIF or RRFGP
- the lack of consistency between assessments performed and funding decisions impacted on the probity of application assessment
- a robust approach to records management was not adopted for RTIIF.

The approved purpose of funding provided under RRFGP in executed grant agreements was clear, but the approved purpose in RTIIF grant agreements was not sufficiently detailed.

In addition, the preferred content of progress and acquittal reports was not determined or communicated to recipients. As a result, the progress and acquittal reports that recipients submitted to State Growth did not always contain sufficient information to confirm that:

- applicants had contributed the minimum amount of cash identified in the grant agreement
- funds had only been spent on the approved purpose
- actual outcomes of projects were consistent with the expected outcomes.

## RECOMMENDATIONS

We recommend that, for future grant programs of a similar nature to RTIIF and RRFGP, State Growth:

1. document a robust risk assessment and management plan during the planning and design phase
2. develop application forms that provide sufficient information to make a funding decision on
3. require application forms be completed by all persons seeking funding
4. implement a consistent records management approach for the collation and storage of grant applications received, assessments performed, decisions made, grant agreements executed and progress and acquittal reports received
5. improve the transparency of assessments performed and funding decisions made by ensuring assessment documentation is consistent with decisions made
6. execute grant agreements that have a sufficient detail of the project being funded and that facilitate enforcement of conditions or, where appropriate, recoverability of funds
7. execute Deeds of Variation where there is a material risk of non-compliance with the terms of the original agreement or significant delays in project completion
8. determine and provide advice to prospective applicants on the required content of progress and acquittal reports.

## SUBMISSIONS AND COMMENTS RECEIVED

In accordance with section 30(2) of the *Audit Act 2008*, a summary of findings was provided to State Growth, the Minister for Tourism, Hospitality and Events and the Minister for State Growth, and other persons who, in the opinion of the Auditor-General had a special interest in the report, with a request for submissions or comments. Responses, or a fair summary of them, are included in Appendix One.

# CONTEXT

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## REGIONAL TOURISM INFRASTRUCTURE AND INNOVATION FUND

RTIIF was a \$4.4m program funded by the Australian Government under a National Partnership Agreement (NPA). The program objective was to support regional projects that would contribute to the Tourism 2020 outcomes by driving demand, improving quality, increasing visitor expenditure and supporting the creation of jobs in Tasmania.

The program objective and associated timeline were established by the Australian Government.

A commitment to provide funding was announced, in October 2013, as part of the Australian Government's Economic Growth Plan for Tasmania. Subsequent to that announcement:

- agreement was reached with Australian Government central agencies that RTIIF would be administered under a NPA between the Commonwealth and Tasmania
- RTIIF funds were made available to the Tasmanian Government in 2015–16.

The Tasmanian Government ran an Expression of Interest (EOI) and assessment process from July 2015 to October 2015 to identify eligible projects for inclusion in the program. In August 2018, State Growth advised:

*The Australian Government did not require administering agencies to run an application and assessment processes for RTIIF. This was a decision taken by State Growth in administering the program, but could have been replaced with a targeted list agreed between the two Tourism Ministers.*

We consider that a merit-based application and assessment process is an equitable approach to award grants and would be consistent with potential recipients' expectations regarding the provision of public funds to industry.

In January 2016, the Tasmanian Minister for Tourism and the Australian Minister for Tourism and International Education signed the NPA, which provided funding for:

- environmental projects that develop or enhance natural assets such as, but not limited to, protected and recreational areas, public spaces, parks and walking trails
- built projects such as: mixed-use facilities; exhibition convention and events facilities, cultural institutions; entertainment and sporting facilities; city/town precincts; and tourist attractions
- transport projects relating to roads, rail networks, ports and airports
- enabling projects including: indigenous tourism development; development of tourism networks, plans and feasibility studies; and programmes to improve industry capability and capacity.

However, funding could not be used for projects or components of projects that related to:

- marketing, advertising or product promotion
- regular repairs and maintenance
- upgrading or developing facilities predominately for local communities
- engaging or paying permanent employees
- buying or leasing real estate of any type
- administrative or running costs normally the responsibility of a business, state government or local council.

## REGIONAL REVIVAL FUND GRANT PROGRAM

RRFGP was a \$5.0m program funded by the Tasmanian Government through the annual State budget process. This program aimed to create jobs in regional Tasmania, by offering grants to assist eligible proponents of projects to bring forward their projects that would otherwise be delayed or not proceed.

RRFGP delivered on a Tasmanian Government election commitment. The funding provided one-off grants to projects that would generate or sustain ongoing economic activity and jobs. The program was targeted at rural and regional areas to help upgrade economic, environmental and social infrastructure and generate work in these areas.

Projects to be funded under the RRFGP were required to satisfy all of the following:

- capital expenditure of at least \$0.5m or demonstrated significant related investment
- demonstrate that grant funding was required in order to bring forward a project that would otherwise have been delayed or not commenced
- project commencement within 12 months of funding being awarded
- physically located in a rural or regional area of Tasmania (not in the major population centres of Hobart and Launceston)
- demonstrate that the project would lead to the creation of ongoing employment beyond the construction phase.

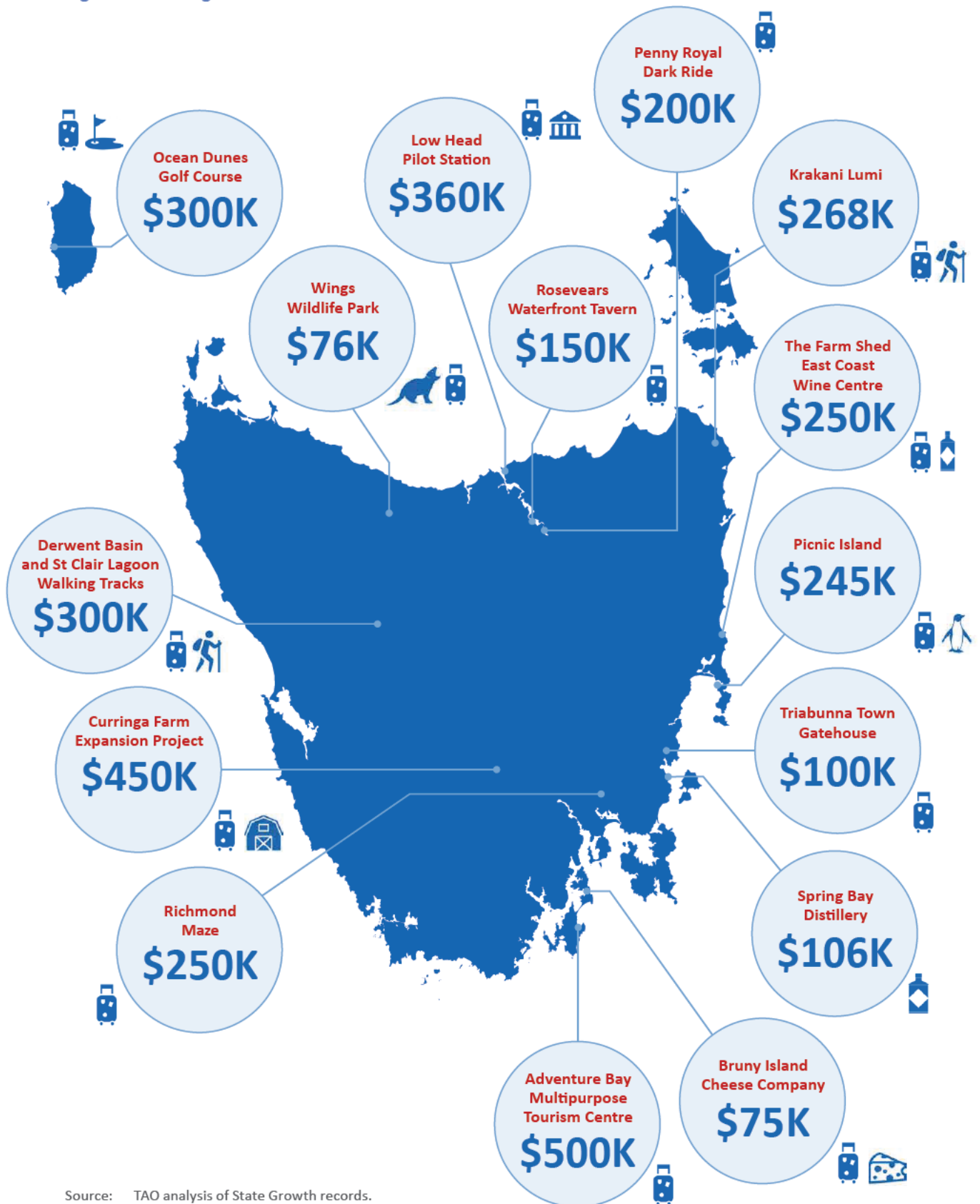
Funding was not to be used for projects if they:

- had commenced construction prior to lodging an application to the Expression of Interest process
- related to residential land development
- could be funded more appropriately by another government program
- had received or would receive any other form of Tasmanian Government grant assistance
- could not demonstrate access to or a clear plan to access the resources, permits and expertise necessary to successfully deliver the project.

## DISTRIBUTION OF FUNDING

Figures 1 and 2 illustrate the distribution of funding across Tasmania.

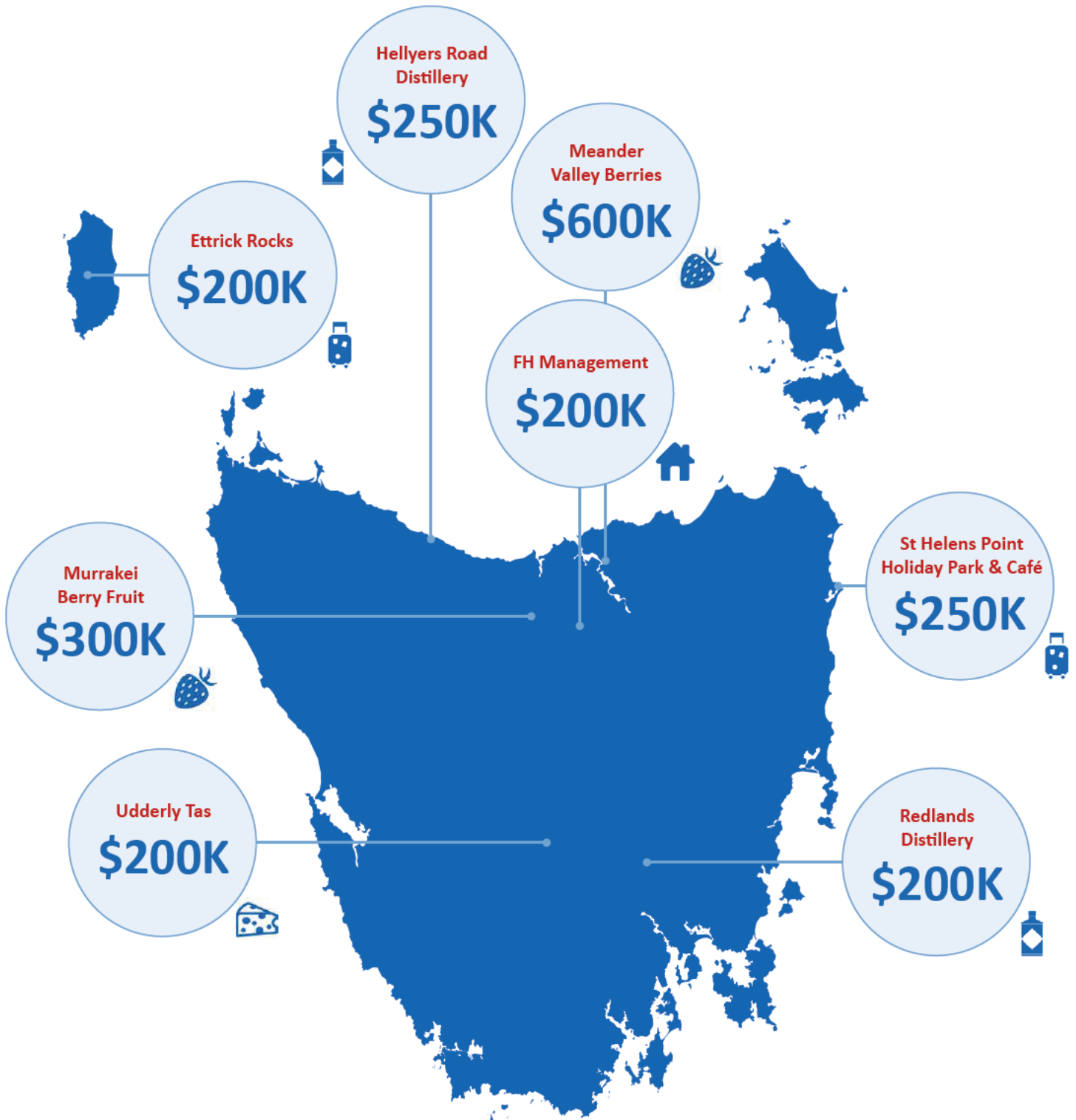
Figure 1: Funding awarded for RTIIF<sup>2</sup>



Source: TAO analysis of State Growth records.

2. The \$0.8m grant awarded for the Australian Masters Games has not been included in this figure as it relates to a decision made by the Australian Government.

Figure 2: Funding awarded for RRFGP



Source: TAO analysis of State Growth records.

# DETAILED FINDINGS

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## 1. WERE APPLICATION AND ASSESSMENT PROCESSES TRANSPARENT AND EQUITABLE?

Transparent and equitable application and assessment processes are supported by robust program design. Program design, in this respect, includes:

- assigning accountability for funding decisions
- outlining expenditure that can be funded through the grant program
- developing application and assessment processes that support the achievement of the program objective
- establishing the approach to record keeping.

Treasurer's Instruction (TI) 709 *Grant Management Framework* also sets out the minimum conditions that an agency (as defined in the *State Service Act 2000*) needs to meet when administering grants. The minimum conditions relevant to application and assessment procedures include:

- allocating grants in accordance with the purpose for which the grant funding was provided by Government
- developing and maintaining appropriate documentation for each grant program in accordance with current Agency processes
- completing an appropriate risk assessment and management plan before a grant program can commence to:
  - take precautionary measures to mitigate the risks
  - minimise the financial risk of non-performance by the grantee
  - reduce negative non-financial impacts, such as adverse publicity.

We reviewed the transparency and equity of application and assessment processes following an examination of whether:

- program design was sound
- applications were equitably assessed
- funding decisions reflected the documented assessment of applications.

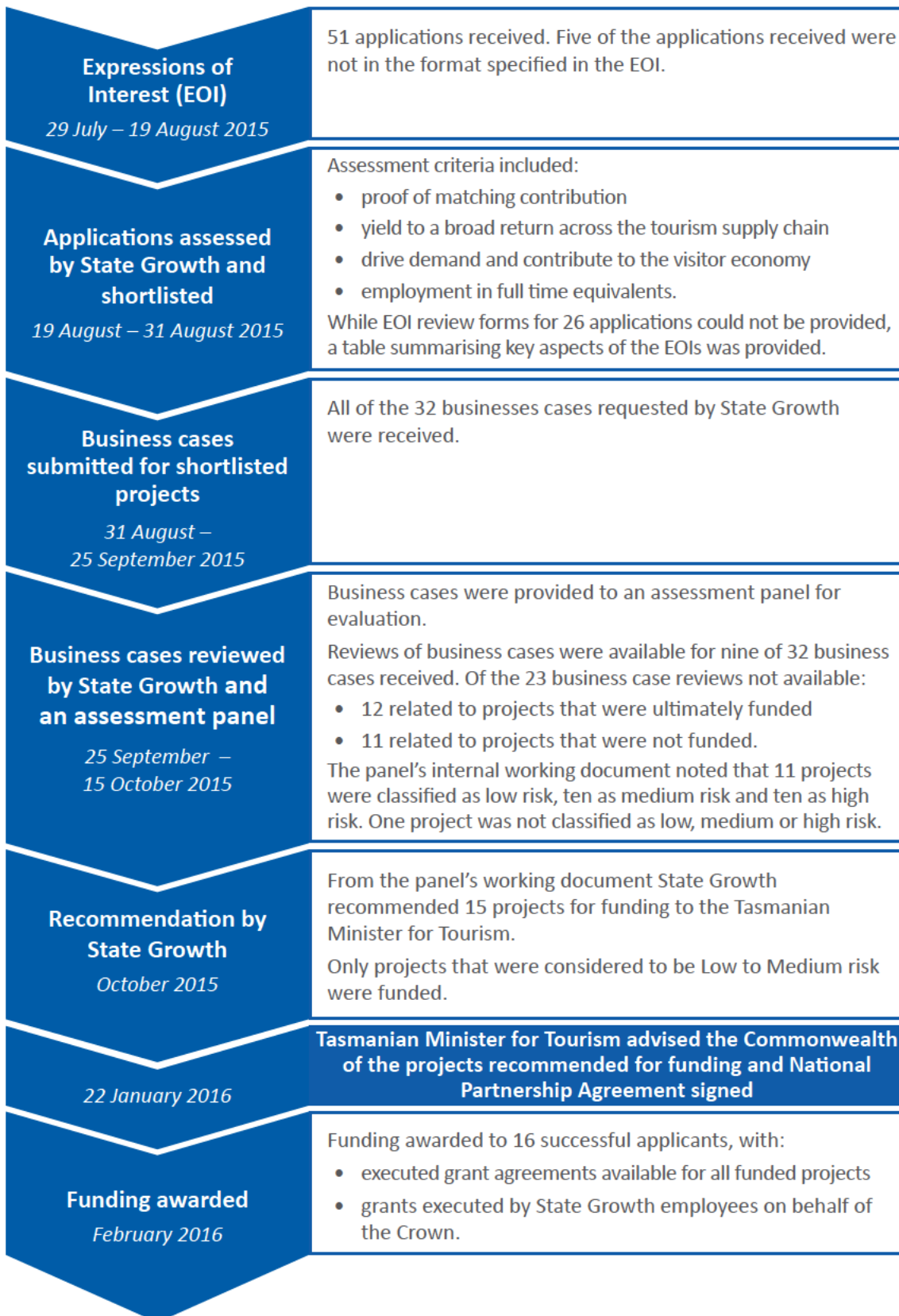
As the funding source and administrative processes adopted for RTIIF and RRFPG were notably different, the findings against each of the above elements have been reported by program in the following sections.



## 1.1 Regional Tourism Infrastructure and Innovation Fund

Figure 3 illustrates the key stages of RTIIF and the outcome of each stage.

Figure 3: RTIIF — key stages and outcomes



Source: TAO analysis of State Growth records.

Figure 3 highlights that records management practices were inadequate, with a number of:

- business case reviews not available at the time of this examination
- EOIs that were received in August 2015 stored on a USB flash drive (portable data storage device) until June 2018.

While a risk assessment was performed on all applications prior to funds being awarded, it appears to have been used as an input to the funding decision rather than an exercise to identify and manage risk associated with funded projects. For example, two of the four projects rated as being medium risk projects did not have any more conditions in the executed grant agreements than those projects rated as being low risk. A more comprehensive risk management approach would have been to assess and manage the risk:

- to achieving the program objectives when designing the documentation for the program
- associated with individual grants when assessing applications and drafting the conditions, in grant agreements, on which funding is provided.

In August 2018, State Growth advised that key risks were actively anticipated and managed through the:

- program guidelines
- use of grant deed templates approved by Crown Law
- payment process
- acquittals.

We also found that the summary of the business case reviews provided by State Growth appeared to be incomplete. For example, in the summary of business case reviews:

- one project funded under RTIIF was identified for funding under a different program
- a clear recommendation was not provided for four projects ultimately funded under RTIIF.

A clear recommendation was however provided by State Growth to the Minister for Tourism, Hospitality and Events on the projects that were to be included in the NPA between the Commonwealth and Tasmanian Government.

We concluded that:

- an appropriate risk management plan was not in place prior to the receipt of grant applications
- adequate documentation was not maintained, which reduced the probity of the assessment process.

## **1.2 Regional Revival Fund Grant Program**

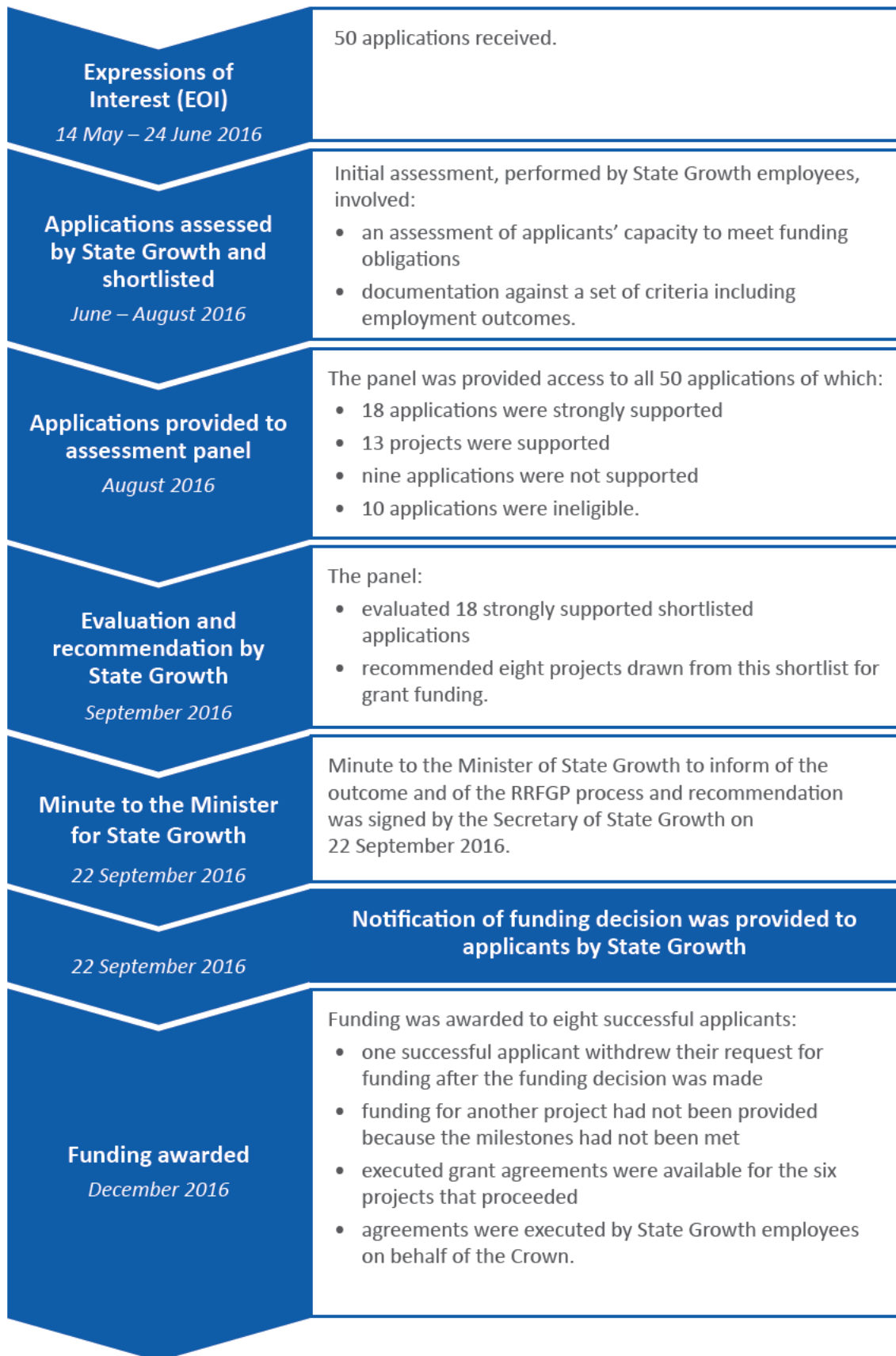
In May 2016, the EOI process for RRFGP commenced. However, the Minister for State Growth had already allocated \$2.8m to support projects where an urgent commitment of funding was necessary. These projects included a grant of up to:

- \$2.0m to Copping Refuse Disposal Site Joint Authority (trading as Southern Waste Solutions) in December 2015 to assist with construction of a controlled waste facility
- \$0.8m to JBS Swift Australia (Southern) Pty Ltd in February 2016 to support their investment in new capital equipment and a cost-effective hot water production system.

The approval of funding outside the EOI process was consistent with the RRFGP guidelines.

Figure 4 illustrates the key stages of RRFGP and the outcome of each stage.

Figure 4: RRFGP — key stages and outcomes



Source: TAO analysis of State Growth records.

Figure 4 demonstrates that:

- the process adopted for RRFGP was similar to that adopted for RTIIF
- funding for one project was withheld as the milestones in the grant agreement had not been met.

The final recommendation for funding was based on a subjective overall rating by the panel members, with a sum of the scores of each of the three assessors used as the final score. Five unsuccessful applications scored higher than two successful projects. These applications were not funded due to qualitative factors such as:

- insufficient information being provided in the business case
- profit/growth forecasts being unrealistic
- other funding sources considered to be more appropriate
- insufficient evidence to support funding capacity.

Similar comments were also made about some of the projects that ultimately received funding.

In addition, State Growth could not provide an appropriate risk assessment and management plan for RRFGP at time of this examination. In August 2018, State Growth advised that the approach to managing risk was similar to the approach adopted for RTIIF, with the addition of a probity advisor to oversee the process.

We concluded that:

- the scoring approach used to rank applications was not overly transparent
- a risk management plan was not in place prior to the receipt of grant applications.

## 2. WERE GRANT FUNDS USED AS INTENDED?

By planning for monitoring and evaluation during the design phase of a granting activity, agencies can:

- provide sufficient information on the funded project in grant agreements
- design a monitoring and evaluation process that allows the agency to determine whether funding has been used as intended
- execute grants agreements that allow grant funds to be recovered if funding is not used as intended
- inform prospective applicants of the key terms and conditions of grant agreements, including the monitoring and evaluation requirements, so that they can make an informed decision about applying for a grant.

Treasurer’s Instruction (TI) 709 sets out the minimum conditions that agencies need to meet when administering grants. The minimum conditions relevant to monitoring and evaluation of grants include:

- developing and maintaining appropriate documentation for each grant program in accordance with current Agency processes
- embedding an appropriate monitoring strategy for each grant to ensure compliance with grant conditions.

We reviewed whether State Growth had implemented processes that confirmed that grant funds had been used as intended by:

- examining the content of grant agreements
- reviewing the process for monitoring grants
- evaluating the outcomes of grants awarded.

### 2.1 Execution and management of grant agreements

Sixteen projects were funded under RTIIF and eight projects were recommended for funding under RRFGP. Common elements of the grants agreements executed for RTIIF and RRFGP included:

- conditions of paying funds—with instalments to be paid by State Growth after a satisfactory report on the project had been received from the grant recipient
- the approved purpose for which the Grants were provided
- special terms and conditions, including the minimum amount of cash that the recipient must contribute to the project or the timing of the project.

#### 2.1.1 Payment of Funds

Figure 5 outlines the payment arrangements for the funding programs.

Figure 5: Payment arrangements for the grant programs

RTIIF	RRFGP
<p>Grant funds were generally paid in three instalments with:</p> <ul style="list-style-type: none"> <li>● 20% paid in the first instalment,</li> <li>● 70% paid in the second instalment</li> <li>● 10% paid in the final instalment</li> </ul>	<p>Grant funds were generally fully paid in the first instalment</p>

Source: TAO analysis of State Growth records.

While projects funded under RTIIF and RRFGP are similar in terms of the nature of the funded project and amount, Figure 5 demonstrates that different payment arrangements were adopted. The payment arrangements adopted for RTIIF is a more common approach for funding capital investment projects. Projects of this nature are often completed in stages and, by tying the

payment of funds to the stages of project completion, RTIIF was designed to allow for a more active grant management approach to be adopted.

We also identified that the grant amount provided under RTIIF to one recipient was \$25 000 greater than the amount requested in the EOI application and business case. In relation to this grant, State Growth advised \$25 000 of RTIIF funds remained unallocated following the awarding of funding to all successful applicants. Following a verbal discussion with the Commonwealth Government, the Program Manager contacted this applicant as they had made a verbal comment to the Program Manager that the initial project budget may have increased in cost since submission of the EOI. The applicant confirmed that it had capacity to match a potential increase in funding should it be available. The additional funds were added to their initial bid amount.

A more equitable and transparent approach would have been to:

- contact all successful applicants to identify those projects for which project costs had increase since the application for funding was made
- allocate the remaining funds using an consistent approach, such as an agreed formula.

In August 2018, State Growth advised that the timeframe associated with Commonwealth approval was extremely tight and would not have allowed for a process which involved making additional contact with all applicants to be implemented.

### 2.1.2 Use of grant funds on the approved purpose

The executed grant agreements stated that recipients:

- must repay the grant if any part of the grant is not required to carry out the approved purpose or used by the recipient for a purpose that is not an approved purpose
- may be required to repay the grant if the project is not completed by the date specified in the grant agreement.

The approved purpose is therefore a key element of the executed grant agreement.

We reviewed the approved purpose written into the executed grant agreements. Grant agreements for RFRGP referred to original EOIs as being the approved purpose for the grants provided. In comparison, we found the approved purpose was not overly descriptive for RTIIF. For example, a grant agreement stated the approved purpose was:

*To fund part of the broader \$7.1 million development. This project will provide crucial infrastructure items including power and water supply and visitor access.*

The Office of the Crown Solicitor's advice in its *Grant Template Use Guide* notes:

*If the Approved Purpose is vague or too general, it may be difficult, if not impossible, to dispute the recipient's application of the grant. Accordingly, where possible the Approved Purpose should be specific.*

We consider the approved purpose example provided above could have been more specific.

### 2.1.3 Timing of projects

We identified that delays in project completion were common in both programs. This may have been related to the setting of unachievable dates in the original grant agreements in a number of cases. For example, 12 of the 16 grant agreements executed for RTIIF were signed after the first instalment date.

Figure 6 summarises the findings related to the timeliness of project completion and existence of supporting documentation.

Figure 6: Delays in project completion

RTIIF	RRFGP
<p>14 projects were completed after the completion date in the original grant agreement:</p> <ul style="list-style-type: none"><li>● a deed of variation did not exist for seven projects</li><li>● deeds of variation entered into for the other seven projects—six of these projects are now complete.</li></ul>	<p>A deed of variation was executed for four projects of which:</p> <ul style="list-style-type: none"><li>● one project is now complete and</li><li>● three projects have a completion date which has not occurred during the examination and is still to be completed.</li></ul>

Source: TAO analysis of State Growth records

The need for deeds of variation across the two programs was high, with 88% of RTIIF projects and 50% of RRFGP projects completed after the original completion date. However, as shown in Figure 6, deeds of variation had not been entered into for 7 of the delayed RTIIF projects.

## 2.2 Monitoring and acquittal reports

The *Commonwealth Grants Rules and Guidelines* note the monitoring of payments and project progress are integral to good governance and risk management. The content of progress and acquittal reports for grants should therefore be proportional to the risk associated with the funded project.

A progress report will generally include a brief narrative on progress, costs to date and a series of photographs. Acquittal reports will often contain a narrative of the project, a series of photographs of the completed project and a summary of cash inflows and outflows related to the project.

State Growth's monitoring process involved funding recipients providing:

- progress reports before milestone grant payments were made
- an acquittal report before the final grant payment was made.

However, State Growth did not provide clear advice to recipients on the preferred content of progress and acquittal reports. As a result, funding recipients submitted a variety of information, including emails, brief narratives and photographs, as evidence that the project was being implemented as outlined during the application and assessment process.

In regards to the final acquittal report, we found for:

- the only completed RRFGP project:
  - an invoice that totalled the amount of the grant was provided as supporting evidence for expenditure of grants funds on the approved purpose
  - a site visit was undertaken by State Growth employees.
- RTIIF projects:
  - an acquittal has not yet been received for one completed project
  - a summary of project-related cash flows was only provided for two grants.

## 2.3 Funding outcomes

We were unable to conclude on whether actual outcomes were consistent with expected outcomes as:

- the grant agreements for either program did not refer to the employment or tourism-related outcomes that were expected from the funded projects
- while tourism-related outcomes were a focus of RTIIF, the expected outcomes of grant funding were not quantified
- while generation or maintenance of economic activity was a focus of the RRFPG, the expected outcome also was not quantified.

The expected employment-related outcomes were quantified in the initial EOI process and business cases submitted for each program. However, the final acquittal reports did not contain sufficient information on the actual employment-related outcomes of each funded project.

In August 2018, State Growth advised that the expected outcomes of the grant funding were capital projects delivered in line with the requirements detailed in the grant agreement. Factors such as growth in demand, visitation, economic activity and employment is best measured after the grant agreement term has concluded and through an evaluation of programs. In October 2018, State Growth further advised that, in relation to RTIIF, the program will not be evaluated as the Commonwealth is not continuing with this program in the future.

Further information on the expected and actual outcomes of each program is provided in the following sections.

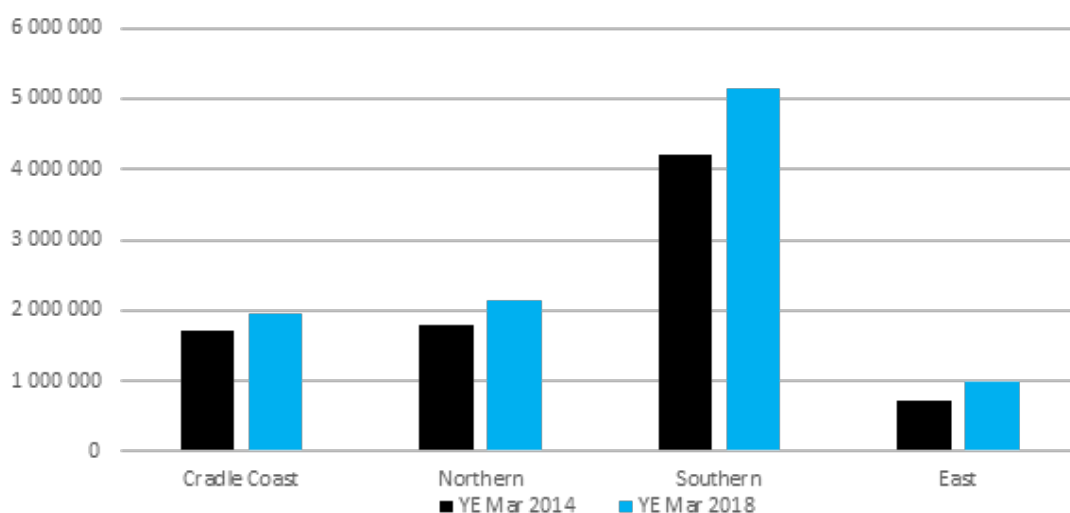
### 2.3.1 RTIIF funding outcomes

Projects funded under RTIIF were primarily expected to contribute to the Tourism 2020 outcomes by driving demand, improving quality and increasing visitor expenditure. A secondary expectation was to support the creation of jobs in regional locations in Tasmania.

In regard to the tourism-related outcomes of RTIIF, State Growth considered steady growth in tourism visitation and visitor expenditure as indicators of RTIIF's success. While these indicators cannot be directly attributed to the program:

- visitor expenditure has increased from \$1.7bn in 2013–14 to \$2.4bn in 2017–18
- the number of nights stayed in each tourism region increased significantly between 2013–14 and 2017–18 as shown in Figure 7.

Figure 7: Number of nights stayed in each tourism region, 2013–14 compared to 2017–18



Source: State Growth.



In regard to the employment-related outcomes, 201 FTE positions were expected to be created, with an average of \$18 700 in grant funds applied against each additional ongoing position.<sup>3</sup>

As reflected in State Growth's advice above, the actual employment-related outcomes have not been quantified.

### 2.3.2 RRFGP funding outcomes

RRFGP funded projects were expected to generate or sustain ongoing economic activity and create 161 ongoing FTE positions in regional Tasmania, with an average of \$13 700 in grant funds applied against each additional ongoing FTE position. The expected impact on economic activity was not quantified.

As reflected in State Growth's advice above, the actual employment-related outcomes or impact on economic activity have not been quantified.

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3. The calculated average amount of grant funds applied against each ongoing FTE positions does not factor in the jobs created during the construction phase of projects or indirectly through an improvement in economic conditions.

## SUBMISSIONS AND COMMENTS RECEIVED

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 were considered in reaching the summary of findings.

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 State Growth

Thank you for the opportunity to provide a response to your draft report *Administration of two grants programs by the Department of State Growth*.

Firstly, I would make the comment that these programs have successfully facilitated infrastructure investment in regional Tasmania, especially in the area of growing demand for tourism facilities. In addition, the audit is of two programs that were administered by the department and the recommendations of this audit are not reflective of the administration and management of the numerous grant programs that the department administers. Whilst it is disappointing that my department was not fully compliant with all examination criteria in relation to these programs, I am pleased to note that there were a very limited number of applications that gave rise to these recommendations and I am confident that the business improvement approach currently in train across the department will address these areas.

The department commissioned a review by our internal audit partners of grants administration with a focus on business improvement, and development of a common management system and processes. The review is in its final stages and a preliminary report has been received. A copy of your report will be provided to them and a request that the matters you have raised are considered in their final report. One of the key objectives of this review is to consolidate grants practices to a whole of department grant framework. The department has trialed the adoption of a grants management system that provides tracking of grant stages and tasks, contract generation and reporting and storage of funding decisions and deliverables tracking. Formal adoption of the system will be considered as part of the adoption of a whole of department grants framework.

I am confident that this work addresses the majority of your recommendations 1 to 5, and 7 along with 8. However, I wish to comment in regard to recommendation 7 that the department prepares Deeds of Variation where there is a material overrun of timelines; however, there is some ambiguity in interpretation, therefore the department will develop guidelines as part of the Grant Manager's Toolkit.

With regard to recommendation 6, the department uses grant deed templates prepared by Crown Law which include recoverability of funds and proponents' project proposals which the department considers provide sufficient detail of the project. Nonetheless, as part of the review I will request that clear guidelines are set for departmental officers to follow regarding the level of detail.

I acknowledge that the department's records management could have been improved with regard to the RTIIF program. A number of factors contributed to this issue including establishment of a new unit within the department that managed this program, the relocation of the department to new premises and the merging of internal departmental systems. Despite this, a two-stage EOI/business case assessment process was conducted, resulting in expert panel recommendations being made to the Australian Government for funding in a timely and consistent manner as you have noted. I am also confident that the implementation of the business improvements already mentioned above will address the issue of record keeping.

Kim Evans

**Secretary**

## 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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