

Auditor-General of Queensland

Report to Parliament No. 7 for 2008

**Administration of Grants and Funding to Community
Organisations by Local Government in Queensland**

A Performance Management Systems Audit



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A Performance Management Systems Audit**



Queensland

Prepared under Part 6

Division 3 of the

Financial Administration and Audit Act 1977

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Queensland Audit Office
Central Plaza One
Floor 11, 345 Queen Street, Brisbane Qld 4000
GPO Box 1139, Brisbane Qld 4001
Telephone 07 3405 1100
Facsimile 07 3405 1111
Email enquiries@qao.qld.gov.au
Website www.qao.qld.gov.au

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Auditor-General of Queensland

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The Honourable M F Reynolds MP
Speaker of the Legislative Assembly
Parliament House
BRISBANE QLD 4000

Dear Mr Speaker

This report is prepared under Part 6 Division 3 of the *Financial Administration and Audit Act 1977*, and is on the Administration of Grants and Funding to Community Organisations by Local Government in Queensland. It is the seventh in the series of Auditor-General's Reports to Parliament for 2008.

In accordance with s.105 of the Act, would you please arrange for the report to be tabled in the Legislative Assembly.

Yours sincerely



Glenn Poole
Auditor-General



Central Plaza One
Floor 11, 345 Queen Street, Brisbane Qld 4000
GPO Box 1139, Brisbane Qld 4001
Telephone 07 3405 1100
Facsimile 07 3405 1111
Email enquiries@qao.qld.gov.au
Website www.qao.qld.gov.au

Contents

Glossary Frequently used terms and abbreviations.....	1
Section 1 Executive summary	3
1.1 Audit overview.....	3
1.2 Audit opinion	3
1.3 Key findings	4
1.4 Recommendations.....	5
1.5 Department of Local Government, Sport and Recreation response	5
Section 2 Audit focus	7
2.1 Reasons for the audit.....	7
2.2 Audit objective.....	7
2.3 Audit scope	7
2.4 Use of a model to gauge interaction	8
2.5 Organisational context	8
2.6 PMSA approach.....	10
Section 3 State Government support for councils in the administration of grants ...	11
3.1 Guidance provided by the Department of Local Government, Sport and Recreation	11
3.2 Guidance provided by Arts Queensland	12
Section 4 Council frameworks and systems to ensure transparency and accountability for grants	13
4.1 Frameworks and requirements	13
4.2 Council systems to ensure grants are allocated fairly and spent appropriately	17
Section 5 Appendices.....	23
5.1 Audit criteria	23
5.2 Council frameworks	23
5.3 Council systems.....	24
5.4 References.....	26
Section 6 Publications.....	27
6.1 Publications.....	27
6.2 Auditor-General's Reports to Parliament 2008.....	28

Glossary

Frequently used terms and abbreviations

Information contained in the Glossary is sourced from the Australian Government and the Queensland Government. These terms should only be used in the context of this report.

Accountability	Accountability is a responsibility on public sector entities to achieve their objectives, with regard to reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws, and reporting to interested parties.
Assessment process	A competitive process to distribute a limited pool of funds. Grants applications are selected on merit and assessed against the published selection criteria for the relevant grant type, and against each other in an informed, fair and equitable manner.
Acquittal process	The process by which a recipient demonstrates in writing to the funding body that it has expended the funds in accordance with the terms and conditions of the funding agreement on completion of the activity or project.
Bursary	Funding targeted to support and encourage students.
Community benefit	Tangible and intangible benefits that can include positive cultural, social, economic and environmental outcomes.
Community grant program	These are programs through which government makes payments to community organisations, businesses and individuals for the purpose of providing a service to the community or undertaking a project of benefit to the community. Funding an activity or project should achieve goals and objectives consistent with the grant program.
Community organisation	A community organisation can be any group of people who identify with each other through a common element that can include geographical location, shared cultural heritage, age group, profession or social or recreational interests. Commonly, such organisations are a registered not-for-profit, incorporated association.
Conflict of interest	A conflict of interest arises where a person makes a decision or exercises a power in a way that may be, or may be perceived to be, influenced by either material personal interests (financial or non-financial) or material personal associations.
Discretionary funds	In the context of grants administration, these funds are where councillors have the discretion in determining whether or not a particular applicant receives funds that will be used for a purpose that is in the public interest, and in accordance with published criteria.
Donation	A donation is a gift which is an unconditional, voluntary transfer of money or property.
Economy	Obtaining the appropriate quality and quantity of goods and services at the appropriate time and at the best price.
Effectiveness	The achievement of the objectives or other intended effects of activities at a program or entity level.
Efficiency	Achieving the best possible productive use of goods, people and money.

Funding agreement	An agreement between the funding body and recipient that identifies the purpose, conditions and performance indicators for the funding provided. It also includes administrative arrangements with appropriate controls and accountability mechanisms under which a grant is provided, received, managed and acquitted to ensure that grants are spent appropriately and to determine if the activity is going to plan.
In-kind support	In-kind support includes paid and volunteer labour, administrative support, rent-free accommodation or donations of materials or equipment.
LGFS	<i>Local Government Finance Standard 2005.</i>
Transparency	Where processes and procedures being used by public officials to transact public business can be “seen through” by citizens and they know exactly what is going on.
RADF	Regional Arts Development Fund.

Section 1

Executive summary

1.1 Audit overview

Grants and funding to community organisations is provided by the Government, at the Commonwealth, State and local levels. Figures provided by the 12 councils audited indicate that over \$20m in grants and funding is made annually by these councils. Community organisations see this type of funding as vital as they typically have limited capacity to raise additional funds themselves.

Councils support a range of organisations to deliver many key services to their local community. Without council support, many of these organisations would not be able to provide these services. At one council alone, almost 800 recipients have been funded over the last two years. Individual payments to organisations range from \$100 to \$150,000.

The audit considered frameworks and systems for the administration of grants and funding at 12 councils in reference to the following basic principles:

Accountability

- *Public entities should be accountable for their performance and be able to give complete and accurate accounts of how they have used public funds, including funds passed on to others for particular purposes. They should also have suitable governance and management arrangements in place to oversee funding arrangements.*

Transparency

- *Public entities should be open in their administration of funds, both to support accountability and to promote clarity and shared understanding of respective roles and obligations between entities and any external parties entering into funding arrangements. Opportunities to access grants should be communicated widely and assessed in a way to promote public confidence in the process.*¹

1.2 Audit opinion

The *Local Government Finance Standard 2005* (LGFS) sets out the requirements for council policies in managing grants to community organisations. While the intention of the standard may have been to strengthen the framework of Local Government, a lack of clarity on what constitutes a grant has resulted in misinterpretation by some councils. The standard also does not clearly outline requirements for accountability which is leading to inconsistencies in how grants are being managed. The inconsistent and inadequate frameworks and systems found in many councils are leading to a lack of accountability for funds being provided. Improvements in systems are also needed to ensure equity and transparency in the distribution of funds.

I consider that transparency in how funds are allocated and accountability for how public monies are used is essential to maintain public trust and confidence in the integrity of a council's decision-making processes.

Transparency in the distribution and accountability for the use of grant monies is diminished by:

- a lack of standards or guidance in sound practice
- an absence of clear accountability requirements for grants and funding in the LGFS
- a lack of transparency in how grants and funding is distributed by councils to community organisations, individuals and local businesses
- a lack of appropriate accountability mechanisms to ensure that public monies are being used effectively, efficiently and with due economy
- limited evaluation and reporting of the benefits the grants and funding provided to the community
- a lack of transparency in promoting and distributing of mayoral/councillors' discretionary grants and funds.

¹ Public sector purchases, grants, and gifts: Managing funding arrangements with external parties. Office of the New Zealand Controller and Auditor-General, 2008.

1.3 Key findings

The LGFS is intended to provide guidance to councils on the administration of grants to community organisations. A lack of clarity in the standards as to what constitutes a grant and how donations should be dealt with have led to inconsistency and confusion. This has allowed public monies to be given away with little or no accountability for how they were used. I found that where councils had no guidelines or best-practice benchmarks they could refer to in administering their grants programs, their frameworks and systems were inconsistent and in some cases inadequate.

Only five of the 11 councils which are subject to the Section 11 of the LGFS meet all of the requirements. The effectiveness of the frameworks and the adequacy of council systems for grants and funding programs was inconsistent both across the councils audited and within individual councils. In particular, grants programs which focussed on 'giving' to worthy causes were less transparent and had limited accountability mechanisms.

Programs such as the Regional Arts Development Fund that had clear guidelines, procedures and systems to support transparency and accountability were well administered. While smaller regional councils relied on materials developed by larger metropolitan councils this did not result in effective frameworks and systems being developed or implemented.

Only six councils had adequate acquittal processes for grants and donations being provided to community organisations. Half of the councils audited were not able to demonstrate that these monies were being used efficiently, effectively or that the community is getting value for money for services.

Governance arrangements to ensure that conflicts of interest are suitably addressed were inadequate at four councils. Grants assessment processes at these councils did not allow council members assessing applications for discretionary funds to make public declarations of any interest that may be conflicts of interest.

The administration of grants and funding is quite complex and requires specialised knowledge, yet at 11 of the 12 councils audited there was little or no formal training for staff. Where training is informal or limited, there is greater risk that inconsistent decision-making will occur.

The systems to ensure the sound administration of grants and funding to community groups were inconsistent across and within councils. Reporting systems were inadequate at eight councils where meaningful performance reports on grant programs were not provided to councils. Monitoring and acquittal systems were inadequate at six councils meaning that they were not able track organisations that had not provided the required proof of expenditure. Communication systems were found to be inadequate at six councils where recipients of grants were not reported publicly. Assessment systems were adequate at eight councils but still in need of improvement at four councils.

There was a lack of transparency in seven of the councils audited, where the availability of discretionary funds administered by councillors or mayors was not readily or widely communicated to the community. This could lead to missed opportunities for equally needy community organisations and makes it difficult for councils to demonstrate that funds are going to those most in need of public support. The annual budgets for discretionary funds varied across the seven councils, at one council it was \$5,000 and at another it was \$360,000.

Reporting systems were found to be inadequate at many councils. Formal monitoring or evaluation of the benefits of grants programs to the community was not undertaken on a regular basis. At seven councils, grant programs had no performance indicators to monitor effectiveness or efficiency. This means that decisions to continue to fund programs as part of the budget process were not based on evidence of performance or need.

In many cases, councils were providing funds to organisations without entering into formal agreements or contracts. Some involved significant amounts of money, in one example over \$50,000. This makes it difficult for councils to ensure the money is spent as intended or to recover unspent or misspent monies.

Conclusion

Because of these inconsistencies in the council frameworks and systems audited, I have recommended that the Department of Local Government, Sport and Recreation needs to take a greater role in developing clearer legislation, guidelines and training to foster greater accountability, transparency and equity in grants and funding provided by councils.

1.4 Recommendations

1. It is recommended that the Department of Local Government, Sport and Recreation:
 - a. review the LGFS to ensure:
 - i. it provides a clear definition of a grant and how donations and gifts should be treated
 - ii. it clearly states that council policies must include the accountability requirements for all types of grants
 - iii. that transparent and accountable control systems apply for any grant programs where individual councillors or mayors have discretion in the allocation of grants or funds
 - b. ensure that councils' policies for the administration of grants and funding to community organisations, individuals and local businesses comply with the LGFS
 - c. develop principles based guidelines and training for councils to improve the transparency and accountability for the administration of grants and funding to community organisations, individuals and local businesses. The guidelines and training should cover:
 - i. effective communication of grants opportunities
 - ii. how to report the benefits of the community grants programs
 - iii. the roles and responsibilities of staff and councillors
 - iv. procedures for staff and councillors to avoid potential conflicts of interests
 - v. appropriate acquittal systems and processes
 - vi. the use of formal funding agreements and contracts.
2. The following is a summary of the recommendations made to individual councils where these issues have been noted:
 - a. review the policies and procedures for administering grants to ensure they meet the requirements of the LGFS
 - b. improve governance arrangements to ensure all council grants to community organisations, individuals and local businesses are allocated transparently and council is formally monitoring and reporting the benefit of its grants programs for the community
 - c. improve accountability and transparency in the administration of grants and funding to community organisations, individuals and local businesses by ensuring council has clear guidelines and processes for planning, communicating, assessing, monitoring, acquitting and reporting
 - d. provide training to council staff in grants management so they can adequately undertake this function.

1.5 Department of Local Government, Sport and Recreation response

In a response dated 25 September 2008 the Acting Director-General stated:

"The Department of Local Government, Sport and Recreation (the Department) takes seriously its responsibility to provide the framework for local government accountability, transparency and equity in grants and funding provided by councils. To directly address these, and other issues, the Local Government Reform Program was initiated in 2007 to build stronger local governments to be better able to deliver on their long term plans for sustainability, viability and community service obligations as needed by their respective communities.

The program comprises four key elements: structural reform, legislative reform, performance evaluation and reporting, and capacity building. The second stage of the program, legislative reform, is currently underway and will address Recommendation 1.a of the audit.

In this regard, new local government legislation is being developed to replace the Local Government Act 1993 and its subordinate instruments such as the Local Government Finance Standard 2005. The new legislative framework will set clear expectations and high standards about transparent decision-making, inclusive community consultation practices and local government performance. It will be designed to foster a culture of personal integrity and accountability for elected and administrative officials, and be unambiguous about the consequences of not meeting these standards. It will articulate the integrity, accountability and transparency requirements for local government by providing a strong focus on the behaviour of councillors and the performance of local governments in the delivery of sustainable development and proper management of assets and infrastructure.

The new legislation will be designed to be outcomes focussed and be based on five key principles. The first of these principles is transparent and effective processes and decision-making in the public interest. Local Government will be required to act in accordance with this principle which directly addresses, the issues identified in Recommendation 1.a of the audit.

With respect to Recommendation 1.b of the audit, the Department believes that the deficiencies the recommendation seeks to remedy will be addressed by the Local Government Reform Program. The new legislative framework for local government will provide mandatory financial management requirements. As a result of the Queensland Audit Office's recommendation within its Report to Parliament No. 1 for 2007, Results of Local Government Audits for 2005-06, the new legislation will require all local governments to have internal audit processes. Larger councils (for example: category 3 to 9, as determined by the Local Government remuneration Tribunal) will be required to have audit committees.

In addition, the new legislative framework will equip the State with a range of interventions necessary to provide a swift response to any incidence of local government dysfunction or poor performance.

Similarly, the Department believes that the outcomes sought in Recommendation 1.c will be addressed through the fourth element of the reform program, capacity building. Capacity building will focus on the Department providing support and advocacy to councils to help deliver their plans to their communities. This will be delivered, in part, by changing delivery of service to a regional model. The new service delivery model will better understand local conditions and problems, and respond quickly. It will recognise the diversity of local government contexts and increase the capacity of local governments to introduce effective governance and internal control."

Section 2

Audit focus

2.1 Reasons for the audit

Councils provide grants and funding in the form of service agreements, subsidies, discounts, bursaries and donations to community organisations and businesses, as an alternate means for delivering services to the community. The provision of funds to non-profit organisations brings with it risks because the organisations delivering the services are not directly accountable to government or taxpayers for their overall operations or the outcomes delivered.

Councils have a long history of providing grants and funding to community organisations and local businesses at their discretion. It is important that grants and funding provided from public monies are administered transparently and accountably and are:

- aligned with council's objectives, goals and priorities
- communicated effectively to the community so that all potential applicants have equal opportunity to apply for funds
- provided on a transparent and equitable basis
- monitored for compliance against set performance measures
- subject to effective reporting of outcomes to the community.

2.2 Audit objective

The objective of this audit is to determine whether the selected local councils have suitable frameworks and appropriate systems in place to administer grants and funding to community organisations, individuals and local businesses.

2.3 Audit scope

To determine whether suitable frameworks and systems are in place by local government, 28 councils were initially surveyed. The following 12 councils were selected for more detailed examination:

- Brisbane City Council
- Cassowary Coast Regional Council
- Gladstone Regional Council
- Gold Coast City Council
- Goondiwindi Regional Council
- Ipswich City Council
- Logan City Council
- Longreach Regional Council
- Mt Isa City Council
- Redland City Council
- Townsville City Council
- Winton Shire Council

2.3.1 Audit procedures

The audit included an examination of the:

- guidance developed by the Department of Local Government, Sports and Recreation and councils
- performance frameworks outlined in service or other contractual agreements
- the roles of key public sector stakeholders involved in the administration of grants and funding
- the type of data collected and the quality of that data in relation to the administration of grants and funding, with a particular emphasis on performance.

2.3.2 Time period covered by the audit

The fieldwork for this audit was conducted over a two-month period from May to June 2008. The primary reference period relevant to the conduct of this audit is the 2006-07 financial year. However, the fieldwork considered important legislative and policy developments before and after the reference period where such developments impacted on council frameworks and systems for the administration of grants, e.g. council amalgamation.

2.3.3 Restrictions in audit scope

The audit scope does not extend to:

- examination of service delivery outcomes by councils
- examination of the administration of sponsorships by local government in Queensland
- examination of the characteristics of service recipients
- examination of complaints handling and the nature of those complaints made against councils.

2.4 Use of a model to gauge interaction

Report No. 2 for 2007 reported on the results of a performance management systems audit on the management of funding to non-government organisations in Queensland. This audit identified opportunities to enhance governance arrangements particularly through updating policy frameworks, improving information systems and increasing transparency and public disclosures.

Report No. 2 for 2007 used a simple model of the interaction between government and NGOs developed by the National Audit Office in the United Kingdom and by the Australian Centre of Philanthropy and Non-profit Studies.² In this model, governments may be involved in:

- **Giving** – aligned with the concept of charity or more general support or a contribution to worthy cause. In this model government typically does not define the expected outputs and allows the recipient to decide on the best use of funds. Core accountability mechanisms would be the grant application and subsequent acquittals.
- **Shopping** – aligned with the concept of procuring services. Here government's focus is on cost and quality of the service delivered. In this model government typically defines the expected outputs and specifies this in a contractual format. Core accountability mechanisms would be the funding agreement and subsequent detailed performance reporting.
- **Investing** – aligned with the concept of building capacity in the sector by seeking a long-term outcome from the spending, such as a policy change or developments in organisation's or sector's capacity. Core accountability mechanisms would be grant application and subsequent acquittals.

This model has been used during this audit to clarify the nature of assistance by councils to community organisations and the level of investment made in meeting the needs of the local community and to determine whether councils have suitable frameworks and appropriate systems in place to manage grants and funding to community organisations. See Table 2.1 for examples.

2.5 Organisational context

Local government delivers basic services such as environmental and community amenities, waste management, health, roads, transport and recreational activities. It is considered the level of government closest to the people. The roles and relationships between the State and local governments in Queensland is defined by legislation, protocols and memoranda of understanding, administrative arrangements and funding programs. The powers of local government are delegated to them by legislation, principally the *Local Government Act 1993*.

The roles and functions of local government are traditionally associated with the three 'Rs', that is roads, rubbish and rates. But the evolving role of local government has seen councils take on a broader set of functions, including:

- infrastructure and property services, including local roads, bridges, footpaths, drainage, waste collection and management

² Queensland University of Technology.

- provision of recreation facilities, such as parks, sports fields and stadiums, golf courses, swimming pools, sport centres, halls, camping grounds and caravan parks
- health services such as water and food inspection, toilet facilities, noise and animal control
- community care and welfare services
- building services, including inspections, licensing, certification and enforcement
- planning and development approval
- administration of facilities, such as airports and aerodromes, ports and marinas, cemeteries, parking facilities and street parking
- cultural facilities and services, such as libraries, art galleries and museums
- water and sewage services.

Local government revenue comes from three main sources, being rates, user charges and grants from Federal and the State Government. Another source of 'miscellaneous' revenue can be raised through activities such as interest and income from public enterprise and fines. For some councils in regional or remote areas, revenue raising capacity is limited and grants can account for more than 58³ per cent of council revenue. With limited ability to raise revenue and increasing pressure to provide more services, councils need to ensure that the services that are provided to their communities are efficient, effective and provide value for money.

There are many activities that local governments fund through community organisations to provide services to the community. The funding relationships that local governments establish with community organisations are varied. Table 2.1 gives examples of the types of programs and activities supported by the 12 councils included in the audit.

Table 2.1 — Types of grant programs and activities typically funded

Types of grants	Programs	Types of activities typically funded
Giving	Councillor/mayoral discretionary funds*	Community organisations or individuals living within the council boundaries, examples covered similar activities as for other grant programs below, ranging from cultural, sporting and environment.
	Rebates on rates	Percentage discounts to not for profit clubs and organisations not covered by Local Government Act, mostly holding leases on council land.
	Discounts on fees	Percentage discounts to not for profit clubs and organisations for water and waste removal – Girl Guides and Scouts mostly holding leases on council land.
Shopping	Cultural grants	Cultural & Academic Development – Workshops in visual and performing arts, subsidies for gallery exhibitions in council facilities, youth programs, musical equipment, artist development programs.
	Sporting grants	Sport equipment, support for sport events.
	Heritage grants	Heritage projects, buildings.
	Environmental grants	Environmental development, tree planting, weed removal/control.
	Festivals	Events and festival, car races, music festivals, religious gatherings.
Investing	Interest free loans	Upgrades to sporting facilities. Bringing toilet facilities up to standard, minor capital works.
	Capacity building	Grant writing programs, maintenance of public halls, plant and equipment purchases, sand/soil.

*Only used by 7 of the 12 councils audited.

³ Productivity Commission 2008, *Assessing Local Government Revenue Raising Capacity*, Research Report, Canberra.

2.6 PMSA approach

The legislative basis for this audit is Section 80 of the *Financial Administration and Audit Act 1977* (FA&A Act). A PMSA is an independent examination of whether an entity or part of an entity's activities have performance management systems in place to enable management to assess whether its objectives are being achieved economically, efficiently and effectively. While a PMSA will not review or comment on government policy, it may extend to include a focus on the entity's performance measures and whether in the Auditor-General's opinion, the performance measures are relevant, purposeful and fairly represent the entity's performance.

The intent of a PMSA is to provide independent assurance to the Parliament, and to act as a catalyst for adding value to the quality of public administration by assisting entities in the discharge of their governance obligations. A PMSA has a focus on ascertaining whether the systems and controls used by management to monitor and measure performance, assist the entity in meeting its stewardship responsibilities.

The statutory office of the Auditor-General, as the external auditor for the Parliament, is established pursuant to the FA&A Act. The Auditor-General is independent and is not subject to direction by any person in the way audits are conducted. Although the Auditor-General takes note of the entity's perspective, the scope of a public sector audit is at the sole discretion of the Auditor-General as the FA&A Act prescribes that the Auditor-General may conduct an audit in the way the Auditor-General considers appropriate.

Section 3

State Government support for councils in the administration of grants

This section looks at the support provided to councils in administering grants and the effectiveness of this support in ensuring grants are well managed. There are two key State Government agencies with roles in the administration of grants and funding provided by local government. The Department of Local Government, Sport and Recreation (DLGSR) provides the legislative and policy frameworks and provides other supporting activities to councils. Arts Queensland (AQ) also has a role in providing arts grants in conjunction with councils through the Regional Arts Development Fund (RADF) which are then distributed to the community.

3.1 Guidance provided by the Department of Local Government, Sport and Recreation

The role of DLGSR in relation to local government is the development and review of policy and legislation, the provision of funding and the development and coordination of programs and services⁴. The department administers the *Local Government Act 1993* and the *Local Government Finance Standard 2005* (LGFS).

Findings

The first objective of the *Local Government Act 1993* is to provide a legal framework for an effective, efficient and accountable system of local government⁵. The LGFS is a key regulation to support the achievement of this objective. The 2005 changes to the LGFS required councils to prepare policies on a range of areas including grants to community organisations.

In May 2005, the department informed councils of the changes to the LGFS. Even though the department has established systems in place to provide guidance to councils, no advice or template was provided to councils in how to develop a community grants policy or the frameworks and systems needed for its sound administration.

While the department provides training and information to council staff on a range of topics audit found that no training has been provided on the principles and practices needed for managing grants programs.

As detailed in Section 4, councils have inconsistent and some cases inadequate approaches to the administration of grants to community organisations. Audit found that seven of the councils were 'giving' public monies away as donations to community organisations with little or no accountability requirements on the recipients. Audit also noted the LGFS does not define clearly what is meant by a 'grant' or what council policies should state about accountability requirements for grant recipients.

Conclusion

As councils were not provided with a set of relevant principles and guidelines or ready access to training, the changes to the LGFS did not strengthen the framework of Local Government. In a few cases the ambiguity in the changes led to policies and procedures that do not meet the requirements of the standard and do not ensure that public monies are allocated transparently without favour.

As detailed in Section 3.2, audit found that clear guidance and training provided by Arts Queensland correlated with well developed and implemented frameworks and systems to ensure transparency and accountability in the administration of RADF. Therefore, if councils received similar levels of guidance for the administration of grant programs as those provided by Arts Queensland, there is the potential for all council grants programs to be administered at a similar level as RADF.

⁴ Department of Local Government, Sport and Recreation - Strategic Plan 2007-2012.

⁵ *Local Government Act 1993*

RECOMMENDATIONS

1. It is recommended that the Department of Local Government, Sport and Recreation:
 - a. review the *Local Government Finance Standard 2005* to ensure:
 - i. it provides a clear definition of a grant and how donations and gifts should be treated
 - ii. it clearly states that council policies must include the accountability requirements for all types of grants
 - iii. that transparent and accountable control systems apply for any grant programs where individual councillors or mayors have discretion in the allocation of grants or funds
 - b. ensure that councils' policies for the administration of grants and funding to community organisations, individuals and local businesses comply with the *Local Government Finance Standard 2005*
 - c. develop principles based guidelines and training for councils to improve the transparency and accountability for the administration of grants and funding to community organisations, individuals and local businesses. The guidelines and training should cover:
 - i. effective communication of grants opportunities
 - ii. how to report the benefits of the community grants programs
 - iii. the roles and responsibilities of staff and councillors
 - iv. procedures for staff and councillors to avoid potential conflicts of interests
 - v. appropriate acquittal systems and processes
 - vi. the use of formal funding agreements and contracts.

3.2 Guidance provided by Arts Queensland

RADF is a partnership between State Government, through Arts Queensland and Local Governments. The program supports the professional development and employment of artists and arts practitioners in regional Queensland. All local councils, except Brisbane City Council, are eligible to participate.

Each participating local council establishes a RADF committee as an advisory committee to council (with formal sub-committee status under the Local Government Act). The committee generally oversees the RADF program in accordance with council's own cultural policy. The committee promotes the program within its community, invites and evaluates applications from artists and arts practitioners and may assist in preparing council's annual bid. Once council endorses the bid, it is submitted to Arts Queensland and assessed by an independent panel.

Findings

The frameworks and systems to administer RADF have been developed and refined by Arts Queensland in partnership with councils, and are a mandatory condition of program participation by councils. The guidelines for RADF provide councils with clear governance processes and annual training for staff in the sound administration of the program. Arts Queensland provides councils with tools to support sound systems for managing the program. These tools include a spreadsheet to track acquittals, and templates for outcome reports from grant recipients.

All 11 councils which were part of this audit and were administering RADF programs had endorsed, well documented frameworks and systems in place to ensure transparency and equity in the allocation of funding and accountability for the use of these funds. This was often in contrast to other funding programs being offered by the same council.

Conclusion

The provision of guidelines and tools to support the administration of the RADF program contributed to effective frameworks and systems for the transparent allocation and accountable use of public monies.

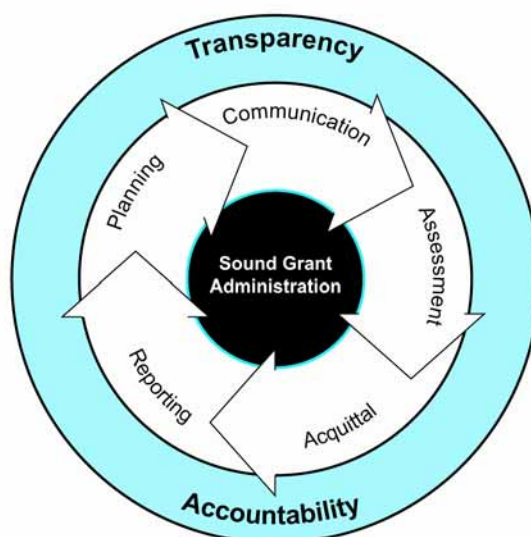
Section 4

Council frameworks and systems to ensure transparency and accountability for grants

This section considers the frameworks and systems that councils use to manage their grant programs. The audit focused on the legislative framework and council's own governance processes. There were no clear patterns identified during the audit in how the individual councils complied with these requirements. At the same council, one program could be well administered while others were not. We did not identify any council that was consistently good in the administration of their grant programs or consistently poor. The detailed findings against the audit criteria are presented in Section 5.

Figure 1.1 shows the key systems councils need to administer grants programs. Public entities should be accountable for their performance and be able to give complete and accurate accounts of how they have used public funds. They should also be transparent in their administration of funds and ensure that opportunities to access grants are communicated widely and assessed in a way to promote public confidence.

Figure 1.1 — Systems to support transparency and accountability in the administration of grants



4.1 Frameworks and requirements

Public administration involves planning, organising, directing, coordinating, and controlling of government operations. All of these activities operate within frameworks that set out the principles, rules and requirements for staff and the community to follow. The audit focussed on council frameworks as the key areas where the principles, rules and requirements for the administration of grants would be documented and implemented.

4.1.1 Legislative requirements

The LGFS which applies to 11 of the 12 councils reviewed has five requirements for council policies about grants to community organisations. Not all sections of the LGFS apply to the Brisbane City Council as Brisbane has its own act. The *City of Brisbane Act 1924* does not contain any legislative requirements for the administration of grants to community organisations.

The LGFS requires councils to have a policy on grants to community organisations and to state the following:

“(a) the types of grants to community organisations the local government considers to be appropriate for receiving grants from its funds;

(b) that the local government may give a grant to a community organisation only if the local government is satisfied—

– (i) the grant will be used for a purpose that is in the public interest; and

– (ii) the community organisation satisfies the criteria mentioned in paragraph (c);

(c) the criteria a community organisation must meet to be eligible for a grant from the local government;

(d) the procedure the local government must follow when approving a grant to a community organisation.”

Findings

Of the 11 councils to which LGFS applies, only five of the 11 councils had met all the requirements of the LGFS. Three did not state all the types of grants awarded and two did not include the eligibility criteria that organisations need to satisfy. It was also found that many council policies were not readily accessible on council websites or through other means.

Audit found that procedures for the assessment and approval of grants were included in many policies but the policies were often unclear about the communication, acquittal and reporting processes. At two councils the lack of clear guidance required officers processing applications for discretionary funds to use their own judgement on a case by case basis as to whether or not the funds were being spent solely in the public interest. At one council there were two types of expenditure that while meeting the requirements of the council's policy, could be seen as being used for self promotion by councillors. It is acknowledged that since the audit this council has reviewed the policy to make the criteria clearer and also address the specific issue of councillors intentionally or otherwise using discretionary funds to directly promote themselves or a political agenda.

Detailed findings against the audit criteria are outlined in Table 5.1.

Conclusion

As most councils' policies did not contain all the information required under legislation, applicants for funding would have an incomplete understanding of the requirements. This could result in equally deserving and needy activities not being funded.

While council policies met the requirement to state the procedures for approving grants this is only one component of an effective grant process. For sound administration of grants, council policies should include procedures for all aspects of grants administration. This would ensure that frameworks for the administration of council grants programs were transparent and accountable therefore decreasing the risk of misuse.

4.1.2 Policies and procedures

Findings

Generally, policies for community grants and cultural grants programs – ‘**shopping**’ were covered by comprehensive policies and procedures that met the legislative requirements. But the grant programs in relation to festivals, in-kind support, rebates and discounts and discretionary funds by councillors and mayors were generally not as well supported by documented policies and procedures.

The use of discretionary funds was predominantly used for ‘**giving**’ by councillors and mayors and was found to be a practice in seven of the 12 councils audited.

Audit found that councils did not readily or widely communicate the availability of discretionary funds or report the names of successful applicants. Only four of the seven councils had clear policies for the administration of their discretionary grants programs. At one council, only the CEO received reports on councillor spending of discretionary funds. This allows councillors to selectively inform organisations in their wards of these funds and does not allow the council itself or the community to scrutinise whether council funds are being distributed without favour. At the same council, a prominent sporting club received a grant of \$16,000 from a council member while the average allocation to other organisations was \$1,300. The council member involved was a member of the board of the club in question, raising concerns of a potential conflict of interest. Audit found that as the grant had not been assessed or approved by one of council's committees, the processes used by the council did not provide an opportunity for the Councillor involved to make a public declaration of the conflict during the assessment or approval of the grant.

Generally, the assessment and acquittal processes for discretionary funds were completed with minimal documentation and in some cases approvals were made by officers without the appropriate delegation.

The policies on the use of interest free loans or grants to improve facilities - **'investing'** - were generally not well documented. Access to these grants was often limited to community organisations that had clubhouses or sporting facilities on land they leased from council.

Detailed findings against the audit criteria are outlined in Table 5.2.

Conclusion

The treatment of councillors' and mayors' discretionary funds did not have the same level of transparency and accountability as other grant programs. As information about availability of grants and funding is limited, council cannot be confident the funds are being distributed equitably without favour. This could lead to missed opportunities for equally needy community organisations and makes it difficult for councils to demonstrate that funds are going to those most in need of public support.

Many of the grant programs (festivals, in-kind support, rebates/discounts, interest free loans) administered by councils were not covered by adequate frameworks and systems. These programs were distributing significant amounts of money, up to \$150,000 to a single organisation for a single grant. Transparency in allocation of these funds and accountability for their use was found to be inadequate.

It is important that all types of funding (including discretionary funds and donations by mayors and councillors) are covered by endorsed council policies that ensure transparency and accountability for the use of public monies and prevent misuse.

4.1.3 Governance processes

A sound governance framework is needed by councils to ensure management of grants programs is well directed and controlled. Fundamental components of a sound governance framework in respect of grants management include effective oversight of the program, sound decision making, performance reporting, and staff competency.

Findings

While most councils were able to clearly demonstrate that grants were being used efficiently through regular financial reporting, they were not able to show that the grants had been used effectively. This was particularly the case with the use of discretionary grants programs. Audit found limited evaluation of the community benefits and little use of performance indicators. Councils do not receive adequate performance reports about whether or not the grant programs are achieving their objectives.

Systems were generally in place for staff to register any interest which may give rise to a conflict of interest but the systems for councillors to publicly declare interests in the allocation of discretionary funds were not adequate at two councils. Audit found that when grants were assessed by a panel or committee that is then approved by council there was an opportunity for a public declaration of any interests that may give rise to a conflict. However, where the assessment and approval was undertaken by an individual councillor (for discretionary funds) there was no opportunity for a public declaration.

Additionally, 11 of the 12 councils did not provide specific training to their staff in the management of their grants programs. Accordingly, it could not be determined if council staff possess the capabilities necessary to manage their grants programs efficiently, effectively and without favour.

Detailed findings against the audit criteria are outlined in Table 5.3.

The following case study illustrates the benefits of establishing independent committees to administer grants. RADF is an example of a successful partnership program between State and Local Governments which remains responsive to the needs of both parties and continues to meet shared priorities through negotiation.

BETTER PRACTICE CASE STUDY – Clear and comprehensive RADF guidelines

Clear frameworks for the administration of grants and funding programs ensure that staff administering programs and applicants applying for grants and funds understand their role and responsibilities.

Arts Queensland's Regional Arts Development Fund (RADF) has clearly documented policy and governance requirements for participating councils. RADF supports professional artists and arts practitioners living in regional Queensland. It is a partnership between State Government, through Arts Queensland, and local councils. It funds one-off projects which support locally determined arts and cultural priorities through the development of quality art and art practice for, and with, regional communities. RADF has a clear policy and provides annual training to staff in the procedures for administering the grants. Good governance is supported by the following:

Independent grants committee. The roles and responsibilities of an independent committee are clearly defined and aids transparency and accountability in the administration of grants funding. Members are appointed to the committee by election, by portfolio area such as dance or visual arts, representation within the community (e.g. young people, Indigenous people) and based on relevant experience. They are required to attend training, declare any conflict of interest and adhere to a Code of Conduct.

Strong controls to fairly and equitably assess and allocate funding. A thorough assessment criteria checklist is used by the committee which provides an objective process to assess all applicants and allocate funds fairly and equitably. Recommendations are presented to the council for ratification.

Rigorous acquittal and reporting requirements. The receipt of a RADF grant is conditional on completion of an outcome report to account for how public funds were used. Information required includes receipts, a statement of income and expenses, description of the activity's outcomes and achievements and how the community benefited from it. This information is used to evaluate the activity. There are strong follow-up and monitoring processes to ensure grants are acquitted as agreed and that unspent money is returned. An annual report summarising all RADF funding outcomes is provided by councils to Arts Queensland.

WHY IS THIS BETTER PRACTICE?

RADF is an example of a successful partnership program between State and Local Governments which remains responsive to the needs of both parties and continues to meet shared priorities through negotiation.

Arts Queensland has worked in partnership with Local Governments to develop clear and comprehensive guidelines for the administration of the RADF grants program which ensure both parties administer grants funding in a transparent and accountable manner, and achieve the best outcomes for the community.

The use of a local committee with independent members to assess applications and the requirement that all grantees provide an outcome report assists councils and Arts Queensland to ensure:

- funds are allocated transparently
- activities are evaluated effectively
- public monies have been spent for the purpose intended.

Conclusion

A sound governance framework is needed by councils to ensure the management of grants programs is well directed and controlled. Council accountability through regular internal reporting of the management of grants programs could be improved by the use of better performance reporting including performance indicators and program evaluations. Without this information councils are limited in the information that can be reported to the community on the value of the services being funded through grant programs.

Transparency of decision making is another area for improvement, including the need for systems enabling councillors to publicly declare any interest which may give rise to a conflict of interest. Without transparent decision-making processes, councils cannot assure the community that grants are being distributed without favour.

The overall management of grants programs is compromised through staff not having received specific training in the undertaking of their roles and responsibilities under the grants programs they manage. Relying on the knowledge and competency of supervisors to train staff in their roles and responsibilities under grants programs can lead to variable performance.

RECOMMENDATIONS

2. The following is a summary of the recommendations made to individual councils where these issues have been noted:
 - a. review the policies and procedures for administering grants to ensure they meet the requirements of the *Local Government Finance Standard 2005*
 - b. improve governance arrangements to ensure all council grants to community organisations, individuals and local businesses are allocated transparently and council is formally monitoring and reporting the benefit of its grants programs for the community

4.2 Council systems to ensure grants are allocated fairly and spent appropriately

Whether council grant programs are 'giving', 'shopping' or 'investing' it is important to get the relationship between the council and grants recipients to work well for the benefit of the community. To support this relationship, grants administration must encompass the elements of sound financial management and regulation, transparency, accountability, consistent practice and making decisions based on evidence of need. Councils have a wide range of grants programs available to community organisations. There is substantial reliance on local government to provide this type of funding because of the benefits to the community as funded services are not provided by other entities.

The key steps to ensuring sound grants administration are:

- **planning** for grants to community organisations
- **communicating** the availability of grants and conditions
- **assessing** applications and distributing funds
- **monitoring and acquitting** the funds/support received
- **reporting** on the benefits to the community.

Except for the planning process, these systems were examined as part of the audit.

4.2.1 Communication

In order to achieve the best outcome for the council and the community, it is important that all programs are widely promoted using a variety of media. Information about grants funding programs should be readily accessible to applicants and contain details such as eligibility criteria and how the grants process operates. In addition, the outcome of grants funding should be publicly disclosed.

Findings

Audit found that only four councils effectively promoted the availability of all the various grants programs to potential applicants.

It was noted that for the seven councils with councillors' and mayors' discretionary funding, it was not widely promoted but limited to 'word of mouth' by the councillors themselves. Information about councils' expectations and conditions attached to grants funding was not always clear or readily accessible.

Audit noted that public reporting on the allocation of grants funding was not undertaken in a consistent and transparent manner. Four councils released information or press statements on selected grant recipients but only two councils publicly disclosed a complete list of the recipients of grants funding and the types of activities that received funding. Often reporting on the allocation of grants funding was contained in the councils' agenda or minutes which were difficult to locate on the council's website.

Detailed findings against the audit criteria are outlined in Table 5.4.

Conclusion

Communicating the availability of all types of grants programs, as well as providing clear expectations and conditions will ensure public monies are allocated in a fair and equitable way. If community organisations do not know of the availability of the grants then they cannot apply for them. This may result in the grants programs not being fully subscribed. It could also hinder council achieving its objectives by not attracting the best applicant or proposal. Similarly, potential applicants need to understand the conditions attached to the funding so they can satisfy them prior to undertaking the activity.

When not all the potential applicants are aware of the availability of the various types of grants funding, issues of equity and fairness arise. As a result, eligible applicants may miss out on the opportunity to have an activity funded. Furthermore, inconsistencies in communication and assessment of applications across council could result in inequities in the allocation of grants and funding.

4.2.2 Assessment

A sound grant assessment and selection process by councils aims to fairly select projects that best meet the objectives and outcomes of the grants program and represent value for money. The process for assessing and selecting grants needs to be clear, consistent, transparent and accountable. Good recordkeeping assists councils to demonstrate that they followed due process. Specifying how and when grant applicants will be notified ensures transparency and accountability.

Findings

It was found that most councils have appropriate processes to fairly assess and select grant applications that occur as part of formal grant programs. However, it was found that councils had no formal processes to assess requests from community organisations for funding assistance outside the annual budget process. These requests typically were for community organisations organising festivals or requesting donations for charitable events. While these requests for support were considered by council on a case by case basis there was little or no formal assessment made of the eligibility of the requesting organisation or the merit of the activity.

Audit found that for those councils that have discretionary funds for councillors or the mayor, the assessment processes were much less robust than those for other grant programs within the same council. For discretionary funds the assessment criteria were less specific and the documentation required was less rigorous. At one council almost a quarter of the assessment documents audited had not been completed although the funding had been approved and distributed.

More than half the councils audited had clear eligibility and selection criteria that applicants must satisfy to receive grants and had adequate systems for notifying applicants of the outcome of the selection process. However this was inconsistent across council programs. For example, at many councils the Community Development Grant had clear assessment criteria and adequate systems while at the same council funding to festivals had none.

Detailed findings against the audit criteria are outlined in Table 5.5.

Conclusion

It is important that councils have a fair and systematic approach to the assessment and selection of all grants, including discretionary funds by mayors and councillors. This ensures that grants decisions are consistent and instil confidence among grant applicants and the community in the grants selection process.

Clear endorsed publicly available assessment criteria allow applicants to apply for funds understanding the requirements they have to meet. When the criteria are consistently applied and well documented, grants decisions are more likely to be based on merit, represent value for money and be in the public interest. The following case study provides an example of better practice for grants assessment at a Queensland council.

BETTER PRACTICE CASE STUDY : Grants assessment process at a Queensland council

To achieve transparency, accountability and equity in the distribution of public funds under a Community Grants Program, audit found one Queensland council administered the program in a number of ways:

- Council's grant application forms are clear and well structured, making it easy for applicants to complete and best represent their claims for funding assistance. These forms align with the assessment criteria. Council also provides advice and assistance to applicants with preparing an application for funding assistance under its grants programs.
- Grant application forms require applicants to provide details about how they satisfy the assessment criteria. Council's assessment criteria focus on the eligibility of the organisation (i.e. not-for-profit incorporated organisation) and the project, demonstrated need for the project, the extent to which the grants program objectives are met, the commitment of funds or in-kind support to the project, and the financial viability of the project.
- Council assessors are provided with guidelines to assess grant applications. These guidelines are clear and follow the assessment criteria.
- The assessment and approval process is made through a hierarchical structure involving the responsible Council Officer, Manager, Director, Committee for the relevant grants program and full Council meeting.

WHY IS THIS BETTER PRACTICE?

The council's processes for completing the application form for funding assistance to approving the grants are straightforward, timely, transparent and accountable. Council application forms are structured and aligned with the assessment criteria. Council's approach to assessing and approving grant applications includes establishing clear and relevant criteria against which to assess grant applications and clear processes and hierarchical structures to assess and approve the merits of these applications. Council has prepared clear and well documented guidelines for staff involved in the grants selection process, thereby assisting with consistency in decision making and efficient administration of its grants programs.

4.2.3 Monitoring and acquittal

Councils have a responsibility to ensure grants funds are spent as intended and properly accounted for with adequate systems in place to prevent misuse. On completion of an activity, grants recipients should be required to provide supporting documents on a timely basis as evidence that the activity took place and was spent on the purpose intended. Procedures should be established to identify and manage recipients who do not provide acquittal documentation as agreed.

Findings

Systems were in place at six of the councils to ensure grant recipients provided documentation on completion of an funded activity, but this did not apply consistently to all council programs. Within the same council one program (Community Development for example) would require applicants to provide invoices, receipts and an outcome report while other programs (Heritage Grants for example) required none.

Several councils required recipients to provide more than just proof of expenditure and required them to submit an outcome report on the benefit provided to the community. However, there was limited evidence that the information was adequate and, as discussed in more detail in Section 4.2.4, little use was made of the data collected to evaluate or report on the effectiveness of the grant program.

Some councils were also providing funds without entering into formal agreements or contracts with organisations for significant amounts of money, in one example \$50,000 per year for the last three years. Audit found that this was occurring for a range of activities including, festivals, capital works and tourism promotion.

Audit found that those councils that considered some grants funding types as 'donations' had less rigorous or no acquittal requirements for public monies compared to other grants programs within the same council. While most donations were insignificant amounts of \$100, in some instances they were as much as \$150,000. These donations to community organisations were given with few if any requirements on the recipient to provide appropriate documentation to adequately acquit the grant and provide an assurance that the funds were spent for the purpose intended.

It was noted that six councils had ineffective procedures to identify, manage and monitor recipients who did not complete the acquittal process satisfactorily. However, even those councils that had systems to identify those recipients who did not provide acquittal documents did not effectively follow-up and record the outcome, or request that unspent funds be returned to the council.

Detailed findings against the audit criteria are outlined in Table 5.6.

Conclusion

Currently, most councils do not have effective systems to consistently support the acquittal process of grants funding. This means many councils are distributing public funds without appropriate probity and propriety measures as they cannot be fully confident that the funds were spent on the intended purpose. It also means that organisations which have previously failed to demonstrate that funds have been used for the intended purposes could be funded again. This would be considered poor control over the distribution of public funds.

Providing funds to community organisations without formal agreements or contracts means that council would find it difficult to recover funds or to enforce specific requirements should a dispute occur. Councils need to be able to protect their interests in ensuring that public monies are used for the intended purpose.

Councils 'donating' public funds without some form of acquittal, are unable to assure the community the funds have been used for the purpose intended or that value for money for services are being obtained, nor are they able to determine if public monies have been used effectively, efficiently or expended appropriately.

As the councils audited did not formally monitor or evaluate the benefit to the community of grants programs, decisions to continue to fund programs were not based on quantitative evidence of performance or need.

4.2.4 Reporting

Systems to effectively report on the benefits to the community of council programs are essential whether council is 'giving', 'shopping' or 'investing'. Council needs information on the performance of its programs to know the extent to which it is achieving its objectives for the community, even if the services are provided by a second party. Without performance information on grant programs, decisions to cease under performing programs or increase funding to high performing programs cannot be evidence based.

Findings

Of the 12 councils audited six required all grant recipients to provide a report to council officers administering grants programs on the outcomes or benefits to the community. While this information was available for the individual grants activities, it was not analysed by council officers and reported to council on the performance of the program itself. Only three of the 12 councils audited received regular reports on the performance of the grants programs. The majority of the councils did not have performance indicators for their grants programs to monitor the benefit of the programs to the community.

Audit was informed that poor reporting systems were also hindering effective assessment processes. At many councils, insufficient reporting of grant recipients makes it difficult for council officers assessing applications to be confident the organisation has not already been funded by another council grant program. This has the potential to allow organisations to apply for and receive funding for the same activity from different funding sources within council and essentially 'double dip'.

Detailed findings against the audit criteria are outlined in Table 5.7.

Conclusion

Reporting is a key function in the sound administration of public funds. Many councils do not have adequate systems to report on the performance of their grants programs. This means they are not able to assess if these monies are being used efficiently, effectively or providing value for money to the community. Information for planning future grants programs is not based on evidence of performance or need and are based on mostly historical allocations.

Inadequate reporting systems make it difficult for council staff to access information during the assessment and acquittal process. This is necessary to ensure that community organisations are legitimate and have not already received funding for the activity from another source within the council. Although no evidence of fraudulent applications were found during the audit, regular reporting both internally to council and externally to the community would ensure that funds are being provided to genuine organisations and/or activities.

RECOMMENDATIONS

2. The following is a summary of the recommendations made to individual councils where these issues have been noted:
 - c. improve accountability and transparency in the administration of grants and funding to community organisations, individuals and local businesses by ensuring they have clear guidelines and processes for planning, communicating, assessing, monitoring, acquitting and reporting
 - d. provide training to staff in grants management so they can adequately undertake this function.

Section 5

Appendices

5.1 Audit criteria

The audit criteria are specific questions which the audit sought to answer in order to form an opinion as specified in the audit objective. Council frameworks and systems were given an assessment of Inadequate, Partial or Adequate, as follows:

- Inadequate - the majority of frameworks or systems did not meet the requirements
- Partial – some of the frameworks or systems met the requirements
- Adequate – the majority of frameworks or systems met the requirements.

Information contained in this section is sourced from the Australian Government, the Queensland Government, the New South Wales Government and the Australian Accounting Standards Board. These terms and information should only be used in the context of this report.

5.2 Council frameworks

5.2.1 Legislative requirements

Table 5.1 — Assessment of councils' grant policies compliance with the requirements of the *Local Government Finance Standard 2005*

Criteria	Inadequate	Partial	Adequate
Includes types of grants awarded	3	0	8
States that grant will be used for a purpose that is in the public interest	0	1	10
Includes community organisation to satisfy (eligibility) criteria	0	2	9
States eligibility criteria to be met	2	0	9
States procedure for approval of grant	1	3	7

Note: Brisbane City Council is not subject to the this section of the LGFS.

5.2.2 Policy coverage

Table 5.2 — Assessment of councils' administration of discretionary funds

Criteria	Inadequate	Partial	Adequate
Covered by council policy	1	1	5
Clear procedures	3	0	4
Aligned with council priorities	3	1	3
Strong accountability	5	0	2
Strong transparency	3	3	1

5.2.3 Governance processes

Table 5.3 — Assessment of council grants governance processes

Criteria	Inadequate	Partial	Adequate
Transparent decision-making Governance structures in place for grants programs such as various committees that clearly define roles and responsibilities and provide for oversight and steering roles, including sound decision making. Policy guidelines available to assist staff in their understanding of their roles and responsibilities and to ensure decision making is consistent, transparent and accountable.	2	5	5
Regular internal reporting Reports from the committee or team assessing grants applications on which activities are most likely to support council objectives will allow council to be confident the grants funding will be spent to benefit the community. Reports from grant recipients that they have spent the funds on the purpose intended and evidence of the benefit provided to the community.	3	2	7
Declarations of conflicts of interest Staff involved in the assessment and selection of grants should register with the council any interest which may give rise to a conflict of interest or a perception of a conflict of interest between a council staff's private interests and the public interest.	4	7	1
Staff training Delivery of formal training programs in the principles of grants administration and in the councils' own procedures ensuring the grants policies are applied consistently.	11	0	1

5.3 Council systems

5.3.1 Communication

Table 5.4 — Assessment of councils' grants communication processes

Criteria	Inadequate	Partial	Adequate
Grants funding is widely promoted Various types of media are used to advertise grants programs such as in the local newspaper, the council's website, advertising at community venues, holding information days, and handing out brochures and fact sheets.	4	4	4
Clear expectations and conditions Information about councils' expectation and conditions attached to grants funding are clear and readily available to all prospective applicants. This includes how the grants process operates, critical dates, eligibility and selection criteria, a standard application form, how applications are assessed and approved, council's relevant policy, amount of funding available, a funding and performance agreement, an outcome report, and acquittal requirements.	3	4	5
Public reporting of previous recipients The outcome of the allocation of grants funding to successful recipients is publicly available. Publishing a list of successful grant recipients and information about the types of activities funded is available on the council's website, in the local newspaper or the council's annual report will enable future applicants and the local community to be aware of the range of activities funded and demonstrate how public monies have been spent.	6	2	4

5.3.2 Assessment

Table 5.5 — Assessment of councils' grants assessment processes

Criteria	Inadequate	Partial	Adequate
Clear eligibility and grant selection criteria Information is provided on the funding rules, both for grant assessors and prospective grant applicants. Grant application forms contain key information on the objectives of the grants program, the process for submitting and assessing applications, eligibility criteria, selection criteria, and key dates (including closing dates for applications).	2	2	8
Assessment of grant applications Clear guidelines are available to assist grant assessors understand their roles and responsibilities and on how to make sound grant decisions. Complete records are kept on each selection process and information produced that clearly justify the grants decisions.	1	6	5
Notification of grants selection outcomes. Both successful and unsuccessful applicants are notified of the outcomes of the grants selection process, preferably in writing.	1	3	8

5.3.3 Monitoring and acquittal

Table 5.6 — Assessment of councils' acquittal processes

Criteria	Inadequate	Partial	Adequate
Appropriate documentation Systems in place to require grants recipients to provide appropriate documentation on completion of an activity. Funding agreements also state what level of documentation is necessary relevant to the level of funding. For example, some low risk small dollar value activities or organisations require proof of expenditure such as tax invoices and receipts. For other activities and organisations that receive a significant amount of funding include an interim and final outcome report together with audited financial statements, tax invoices and receipts.	3	3	6
Procedure to prevent 'double dipping' Adequate procedures are in place to identify and manage grant recipients who applied for funding assistance for the same activity. Information on the grants application form asks whether applicants are receiving funding for the same activity from another source.	5	3	4
Procedure to manage non-acquittals Clear procedures are in place to identify, monitor and manage grant recipients who do not complete the acquittal process satisfactorily. Funding is ceased for those grant recipients who do not comply with acquittal requirements. Grant recipients have a responsibility to council and the community to provide assurance the funding was spent for the purpose intended. Systems to record details of grants funding are established and data is reviewed regularly to identify which grant recipients have not provided acquittal documentation as required in the funding agreement.	6	2	4

5.3.4 Reporting

Table 5.7 — Assessment of councils' reporting on grants programs

Criteria	Inadequate	Partial	Adequate
Outcome reports Reports from grant recipients describing the community benefits delivered by the funded activity allow council to be accountable for the use of public monies.	3	3	6
Program performance indicators Performance indicators allow staff administering the grants program to assess how well the program is meeting its objectives. Evidence collected from outcome reports could include participation rates, economic activity or environmental targets.	7	2	3
Program reports Regular reports to council either directly or through its committees provide useful information on the benefit of the programs. Meaningful performance reports are vital in allowing council to manage its corporate activities effectively and efficiently.	8	1	3
Information systems record grant data. Financial and performance information collected by council on grants needs to be accessible by all staff administering grants. For example to prevent 'double dipping', assessing an application for a 'community' grant for a festival should include checking if council is already providing fund through a different grant program.	0	9	3

5.4 References

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Section 6

Publications

6.1 Publications

Publication	Date released
Annual Report 2007	October 2007
INFORM	
Issue 4 for 2008	August 2008
Issue 3 for 2008	June 2008
Issue 2 for 2008	April 2008
Issue 1 for 2008	February 2008
Guidelines	
Better Practice Guide — Risk Management	October 2007
Checklist for Organisational Change — Managing MOG Changes	September 2006
Checklist — Preparation of Financial Statements	August 2006
Better Practice Guide — Output Performance Measurement and Reporting	February 2006
Better Practice Guide — Strategies for earlier financial statement preparation	December 2005
Other	
Auditor-General of Queensland Auditing Standards	April 2007
Performance Management Systems Audits — An Overview	December 2006

6.2 Auditor-General's Reports to Parliament 2008

Report No.	Subject	Date tabled in the Legislative Assembly
1	Auditor-General's Report No. 1 for 2008 Enhancing Accountability through Annual Reporting A Performance Management Systems Audit	17 April 2008
2	Auditor-General's Report No. 2 for 2008 Results of 2006-07 Audits of Local Governments, including Aboriginal Shire and Torres Strait Island Councils	1 May 2008
3	Auditor-General's Report No. 3 for 2008 Management of Rural Fire Services in Queensland A Performance Management Systems Audit	15 May 2008
4	Auditor-General's Report No. 4 for 2008 Results of Audits as at 31 May 2008	8 July 2008
5	Auditor-General's Report No. 5 for 2008 Protecting Queensland's primary industries and environment from pests and disease A Performance Management Systems Audit	26 August 2008
6	Auditor-General's Report No. 6 for 2008 Follow-up audit of Workforce Planning at Departments of Education, Training and the Arts and Health, incorporating their responses to an ageing workforce A Performance Management Systems Audit	7 October 2008
7	Auditor-General's Report No. 7 for 2008 Administration of Grants and Funding to Community Organisations by Local Government in Queensland A Performance Management Systems Audit	October 2008

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