

Follow up Report 12: 2012-13 Community Benefits Funds: Grant Management

Report 12: 2015-16



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February 2016

The Honourable P Wellington MP
Speaker of the Legislative Assembly
Parliament House
BRISBANE QLD 4000

Dear Mr Speaker

Report to Parliament

This report is prepared under Part 3 Division 3 of the *Auditor-General Act 2009*, and is titled Follow up Report 12: 2012-13 Community Benefits Funds: Grant Management.

In accordance with s.67 of the Act, would you please arrange for the report to be tabled in the Legislative Assembly.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Andrew Greaves', is written over a light grey rectangular background.

Andrew Greaves
Auditor-General

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Summary

In 2013 we tabled *Report 12: 2012–13 Community Benefit Funds: Grant Management*. The report assessed the effectiveness of the administration of Queensland's gambling and casino community benefit funds.

We examined the operation of the Community Benefit Fund Unit (CBFU) within the Office of Liquor and Gaming Regulation (OLGR), a division of the Department of Justice and the Attorney-General (DJAG). We also examined processes undertaken by the Gambling Community Benefit Committee (GCBC) and the independent boards of the three casino community benefit funds.

We found that, while the distribution of about \$50 million annually of gambling and casino community benefit funds undoubtedly benefited the community, these benefits were being diluted by the ineffective and inefficient administration of these grants programs.

We made nine recommendations to DJAG in the report. The department accepted all recommendations.

In August 2013, the Legal Affairs and Community Safety Committee tabled its Report No. 37, *Review of the Auditor-General's Report to Parliament 12: 2012–13; Community Benefit Funds, Grant Management*. The committee recommended the Attorney-General and Minister for Justice updates the House on the implementation of the Auditor-General's recommendations on or before 31 March 2014—the date when the majority of the recommendations were due for completion.

The then minister provided an update to Parliament when he presented the Bill to amend the *Casino Control Act 1982*. The minister noted that a number of changes had been made in response to the Auditor-General's recommendations, including merging the various funds to deliver a more streamlined and equitable grants program and simplifying the criteria to make it easier for community groups to apply for funding.

On 20 May 2014, the Queensland Parliament passed a Bill to amalgamate the four funds into one statewide funding program—the Gambling Community Benefit Fund (GCBF). Amalgamating the four funds addressed the Queensland Commission of Audit recommendation to streamline and consolidate grant programs across government. Simplifying the grant program also supported the Queensland Audit Office's (QAO) recommendations to improve accessibility, governance and consistency across the funds.

The purpose of GCBF remains the same—to invest in the community sector and help community organisations and groups to provide services, leisure activities and opportunities for Queenslanders in their local communities.

This audit follows up the progress and effectiveness of the department in implementing the nine audit recommendations.

Status of our recommendations

We assessed that DJAG has fully implemented six and partially implemented two of the nine recommendations from *Report 12: 2012–13 Community Benefit Funds: Grant management*. The department has not yet implemented the recommendation relating to the upgrade of the grants management system.

Figure 1 shows the implementation status of each recommendation.

Figure 1
QAO assessment of the implementation status of recommendations

	Recommendations	Status
1	Upgrade the Office of Liquor and Gaming Regulation's information technology systems to be compatible with a broader range of systems to allow equitable access for all applicants.	Not implemented
2	Improve information on eligibility and assessment criteria to all potential applicants to reduce wasted effort.	Fully implemented
3	Implement controls to prevent duplicate payments.	Fully implemented
4	Assess the applications based on endorsed criteria to reduce the burden on the boards and Gambling Community Benefit Committee and improve consistency of their decision making.	Fully implemented
5	Ensure that documented assessment criteria are used and consistently applied by the boards and Gambling Community Benefit Committee in assessing applications.	Fully implemented
6	Require the boards and Gambling Community Benefit Committee to provide a documented rationale for each funding decision and assurance that all selection criteria have been applied in making their grant recommendations.	Partially implemented
7	Report annually on length of service of members of the boards and Gambling Community Benefit Committee compared with requirements of the Governance Manual Community Benefit Funds Unit 2010.	Fully implemented
8	Report promptly on the funds' outcomes against their objectives to enable stakeholders to assess the funds' performance.	Partially implemented
9	Review their process for selection of grant acquittal audits to improve coverage of high-risk grants and level of assurance over the grant program.	Fully implemented

Source: Queensland Audit Office

Conclusions

DJAG is better positioned to effectively administer the grants now that it has improved grant criteria, assessment processes, controls and assurance procedures. Amalgamating the four funds into one has led to greater consistency when assessing funding applications and has significantly reduced the risk of paying duplicate grants.

However, DJAG is still unable to administer the grants efficiently because of delays in implementing a new, fit-for-purpose, grants management system. These delays have caused an increase in the amount of manual processing being done by the department. The new system should streamline the grant process for both applicants and the department, and reduce costs associated with processing applications.

A focus on efficiently and effectively administering the GCBF is even more important today, with the demand for community grants having grown over the last three years.

The fund is oversubscribed, with only about half of eligible applications being funded. DJAG has improved communication about the fund and fewer ineligible applications are being submitted, so the increase in demand is expected to continue.

A continuing challenge for the department is to allocate the funds fairly and equitably when demand for community grants is escalating and funding is fixed. With the fund oversubscribed, the proportion of eligible applications that can be funded will reduce. It will become harder for the GCBC to fairly and equitably differentiate applications on merit. Strategies for managing the demand for grants are needed.

Evaluating the outcomes of the GCBF, capturing lessons learned, and assessing its overall effect could assist the department with demand management strategies. But DJAG is still not able to demonstrate the community benefits delivered by the fund, as it has not fully implemented the recommendation to capture and report on the outcomes of the grants funds allocated.

System and controls

Report 12: 2012–13 Community Benefit Funds: Grant Management concluded that incompatibility between some applicants' systems and the OLGR website and online application portal software led to inequity of access for community organisations and increased workload for CBFU staff.

We also reported a lack of controls to prevent duplicate payment of grants resulted in duplicate payments of \$552 000 over two years.

Delays in implementing a new, fit-for-purpose, grants management system meant that the department had to implement an interim solution to fix the incompatibility issue for grant applicants. This needs the CBFU to input 100 per cent of applications. While this has improved equity of access for organisations applying for grants, it has increased manual processes and checks for the CBFU. In effect, the interim solution has transferred the administrative burden from the not-for-profit sector to the department.

The department has successfully implemented our original recommendation to implement controls to prevent duplicate grant payments. This has eliminated the cost to the fund of duplicate payments. The amalgamation of the four funds into one significantly reduces the risk of paying duplicate grants to an organisation, although some risk remains with the current reliance on manual controls.

Assessing applications

Report 12: 2012–13 Community Benefit Funds: Grant Management concluded that neither the GCBC, the three casino boards nor the department could demonstrate that they dealt with all grant applications equitably, applied evaluation criteria consistently, or that their decisions were transparent and accountable.

We also found the funding guidelines lacked information on the selection criteria used to assess funding applications. This meant that potential applicants were often unable to make informed decisions as to whether to apply to the funds, or did not provide the correct information in their application.

The department has improved the quality of information available to potential applicants in the funding guidelines, resulting in a reduction in ineligible grant applications received.

The CBFU checks the eligibility of all grant applications received, and categorises them by funding priority, target group and geographical area. This reduces the burden on committee members by providing them with targeted information to use in the assessment process.

However, as the GCBF is heavily oversubscribed—only 50 per cent of eligible applications are funded—further decision making criteria are needed to fairly and equitably differentiate applications on merit.

Governance and reporting

The original audit reported that a third of the casino board members had served longer than the recommended maximum term. We also reported deficiencies in the public performance reporting of the fund and the grant acquittal audit selection process.

The turnover of committee members is now in line with good governance practice. It allows for the introduction of new ideas and for challenges to the 'custom and practice' that develop naturally over time in any group.

Current public reporting on the GCBF is not sufficient to report on its performance. The department does not report on whether the funding has achieved its objectives—that is, what outputs or outcomes result from the grant funding.

The continued focus of grant acquittal audits on compliance with the funding guidelines, brings into question their value. It may be time to rethink the value proposition by shifting from an audit model focusing on compliance assurance to a more effective risk based model that identifies applications with a higher risk of error.

Monitoring of recommendations

Agency follow up of audit issues is an integral part of good management. The *Financial Accountability Handbook* states that agencies must have systems to address audit issues in a timely manner.

DJAG maintains a register of audit findings to assist in tracking progress on outstanding issues and monitor the implementation status. The register records all audit issues and recommendations—both internal and external—in the Team Central database. DJAG Internal Audit administers the system. Issue owners receive an automatic notice of overdue items each month. The Audit and Risk Management Committee monitors the register of audit findings and management action quarterly.

Reference to comments

In accordance with s.64 of the *Auditor-General Act 2009*, a copy of this report was provided to the Department of Justice and the Attorney-General with a request for comments.

Its views have been considered in reaching our audit conclusions and are represented to the extent relevant and warranted in preparing this report.

The comments received are included in Appendix A of this report.

1. Context

Background

The government funds community services and activities in various ways, including grants. Grants are used to fund the wider public sector, support community initiatives run by the voluntary sector and to finance commercial organisations to boost economic activity.

Grant funding enables the government to support a wide range of policy-related activities without having to directly manage them. Giving grants to organisations with the most appropriate skills and experience enables them to match resources to priorities.

The circumstances in which grants are given and the objectives they meet vary considerably across government. This variety is reflected in the nature of the agreements that support them. In some cases these can be less formal, and in others there are legally binding contracts in place. While less rigorous terms and conditions provide flexibility, they are less likely to include provisions for enforcing performance and offer a greater risk of activities not occurring as planned.

The classification of grants differs across government. For example, grants can be given to community organisations such as local sporting clubs and arts facilities, to support community activities. The purchase of essential social services to the community such as housing, education and health services, from non-government organisations can also be referred to as a grant.

Without a whole-of-government grants management system, it is difficult to get an accurate and complete picture of government grant funding and the types of grants provided. Our analysis of data extracted from the different systems across the Queensland Public Sector shows that the Queensland Government spends significant sums of public money through grant funding.

In 2014–15, our analysis shows that government grant funding totalled about \$3.5 billion. In 2013–14, the total was more than \$5 billion. Figure 1A shows some of the larger grant amounts by type given in 2013–14 and 2014–15.

Figure 1A
Grant amount by type - 2013–14 and 2014–15

Type of grant	2013–14 \$'000	2014–15 \$'000
Grants to non-state schools	2 605 078	2 776 960
General and capital grants to NGOs & community organisations	173 886	113 357
School transport services	150 454	149 566
Carer allowances	123 021	122 016
First home owner grant	83 820	99 225
Total	3 136 259	3 261 124

Source: Queensland Audit Office

General and capital grants to non-government organisations (NGOs) and community organisations, includes the approximate \$53 million funded through the Gambling Community Benefit Fund (GCBF) annually.

Gambling Community Benefit Fund

The GCBF is Queensland's largest one-off grants program. It distributes approximately \$53 million per year to the community from the state revenue raised through gambling taxes.

The Community Benefit Funds Unit (CBFU) within the Office of Liquor and Gaming Regulation, Department of Justice and the Attorney-General (DJAG), processes and assesses the eligibility of grant applications. The Gambling Community Benefit Committee considers the applications on a quarterly basis. Independently appointed by the minister, the committee members are responsible for making recommendations to the minister on funding to eligible community groups.

The GCBF is an open application program with an average grant award in 2014–15 of \$21 000. It is intended to reach a large number of recipients, many of whom have limited resources and little experience of making grant applications. The program experiences high demand, with typically around half of all applications unsuccessful. Significant work is needed by the CBFU to communicate the program effectively to potential applicants and to support them in making applications.

Figure 1B shows the number and value of grants allocated over the last three years by the community benefit funds program.

Figure 1B
Grants allocated over last three years

Financial year	Total eligible applications	Total successful applications	Total grant funds allocated	Average value of grant allocated.
2012-13	5 100	2 405	\$47 216 736	\$19 632.74
2013-14	5 676	2 350	\$49 910 225	\$21 238.39
2014-15	4 884	2 461	\$53 667 879	\$21 807.35

Source: Extracted from *Community Benefit Funds Annual Allocations Reports*

The following sections provide context and outline changes to the legislation, policy and process since the original audit.

Legislation and governance

The GCBF was established in 1994 under the *Gaming Machine Act 1991* and three casino community benefit funds were established under the *Casino Control Act 1982*.

On 20 May 2014, the Queensland Parliament passed a Bill to amalgamate the four funds into one statewide funding program.

The GCBF replaced the:

- Jupiters Casino Community Benefit Fund (JCCBF)
- Breakwater Island Casino Community Benefit Fund (BICCBF)
- Reef Hotel Casino Community Benefit Fund (RHCCBF)
- the pre-existing Gambling Community Benefit Fund.

There is now only one committee. The committee assesses eligible grant applications and recommends funding approval to the Attorney-General and Minister for Justice. The Attorney-General approves the grants, except for those in the minister's own electorate. Under the delegation in the *Gaming Machine Act 1991*, the Director-General of DJAG approves these grant applications.

Funding arrangements

As a red tape (unnecessary or inefficient rules and regulations) reduction initiative, the Queensland Government abolished the Community Investment Fund (CIF) on 1 July 2013. Departments that previously received grant funding for commitments under the CIF now receive funding directly from consolidated revenue as part of the Budget cycle.

Figure 1C shows the appropriation DJAG received for the GCBF and grants distributed for the last two financial years.

Figure 1C
GCBF funding

	2013–14 \$ 000	2014–15 \$ 000
GCBF administered appropriation	47 760	52 973
Grant distributions	49 910	53 668
Surplus/(deficit)	(2 150)	(695)

Source: Queensland Audit Office adapted from data provided by the Department of Justice and the Attorney-General

Grant approval limits

At the time of the original audit, the maximum payment limit per grant varied across the four funds operating at that time. Figure 1D shows the maximum values of standard and complex grants advertised by the funds.

Figure 1D
Previous grant approval limits

Fund	Standard grant limit	Complex grant limit
GCBF	\$35 000	>\$35 000
JCCBF	\$150 000	n/a
RHCCBF	\$15 000	\$25 000
BICCBF	\$5 000	>\$5 000

Source: Queensland Audit Office – extracted from the funding guidelines

Since the amalgamation, grants are available between a minimum of \$500 and a maximum of \$35 000. If the cost of any item is more than the approved amount, it is the organisation's responsibility to fund the difference.

Also at the time of the original audit, applications fell into two separate categories—standard applications and complex applications. For complex applications to the GCBF, organisations could apply for more than \$35 000 providing the purpose of the funding met one or more of the additional criteria listed below:

- entailed a partnership between two or more organisations
- covered a wide geographical area
- expected to bring substantial benefit to the whole community
- trialled an innovative way to deliver a service in the community.

The RHCCBF and BICCBF also accepted complex applications demonstrating significant community benefit. The JCCBF did not accept complex applications, but organisations could apply for funding up to \$150 000.

Inconsistencies in criteria across the four funds and the difficulty in demonstrating significant community benefit, led to the withdrawal of complex grant applications in May 2013. The department is currently reviewing the feasibility and benefit of re-introducing complex or higher value grant applications.

Applying for funding

The CBFU assesses all applications received for eligibility. There are three levels of eligibility:

- Eligible organisations—Organisations must be community based with not-for-profit objectives and registered with the CBFU as a legal entity or sponsored organisation before submitting an application form.
- Eligible applications—Applications must be submitted on a new application form in the appropriate funding round, supported by a copy of the legal entity's official bank statement. The application must demonstrate a benefit to Queensland communities.
- Eligible items—Applicants can apply for any item, except those listed in the funding guidelines as ineligible items. The guidelines also list items 'unlikely to be funded' and the funding priorities.

An eligible organisation can submit one application per funding round to GCBF, provided it does not hold an existing open grant agreement with the CBFU. An open agreement is where an organisation has successfully received a previous grant that is not yet finalised and acquitted. A grant agreement is finalised when the expenditure is verified and the accountable officer advised in writing that the grant agreement is closed. If an organisation has an open agreement, all new applications submitted will be ineligible for funding in that round.

Legal entities can sponsor multiple organisations in any one funding round.

There are four funding rounds per year. Funding rounds open about six weeks before the closing date:

- closing 28 February
- closing 31 May
- closing 31 August
- closing 30 November.

Audit objective, method and cost

The objective of the follow-up audit is to assess the status and effectiveness of the implementation of the nine recommendations resulting from *Report 12: 2012–13 Community Benefit Funds: Grant Management*.

DJAG provided an update and documents to support how it has implemented each of the recommendations. We identified further areas for risk-based checks to gain assurance on the department's actions. The review included testing documents for consistency with the department's responses and conducting interviews to clarify the responses.

The audit cost \$70 000.

Report structure

We have structured the remainder of this report as follows:

Chapter	
Chapter 2	Assesses how DJAG has developed and implemented the grants management system and controls.
Chapter 3	Evaluates the process to assess and consider grant applications received.
Chapter 4	Considers the governance of the grant program and reporting of outcomes.
Appendix A	Contains responses received on this report.
Appendix B	Describes the audit methodology we used.

2. System and controls

In brief

Report 12: 2012–13 Community Benefit Funds: Grant Management concluded that incompatibility between some applicants' systems and the Office of Liquor and Gaming Regulation website and online application portal software led to inequity of access for community organisations and increased workload for Community Benefit Fund Unit (CBFU) staff.

We also reported that a lack of control to prevent duplicate payment of grants resulted in duplicate payments of \$552 000 over two years.

Conclusions

The delays in implementing a new, fit-for-purpose, grants management system have resulted in an interim solution that has increased manual processes and checks for the CBFU. In effect, this has transferred the administrative burden from the not-for-profit sector to the department.

The amalgamation of the four funds into one significantly reduces the risk of paying duplicate grants to an organisation, although some risk remains with the current reliance on manual controls.

Findings

- Department of Justice and the Attorney-General (DJAG) advised the new grants management system will be operating from July 2016. It will provide a public-facing portal that allows customers to register and submit applications online.
- A 'whole-of-government' review of suitable grants management systems led to a delay in DJAG implementing the grants system. DJAG has delayed the implementation date further to allow for a detailed review of the business requirements and robust user acceptance testing.
- The department has successfully implemented our original recommendation on controls to prevent duplicate grant payments. This has eliminated the cost to the fund of duplicate payments, which previously totalled \$552 000 over two years.

Introduction

The original audit found that some applicants' operating systems and browsers were incompatible with the Office of Liquor and Gaming Regulation (OLGR) website and online application portal software. As a result, some applicants could not easily access OLGR's grant management system to upload their application. This meant that Community Benefit Funds Unit (CBFU) staff had to process their applications manually. This led to inequity of access for community organisations and increased workload for CBFU staff.

This had been a problem since the introduction of the system in 2009. While the CBFU did not keep specific data to measure manual intervention, it estimated that about 20 to 30 per cent of applications in each funding round needed manual intervention due to incompatibility issues.

We recommended the department upgrade the OLGR Information Technology (IT) systems to be compatible with a broader range of systems to allow equitable access for all applicants.

We also reported that a lack of controls to prevent duplicate payment of grants resulted in duplicate payments of \$552 000 over two years. We recommended the department implement controls to prevent duplicate payments.

Figure 2A shows the recommendations relating to the system and controls examined in more detail in this section.

Figure 2A
Recommendations relating to system and controls

	Recommendation	Status
1	Upgrade the Office of Liquor and Gaming Regulation's information technology systems to be compatible with a broader range of systems to allow equitable access for all applicants.	Recommendation not implemented
3	Implement controls to prevent duplicate payments	Recommendation fully implemented

Source: Queensland Audit Office

Conclusions

Delays in implementing a new, fit-for-purpose, grants management system meant that the department had to implement an interim solution where the CBFU inputs 100 per cent of the applications to fix the incompatibility issue for grant applicants. While this has improved equity of access for organisations applying for grants, it has increased manual processes and checks for the CBFU. In effect, the interim solution has transferred the administrative burden from the not-for-profit sector to the department.

The department has successfully implemented our original recommendation on controls to prevent duplicate grant payments. This has eliminated the cost to the fund of duplicate payments, which previously totalled \$552 000 over two years. One amalgamated fund makes identifying duplicates easier, but reliance on manual checks and controls remains an inefficient solution with residual risk of errors not being identified and addressed in a timely manner.

Grants management system

Since the original audit, the department has implemented an interim solution that has improved equity of access for organisations applying for grants. This involves organisations downloading an application form from the website instead of trying to upload their application to the grants management system. They then email the completed form to the CBFU to input into the grants management system.

While this has addressed the accessibility issue for applicants, it has actually increased the workload for CBFU staff, who must manually enter every application received into the database. The CBFU receives approximately 1 300 applications each round and it takes five to six weeks to enter them.

CBFU staff conduct other manual checks including:

- searching for duplicate applications
- checking the accuracy of the legal entity's name and ABN number
- checking that the applicant completed all mandatory fields. If a field is incomplete, the CBFU contacts the organisation to provide the information
- replying to each applicant with their application reference number.

In July 2015, the Department of Justice and Attorney-General (DJAG) Information Management Committee endorsed the implementation of a new grants management system for the Gambling Community Benefit Fund (GCBF). A review of available grant management systems found the system developed by the Queensland Reconstruction Authority (QRA) aligns with GCBF requirements. The proposed QRA grants system will provide a public-facing portal that allows customers to register and submit applications online.

This will provide greater equity of access and streamline the registration and application processes, reducing the current significant manual effort by the CBFU. The proposed system solution will also improve the quality and consistency of reporting and audit trails.

In August 2015, DJAG advised us that the new system would be ready by February 2016. DJAG subsequently revised the date to July 2016 to allow for a detailed review of the business requirements and robust user acceptance testing.

Controls to prevent duplicate payments

Previously, community organisations could apply to the GCBF and also submit the same application to one of the three regional casino funds. The application form included a field for applicants to advise if they had done so. To prevent two funds approving the same application, the CBFU had to manually screen the list of eligible applications and eliminate those already funded.

In the original audit, we identified that this check procedure was ineffective. Between May 2010 and May 2012, 42 applications for 81 items totalling \$552 000 were paid twice from two separate funds for the same grant request. Some recipients returned the duplicate payment, others requested a variation to apply the funds for another purpose that the CBFU approved. These duplicate payments reduced the funds available to other applicants.

The amalgamation of the four funds into one, from July 2014, means that organisations can no longer make the same application to two funds. This has significantly reduced the risk of organisations submitting duplicate applications or more than one application in the same round.

Despite this, the CBFU does occasionally receive more than one application from the same organisation. The CBFU manually checks all applications for duplicates before submitting them for assessment by the committee and records any duplicate application as ineligible. As a final check, the CBFU finance team searches for duplicate vendor payments during payment processing of approved grant applications.

These manual checks are an interim measure until the implementation of the new grants management system. The proposed system will have in-built controls preventing a registered organisation from submitting more than one application in a funding round. It will also prevent organisations from submitting a new application when they have an open agreement—that is, a previous grant not yet finalised and acquitted.

Our testing identified six potential duplicate payments in the grant data from February 2013 to May 2015, totalling \$134 000. Of these, four were duplicate payments that occurred before the amalgamation of the four funds. The CBFU was aware of all four duplicates before we followed-up. Three of the organisations have returned the duplicate payment, with the fourth in progress.

3. Assessing applications

In brief

Report 12: 2012–13 Community Benefit Funds: Grant Management concluded that neither the Gambling Community Benefit Committee, the three casino boards nor the department could demonstrate that they dealt with all grant applications equitably, applied evaluation criteria consistently, or that their decisions were transparent and accountable.

We also found the funding guidelines lacked information on the selection criteria used to assess funding applications. This meant that potential applicants were often unable to make informed decisions as to whether to apply to the funds, or did not provide the correct information in their application.

Conclusions

The department has improved the quality of information available to potential applicants in the Funding Guidelines, reducing the number of ineligible grant applications received.

The Community Benefit Fund Unit (CBFU) checks the eligibility of all grant applications received, and categorises them by funding priority, target group and geographical area. This reduces the burden on committee members by providing them with targeted information to use in the assessment process.

However, as the Gambling Community Benefit Fund is heavily oversubscribed—only 50 per cent of eligible applications are funded—further decision making criteria are needed to fairly and equitably differentiate applications on merit.

Findings

- The Department of Justice and the Attorney-General has improved the information on eligibility criteria and publicised the grant program to the wider community.
- The Funding Guidelines and Allocations Guide clearly document the funding criteria and priorities.
- The clarity on eligibility criteria and funding priorities makes the application assessment process more transparent and accountable.
- To support the committee members in assessing applications, the CBFU prepares an eligibility report for each funding round, which groups eligible applications into funding categories and priorities.
- As the number of applications received increases, the department should consider further selection filters or narrower eligibility criteria. This will further reduce the administrative burden for all parties involved in the grants process.

Introduction

The original audit found neither the Gambling Community Benefit Committee (GCBC), the three casino boards nor the department could demonstrate that they dealt with all grant applications equitably, applied evaluation criteria consistently, or that their decisions were transparent and accountable.

We found the funding guidelines lacked information on the selection criteria used to assess funding applications. This meant that potential applicants were often unable to make informed decisions as to whether to apply to the funds. In addition, the three casino boards and the GCBC used different grant assessment processes and criteria. This brought into question the equity and transparency of the recommendations for grant funding. It also made it difficult to demonstrate the grants met the funds' objectives and achieved value for money.

We also found the department did not review and rank eligible applications based on appropriate and endorsed criteria. The Community Benefit Fund Unit (CBFU) did not follow the *Community Benefit Funds Unit 2010 Governance Manual* and rank applications to assist in allocating grant funding equitably.

The original audit found that the CBFU recorded the GCBC's and boards' decisions to recommend funding an application, but did not record the rationale for these recommendations. Consequently, recommendations were not defensible or transparent, weakening accountability. The CBFU was unable to give a satisfactory response if an applicant requested feedback, because there was no record of the rationale for the recommendation.

We made a number of recommendations to improve the consistency, transparency and accountability of the application assessment process:

- The department improve the information on the eligibility and assessment criteria provided to potential applicants to reduce wasted effort.
- The CBFU first assess the eligible applications based on endorsed criteria to reduce the burden on the boards and GCBC and improve consistency of their decision-making.
- The GCBC and casino boards consistently apply documented assessment criteria when assessing and recommending applications for funding.
- The department require the boards and GCBC to provide a documented rationale for each funding decision and assurance that they have applied all selection criteria in making their grant recommendations.

Figure 3A shows the recommendations relating to the assessment of grants applications examined in more detail in this section.

Figure 3A
Recommendations relating to assessment of grant applications

	Recommendation	Status
2	Improve information on eligibility and assessment criteria to all potential applicants to reduce wasted effort	Recommendation fully implemented
4	Assess the applications based on endorsed criteria to reduce the burden on the boards and Gambling Community Benefit Committee and improve consistency of their decision making	Recommendation fully implemented
5	Ensure that documented assessment criteria are used and consistently applied by the boards and Gambling Community Benefit Committee in assessing applications.	Recommendation fully implemented
6	Require the boards and Gambling Community Benefit Committee to provide a documented rationale for each funding decision and assurance that all selection criteria have been applied in making their grant recommendations	Recommendation partially implemented

Source: Queensland Audit Office

Conclusions

The department has improved the quality of information available to potential applicants in the funding guidelines, resulting in a reduction in ineligible grant applications received.

The CBFU checks the eligibility of all grant applications received, and categorises them by funding priority, target group and geographical area. This reduces some of the burden on committee members by providing them with targeted information to use in the assessment process.

As demand for community grants and eligible applications increases, there is a risk that fewer eligible applications will be funded. Further criteria are needed to fairly and equitably differentiate applications on merit.

Information on eligibility and assessment criteria

The department has developed two guidelines to assist with funding applications and assessment. Both now clearly document the selection criteria and funding priorities:

- Gambling Community Benefit Fund (GCBF) Funding Guidelines—available for not-for-profit groups that want to apply for community benefit funding. The guidelines are updated for each quarterly funding round and are available on the Office of Liquor and Gaming Regulation website.
- GCBF Allocation Guide—a tool to support committee members to consistently and equitably provide funding recommendations to the minister.

The Funding Guidelines are easy to understand and include a process flow diagram showing the steps in the funding application process. The three eligibility levels (organisation, application, items) are clearly set out in table format and include both eligible and ineligible criteria for each level. The guidelines list funding priorities—something not documented at the time of the original audit.

The GCBC is responsible for considering grant applications and making recommendations to the minister about which grants should be funded. The Allocation Guide assists the committee to differentiate the relative merits of applications and ensure the appraisal and selection process is transparent and free from the risk of claims of political or other bias.

To support the committee members in following the Allocation Guide, the CBFU prepares an eligibility report for each funding round. The report groups eligible applications into five funding categories. Figure 3B sets out the current funding priority categories.

Figure 3B
Funding categories and types

Funding priority category	Funding type
1	Natural disasters
2	Facility improvements and equipment
3	Buses, cars, caravans, boats, tractors, trailers, large mowers, motorbikes and similar items
4	Events, training, workshops, programs and festivals
5	Applicants who have received a grant in the past two years

Source: *Gambling Community Benefit Fund Allocations Guide*

For each application, the eligibility report also notes:

- the organisation's nominated target group
- the organisation's local government area
- whether the organisation intends to make its own contribution financially or in-kind to the overall costs associated with the application
- whether the grant will generate an income
- whether the grant will provide benefit to more than one organisation.

Groups in regions below the state average Social-Economic Indexes for Areas are also provided to the committee for their reference and assistance when making recommendations for funding.

Impact of improved information on applicants

In July 2015, the CBFU surveyed previous applicants for the first time, about their experience when applying for a GCBF grant. Two questions in the survey related to eligibility information. From the responses, 98.64 per cent agreed they were able to determine their eligibility and 84 per cent answered that the guidelines were either very easy or somewhat easy to understand. Due to the absence of benchmark or baseline data, we cannot tell if this demonstrates an improvement in available eligibility information. As the CBFU continues to conduct these annual or bi-annual surveys, it will be able to assess trends over time.

Impact on eligibility rates

Despite the CBFU providing additional information to grant applicants about the eligibility criteria, it still receives a significant number of ineligible applications.

In the original audit, we found 14.2 per cent of applications received in the period from 2009 to 2012 were ineligible. Applicants did not provide the right or sufficient information or had applied for an item ineligible for funding.

From February 2013 to February 2015, 15.4 per cent of all applications received were ineligible. This represents a slight increase in ineligible applications. However, when broken down by round, the greatest number of ineligible applications occurred in the early rounds during and immediately after the original audit, with a marked improvement occurring since then. This correlates with the progressive improvement to the Funding Guidelines since the original audit.

Figure 3C shows the number of ineligible applications received for the GCBF by round from the time of the original audit through to the amalgamation of the four funds.

Figure 3C
Number of ineligible applications by round for the GCBF

GCBF Round number	Date round closed	Total no of applications	Total no of ineligible applications	Percentage of ineligible applications	Comments
76	February 2013	988	235	23.79%	Rounds prior to completion of original audit
77	May 2013	1 288	257	20.93%	
78	August 2013	968	113	11.67%	
79	November 2013	1 165	151	12.96%	Progressive improvements to funding guidelines.
80	February 2014	971	122	12.56%	
81	May 2014	1 269	164	12.92%	
82	August 2014	1 311	182	13.88%	
83	November 2014	1 325	186	14.04%	Four funds amalgamated into one.
84	February 2015	1 109	164	14.79%	

Source: Queensland Audit Office from data provided by the Department of Justice and the Attorney-General

Since the amalgamation of the funds, the number of ineligible applications has been trending back up again.

The two main reasons for ineligible applications are:

- Organisations do not include a copy of the legal entity's official bank statement with their application.
- Organisations apply for a grant when they have an open agreement—they received a previous grant that is not yet finalised and acquitted.

The CBFU registers all applications received into the system before it checks their eligibility. The results of one round are often not finalised before the subsequent round opens. Therefore, an organisation that applied in one round and has not heard whether it was successful or not, may apply again for the same amount and purpose in the newly opened round. The second application is ineligible because the first application received is an open agreement.

We noted previously that CBFU staff must manually enter every application received into the database and that this takes five to six weeks. It therefore takes more than two months to manually process all applications received and check their eligibility. Only then can the GCBC meet to consider the applications. There can be a further delay between the committee recommending the applications and final approval by the minister.

For example, for GCBF Round 85:

- Applications closed at the end of May 2015.
- The GCBC met in August 2015 to assess the applications.
- The minister announced the successful applicants for Round 85 in September 2015—after applications for Round 86 closed in August 2015.

This timing issue was also the reason for two of the identified duplicate payments. Both organisations had applied for the funding in consecutive funding rounds as they did not know whether they were successful or not in the first round at the time applications for the second round opened.

The new grants management system will automate the application process and prevent organisations proceeding with a new application if they have an open agreement. The system will also include controls over bank details.

These system changes should improve efficiency by reducing the number of ineligible applications and reducing the process timeframe. The department should also work with the committee and the minister to finalise the results of each grant round and notify the applicants before the subsequent funding round opens. This would reduce the number of ineligible applications the CBFU receives.

Consistent application of endorsed criteria

The amalgamation of the GCBF and the three casino funds into one statewide fund means there is now only one funding guideline each round and one committee, resulting in only one selection process and set of criteria. This has led to greater consistency when assessing funding applications.

At the GCBC meeting we attended, we found that the committee considered all applications on merit while using the funding priorities, Allocation Guide and eligibility report as an assessment framework.

Our analysis of three recent grant rounds confirms that funding decisions align with the Allocation Guide and the funding priorities in Figure 3B.

Figure 3D shows the total number and value of all eligible and recommended applications received in rounds 83 to 85 (November 2014 to May 2015) by priority category.

For example, the minister approved 79 per cent of all eligible applications in category one—organisations impacted by natural disasters, compared with 27 per cent of applications in category four, where organisations had applied for funding for training and events.

Figure 3D
Number and value of applications by funding priority—November 2014 to May 2015

	1.Natural disasters	2.Facility upgrades	3.Vehicles, equipment	4.Training, events	5.Funded in last 2 years	Total
Total applications by dollar value						
Eligible amount						
\$	1 842 663	45 799 900	8 803 509	3 306 848	12 796 626	73 430 052
Recommended amount						
\$	1 460 893	29 176 170	3 462 812	900 097	4 738 609	40 113 698
Percentage of applications recommended by dollar value	79.3%	63.7%	39.3%	27.2%	37.0%	54.6%
Number of applications						
Eligible number of applications received	71	1 933	324	158	539	3 025
Number of recommended applications	57	1 318	142	45	218	1 780
Percentage number of applications recommended	80.3%	68.2%	43.8%	28.5%	40.4%	58.8%

Source: Queensland Audit Office from data provided by the Department of Justice and the Attorney-General

The GCBC still considers applicants in category five—those who have received a grant in the past two years—on merit. Those funded from this category include organisations affected by drought or natural disasters or those who are applying for funding as part of larger project.

The department considers it has addressed recommendation four to the extent it can. The *Gaming Machine Act 1991* states that the GCBC makes recommendations to the minister. The department does not consider it appropriate for the CBFU to prioritise applications other than by providing the committee with the eligibility report that groups eligible applications into priority categories.

The intent of the original recommendation was for the CBFU to do an initial assessment of the applications to reduce the burden on committee members. Checking the eligibility, and categorising applications by priority, target groups and geographical area, achieves this objective.

Documenting funding decisions

While the GCBC applies the allocation framework and bases its recommendations on the criteria in the Funding Guidelines, it still does not record the reason for recommending, or not recommending, funding each application. The Allocation Guide notes that the priorities and other factors used in the eligibility report will, where practical, be used as a tool by the CBFU to provide information to clients for reasons why an application was unsuccessful. The use of eligibility criteria and funding priorities has made the application assessment process more transparent and accountable. But documenting exceptions— that is decisions which appear to go against the priorities such as funding lower priority applications over higher priority applications— would strengthen transparency of the process and improve feedback to applicants.

The CBFU receives approximately 1 300 eligible applications each round, of which the committee recommends around 50 per cent for funding. The fixed amount of available funds—about \$13 million each round—limits how many applications the committee can recommend for funding.

The committee meets to assess each round of applications over 1.5 days. This excludes committee members' time to review all applications before the meeting. This means they have around 10 hours to review 1 300 applications—130 per hour or two per minute.

Both the CBFU and the committee chair consider it would create a significant administrative burden to the process to document specific reasons for each application.

The number of eligible applications in each round is likely to continue to increase. This is due to two factors:

- The CBFU has recently developed a communication strategy to raise the profile of the fund and increase applications from organisations who do not ordinarily apply for funding.
- The implementation of the new grants management system will decrease the number of ineligible applications received each round.

This will increase pressure on the available grant funds and make it harder for the committee to fairly and equitably differentiate applications on merit. The committee should consider further criteria and filters for the assessment process.

4. Governance and reporting

In brief

This section considers governance aspects of the Gambling Community Benefit Committee (GCBC), reporting the results and outcomes of the Gambling Community Benefit Fund (GCBF) and quality assurance processes over the grant acquittal process.

The original audit reported that a third of board members had served longer than the recommended maximum term. We also reported deficiencies in the public performance reporting of the fund and the grant acquittal audit selection process.

Conclusions

The turnover of committee members is now in line with good governance practice. It allows for the introduction of new ideas and for challenges to the 'custom and practice' that develop naturally over time in any group.

Current public reporting on the GCBF is not sufficient to report on its performance. The department does not report on whether the funding has achieved its objectives—that is, what outputs or outcomes result from the grant funding.

The continued focus of grant acquittal audits on compliance with the funding guidelines, brings into question their value. It may be time to rethink the value proposition by shifting from an audit model focusing on compliance assurance to a more effective risk-based model.

Findings

- The length of service of current members of the GCBC now complies with the requirements of the fund's governance manual.
- The Annual Allocation Report outlines the grants value and recipients of the GCBF, but not the outcomes resulting from the grants program.
- The 2014–15 Annual Allocations Report now reports the total cost of administering the Community Benefit Fund Unit, but there are no targets or other efficiency measures for the grant program, nor measures for how well the department delivers the service.
- The department introduced an audit targeting strategy in 2012 and is undertaking an increasing number of quality assurance audits of the acquittals received.
- However, a quantitative, data-driven approach to selecting grant acquittals for audit will enhance planning and achieve better balance between risk and compliance cost, providing greater value

Introduction

The original audit reported that 33 per cent of members across the three casino boards had served longer than the nine-year maximum term set out in the governance manual for the Gambling Community Benefit Fund (GCBF). The average term served by members who had exceeded the maximum period was 14 years. Two members had served 17 years or more.

We recommended the department annually reports on the length of service of committee members, compared with the requirements of the *Governance Manual Community Benefit Funds Unit 2010*.

We also reported that the department had not published the *Annual Allocations Report* between 2009 and 2013. This report included the value of grants given to community groups and the type of services those groups delivered. We also noted there were no performance measures or assessment of whether the grant program achieved community benefit.

We recommended the department promptly report on the funds' outcomes against its objectives to enable stakeholders to assess performance.

The original report also examined how the Office of Liquor and Gaming Regulation (OLGR) Compliance Unit conducted quality assurance (QA) audits of grant acquittals received. In particular, we looked at how the Compliance Unit selected the sample of acquittals to review. We recommended the department improve the audit selection process to improve coverage of high-risk grants and the level of assurance over the grant program.

Figure 4A shows the recommendations relating to the governance of the grant program and reporting of outcomes examined in more detail in this section.

Figure 4A
Recommendations relating to governance and reporting

	Recommendation	Status
7.	Report annually on length of service of members of the boards and Gambling Community Benefit Committee compared with requirements of the <i>Governance Manual Community Benefit Funds Unit 2010</i> .	Recommendation fully implemented
8	Report promptly on the funds' outcomes against their objectives to enable stakeholders to assess the funds' performance.	Recommendation partially implemented
9	Review their process for selection of grant acquittal audits to improve coverage of high-risk grants and level of assurance over the grant program.	Recommendation fully implemented

Source: Queensland Audit Office

Conclusions

The turnover of committee members is now in line with good governance practice. It allows for the introduction of new ideas and for challenges to the 'custom and practice' that develop naturally over time in any group.

Current public reporting on the GCBF is not sufficient to report on its performance. The department does not report on whether the funding has achieved its objectives—that is, what outputs or outcomes result from the grant funding. In addition, while the *2014–15 Annual Allocations Report* now reports the total cost of administering the Community Benefit Fund Unit (CBFU), there are no targets or other efficiency measures for the grant program, nor for how well the department delivers the service.

While the QA audit strategy and selection process represent an improvement since the original audit, the QA audits remain focused on compliance with the funding guidelines, primarily on the financial transactions and supporting documentation. This brings into question the value of the QA audits. It may be time to rethink the value proposition by shifting from an audit model focusing on compliance assurance to a more effective risk based model that identifies applications with a higher risk of error for examination.

Committee members length of service

The original audit reported that the tenures of the members of the original GCBC complied with the department's governance manual for the committee and the three boards. However, seven of the 21 board members across the three casino boards had served longer than the nine-year maximum term set out in the governance manual.

All seven members, whose term exceeded nine years, have since resigned or not been re-appointed. Two members who served seven years are now on the amalgamated committee. The completion of this current term will take their total to 10 years. However, their reappointment allowed for a seamless transition of the amalgamated GCBF.

In accepting recommendation seven, the department agreed to:

- report on member length of service in the Funding Programs Allocation Report—now called the Annual Allocations Report
- record the length of service on OLGR website.

The 2014–15 Annual Allocations Report records the committee members for each fund with the number of meetings attended in the year. It also reports on members' length of service, including terms served on previous committees.

The Department of Justice and Attorney-General (DJAG) website lists the current GCBC members. It gives the appointment period and a short biography for each member. However, as this is for the amalgamated committee, the appointment period is the same for all 12 members (24 August 2014 to 23 August 2017). There is no record of length of service of members of the committee and boards before the amalgamation.

The CBFU monitors the length of service of committee members. It advises the minister of any members who have exceeded their term and recommends against reappointing. It also identifies others members who, if re-appointed, would bring their tenure to the maximum nine years. The minister decides on whether members are reappointed or not.

Reporting on fund outcomes

The original audit found that the department did perform some public reporting on outputs:

- It published the Allocated Grants Report on its website after each funding round. The report listed all successful applications by organisation and the amount allocated.
- The Annual Allocations Report reported on the value of grants given to community groups and the type of services those groups delivered.

The department did not publish the Annual Allocations Report between 2009 and 2013. The department acknowledged the delay in publishing the report, citing issues beyond its control, including machinery of government changes, delayed approval from committee and board members and government style-guide changes.

We also noted there were no performance measures or assessment of whether the grant program achieved community benefit.

We recommended the department promptly report on the funds' outcomes against its objectives to enable stakeholders to assess performance.

The department self-assessed this recommendation as fully implemented by:

- Publishing successful applications on the OLGR website after a round is finalised (previously known as the Allocated Grants Report).
- Conducting a survey of approximately 20 per cent of successful applicants to determine if the grants met the organisations funding objective.

However, we assessed this recommendation as partially implemented. The successful applications report lists the legal entities receiving funds in that round, the sponsoring organisations, the purpose and the approved amounts. It lists entities in alphabetical order. But there are no totals or analysis, such as by priority category, region, expense item or target group.

In July 2015, DJAG sent a survey to 5 066 previous applicants about their experience of applying for a GCBF grant. Twenty-five per cent—1 285 organisations—responded. Two of the 15 questions related to grant outcomes: 83 per cent of respondents believed the grant had assisted in achieving the organisation's objectives, and 84 per cent believed the grant benefited their organisation. While an indication of fund outcomes, the survey responses are subjective, with no evidence to support or quantify actual benefits realised.

DJAG published the 2014–15 Annual Allocations Report on 22 January 2016 and the report for 2013–14 on 19 September 2015. The delay of seven and 15 months respectively to finalise and publish the report questions its relevance.

The 2014–15 report includes information, for each of the four funds, on:

- committee remuneration and meeting costs
- meeting attendance for each committee member and their length of service
- grant distribution by round—approved amount and number of approved applications
- geographical distribution of grants by Local Government Area
- total amount distributed by expense type such as IT equipment and motor vehicles.

The 2014–15 Annual Allocation Report also notes the full cost of administering the CBFU in 2014–15 was \$1 853 000.

Performance measurement framework

A performance measurement framework allows grant administrators to assess the effectiveness of the program. Relevant, accurate, timely, accessible, interpretable and coherent performance information contributes to timely and effective decision-making in managing and adjusting grant programs. It contributes to the accountability of agencies for their performance.

For internal and external accountability purposes, it is important to have reliable and relevant performance indicators for each outcome and output.

We acknowledge that developing a performance measurement framework with appropriate and relevant measures draws on resources. However, from the information it currently collects, the department could consider the input and output measures outlined in Figure 4B and work towards developing suitable outcome measures.

Figure 4B
Examples of performance measures

Type of measure	Purpose	Examples
Input measures	Used primarily for internal purposes to address economy and efficiency issues.	<ul style="list-style-type: none"> ▪ resources allocated to administer the program ▪ time to process and approve grant ▪ costs of administering the fund ▪ costs of processing an application ▪ number of ineligible applications, or appeals against decisions.
Output measures	Show the extent to which the department has achieved the program's operational targets or milestones.	<ul style="list-style-type: none"> ▪ number/value of applications received ▪ number/value of grants awarded, including by: <ul style="list-style-type: none"> – funding priority category – geographic area – target group.
Outcome measures	<p>Assess the extent to which the program is meeting both operational and strategic objectives of the funding organisation.</p> <p>Outcome measures relate to changes in the community.</p>	<ul style="list-style-type: none"> ▪ level of usage of facilities built or upgraded with funding ▪ level of community involvement resulting from funded projects ▪ improved safety or access.

Source: Queensland Audit Office

Identifying outcome measures is not always easy but it is a key step in establishing a clear view of the true benefits of a program.

Outcomes from the grant funding are more difficult to measure and require collecting information from the grant applicants. This includes the applicants stating upfront the intended or desired effect of the funding on the community service provided, and then reporting against that effect in the acquittal.

The current application form requires the applicants to outline, in a free form text box, the benefit of the proposed funding to their organisation and the community. They must select a category and item type, and answer whether the application provides benefit to more than one organisation and provides an opportunity to generate income. Committee members use this information when recommending applications for funding. The department does not use or report on this information.

The current acquittal process requires the grant recipient only to acquit on actual expenditure. There is no requirement to report on outputs or outcomes achieved or benefits realised.

The department could request applicants seeking grant funding to nominate one or more key outcome indicators to assess them against. This would provide the CBFU with better data to improve performance reporting. The application form could include a series of questions on intended benefits with drop-down answers to choose from. For example:

- increase the number of services offered that improve the quality of life for community
- increase in level of safety and access to a facility
- increase the number of community members participating in social/sporting/leisure/cultural activities
- increase in community engagement in delivering activities
- increase in the number of community members completing training/activities/events
- increased knowledge, skills and capabilities

Given the effort in measuring outcomes, the CBFU could limit this to grants exceeding a specified value.

Grant acquittal audits

The original audit noted that the CBFU undertook a 100 per cent desktop verification of acquittals received for approved grants. The CBFU reviewed receipts and invoices provided by applicants to validate expenditure against approved items. The Audit Unit within OLGR's Compliance Unit undertook a number of QA audits to review a sample of acquittals received.

We recommended the department improves the audit selection process to improve coverage of high-risk grants and level of assurance over the grant program.

At the time of the original audit, steps were in place to improve the QA audit process. Since then:

- Inspectors now have a documented QA checklist as part of the procedures manual.
- There is a more structured, risk-based approach to selecting the audit strategy.

The audit strategy introduced in 2012 aimed to move from quality assurance based on routine audit plans to a more risk-based audit plan, focusing limited audit resources on examining higher risk grant allocations.

QA audits now target grants over \$30 000 and those approved to purchase assets. The premise is that asset purchases are invariably portable and attractive with a greater risk of misuse. Consequently, 70 per cent of audits focus on purchases of tangible assets. The remaining 30 per cent of grant agreements relate to intangibles, for example, training courses, seminars and promotional materials.

The CBFU produces a list of all completed agreements to assist with the QA audit selection. Inspectors from regional offices select 50 per cent of the grants marked for review, making use of local knowledge. The OLGR Audit Unit selects the other half from their review of all completed applications.

Regional inspectors conduct the majority of the QA audits. To realise efficiencies, inspectors conduct audits usually within a 200 kilometre geographical area of the regional office. This means that OLGR rarely selects organisations in remote areas for audit.

The number of QA audits performed each year has increased from 49 in 2013–14 to the planned 70 in 2015–16. However, the proportion of satisfactory/unsatisfactory audit results has remained relatively static. Eighty-five per cent of audits have a satisfactory result with the remaining 15 per cent unsatisfactory.

The OLGR Audit Unit refers all unsatisfactory results to the CBFU for further investigation. The two main reasons for an unsatisfactory result are:

- lack of supporting documentation, where the CBFU obtains further evidence (including statutory declarations where necessary)
- underspent funds not returned, in which case, the CBFU issues invoices to recoup those funds.

After investigating unsatisfactory audit results in the last two years, the CBFU either received further evidence or recouped underspent funds, with no further action against the grant recipients.

While the QA audit strategy and selection process represents an improvement since the original audit, the QA audits remain focused on compliance with the funding guidelines, primarily on the financial transactions and supporting documentation. The QA audit strategy focuses on higher value, asset purchases. It does not consider other risk factors such as organisation and vendor risk, or other types of purchases that are also open to misappropriation or misrepresentation.

Audit selection should use a quantitative, data-driven approach to identifying and assessing risk, testing applications and reporting issues. This will enhance audit planning by identifying applications with a higher risk of error. Achieving a better balance between risk and compliance cost provides greater value to the department by using audit resources more effectively.

While there are challenges in obtaining timely, complete, accurate and relevant data to do this, the implementation of the new system will provide opportunities to enhance the QA audit strategy.

Appendices

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Appendix A—Comments

In accordance with s.64 of the *Auditor-General Act 2009*, a copy of this report was provided to the Department of Justice and Attorney-General with a request for comment.

Responsibility for the accuracy, fairness and balance of the comments rests with the head of the agency.

Comments received from Director-General, Department of Justice and Attorney-General



Department of Justice and Attorney-General
Office of the Director-General

In reply please quote: 537265/2; 3141615; OGR-1569892

Your reference: 2016-9144P

10 FEB 2016

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Dear Mr Greaves

Thank you for your letter dated 22 January 2016 regarding the *Follow up Report 12: 2012-13 – Community Benefit Funds: Grant management*. I note the enclosed copy of the proposed report to Parliament.

I am pleased the Department of Justice and Attorney-General (DJAG) has fully implemented the audit findings in recommendation numbers 2, 3, 4, 5, 7 and 9. The Office of Liquor and Gaming Regulation (OLGR) is developing strategies to fully implement recommendation numbers 6 and 8 to ensure compliance with the audit findings.

I acknowledge that recommendation number 1 regarding information technology systems has not been implemented.

I can confirm OLGR has begun working with the Queensland Reconstruction Authority on the development of a new grants management system that will implement recommendation 1 by allowing equitable access for all applicants and also address the partially implemented recommendations 6 and 8.

Should you require further information regarding this matter, please contact Ms Lena Tedmanson, Manager, Community Benefit Funds Unit, OLGR, DJAG, on (07) 3224 4342, or at: lena.tedmanson@justice.qld.gov.au.

I trust this information is of assistance.

Yours sincerely

David Mackie
Director-General



Appendix B—Audit details

Audit objective

The objective of the audit was to assess the status and effectiveness of the implementation of recommendations resulting from Report 12: 2012–13 *Community Benefits Funds: Grant Management*.

The audit addressed the objective through the following sub-objectives and lines of inquiry.

Figure B1—Audit sub-objectives and lines of inquiry

Sub-objectives		Lines of inquiry	
1	The department has actioned the recommendations.	1.1	There is accountability, monitoring and reporting for the actioning of recommendations
		1.2	The department has implemented the recommendations in accordance with its response or has taken appropriate alternative action
2	The department has addressed the performance or systems issues, which led to the recommendations.	2.1	The department has addressed the risks which led to the recommendations
		2.2	The department's actions have resulted in performance or systems improvements

Source: Queensland Audit Office

Reason for the audit

The *Auditor-General Act 2009* provides for the Auditor-General to report observations and recommendations about matters arising from an audit. These observations and recommendations may be reported to management and those charged with governance of an agency, relevant ministers and ultimately the Parliament.

While the Auditor-General reports to the Parliament with recommendations to improve the performance of public sector entities or enhance public sector accountability, it is not the Auditor-General's role to enforce the implementation of these recommendations.

The primary responsibility for implementing any change resulting from the recommendations rests with the executive and individual agencies and statutory bodies. Where appropriate all public sector agencies and statutory bodies should have systems and processes to implement the recommendations of the Auditor-General.

The Queensland Audit Office follow-up process provides accountability in identifying progress made by agencies in implementing audit recommendations or undertaking suitable alternative action to address identified risks.

The *QAO Strategic Audit Plan 2015–18* specified that in 2015–16 we would follow up on the progress and effectiveness of the implementation of recommendations from *Report 12: 2012–13 Community Benefit Funds: Grant Management*.

Performance audit approach

The audit was conducted between September 2015 and January 2016. The Department of Justice and Attorney-General was requested to self-assess progress against the following criteria:

I - Recommendation has been fully implemented

P - Recommendation has been partially implemented

AA - Alternate action undertaken

NA - No substantial action has been taken.

The department provided comments and supporting documentation on progress in implementing each recommendation. A review of the self-assessment and supporting documentation identified where it was necessary to perform risk-based checks to gain assurance on agency actions.

The review process included:

- ensuring the responses addressed the intent of the recommendation and subsequent effectiveness and outcomes of the recommendations
- testing documentation for evidence consistent with agency responses
- conducting interviews to clarify responses.

We also attended the Gambling Community Benefit Committee meeting held in November 2015 at the Gold Coast. The purpose was to observe the process followed to consider and recommend eligible funding applications.

Auditor-General Reports to Parliament

Reports tabled in 2015–16

Number	Title	Date tabled in Legislative Assembly
1.	Results of audit: Internal control systems 2014-15	July 2015
2.	Road safety – traffic cameras	October 2015
3.	Agricultural research, development and extension programs and projects	November 2015
4.	Royalties for the regions	December 2015
5.	Hospital and Health Services: 2014-15 financial statements	December 2015
6.	State public sector entities: 2014-15 financial statements	December 2015
7.	Public non-financial corporations: 2014-15 financial statements	December 2015
8.	Transport infrastructure projects	December 2015
9.	Provision of court recording and transcription services	December 2015
10.	Queensland state government: 2014–15 financial statements	December 2015
11.	Management of privately operated prisons	February 2016
12.	Follow up Report 12: 2012-13 Community Benefits Funds: Grant Management	February 2016

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