

Review of the Auditor-General's Report to Parliament 12: 2012-13

Community Benefit Funds: Grant Management

Report No. 37

Legal Affairs and Community Safety Committee

August 2013

Legal Affairs and Community Safety Committee

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Abbreviations

Auditor-General Report	Queensland Audit Office, Report No. 12 of 2012-13, <i>Community Benefit Funds: Grant management</i> , 2013
CBFU	Community Benefit Funds Unit
Committee	Legal Affairs and Community Safety Committee
Department	Department of Justice and Attorney-General
GCBF	Gambling Community Benefit Fund

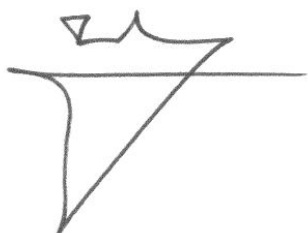
Chair's foreword

This Report presents a summary of the Legal Affairs and Community Safety Committee's examination of the Auditor-General's report, *Community Benefit Funds: Grant management*, pursuant to standing order 194B of the Standing Rules and Orders of the Legislative Assembly.

The Committee's task was, generally, to consider the Auditor General's findings in relation to the effectiveness of the administration of the gambling and casino community benefit funds. These funds receive tax revenues from gambling activities which are then invested in not-for profit organisations to fund activities that benefit communities.

On behalf of the Committee, I thank the Committee's Secretariat and the staff from the Auditor-General's office for their assistance with the Committee's consideration of the Auditor-General's report.

I commend this Report to the House.

A handwritten signature in black ink, consisting of a stylized 'I' and 'B' with a horizontal line extending to the right.

Ian Berry MP

Chair

Recommendations

Recommendation 1

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The Committee recommends the House note this Report.

Recommendation 2

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The Committee recommends the Attorney-General and Minister for Justice update the House on the implementation of the Auditor-General's recommendations on or before 31 March 2014 being the date when the majority of the recommendations are due for completion.

1. Introduction

1.1 Role of the Committee

The Legal Affairs and Community Safety Committee (Committee) is a portfolio committee of the Legislative Assembly which commenced on 18 May 2012 under the *Parliament of Queensland Act 2001* and the Standing Rules and Orders of the Legislative Assembly.¹

The Committee's primary areas of responsibility include:

- Department of Justice and Attorney-General;
- Queensland Police Service; and
- Department of Community Safety.

1.2 Referral

Report No. 12 of 2012-13 of the Queensland Audit Office: *Community Benefit Funds: Grant management* (Auditor-General Report) was tabled in the Legislative Assembly on 21 May 2013 and in accordance with Standing Order 194B, was referred to the Legal Affairs and Community Safety Committee for consideration.

1.3 Role of the Auditor-General

The role of the Queensland Audit Office is to provide Parliament with independent assurance of public sector accountability and performance. This is achieved through reporting to Parliament on the results of its financial and performance audits.

¹ *Parliament of Queensland Act 2001*, section 88 and Standing Order 94.

2. Examination

2.1 Background

The Auditor-General Report examined the effectiveness of the administration of the four gambling and casino community benefit funds operating in Queensland. The four community benefit funds are:

- Gambling Community Benefit Fund (GCBF);
- Jupiters Casino Community Benefit Fund;
- Breakwater Island Casino Community Benefit Fund;
- Reef Hotel Casino Community Benefit Fund.

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

As part of its review, the Auditor-General examined the operations of Community Benefit Funds Unit (CBFU). The CBFU is a division of the Department of Justice and Attorney-General's Office of Liquor and Gaming Regulation which has the responsibility for the administrative functions of the four community benefit funds.

Ultimately, grant applications are approved by the Department of Justice and Attorney-General (Department) on the recommendations of the Gambling Community Benefit Committee (in respect of the GCBF) and the boards of trustees of the three casino community benefit funds.²

2.2 Key findings of the Auditor-General Report

The Committee notes the following key findings and issues identified in the Auditor-General Report which highlights concerns about appropriate risk management and internal controls.³

1. **Applying for funding.** A risk based, proportionate approach to grant administration is not evident in the design and operation of the scheme. Applicants have no knowledge of the specific assessment criteria used to evaluate their applications and 'complex' applications only require a minimal amount of additional information which is *'insufficient to demonstrate that the larger grant provides better value.'*⁴
2. **Assessing applicants.** Applications are not assessed consistently and the criteria used to assess applications are not transparent. *'Neither the GCBC and boards, nor the department, can demonstrate that all applicants are dealt with equitably, that evaluation criteria are applied consistently, or that decisions have maximised potential community benefit.'*⁵
3. **Realising benefits.** Monitoring of grants payments is weak and mechanisms to gain assurance that grant monies have been spent as intended and expected benefits realised are not in place or ineffective. Controls have not prevented duplicate payments being made.
4. **Governance and reporting.** Members of the three casino community benefit funds have served excessive terms on the boards, averaging 14 years when compared to the nine year maximum term set out in the relevant governance manual.

² Queensland Audit Office, Report No. 12 of 2012-13, *Community Benefit Funds: Grant management*, 2013, page 8.

³ Queensland Audit Office, Report No. 12 of 2012-13, *Community Benefit Funds: Grant management*, 2013, pages 1-4.

⁴ Queensland Audit Office, Report No. 12 of 2012-13, *Community Benefit Funds: Grant management*, 2013, page 3.

⁵ Queensland Audit Office, Report No. 12 of 2012-13, *Community Benefit Funds: Grant management*, 2013, page 1.

In addition, the Auditor-General considered that failure by the Department to rectify similar issues in 2009 also shows the lack of effective internal governance and oversight.⁶

The Auditor-General made the following conclusions in his report having regard to the following key themes; access and availability; assessment of applications; and governance, monitoring and reporting.

Access and availability

The grants application process does not ensure that applicants have sufficient information about the criteria used by the boards and Gambling Community Benefit Committee (GCBC) to make funding decisions. As a result, the application process places unnecessary effort and costs on applicants and the Community Benefit Funds Unit (CBFU).

Further waste and inefficiency is caused by information technology systems that are incompatible with some applicants' operating systems and browsers.⁷

In relation to the issue of duplicate payments, the following was noted:

Appropriate control has not been maintained in preventing duplicate payment of grants. Applicants to the GCBF are entitled to make the same application to a second fund, and the application form includes a field where applicants are to advise if they have done so. To prevent the same application being approved by both funds, the CBFU must manually screen the list of eligible applications and eliminate those that have already been funded. This check procedure is ineffective.

The audit identified that 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. While some recipients returned the duplicate payment, others requested and had approved a variation to apply the funds for another purpose. As a result of duplicate payments to these applicants, the funds available for other applicants were reduced.

The CBFU has started following up the applicants who received the unintended payments.⁸

Assessment of applications

The department cannot demonstrate that funding decisions are made transparently and consistently. The department does not know that the approved grants are achieving the grant program objectives of benefits to the state and to the community.⁹

Key findings included:

- *Funding decisions are not based on an allocation framework with transparent and consistent selection criteria, funding priorities, rankings and weightings.*
- *The three Casino Community Benefit Funds' boards and the Gambling Community Benefit Committee (GCBC) use different grant selection processes and criteria.*
- *Though required by the [relevant governance manual], applications are not ranked to assist the equitable allocation of grant funding.*
- *Only two of the funds request information on previous funding allocations to assist decision making.*

⁶ Queensland Audit Office, Report No. 12 of 2012-13, *Community Benefit Funds: Grant management*, 2013, pages 2 and 11.

⁷ Queensland Audit Office, Report No. 12 of 2012-13, *Community Benefit Funds: Grant management*, 2013, page 14.

⁸ Queensland Audit Office, Report No. 12 of 2012-13, *Community Benefit Funds: Grant management*, 2013, page 16.

⁹ Queensland Audit Office, Report No. 12 of 2012-13, *Community Benefit Funds: Grant management*, 2013, page 17.

- *The rationale for funding recommendations is not recorded and communicated to applicants or the Attorney-General and Minister for Justice.*¹⁰

On the last point, the following additional detail was provided:

*The CBFU presents the Attorney-General and Minister for Justice with a list of recommended applications, but the Minister is not informed of how the boards and the GCBC made their decisions. The decisions of the boards and the GCBC are not transparent and the rationales for making the decisions are not recorded and defensible. Overall, the Minister does not have assurance that recommended grants will maximise the achievement of intended government outcomes.*¹¹

Governance, monitoring and reporting

Board members' non-compliance with the maximum service tenure provision demonstrates poor governance, and may stifle the introduction of new ideas and increase the risk of long term members exercising undue influence over newer members.

Monitoring of grants allocated is limited and ineffective. While the Community Benefit Funds Unit (CBFU) undertakes desktop acquittal processes, these do not always ensure that grant funds have been used for the purpose provided.

...

While the Office of Liquor and Gaming Regulation (OLGR) performs output reporting on how much has been allocated and for what purpose, this information is not based on specific objectives against which approved grants are measured.

*As OLGR does not perform outcome reporting, the department and the public do not know whether the funds have achieved community benefit as intended. In addition, OLGR does not report on the performance and operational costs of administering the grant program and, therefore, the department and the public do not know whether grant administration is efficient and economical.*¹²

The Auditor-General Report contained nine recommendations to the Department which are dealt with below.

2.3 Response to the Auditor-General Report

The Auditor-General Report was provided to the Department, Gambling Community Benefit Committee (in respect of the GCBF) and the Chairs of the three casino community benefit funds. Comments were received from the Department and the Chairperson of the Board of the Jupiters Casino Community Benefit Fund.

Department response

The Department welcomed the recommendations made in the Auditor-General Report and provided a detailed response to each of the recommendations, accepting or partially accepting all recommendations. Of the nine recommendations made, the Department identified two as priorities, with implementation dates for March and July 2014.

¹⁰ Queensland Audit Office, Report No. 12 of 2012-13, *Community Benefit Funds: Grant management*, 2013, page 17.

¹¹ Queensland Audit Office, Report No. 12 of 2012-13, *Community Benefit Funds: Grant management*, 2013, pages 18 and 22.

¹² Queensland Audit Office, Report No. 12 of 2012-13, *Community Benefit Funds: Grant management*, 2013, pages 23-24.

The Department commented:

A key focus of the proposed report recommendations is the development of a decision making framework and performance reporting, plus the upgrade of the current grants management system. These recommendations remain a priority of the [Department] and we will continue to work with stakeholders to ensure timely implementation.

The audit process also identified an opportunity to improve grant payment controls. Steps have been taken to action this recommendation since the fieldwork was completed and [the Department] has provided the [Queensland Audit Office] with an update of the implemented controls.¹³

Response from the Chairperson, Board of the Jupiters Casino Community Benefit Fund

The Legal Counsel on behalf of the Chairperson of the Board of the Jupiters Casino Community Benefit Fund commented:

... the Board is made up of seven (7) members, all of whom have altruistically provided significant time and effort in the furtherance of the Board's prevailing aim to provide recommendations to the Minister to allocate funds for meaningful community benefit. As such, the Board welcomes the Audit and any appraisal which promotes this civic cause, particularly given the voluntary nature of the Board and, as the Audit Office previously noted "the growing demand from the no-for-profit sector for access to these scarce funds."¹⁴

However, concern was expressed in relation to Recommendation six to 'require the boards and the Gambling Community Benefit Committee to provide a documented rationale for each funding decision and assurance that all selection criteria have been applied in making grant recommendations', citing it as 'unduly onerous' given the excessive and growing number of applications.¹⁵ This concern was also echoed by the Department.¹⁶

2.4 Committee consideration

In order to gain a meaningful understanding of the audit outcomes, the Committee met with representatives from the Auditor-General's office on 5 June 2013 to discuss the Auditor-General Report in detail. That meeting reinforced to the Committee that there were significant deficiencies in risk management and internal controls around grant administration, but the Committee was also mindful that steps were being taken to improve control procedures such as developing an assessment guide in consultation with the relevant assessment bodies/decision makers.

¹³ Queensland Audit Office, Report No. 12 of 2012-13, *Community Benefit Funds: Grant management*, 2013, Appendix A, pages 31-35 (Letter from the Department of Justice and Attorney-General to the Auditor-General, 10 May 2013).

¹⁴ Queensland Audit Office, Report No. 12 of 2012-13, *Community Benefit Funds: Grant management*, 2013, Appendix A, pages 36-37 (Email on behalf of the Chair, Board of the Jupiters Casino Community Benefit Fund to the Auditor-General, 10 May 2013).

¹⁵ Queensland Audit Office, Report No. 12 of 2012-13, *Community Benefit Funds: Grant management*, 2013, Appendix A, page 37 (Email on behalf of the Chair, Board of the Jupiters Casino Community Benefit Fund to the Auditor-General, 10 May 2013).

¹⁶ Queensland Audit Office, Report No. 12 of 2012-13, *Community Benefit Funds: Grant management*, 2013, Appendix A, page 34 (Letter from the Department of Justice and Attorney-General to the Auditor-General, 10 May 2013).

Some issues highlighted by the Auditor-General's office and discussed in further detail with the Committee during the meeting were:

- the inadvertent duplication of payments to applicants;
- the lack of clear and transparent assessment criteria which is used to assess applications for grants;
- verification of grant expenditure and the acquittals process used for the grants; and
- the tenure provisions for members of the various boards.

The Committee appreciates the efforts of the representatives from the Auditor-General's office to fully apprise the Committee of its assessment of the Auditor-General Report. The materials provided to the Committee and the information gleaned from the meeting were informative and helpful.

Conclusions

The Auditor-General has raised some very serious issues in his report about which the Committee has strong concerns. The following conclusions drawn by the Auditor-General are most concerning:

- The administration of the grants program by the department is inefficient and the monitoring of grants payments is weak.
- Appropriate mechanisms to gain assurance that grant monies have been spent for their intended purpose and have realised expected benefits are either not in place or ineffective.
- Controls do not prevent grant applicants from being funded twice from different funds. (In this regard, duplicate payments of \$552,000 were made over the past two years).
- The breakdown in basic controls demonstrates a lack of appropriate risk management and internal control within the CBFU.¹⁷

Given the positive impacts these grants have on the community, particularly in times of tight fiscal scrutiny, the Committee considers it is vital that the program is administered efficiently and effectively.

The administrative processes in place at the time of the audit were clearly unacceptable. Further, what is of even greater concern to the Committee is the Auditor-General's comment that the Department identified several issues in 2009, which were similar to the issues raised in the Auditor-General Report.¹⁸

Appropriate action must be taken to address these concerns.

In that regard, the Committee acknowledges the detailed response provided by the Department to the recommendations contained in the Auditor-General Report. While the Department accepted or partially accepted all the recommendations in the Auditor-General Report, it also acknowledged that, following the Independent Commission of Audit Final Report, the Government would be rationalising and consolidating grant programs – not just those relevant to the Department.¹⁹ The Committee endorses this course of action and considers it will greatly improve grant administration across the State.

While the Committee had strong concerns regarding the operation of the grants scheme, the Committee is pleased with the Department's response to the Auditor-General's recommendations. It appears from the Department's response that appropriate action will be taken to address the issues

¹⁷ Queensland Audit Office, Report No. 12 of 2012-13, *Community Benefit Funds: Grant management*, 2013, pages 1-2.

¹⁸ Queensland Audit Office, Report No. 12 of 2012-13, *Community Benefit Funds: Grant management*, 2013, page 2.

¹⁹ Queensland Government, *Queensland Government Response to the Independent Commission of Audit Final Report*, April 2013, available at <http://www.treasury.qld.gov.au/coa-response/better-services.shtml>.

identified by the Auditor-General. However, it will be almost 12 months (31 March 2014) from the tabling of the Auditor-General Report for the majority of recommendations to be implemented.

Timely implementation of these initiatives by the Department will be important as no timeframes have been stipulated by the Government in accepting the recommendations of the Independent Commission of Audit Final Report which relate to grant administration.

Given, the positive impacts these grants have on the community, particularly in times of tight fiscal scrutiny, the Committee considers it is vital that the maximum value for money is achieved in all aspects of the scheme and that the program is administered efficiently and effectively. The recommendations set out by the Auditor-General, when implemented, will go some way to achieving that goal.

Recommendation 1

The Committee recommends the House note this Report.

Recommendation 2

The Committee recommends the Attorney-General and Minister for Justice update the House on the implementation of the Auditor-General's recommendations on or before 31 March 2014 being the date when the majority of the recommendations are due for completion.