Volume 6.0   Grant Management

Overview of Volume 6

The objective of Volume 6 is to achieve a whole-of-Government approach to grant program development and administration while maintaining some flexibility to suit an individual agency's specific grant program requirements.

Volume 6 replaces the Treasury document "Guidelines for Grant Administration", April 1997.

The *Financial and Performance Management Standard 2009* requires agencies to have regard to the Handbook when establishing their internal control systems and processes. Agencies must comply with the contents of the Handbook when they apply to agency circumstances. Agencies will therefore need to be mindful of this requirement when establishing and implementing internal financial controls and operational processes.

Please note that Volume 6 relates to the management of grants and grant programs only. For information regarding what constitutes a grant for accounting purposes, refer to Financial Reporting Requirement FRR 3E *Distinction between Grants and Procurement (Revenue and Expense)*, which can be accessed at http://www.treasury.qld.gov.au/office/knowledge/docs/fin-reporting-req/index.shtml.

This Volume consists of the following Information Sheets:

Reference	Information Sheet Title	Date Issued
6.1	Definition and Framework	January 2017
6.2	Program Design	January 2017
6.3	Program Administration	January 2017
6.4	Program Evaluation and Analysis	January 2017

Information Sheet 6.1 – Definition and Framework[19]

Introduction

Grants and other funding are provided by government to support the achievement of objectives consistent with government policy. Grants may be covered by legislation or regulation or be subject to Cabinet, Ministerial or administrative discretion. Grant programs in Queensland may be diverse in their structure, purpose and risk, and range in their accountability requirements from highly complex to relatively simple.

As all Queensland government grant programs involve the use of public money, grant providers are accountable for funds allocated under various grant programs. Providers are required to meet various regulatory obligations contained in the *Financial Accountability Act 2009* (the Act), the *Financial and Performance Management Standard 2009* (the Standard) and other applicable legislation.

This Information Sheet is intended to assist agencies in understanding the meaning of the term 'grant' and the grant management framework. It is not intended to replace specific agency administrative controls and policies, but rather to provide additional reference material to agencies to assist them in achieving grant program objectives in the most efficient, effective and economical manner.

Definition

A 'grant' is a generic term applied to funding or other incentives provided to individuals or bodies (including community groups, statutory bodies or commercial enterprises) that exhibit some, or all, of the following characteristics:

- a transfer to a recipient which may be in return for compliance with certain terms and conditions

- a transfer which may not directly give approximately equal value in return to the Government (that is, there is a non-exchange transaction or subsidisation), and

- a recipient may have been selected on merit against a set of program-specific criteria.

Grants can be in the nature of incentives, donations, contributions, debts forgiven, rebates, tax relief and other similar funding arrangements, and may be in the form of cash or other property. However, in recognition of changing levels of demand for increasingly complex service types and emerging service delivery models, Government may also consider a variety of more innovative approaches to funding service delivery.

Although Australian Accounting Standards AASB 1004 *Contributions* and AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* distinguish between contributions received by 'not-for-profit' entities and grants received by 'for-profit' entities, the term 'grant' in this Volume is used interchangeably.

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[19] Please note that Volume 6 relates to the management of grants and grant programs only. For information regarding what constitutes a grant for accounting purposes, refer to Financial Reporting Requirement FRR 3E *Distinction between Grants and Procurement (Revenue and Expense)*, which can be accessed at http://www.treasury.qld.gov.au/office/knowledge/docs/fin-reporting-req/index.shtml

In the context of this Volume the term 'grant' does not include:

- funding activities relating to the provision of goods and services at substantially full cost

- funding administered by the State on behalf of the Commonwealth where an agency acts as a 'post-box' for the receipt and disbursement of funds (that is, there is no discretion at the State level in the allocation or disbursement of grant funds, or ongoing involvement or responsibility for monitoring grant outcomes)

- transfers of funds between State Government entities, unless a specific grant agreement is in place between agencies

- partnering with other organisations, joint ventures, or contributions to cross-Government funded programs or projects, or

- special payments under section 20 of the Standard.

Grant management framework

Grant programs use a common set of broad management and operational processes, which are illustrated below:
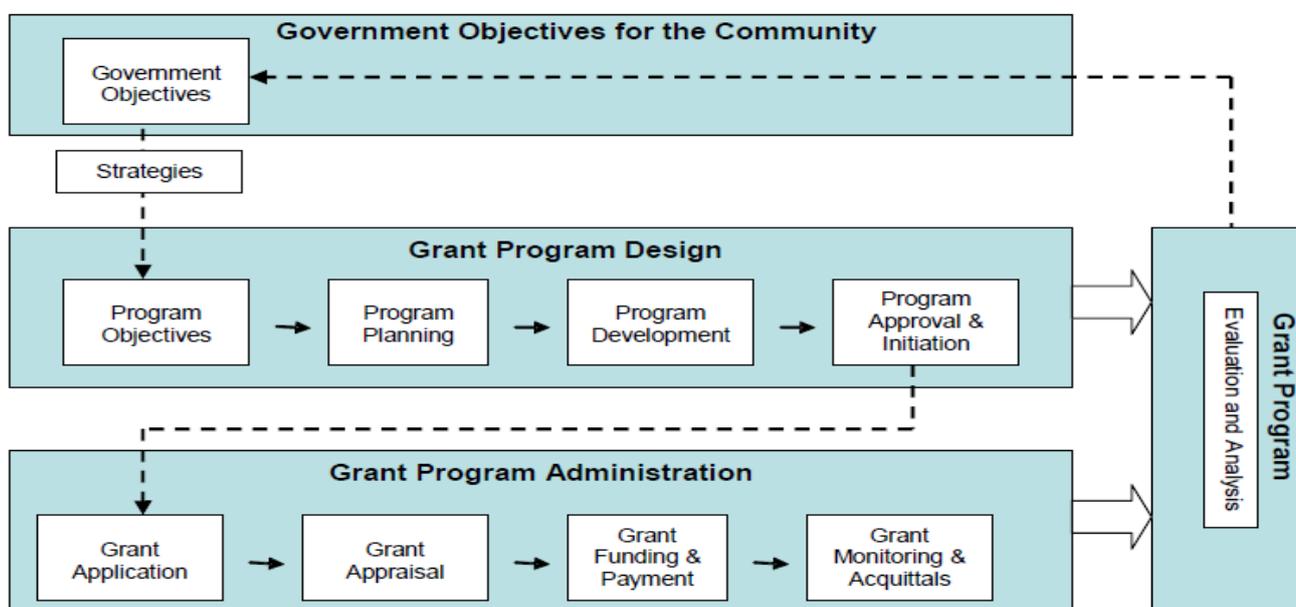
All processes should be considered and addressed in a grant program, though the order of the underlying processes may vary depending upon the size, scope and complexity of the grant program. For example, a grant monitoring strategy may be developed during the 'program development' stage or the 'grant monitoring and acquittals' stage.

The remainder of Volume 6 has been divided into three Information Sheets which align with the grant management framework.

- *Information Sheet 6.2 – Grant Program Design*: sets out the relationship between Government objectives and grant program objectives, and outlines the processes to be undertaken in designing a grant program.

- *Information Sheet 6.3 – Program Administration*: sets out the processes to be undertaken following the approval of a grant program, such as application appraisal and ongoing recipient monitoring.

- *Information Sheet 6.4 – Evaluation and Analysis*: considers the ongoing evaluation of the grant program to ensure it meets the program objectives.

Related resources

- Implementing Better Practice Grants Administration, Australian National Audit Office, December 2013
  http://www.anao.gov.au/

- Financial Reporting Requirements, Queensland Treasury
  http://www.treasury.qld.gov.au/office/knowledge/docs/fin-reporting-req/index.shtml

- Queensland Government Sponsorship Policy, Department of the Premier and Cabinet
  http://www.premiers.qld.gov.au/right-to-info/published-info/our-policies.aspx

Further information

If you have any questions concerning the Financial Accountability Handbook, please contact your Treasury Analyst.

Alternatively, email the Financial Management Helpdesk (fmhelpdesk@treasury.qld.gov.au) with details of your query and a response will be provided.

Information Sheet 6.2 – Program Design[20]

Introduction

Grant programs are developed to support the delivery of Government policy and can be established under legislation, regulation or be subject to Cabinet, Ministerial or other administrative direction.

This Information Sheet is intended to assist agencies in understanding the source of Government policy, and the subsequent planning and development of grant programs to achieve Government policy objectives. In developing grant programs, agencies have an obligation to deliver program benefits to recipients in an efficient, effective and economical manner.

Government policy objectives

The *Financial Accountability Act 2009* prescribes that:

- the Premier must prepare and table in Parliament a statement of the State Government's broad objectives for the community (section 10).

- the Treasurer must prepare and table in Parliament a charter of fiscal responsibility giving details of the government's fiscal objectives (section 11).

The Government may adopt a number of strategies to achieve its policy objectives. One strategy may be the use of grant programs. The Government may announce specific grant programs to be undertaken by agencies, or an agency may recommend the development of a grant program as a strategy to further the achievement of Government objectives.

Agency program objectives

Program objectives define the purpose of the program, provide a framework for evaluating the performance of the program, and inform decision making on program management and continuation. Objectives should be:

- specific, concise and realistic

- measurable (including qualitative and quantitative information)

- linked to the achievement of Government objectives, and

- documented and communicated to applicants and agency staff.

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[20] Please note that Volume 6 relates to the management of grants and grant programs only. For information regarding what constitutes a grant for accounting purposes, refer to Financial Reporting Requirement FRR 3E *Distinction between Grants and Procurement (Revenue and Expense)*, which can be accessed at http://www.treasury.qld.gov.au/office/knowledge/docs/fin-reporting-req/index.shtml

Program planning

Once agency program objectives have been developed, program planning is undertaken to inform the program. This includes identification of:

- relationships with other funding bodies

- risk and risk management strategies, and

- performance measures and monitoring strategies.

Relationships with other funding bodies

When planning a program, it is essential to determine whether the proposed program interacts with, or conflicts with, programs being run by other funding bodies (for example, other Queensland Government agencies, the Commonwealth, other States and Territories, local governments, or private trusts and foundations).

Other bodies' programs may conflict with, duplicate, or complement the objectives of the planned program. There may be grant programs with similar objectives, or programs with different objectives but target common recipients. While it is recognised that potential applicants may receive funding from multiple funding sources, it is important for an agency to identify and mitigate the risk of an applicant receiving funding from multiple funding sources which are used for the same purpose (that is, 'double-dipping'). For example, a private organisation may seek funding from two departments to fund the purchase of a vehicle. If the private organisation applies for 50% funding from each department, generally this would be acceptable to the funders. However, if the private organisation accepts funding for 100% cost of the vehicle from both departments, this would be classed as 'double dipping'.

Where related programs are identified, consultation between the agency and other funding bodies should take place to limit any duplication of effort. Where there are interrelationships between State run programs, agencies should aim to provide streamlined access to recipients, while ensuring appropriate transparency and accountability obligations are maintained. For example, the appointment of a lead funder to administer, control and monitor the grant process may rationalise the administrative requirements for both funders and recipients. However, where this approach is used, each funding body must still be satisfied the arrangements will meet both their internal and external accountability obligations.

Co-operation across such programs should assist in the delivery of desired grant outcomes and in the sharing of appropriate information. In such instances, agencies will need to be cognisant of privacy legislation requirements and ensure agreements contain relevant clauses to allow for the sharing of information between agencies.

Risk identification and management

Risk identification is a fundamental element of the planning process, and a risk management strategy should be developed, documented and adopted by grant administrators.

The risk management strategy should address general and program specific risks for the whole grant program, from planning to evaluation.

Conflicts of interest and fraud are examples of general risks that may arise. Conflicts of interest, whether actual or perceived, and fraud have the potential to damage an agency and its programs. Public sector employees are bound by the requirements of the *Public Service Act 2008*, the *Public Sector Ethics Act 1994*,
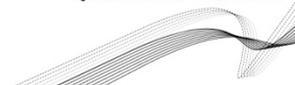
underlying codes of conduct and specific organisational policies and procedures – and are required to disclose affiliations or interests accordingly.

Agencies must have documented procedures in place to outline appropriate actions to be taken to address actual or perceived conflicts of interest that could potentially arise at each stage of the grant cycle.

Risk management is an ongoing process throughout the life of a grant program and allows agencies to identify and treat emerging risks as they are identified.

For additional information about the identification, management and review of risks, refer to *Information Sheet 3.1 – Risk Identification and Management.*

Performance measures and monitoring strategies

Performance monitoring may be undertaken at any stage in the grant program to assess whether the program objectives are being achieved. To enable this to be effective, performance measures must be developed to reflect the size, complexity and risk associated with the program. Performance measures must relate back to the program objectives.

Difficulty encountered in establishing key performance measures may reflect some uncertainty as to the objectives of the program, and reappraisal of program objectives may be required. If direct quantified measures are not possible, some form of indicator of achievement of the aims and objects of the grant scheme should be developed.

General guidance on setting performance measures is available in *A Guide to the Queensland Government Performance Management Framework.*

Specifically in relation to setting performance measures for grant programs, avoid common failings such as:

- assuming that the award of a grant automatically secures the policy objectives

- using the number of grants as a valid measure of output. This is simply a measure of administrative activity. Even so, the number of grants is hard to interpret because a "grant" is not a standardised unit of work

- presenting an incomplete time series of results from past and present figures to future forecasts, and

- not relating measures to overall aims and objectives. It is more important to achieve the policy aims and desired outcomes from the grant scheme than to maximise, for example, the number or value of grants approved.[21]

Further information in relation to performance management systems is available in *Information Sheet 3.13 – Performance Management Systems*. Further information about program evaluation and analysis is available in *Information Sheet 6.4 – Program Evaluation and Analysis.*

Program development

In the development phase of a grant program, agencies should consider issues related to:

- program eligibility rules

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[21] Best Practice Guide for the Administration of Grants, Department of Treasury and Finance, Tasmania, February 2005

- program costs

- compliance with relevant legislation and policies, and

- accountability and reporting mechanisms.

Program eligibility rules

Program eligibility rules should clearly state the mandatory requirements to be met by applicants if they are to receive grant funding. The eligibility rules could be general (for example, all sporting clubs are eligible to apply) or specific (for example, only alcohol-free sporting clubs are eligible to apply).

The criteria should be designed to attract applications from target groups identified in Government policy, and should assist in limiting the number of ineligible applications received by agencies. In addition, the rules should be:

- robust, up to date, and tailored to the current grant program

- unambiguous

- consistent with program objectives, and

- reviewed and approved by the accountable officer or statutory body (or delegate).

The program eligibility rules may also influence the program promotion strategy used to target potential applicants. Program promotion is covered in more detail under the heading 'Program Approval and Initiation'.

Program costs

Program costs can be separated into two elements – direct and indirect costs – which form the total cost of the program. Direct program costs are funds paid to recipients. Indirect costs are the costs involved in administering the program, for example:

- marketing and publicity costs incurred in communicating with potential applicants

- costs incurred in the appraisal and approval of grant applications

- IT systems and communication costs

- costs associated with the performance management processes

- costs arising from the resolution of appeals or complaints received from applicants, and

- record management costs, particularly in the case of programs with significant numbers of applicants.

Administrative support costs may be a significant component of the overall program cost and may be minimised by utilising controls and processes developed for other grant programs. Underestimating administrative needs and associated costs can impact on the outcomes achieved by the program. Agencies may consider engaging the services of another agency with appropriate existing systems as a means of reducing administrative costs associated with grant programs. However agencies must be satisfied that there are robust internal controls and accountability mechanisms embodied in the grant administration system of the other agency.

Consideration should also be given to the cost implications of the program for grant recipients (including potential tax implications). Excessively prescriptive grant conditions or reporting requirements can increase recipients' administrative costs and erode the value of the grant to the recipient. Compliance requirements may therefore be reviewed and amended as a means of minimising recipients' compliance costs, as long as

the reduced compliance requirements do not negatively impact on the management and oversight of the grants.

Both agencies and grant applicants may benefit from the use of communications technology as a means of reducing program compliance costs. For example, agencies may provide:

- web access to prospective applicants detailing grant program details, such as application forms, eligibility criteria, grant funding, terms and conditions, and the like

- facility for applicants to lodge applications electronically

- electronic acknowledgement of receipt of applications received

- electronic advice of the results of the grant appraisal process to both successful and unsuccessful applicants

- electronic notification of grant payments to recipients, and

- other on-line information, for example, about the agency's appeals process (discussed later in this Information Sheet).

Using another agency as a service provider or on-line services may, however, introduce security and privacy risks. These risks must be effectively addressed to maintain public confidence in the integrity of government systems.

Compliance with relevant legislation and policies

When developing grant programs, agencies should be aware of their legal and administrative obligations, for example:

- the legality of decision making, including issues such as natural justice

- the provisions of the *Financial Accountability Act 2009* and its subordinate legislation

- the *Judicial Review Act 1991*, particularly in relation to the provision of reasons for administrative decisions

- the *Right to Information Act 2009*

- the *Information Privacy Act 2009*

- industry-specific legislation, and

- anti-discrimination legislation.

As part of the development of the grant program, agencies should ensure that no conflict exists between the requirements of the grant program and the legislation and policies outlined above.

There are specific requirements set out in the *Income Tax Assessment Act 1997* (ITAA) in relation to the receipt of funds by entities endorsed as deductible gift recipients by the Australian Taxation Office. It should be ensured that agency requirements do not conflict with these requirements.

Goods and Services Tax (GST) may apply to some grant payments. The application of GST provisions should be assessed on a program by program basis, and developed accordingly. Grant recipients should be made aware of the inclusion, or otherwise, of GST in grant funds received.

The Commissioner of Taxation issued a Public Ruling GSTR 2012/2 *Goods and Services Tax: financial assistance payments*, to assist grant giving agencies and grant recipients to determine whether GST applies
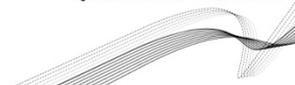
to a grant. Agencies issuing grants to which GST applies should also be familiar with the valid tax invoice requirements and the Public Ruling GSTR *2000/10 Goods and Services Tax: recipient created tax invoices*.

Further information about taxation issues, including the above mentioned public rulings, is available on the ATO website www.ato.gov.au.

Agencies should also encourage potential recipients to seek expert advice in relation to their obligations under the provisions of the ITAA, the GST legislation, as well as the program's terms and conditions, and its obligations under other applicable legislative and regulatory provisions.

Agencies are referred to *Information Sheet 6.3 – Program Administration* to review their obligations with respect to privacy provisions when dealing with applicants to grant programs, and recipients of funds under grant programs.

Accountability and reporting mechanisms

Agencies are accountable to the public via Parliament for the use of public funds. Accountability mechanisms should reflect the operations and outcomes of the program and consider both the program objectives and administrative processes. Appropriate and sufficient evidence must be retained to support all decisions and proceedings in relation to the administration of a grant program. In addition, all internal controls and processes, administrative functions and decisions concerning the operations of the grant program must be documented in the agency's financial management practice manual.

In determining appropriate accountability mechanisms, the agency will need to consider who is responsible for what, how and to whom. Agencies and recipients have obligations to meet in achieving the program's objectives and the mechanisms should reflect these obligations.

Where a program is being run collaboratively across multiple agencies, the responsibilities for accountability and reporting mechanisms to be used by the lead agency and each other agency should be identified and documented as part of the planning process.

Milestone or progress reports show the extent to which the program is contributing to policy outcomes as well as delivering expected services or service standards. Reports should also reflect the extent to which the program is still appropriate in light of changing circumstances including the impact of the program itself (for example, the results achieved by the grant program may mean that the program is no longer required in its current form).
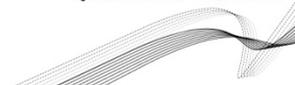
Program approval and initiation

With respect to program approval and initiation, agencies should consider the following processes:

- seeking the relevant program approvals

- program promotion, and

- an appeals process.

Program approval

Departments must consider Executive Council and budget processes and obtain the relevant approvals to establish the program. In certain instances, approvals for subsequent payment of funds may require similar approvals being obtained.

Statutory bodies have an obligation to ensure that program approval processes comply with the provisions of the statutory body's enabling legislation.

Program promotion

The most common type of grant program involves an open funding process where as many potentially eligible applicants as possible are encouraged to apply for available funding.

Material promoting the program should be clear and informative, provide an overview of how to complete an application, state the selection criteria and also list agency contacts from whom applicants can obtain further information and assistance. Promotion of the program can include use of the internet, newsletters, direct mail, workshops and special events, agency publications, and public launches or announcements. Agencies should aim to balance minimising overheads, such as promotion, against an effective communication strategy; in line with the Government's commitment to reducing unnecessary expenditure.

Inclusion of a 'quick eligibility checklist' may also be considered to assist potential applicants to immediately assess their eligibility, thereby reducing unnecessary work by an applicant in preparing an application, and by the agency in not having to assess ultimately ineligible applications.

While the open funding process is generally the approach adopted, other models may be used to target smaller groups, both as a means of reducing administrative costs and ensuring funding is directed to specific groups identified in Government policy objectives. Agencies may consider using one of the following approaches where it is determined that broad promotion of a grant program is neither appropriate nor necessary:

- Expression of interest – an invitation-based process where potential applicants are invited during the program's development phase to express an interest in participating in the program. Following a review of the expressions of interest received, the agency can short list applicants for the next phase where full applications for grant funding are sought.

- Targeted funding – a submission-based process where limited numbers of applicants are invited to apply for funding. Submissions are assessed and applicants selected through a merit based process against stated eligibility and selection criteria.

- Negotiated funding – a submission-based process where a direct approach is made by the agency to one or more eligible suppliers to apply for funding on a model agreed between the agency and the supplier.

Appeals processes

Agencies must ensure an effective appeals process has been established and documented prior to the commencement of a grant program. This should allow for prompt and effective resolution of issues that may arise following the appraisal process and subsequent awarding of grant funding.

Assistance on the development of a complaints management system can be found on the Queensland Ombudsman (www.ombudsman.qld.gov.au) website.

Related resources

- A Guide to the Queensland Government Performance Management Framework, Department of the Premier and Cabinet
  http://www.premiers.qld.gov.au/publications/categories/guides.aspx

- Chart of Accounts for Non-Profit Agencies
  https://www.treasury.qld.gov.au/publications-resources/nonprofit-organisations/index.php

- Government fiscal strategy
  https://www.treasury.qld.gov.au/budget-finance/government-fiscal-strategy/index.php

- Government's objectives for the community, Department of the Premier and Cabinet
  http://www.premiers.qld.gov.au/publications/categories/plans/community-objectives/assets/qld-government-community-objectives.pdf

- Goods and Services Tax Ruling GSTR 2012/2, Goods and services tax: financial assistance payments
  http://law.ato.gov.au/atolaw/view.htm?docid=%22GST%2FGSTR20122%2FNAT%2FATO%2F00001%22

- Grant Funding – Recordkeeping Requirements, Public Records Brief, Queensland State Archives
  http://www.archives.qld.gov.au/recordkeeping/grkdownloads/documents/grant_funding.pdf

Further information

If you have any questions concerning the Financial Accountability Handbook, please contact your Treasury Analyst.

Alternatively, email the Financial Management Helpdesk (fmhelpdesk@treasury.qld.gov.au) with details of your query and a response will be provided.

Information Sheet 6.3 – Program Administration[22]

Introduction

This Information Sheet is designed to assist agencies in the development and implementation of administrative controls and processes for grant programs which have been established in response to government policy initiatives.

The controls and processes adopted by agencies may vary depending upon the size, scope and complexity of the grant program. For example, programs which pay small amounts to a large number of individuals may have fewer complex controls and processes compared to programs which pay large amounts to corporate entities as incentive payments. Also, the administrative oversight within a program may differ depending upon the nature of the grant being disbursed or the risks associated with individual recipients. Each individual program will need to be assessed to determine the level of administrative processes and oversight necessary.

Program administration should include consideration of:

- grant application forms

- grant application appraisals

- grant funding and payments (including grant agreements), and

- grant monitoring and acquittals.

There is also a short discussion at the end of this Information Sheet about 'follow-the-dollar audits' which can be undertaken by the Auditor-General.

Application forms

Grant application forms and associated materials should be easy to understand, specific to the program and enable applicants to provide all relevant information. The following matters will be dealt with in this section:

- format and content of application forms, and

- privacy issues.

Form and content of application forms and guidance notes

Well structured application forms and guidance notes should reduce the number of ineligible applications.

Application forms and associated materials should be reviewed on a regular basis to ensure that they reflect current program requirements. The format and content of application forms should allow for the collection of all information necessary to assess the application. For example, application forms for a relatively simple grant may require disclosure of:

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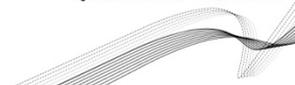
- name, legal status (for example, a corporation), ABN/GST details, registered address, organisation contact details (including office bearers)

- the applicant's contact officer for grant application queries

- reasons for seeking the funding, and

- a checklist for completion by applicants to ensure all required information has been provided.

In contrast, for more complex grants, further information may be required, such as:

- latest audited financial statements or management accounts

- funding sought from other providers

- a privacy statement for execution by an applicant which permits the agency to liaise with other Government agencies where an applicant has also applied for grant funding

- more detailed information such as key program milestones, detailed budgets, project partners, reporting timelines, and

- any other information regarded as necessary to facilitate the application process.

The Council of Australian Governments (COAG) has directed that application forms completed by 'not-for-profit' organisations are required to be consistent with the terminology and classifications used in the Chart of Accounts for Non-Profit Organisations, which was initially developed by the Queensland University of Technology. The Chart is available on the Australian Charities and Not-for-profits Commission (ACNC) website at:

http://www.acnc.gov.au/ACNC/Manage/Reporting/NSCOA/ACNC/Report/ChartofAccounts2.aspx?noleft=1&hkey=179cdfe1-4e9e-412a-96c3-e0db53e0acfe

Guidance notes supplied with application forms should set out:

- the aims and objectives of the grant program, as well as the measures for indicating that these have been achieved

- the selection criteria, and

- information about the approval process, including:

  o closing date for applications and likely decision dates

  o an outline of the selection process

  o the appointments of the people who make final recommendations and approvals

  o a description of appeals processes, and

  o the accountability and reporting measures appropriate to the program.[23]

Privacy issues

Where appropriate, collaboration between agencies is encouraged to minimise program costs, and maximise program benefits.

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[23] Best Practice Guide for the Administration of Grants, Department of Treasury and Finance, Tasmania, February 2005
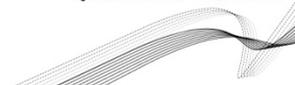
However, agencies must comply with the *Information Privacy Act 2009* and the *Right to Information Act 2009* when sharing information. The sharing of information between agencies is possible, provided strict rules are followed. No agency is permitted to pass any personal information to another agency without legal authority to do so or consent has been provided by the individual or agency concerned.

The issue of advising a recipient of the ultimate destination of their details is one of 'informed consent'. Application and supporting forms must inform the applicant of the intention to share information with another agency in accordance with the privacy legislation.

Grant application appraisal

When assessing applications for grant funding, the process must be transparent and free from political bias or other influence. It is suggested that agencies, as a minimum, consider:

- application appraisal processes

- documentation of decisions, and

- communication of appraisal decisions to applicants.

Application appraisal process

The objective of the appraisal process is to select those applicants who meet the program eligibility criteria.

The appraisal processes developed by agencies should:

- recognise the complexity of the grant program, and develop appraisal controls and processes accordingly

- include confirmation of details provided by the applicants (for example, confirming existence, address and contact details of the applicant)

- require the use of specific appraisal checklists to ensure consistent scrutiny

- determine an appropriate schedule for the assessment of applications, which may be a fixed date if the grant application is in the form of a tender response, or over a longer period as determined by the term of the program and grant renewal requirements, and

- be applied consistently to all applications received.

To ensure transparency, the appraisal processes should be documented, and appraisers should declare any actual or perceived conflicts of interests. This declaration should be formally recorded and action taken in line with the documented agency policy (as outlined in *Information Sheet 6.2 – Program Design*, 'Risk Identification and Management').

Where agencies make grant funds available to commercial enterprises, due diligence and probity checks should reflect the size, complexity and potential risks that may exist. It is recommended that agencies consider, for example:

- Australian Securities and Investment Commission searches on applicant companies and their officers

- analysis of most recently available financial statements and other financial material, such as credit history searches, that are considered relevant to an application

- criminal history clearances of the applicant officers where there may be some suspicion of irregularities

in an application that has been submitted

- discussion with other Queensland government agencies which may be providing current funding, or may have provided past funding, and

- media and internet searches on potential applicants.

Specialist support or professional advice should be sought to assist in the appraisal process where it is considered that the agency may lack appropriate knowledge or expertise.

One of the objectives of the appraisal process may be to validate that funding is necessary to achieve the aims of the project. Alternatively, other forms of government support could be considered such as the provision of expert knowledge and advice, or a loan (for example, when a relatively costly project is expected to generate significant new income).

The appraisal process should consider whether an applicant's project could proceed with partial funding, or proceed if no funding was provided. Where a project is able to commence or proceed in the absence of government funding, consideration (based on the program objectives) should be given to whether grant funding is appropriate. Instances where it is appropriate may be when grants are paid as incentives to encourage industry.

Documentation of decisions

Decision-makers must clearly demonstrate that grant decisions are equitable, transparent and represent value for money. This includes recording the criteria on which their decisions were based and the reasons for the decisions. This will be particularly important if there is a situation where lower ranked applications are approved over higher ranked applications.

Good recordkeeping assists agency performance by better informing decision-making. For example:

- where officials can identify previous and current grant recipients and their performance, they will be in a better position to assess risks

- decision-makers should document the reasons for decisions in awarding (or not awarding) grants, as this will assist equitable application of the assessment criteria, particularly when selection processes are conducted over an extended period of time. This helps to ensure that grant money is awarded to those projects or activities that best satisfy the objectives of the granting activity, and

- where is it proposed to use a method other than a competitive, merit-based selection process, officials should document why this approach has been used.[24]

If Ministerial or Governor in Council approval for a grant is required, refer to Information Sheet 1.6 *Obtaining and Documenting Ministerial Decisions* for a discussion about documenting decisions.

Communication of decisions

Depending on the grant program, funding announcements can be sensitive, and timeliness in communication is important. Agencies should try to avoid the perception that announcements are being used for political purposes. While it is acknowledged that the timing of an announcement may be chosen to suit a purpose, it is preferable all decisions on grant and funding applications be announced together, or within a relatively

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[24] Commonwealth Grants Rules and Guidelines, July 2014, page 32
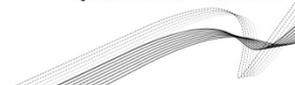
short timeframe. This enables applicants to know the outcome of their proposals, so that either project commencement or pursuit of alternative sources of funding can begin.

If significant delays occur between appraisal and funding decisions, consideration should be given to updating the appraisal. This will ensure that the applicant remains eligible for the funding, which can be particularly important for grants to for-profit organisations as the financial viability of a business may change if there has been a delay.

Grant funding and payment

When establishing processes for the payment of grant funding to successful applicants, agencies should consider:

- funding options

- grant agreements

- grant payments

- grant variations, and

- recovery of funds.

Funding options

There are a number of options available in relation to funding methods, and agencies may use these individually or in combination. The appropriate strategy will reflect management's judgement of the cash management requirements of both the agency and grant recipients.

Examples of funding strategies are:

- budget basis: funding remitted on the basis of recipient's budgeted costs

- lump sum: fixed amount remitted irrespective of recipients' costs

- standard percentage: agreed percentage of recipient's program costs are funded

- flexible: funds remitted are based on agreed milestones being achieved

- longer term: funding is based on a risk benefit analysis and is conditional on achievement of objectives and compliance in the funding agreement (and limited to a maximum of 5 years for departments to match budgeting timeframes), or

- matching: based on recipient's own fundraising/income, or other agency contributions.

Grant agreements

A well drafted agreement provides the funding agency and the recipient with a written record of the terms agreed and executed between both parties. It includes roles and responsibilities, funding provided, required milestones, key performance indicators, monitoring and acquittal requirements and dispute resolution processes. The agreement should also incorporate specific terms and conditions required by legislation, regulation, Government policy, Ministerial direction or similar requirements.

Where a number of agencies work together to deliver networked grant programs, careful drafting of agreements is required. Relational agreements between the agencies involved, such as Memoranda of

Understanding (MOUs), should be in place and incorporate shared objectives and clearly define roles, responsibilities and accountabilities across the agencies involved.

Funding agreements for complex grants may also account for specific issues such as:

- ownership rights for assets acquired or generated by the application of grant funding

- remitting windfall gains to donor agencies that may have arisen from the application of grant funding

- conditions on the use of an asset acquired through the use of grant funds (for example, equipment acquired by an environmental organisation may only be used on projects that comply with grant funding terms and conditions)

- a recipient's obligations in relation to the sale of an asset acquired using grant funding (for example, whether the recipient has an obligation to remit the sale proceeds to the donor agency, or is entitled to retain the funds and apply them to furthering the program's objectives)

- registration of the Government's legal interest or charge over property, if deemed significant

- the ownership of intellectual property developed as the result of the use of program funds (for information about the Queensland Public Sector Intellectual Property Principles, refer to the Queensland Government Chief Information Office)

- when audited financial statements may be requested by the agency

- review of specific performance measures, both during and at completion of the program, and

- recoupment of funds in the case of non-performance or non-compliance with the agreement terms and conditions.

Agencies should encourage recipients to seek appropriate legal advice before signing a grant agreement – particularly where there may be complexities such as those discussed above.

Grant payments

The payment of grant funds to recipients should be subject to the same internal financial controls and processes that apply to any expenditure incurred by agencies. Additionally, internal controls should also ensure that payments are made in accordance with grant program terms and conditions, milestone and other performance targets, and are approved by appropriate agency officers.

Remitting funds either in advance or in arrears for each funding strategy is ultimately at the discretion of agency management and should be based on an assessment of the relative risk of the option adopted and individual recipient requirements.

Approvals authorising the expenditure of agency funds generally rest with the accountable officer, statutory body or officers to whom approval authorities have been delegated. In some instances, depending on the value of the grant program, Ministerial or Governor-in-Council approval may be required. Agencies are referred to the *Executive Council Handbook* or the Project Commencement Approval policy to ensure approval is obtained where the level of program funding requires either Ministerial or Governor-in-Council approval.

Note: Irrespective of the method of funding chosen, funds should never, under normal circumstances, be paid before they have been formally approved and the recipient has accepted the terms and conditions by signing a funding agreement. Funding should not be approved retrospectively.

Agencies are referred to *Information Sheet 3.6 – Expense Management Systems* and *Information Sheet 3.4 – Delegations* for additional assistance in the review of existing grant payment processes, or the development of new processes.

Grant variations

A recipient may, due to changed circumstances, request a variation to the terms and conditions in a grant agreement. For example, a recipient may request a change in the timing of grant payments, or in milestone due dates. Each request should be assessed to ensure that program objectives are being achieved and will continue to be achieved. Variations must be approved by an officer with appropriate delegated authority, and documented accordingly.

Recovery of funds

Circumstances may arise where moneys remitted to recipients need to be recovered, for example, when:

- recipients are in breach of agreement terms and conditions

- surplus funds remain unspent at completion of the grant, or

- grant funds that were provided as seed funding or as an incentive to an organisation to develop commercially successful products or processes can be repaid to the agency without impacting on the future commercial success and viability of the enterprise.

Appropriate procedures to recoup funds from recipients must be developed and documented. Prior to initiating the recovery process, agencies should consider the following:

- was there an intentional breach of funding terms and conditions?

- has the matter been raised and discussed with the recipient?

- will grant outcomes be prejudiced if the funds are recovered from the recipient?

The decision to recover funds rests with agency management, and should be reviewed on a case by case basis. Any decision to write off grant funds recoverable must be documented and appropriate approval evidenced in line with agency delegations.

Any regular need to recover grants is a warning sign that a grant program may not be achieving its objectives, or that scrutiny of applications may need to be tightened up. Periodically, agencies should monitor levels of recovery and analyse causes.

Grant monitoring and acquittals

The processes used by agencies to monitor the progress of recipients' compliance with terms of the grant agreement may include:

- appointment of a monitoring team

- development of a monitoring strategy, and

- undertaking financial and performance monitoring.

Monitoring team

Monitoring grant programs should be the responsibility of agency staff with knowledge of the program details and expertise appropriate to the size and complexity of the program. Any conflicts of interest should be dealt

with in line with the documented agency policy (as outlined in *Information Sheet 6.2 – Program Design*, 'Risk Identification and Management').

To ensure consistency, monitoring processes and service standards should be documented and made available to all staff engaged in the monitoring functions. This will be of particular importance where monitoring is undertaken regionally, spread across a number of monitoring units or where agency staff turnover is high.

In order to complete its functions effectively, the monitoring team should have access to appropriately structured databases to ensure information can be analysed in a way to include:

- monitoring the cost of the program

- identification of fraudulent use of grant funds

- both quantitative and qualitative information

- a format that aligns with periodic reports to relevant levels of management in the agency

- data that is consistent, facilitates trend analysis and allows comparisons against objectives or benchmarks, and

- benchmarking and comparison of performance across different programs.

The monitoring team has an obligation to ensure that it reports accurately, objectively and in a timely manner on the delivery of grant program objectives.

Grant monitoring strategy

A grant monitoring strategy provides a framework for agencies to evaluate the performance of recipients in achieving program objectives, and includes assessment of a recipient's compliance with the provisions of the grant agreement executed between both parties. Agencies should seek to reduce the monitoring burden placed on grant recipients, while not compromising the monitoring process.

In developing the framework, agencies should, for example:

- ensure that the monitoring strategy effectively assesses compliance with program funding terms and conditions, and accounts for variations to program objectives or individual agreements

- consider the format of reporting by recipients (for example, for financial acquittals, recipients may be required to provide a profit and loss account, cash flow projection or signed statutory declaration acknowledging compliance with the program's terms and conditions in the use of grant funds received)

- assess program administration risks which may include, for example, recipients' ongoing capacities to deliver program objectives, or the potential for fraud or misappropriation of grant funds

- ensure that performance targets and milestone reporting deadlines are achieved

- consider the frequency of reporting, and

- determine the circumstances for potential recovery of grant funds from recipients.

Useful techniques which may be incorporated into the monitoring program include:

- the use of stratified sampling, where all grants over a certain value are monitored, with random sampling of the remainder

- cooperation and communication with other agencies or bodies working in the same field, and
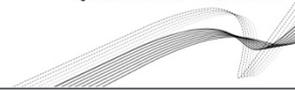
- retention of final payments to recipients until all obligations under the terms and conditions of the program have been met.

Financial acquittal and performance monitoring

There are two fundamental aspects of monitoring grant recipients – financial acquittal and performance monitoring. Financial acquittal determines whether relevant financial accountability procedures have been complied with, while performance monitoring determines the extent to which desired outcomes are being or have been achieved.

Regular reviews of the results of both financial and performance measures should assist agency management in assessing recipients' performance both progressively over the term of the agreement and at its conclusion. The results of acquittal/monitoring assessments may also be used to:

- inform future funding decisions (for example, a recipient's non-compliance with the terms of a grant agreement may be recorded to preclude that recipient from future funding opportunities), or

- enable benchmarking of similar recipients within or across grant programs (for example, to identify if a particular recipient has higher administrative costs in comparison to other recipients).
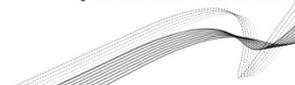
Financial acquittal

One of the tools used to assess recipients' compliance with grant program financial undertakings is the financial acquittal statement. The acquittal process requires a grant recipient to acknowledge that grant funds have been utilised in accordance with grant program terms and conditions. Acquittal statements may be prepared progressively over the term of a program, as well as at program's completion.

Acquittal requirements should be balanced against potential risks associated with funding, and compliance costs to both parties. As a means of reducing administrative costs, recipients may benefit from standard templates being provided by agencies for use in the preparation of acquittal statements. For individuals, smaller organisations or community groups, an appropriate acquittal statement may be an acknowledgement, signed by an authorised person, that the program's terms and conditions have been met.

Agencies will need to assess risks associated with specific grant disbursements and the circumstances under which they will require grant acquittal statements to be audited (by either internal or external audit). The terms of the grant agreement should specify when a grant acquittal statement is required to be audited and by whom. For example, the agency may assess that the risk of non-compliance with terms of a grant may be mitigated in part through the performance of an audit. However, agencies should remain cognisant that an audit can involve significant costs to a recipient, potentially eroding the value of the funding received, and limiting the ability of the recipient to achieve required grant outcomes. To ensure adequate accountability, agencies need to ensure that the financial monitoring requirements of each grant are consistent with the risks associated with the particular grant.

Agencies are required to comply with a directive from the Council of Australian Governments (COAG) to ensure any financial data requested from 'not-for-profit' recipients is based on the Chart of Accounts for Non-Profit Organisations, originally developed by the Queensland University of Technology. The Chart is available on the Australian Charities and Not-for-profits Commission (ACNC) website at:

http://www.acnc.gov.au/ACNC/Manage/Reporting/NSCOA/ACNC/Report/ChartofAccounts2.aspx?noleft=1&hkey=179cdfe1-4e9e-412a-96c3-e0db53e0acfe

Agencies should use the Chart of Accounts data dictionary when requesting financial information from all recipients, as consistent terminology will assist agencies in monitoring recipients, and increase opportunities for benchmarking to be undertaken.

Performance monitoring

Performance measures should be designed to allow for monitoring at any point in the program lifecycle, and be linked to the achievement of milestones and key performance indicators set out in the grant agreement. This is often the case with environmental or business development programs where outcomes may not become apparent for some time. In such cases, it may be appropriate to report on intermediate outcomes or milestones that would have been incorporated in the funding agreement.

Follow-the-Dollar Audits

Section 36A of the *Auditor-General Act 2009* provides that the Auditor-General may conduct an audit of a matter relating to property that is, or was, held or received by a public sector entity and given to a non-public sector entity (for example, funding provided under a grant agreement). The objective of conducting these audits includes deciding whether the property has been applied economically, efficiently and effectively for the purposes for which it was given to the non-public sector entity.

Related resources

- Commonwealth Grants Rules and Guidelines, Department of Finance, July 2014
  http://www.finance.gov.au/resource-management/grants/

- Queensland Public Sector Intellectual Property Principles
  http://www.qgcio.qld.gov.au/products/qgea-documents/2787-queensland-public-sector-intellectual-property-principles-factsheet

  https://www.qld.gov.au/dsiti/assets/documents/ip-principles.pdf

- Chart of Accounts for Non-Profit Agencies
  http://www.acnc.gov.au/ACNC/Manage/Reporting/NSCOA/ACNC/Report/ChartofAccounts2.aspx?noleft=1&hkey=179cdfe1-4e9e-412a-96c3-e0db53e0acfe

- Grant Funding – Recordkeeping Requirements, Public Records Brief, Queensland State Archives
  http://www.archives.qld.gov.au/recordkeeping/grkdownloads/documents/grant_funding.pdf

- Managing Conflicts of Interest in the Public Sector, Crime and Misconduct Commission (as previously known)
  http://www.ccc.qld.gov.au/research-and-publications/publications/prevention/conflicts-of-interest/managing-conflicts-of-interest-in-the-public-sector-2014-guidelines.pdf

- Queensland Integrity Commissioner – can give written advice on ethics or integrity issues, including conflicts of interest
  http://www.integrity.qld.gov.au/

Further information

If you have any questions concerning the Financial Accountability Handbook, please contact your Treasury Analyst.

Alternatively, email the Financial Management Helpdesk (fmhelpdesk@treasury.qld.gov.au) with details of your query and a response will be provided.

Information Sheet 6.4 – Program Evaluation and Analysis[25]

Introduction

This Information Sheet is designed to assist agencies in the evaluation and analysis of grant programs. The process may include consideration of:

- the program evaluation team

- timing of the program evaluation

- the program evaluation process, and

- reporting of review findings.

Evaluation team

The role of the evaluation team is to provide an objective assessment of the results achieved by an agency in the delivery of program objectives. The appointment of team members should reflect the complexity, risks and potential sensitivity of the program. To ensure these objectives are met, agency officers appointed to the team should:

- have relevant expertise and experience to accurately assess the results achieved in the delivery of the program objectives, and

- include senior members of the agency management team, particularly in instances of high value grant programs or where it is deemed that the program scope, complexity and potential risk requires senior management oversight.

To ensure an objective evaluation is completed, the evaluation team should be sufficiently independent from the program, and its recipients and beneficiaries. This may be achieved by peer review by staff from another agency, internal audit or the appointment of external consultants with expertise relevant to the program. (The costs of appointing consultants need to be considered in relation to the benefits.)

The evaluation team should also include representatives from the grant program to facilitate ownership of the evaluation process and acceptance of its findings and recommendations.

Timing of evaluation

Based on an assessment of a program's complexity and risk, agencies may, at any point during the grant program lifecycle, undertake an evaluation of agency progress in meeting grant program objectives.

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[25] Please note that Volume 6 relates to the management of grants and grant programs only. For information regarding what constitutes a grant for accounting purposes, refer to Financial Reporting Requirement FRR 3E *Distinction between Grants and Procurement (Revenue and Expense)*, which can be accessed at http://www.treasury.qld.gov.au/office/knowledge/docs/fin-reporting-req/index.shtml
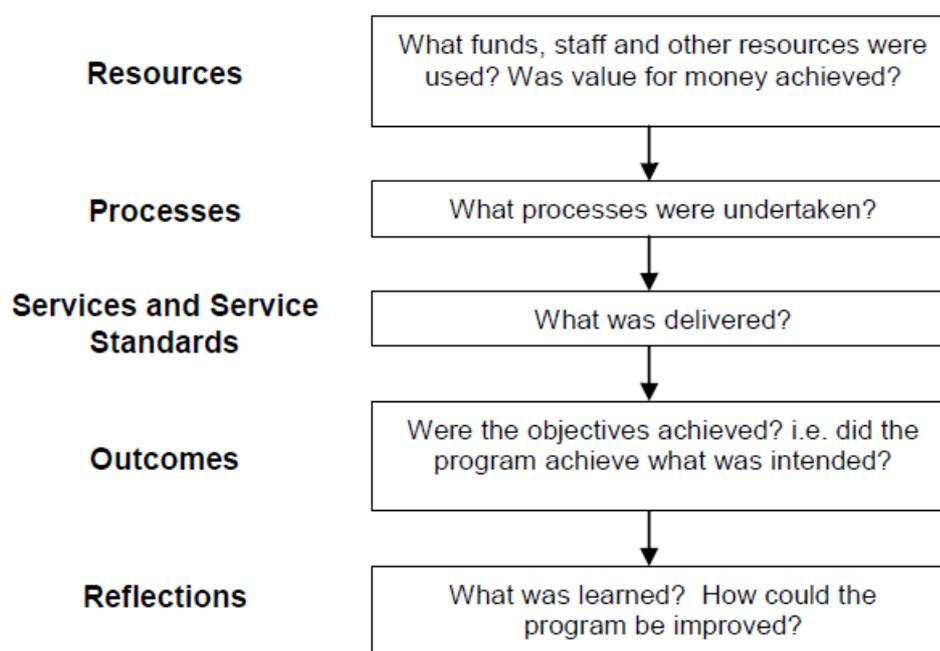
The evaluation process may begin early in the grant lifecycle, supported by progressive evaluations over the term of the program, and conclude with a final evaluation at program completion. For example, where an agency has established a program with strict eligibility criteria, agency management may require testing to ensure program eligibility criteria have been met when awarding program grant funds.

The frequency of evaluation will depend on the results of the assessment discussed above, and while larger, more complex programs may require more frequent and in-depth assessments, smaller programs may only be subject to periodic evaluation.

A full assessment of the results achieved in delivering program objectives should be undertaken at the completion of the grant program.

Evaluation process

The evaluation process examines actual program outcomes against objectives established at the commencement of the program. There should be consideration of the resources allocated to the program, the controls and processes used to allocate those resources, and the outcomes achieved in their delivery. The evaluation process is shown diagrammatically below, and illustrates the elements that underpin the processes that ultimately determine the success of achieving program objectives.

Resources	What funds, staff and other resources were used? Was value for money achieved?
Processes	What processes were undertaken?
Services and Service Standards	What was delivered?
Outcomes	Were the objectives achieved? i.e. did the program achieve what was intended?
Reflections	What was learned? How could the program be improved?

One of the prime objectives of the evaluation process is to assess whether the original need underlying the program has changed. Periodic evaluations can identify the impact of changes that may be the result of, for example, a change in Government policy. Progressive evaluation provides an opportunity for management to implement and communicate appropriate corrective actions, as a means of achieving revised policy objectives.

Information systems should be available to collect data that can be used to provide necessary feedback required by management on the performance of the grant program. Agency databases should be structured to capture necessary information for use in the evaluation process.

A critical part of the evaluation and analysis process is an assessment of how well the grant program was administered. Examples of the criteria that may be used in the assessment of the administration process include (but are not limited to) whether:

- all internal controls and accountability mechanisms designed in the development phase operated as intended

- many appeals were received from applicants regarding decisions made, which may indicate unfair or biased awarding of grants

- a significant number of recoveries were required, which may indicate incorrect funding decisions or ineffective monitoring processes, and

- the performance measures adopted for individual grant recipients were adequate for monitoring the outcomes achieved.

It can be beneficial to involve grant application appraisers in the evaluation of the administration processes, to enable them to see the program outcomes and identify improvements that could be made to the initial appraisal process.

Reporting of review findings

At the completion of the program evaluation process, a report on the findings should be presented to the accountable officer/statutory body. The report should outline outcomes expected and achieved for the value of the investment made. It should also detail any deficiencies noted, recommendations made, and agency officer comments.

The program's evaluation report should:

- contribute to better program management through incorporating suggested improvements to grant program controls and processes

- provide greater accountability for the use of agency resources in the grant program by agencies and recipients

- result in more informed decision making through the provision of timely, accurate and appropriate information to agency management on program performance

- allow for refinement of program objectives where changes may have occurred in program objectives and circumstances

- assess the continued relevance of the program and whether outcomes have achieved stated Government objectives

- describe program deficiencies (for example, in the appraisal process, monitoring processes, or grant payment processes), their impacts, and provide suggested remedial actions

- assess the overall effectiveness, efficiency and economy of the use of agency resources in the delivery of grant program objectives

- assess the effectiveness of measures and processes defined at the commencement of the program, and

- clearly report the results achieved against Government policy objectives.

The report should be made available to the original approving person or body (for example, the responsible Minister). Consideration could also be given (where appropriate) for evaluation findings to be shared more broadly across all Government agencies as a means of providing for greater transparency and access to data and information sharing that will support better planning and best practice in the delivery of agency grant programs.

Further information

If you have any questions concerning the Financial Accountability Handbook, please contact your Treasury Analyst.

Alternatively, email the Financial Management Helpdesk (fmhelpdesk@treasury.qld.gov.au) with details of your query and a response will be provided.