

**LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY**

**REVIEW OF  
AUDITOR-GENERAL'S REPORT  
NUMBER 9, 1996**

*ACT Cultural Development Funding Program*

**STANDING COMMITTEE ON PUBLIC ACCOUNTS**  
Report Number 25

May 1997

## **RESOLUTION OF APPOINTMENT**

The Standing Committee on Public Accounts was appointed by the Legislative Assembly on 9 March 1995 with the following terms of reference:

- (a) examine
  - (i) the accounts of the receipts and expenditure of the Australian Capital Territory;
  - (ii) the financial affairs of authorities of the Australian Capital Territory; and
  - (iii) all reports of the Auditor-General which have been laid before the Assembly;
- (b) report to the Assembly, with such comments as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Assembly should be directed;
- (c) inquire into any question in connection with the public accounts which is referred to it by the Assembly and to report to the Assembly on that question; and
- (d) inquire into and report on the implementation of the *Public Sector Management Act 1994* with particular reference to:
  - (i) the public interest; and
  - (ii) any other related matter.

## **MEMBERSHIP OF THE COMMITTEE**

Mr Andrew Whitecross MLA (From 18 February 1997. Elected Committee Chair 19 February 1997)

Ms Louise Littlewood MLA (From 18 February 1997. Elected Deputy Committee Chair 19 February 1997)

Ms Lucy Horodny MLA

Mr Bill Wood MLA (From 26 March 1996 to 18 February 1997. Former Committee Chair)

Mr Trevor Kaine MLA (To 18 February 1997. Former Deputy Committee Chair)

Ms Rosemary Follett MLA (To 26 March 1996. Former Committee Chair)

Secretary: Bill Symington

# 1. INTRODUCTION

## *Background*

1.1. Auditor-General's Report No 9, 1996 was presented to the Assembly on 4 December 1996.

1.2. The report presents the results of an audit of the the effectiveness and efficiency of the management of the Cultural Development Funding Program by the Arts and Cultural Development Unit (ACDU) in the Department of Business, the Arts, Sport and Tourism.

1.3. The audit noted that the Program involved grants to artists and community based arts organisations of \$2.8m in 1994-95 and \$3.0m in 1995-96.<sup>1</sup> It further noted that the major functions of the ACDU, apart from administering the Cultural Development Program, are to:

- (i) provide funding for existing and new facilities
- (ii) support the ACT Cultural Council
- (iii) advise and inform the Government, artists and the broader community
- (iv) develop new approaches to assist the arts and culture.

1.4. The ACT Cultural Council, established in 1992 to assist the Government to achieve its arts and cultural goals by providing direction and guidance, assesses and makes recommendations to the Minister for most grants categories.

1.5. Funding is available to individuals, groups and organisations in several categories, viz:

- (i) **Annual Program Grants** - offered once a year for major established organisations but replaced from 1997 with Multiyear Funded Performance Agreements
- (ii) **Grants over \$10,000** - offered twice a year for general activities and for advocacy and opportunities. From 1997 grants up to \$15,000 to be offered under this category
- (iii) **Grants under \$10,000** - offered once a year for general activities, advocacy and opportunities, demonstration tapes and compact disks, equipment, film and video, and professional development. From 1997 grants up to \$15,000 to be offered and a quick response scheme and a loans scheme were to be introduced.<sup>2</sup>

1.6. The audit concluded that the management of the cultural grants program was generally effective in that it made a positive contribution to arts and cultural development in the ACT.

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<sup>1</sup> Audit report, p7

<sup>2</sup> *ibid*, pp8/9

Nevertheless, the audit identified some areas where procedures could be changed to improve the effectiveness of the ACDU.<sup>3</sup>

1.7. The audit concluded that the grants program was managed reasonably efficiently although it could not be accurately assessed due to the absence of established performance measures. The audit suggested a number of measures to strengthen the effectiveness and efficiency in delivering the Program<sup>4</sup> and these are dealt with in a later section of this report together with the Government's comments to the committee on the audit findings.

## **2. COMMITTEE APPROACH**

2.1. On 5 December 1996 the committee sought comment on the audit findings from the Minister for Arts and Heritage and a substantive response, including an Action Plan, was received from the Chief Minister in a letter dated 1 April 1997.<sup>5</sup>

2.2. The next section of this report discusses the audit findings and the Chief Minister's responses to those findings.

## **3. AUDIT FINDINGS**

3.1. In summary, the audit suggestions for future action were:<sup>6</sup>

- (i) application form details should be reviewed regularly to ensure relevance
- (ii) applicants should get feedback from their assessors should this be sought
- (iii) the ACDU should not consider funding individuals/organisations until they have acquitted all previous funding
- (iv) grant recommendations to the Minister should include a statement that all previous grants to the individuals/organisations have been acquitted
- (v) grant recipients should repay unexpended grant moneys
- (vi) the ACDU should implement internal controls on its grants database
- (vii) more flexible staffing such as specialist arts administrators could benefit ACDU and provide professionals with experience in Government arts administration

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<sup>3</sup> *ibid*, pp2-4

<sup>4</sup> *ibid*, pp4-5

<sup>5</sup> Chief Minister, letter to committee dated 1 April 1997

<sup>6</sup> Audit report, pp5-6

- (viii) funding policy and practices should be reviewed regularly to ensure that objectives are not too broad.

***Regular review of application form details to ensure relevance***

3.2. Grant procedures include checking of applications by the ACDU and assessment and review of recommendations by committees of the ACT Cultural Council. The Council, whose members are required to observe conflict of interest and confidentiality provisions of the Council's code of conduct, makes final recommendations to the Minister on the allocation of grants.<sup>7</sup>

3.3. From its review of the assessment process the audit found that the various criteria which applicants are required to address are not given great consideration by the assessors although addressing the criteria required considerable effort on the part of the applicants. The audit suggested that the details required on application forms should be regularly reviewed to ensure that they are relevant to making decisions on grants.<sup>8</sup>

3.4. The Chief Minister agreed with the audit suggestion. The Chief Minister further advised that the Funding Program information booklet and application forms are reviewed on at least an annual basis, in consultation with the ACT Cultural Council, and that comments from grant applicants are also taken into account. In this regard, arrangements to improve the quality and consistency of details on application forms were currently being considered. For reasons of accountability and equity, the Chief Minister advised that it is considered necessary to assess grant applications against the clearly stated selection criteria and broad policy principles for the arts and cultural development in the ACT.

***Feedback by applicants from their assessors***

3.5. On the basis of discussion with members of the arts community, the audit suggested that all applicants should be advised to seek feedback on why their applications were not successful, and that it may be possible in the future that more of this feedback should come from a member of the relevant assessing sub-committee.<sup>9</sup>

3.6. The Chief Minister advised that grant applicants are encouraged to contact the relevant project officer for feedback on decisions and their applications. As they attend Sub-committee meetings, project officers are knowledgeable on the assessment of an application at all levels of the process and advice to grant applicants always carries the name of the relevant project officer and a contact telephone number.

3.7. The Chief Minister further advised that the Government does not believe it appropriate to extend this type of feedback to include Sub-committee members as they

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<sup>7</sup> *ibid*, pp21-23

<sup>8</sup> *ibid*, pp24-27 and 31

<sup>9</sup> *ibid*, pp28-29 and 31

already give up a substantial amount of time in the reading and assessment of up to 500 applications per year. The Chief Minister considered that the inclusion of Subcommittee members in the feedback process would not add sufficient value to outweigh the costs.

***The Arts and Cultural Development Unit should not consider funding individuals/organisations until they have acquitted all previous funding***

3.8. The audit noted there is no formal system of following up outstanding reports required of grantees as a condition for receiving a grant. A sample check found that for grants made under the 1994 program, financial reports were outstanding for more than \$600,000 of grants and for the 1995 program, financial reports were outstanding for more than \$680,000. The audit found that two organisations which received grants under the 1995 annual program category had still not provided financial reports for \$235,865 received under the 1994 annual program category and were overdue in relation to \$160,000 of their 1995 annual program grants.<sup>10</sup>

3.9. The audit noted that while it is ACDU policy that future funding not be received until all previous funding has been acquitted, the Unit was unable to advise why funding had been provided in the absence of acquittals.<sup>11</sup>

3.10. While the committee accepts that there will be differences between the expectation for acquittal of a relatively small grant to an emerging artist and that of a relatively large grant to a major organisation, it would expect that recipients, and especially organisations as the ACDU moves to Multiyear Funded Performance Agreements, would be required to report against mutually agreed performance indicators. The committee notes that ACDU advised the audit that such a proposal was in prospect.<sup>12</sup>

3.11. The audit recommended that ACDU establish a policy for the form and frequency of follow up action and was advised that procedures in the 1996 program had been tightened and would be better documented by the end of 1996 by which time the database was to be upgraded to provide financial report information.<sup>13</sup>

3.12. Arising from this aspect of the audit, the Auditor-General suggested that the ACDU should instruct staff that individuals/organisations are not to be considered for funding until all previous funding has been acquitted.<sup>14</sup>

3.13. The Chief Minister advised that it is existing policy not to release grants to recipients who have not acquitted earlier grants but to ensure that this [policy] is not unnecessarily breached in the future, further training of staff to ensure current guidelines are fully understood is being undertaken.

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<sup>10</sup> *ibid*, p34

<sup>11</sup> *ibid*, p35

<sup>12</sup> *ibid*, p37

<sup>13</sup> *ibid*, p34

<sup>14</sup> *ibid*, p35

***Grant recommendations to the Minister should include a statement that all previous grants to the individuals/organisations have been acquitted***

3.14. In what the committee sees as a desire by the audit to ensure that prior funding is acquitted before new grants are given, the audit suggested that the format of the recommendations to the Minister in which the Minister's approvals are sought for the payment of grants should be amended to include a statement that all grants previously received by these individuals/organisations have been acquitted.<sup>15</sup> The Chief Minister advised that such a statement will be included in all future recommendations to the Minister. The Chief Minister also advised that a system is currently being instituted which will issue two follow-up letters to remind grant recipients that their acquittal is due.

***Grant recipients should repay unexpended grant moneys***

3.15. The audit suggested that grant recipients should be required to repay any unexpended grant monies.<sup>16</sup> The Chief Minister advised that this requirement will be included in the September 1997 rewrite of the Funding Program information booklet.

3.16. The Chief Minister acknowledged that grant recipients who cannot, or choose not to, undertake a project for which they have been funded should return their grants. Similarly, the Chief Minister advised that grantees will be required to refund any unspent monies where the project is delivered for less than the approved grant.

***The Arts and Cultural Development Unit should implement internal controls on its grants database***

3.17. The audit identified several areas where improvements could be made to the ACDU grants database and systems processes and controls. These included limiting the number of staff who have the capacity to alter the database financial details, reconciling the grants recorded in the grant expenditure database to the general ledger, and reconciling these on a grant category basis.<sup>17</sup>

3.18. The audit noted that deficiencies in these areas pointed to lack of controls over the recording of grant payments in the database.

3.19. In response, the Chief Minister advised that staff access to financial details in the database will be limited; the names of those staff will be recorded; and a record will be kept of which staff member makes each change to the database. The Chief Minister further advised that upgrading of the Funding Program database to provide the capacity to

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<sup>15</sup> *ibid*, p38

<sup>16</sup> *ibid*, p39

<sup>17</sup> *ibid*, p40

reconcile grant details with the general ledger is being examined with a view to completing this by September 1997.

3.20. The Chief Minister noted that the database was developed to produce authorisations, schedules, letters, deeds etc, and that financial details in the database consist of the grant amount requested, amount approved and instalment dates.

3.21. The Chief Minister advised that grant payments are currently not recorded on the database but are monitored separately by a finance officer, so that it is currently not possible to reconcile them with the database. However, to enhance accountability, capacity to reconcile the database with the general ledger will be considered as part of a planned upgrade of the database. The implementation of the planned upgrade, which is dependent on the outcome of a feasibility study, would enable the remaining recommendations of the Auditor General to be implemented.

***More flexible staffing such as specialist arts administrators could benefit the Arts and Cultural Development Unit and provide professionals with experience in Government arts administration***

3.22. The audit noted perceptions from members of the arts community that there was a high turnover of ACDU staff that, with exceptions, staff tended to have limited experience with the arts and arts administration and that public service cultural differences were manifested in a lack of appreciation of the circumstances in which many artists and organisations worked. A possible lack of awareness that artists and organisations have minimal financial reserves was given as a case in point.<sup>18</sup>

3.23. The audit surmised that public service practices may result in too many generalists in specialist jobs which may not always be effective. The audit suggested that consideration should be given to more flexible staffing alternatives, such as employing specialist arts administrators on a contract or temporary basis. Such practices could provide ACDU with professional arts administrators and would enable such administrators to gain experience in Government administration.<sup>19</sup>

3.24. Issues of confidentiality were identified by the audit as needing to be addressed.

3.25. The Chief Minister advised that employment of outside arts administrators will be considered if future staffing arrangements compromise the administrative performance of the program, but that any consideration of this will need to ensure the need to maintain strict confidentiality within the Funding Program.

3.26. The Chief Minister acknowledged the benefits of employing competent people to implement and manage its programs, and advised the current merit selection process ensures that only competent administrators are chosen. The Chief Minister advised that the Government will consider more flexible staffing alternatives whenever a

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<sup>18</sup> *ibid*, p14

<sup>19</sup> *ibid*, pp16/17

shortage of skilled administrators exists and public service recruitment practices do not provide the required staff.

***Funding policy and practices should be reviewed regularly to ensure that objectives are not too broad.***

3.27. The audit pointed to concern that limited funds were being spread too thinly across the artists and the arts. In this regard it noted comment that funding needed to be more directed to particular objectives or goals than at present, instancing comment that the net is cast too wide, a broad range of artists apply but funding is selective, there should be clearer policy guidelines and priorities for funding particular areas and support should not always be outcomes oriented.<sup>20</sup> The audit suggested that funding policy and practices should be reviewed regularly to ensure that funding objectives are not too broad.

3.28. The Chief Minister agreed with this suggestion, and further advised that to ensure funding objectives are relevant, funding policy and practices are reviewed on at least an annual basis with the ACT Cultural Council. However, the Chief Minister noted there will always be differences of opinion within the arts community on the distribution of the finite funds available through the Funding Program

#### **4. COMMITTEE COMMENT**

4.1. With the exception of one audit suggestion the Government has either agreed to implement all the audit proposals immediately and on an ongoing basis or has foreshadowed action to implement changes which are compatible with the audit suggestions.

4.2. As indicated in paragraph 3.7 above the Government has not accepted the audit suggestion that unsuccessful grant applicants be counselled by a member of the ACT Cultural Council sub-committee responsible for assessing applications.

4.3. The committee agrees with the Government's position that such feedback should more appropriately be given by the relevant officials responsible for processing the applications. Apart from the administrative processes which indicate that feedback by relevant officials would be more effective the committee considers it would not be appropriate for members of the ACT Cultural Council to be directly involved in counselling fellow artists.

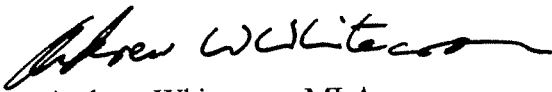
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<sup>20</sup> *ibid*, p16

## **5. RECOMMENDATIONS**

### **5.1. The committee recommends that the Minister:**

- (i) ensure that ACDU completes consideration of arrangements to improve the quality and consistency of details on grants application forms and provide to the Assembly pro-forma copies of the revised forms;**
- (ii) advise the Assembly on action taken to have grantees provide financial reports outstanding at the date of the audit report for grants under the 1994 and 1995 grants programs, and confirm that the grants have been acquitted;**
- (iii) ensure that the Department of Business, the Arts, Sport and Tourism incorporates in its annual report of activities of the ACDU details of those grants which have not been acquitted by the due dates;**
- (iv) provide the Assembly with a copy of the rewritten Funding Program information booklet in due course; and**
- (v) advise the Assembly when the upgraded Funding Program database, due in September 1997, is complete;**



Andrew Whitecross MLA  
Chair