**Appendix 5: *Review of grants administration in NSW* – recommendations – NSW Department of Premier and Cabinet and NSW Productivity Commissioner**

Recommendations

A new *Grants Administration Guide*

**Principles-based guidance with mandatory requirements**

**Recommendation 1** Issue the draft *Grants Administration Guide* at Appendix A, which:

* provides guidance based on the principles set out in the *Commonwealth Grants Rules and Guidelines* (2017) and reflects the government sector core values of integrity, trust, service, and accountability
* includes mandatory requirements for officials, Ministers, and ministerial staff.

**Compliance through legislative amendment and capability building**

**Recommendation 2** Issue the draft *Grants Administration Guide* at Appendix A under a Premier’s Memorandum, which is binding on officials, Ministers, and ministerial staff and can be readily updated in line with evolving best practice.

**Recommendation 3** Make compliance with the draft *Grants Administration Guide* at Appendix A a legislative requirement.

**Recommendation 4** Develop grants administration skills and expertise among officials by establishing a cross-agency “community of practice”, convened by the Department of Premier and Cabinet and responsible for:

* developing resources to support compliance with the draft *Grants Administration Guide*, including templates and training materials for officials administering grants
* exploring opportunities for collaboration across government to improve the timing and coordination of grant opportunities, particularly where multiple grants target the same stakeholders.

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APPENDIX 5: *Review of grants administration in NSW* – recommendations – NSW Department of Premier and Cabinet and NSW Productivity Commissioner

Accountability and transparency

**Responsibilities identified and documented in the planning and design phase**

**Recommendation 5** When establishing a new grant, officials must identify and document roles and responsibilities, including who is responsible for assessing applications and making recommendations and who is the designated decision maker.

**Open and transparent application and assessment processes**

**Recommendation 6** Officials must ensure all new grants have published guidelines that: include the purpose of the grant, clear selection criteria, and details of the application and assessment process; and are approved by the responsible Minister(s) or delegate.

**Recommendation 7** Where a method other than a competitive, merit-based selection process is planned to be used, officials must document the reasons why a different approach has been chosen and outline the risk mitigation strategies. This must be approved by the responsible Minister or delegate.

**Recommendation 8** Officials must assess all grant applications against the published selection criteria. Where significant changes are made to the grant opportunity, the guidelines must be amended and re-published as soon as possible.

In limited circumstances eligibility criteria may be waived. The reasons for any departure from the published eligibility criteria must be documented and approved by the decision maker.

**Recommendation 9** Ministers and Members of Parliament can make suggestions for grant funding in their electorates. Officials should, however, document:

* the input from Ministers and Members of Parliament at all stages of the process
* how any input from Ministers and Members of Parliament during the assessment phase was considered in formulating funding recommendations.

**Recommendation 10** Where the decision maker is a Minister, officials must provide written advice that includes, at a minimum:

* grantees recommended for funding based on selection criteria
* the merits of the proposed grant(s), having regard to the grant guidelines and the key principle of achieving value for money
* proposed funding amounts for each recommended grantee
* details of the application and assessment process applied
* any relevant input from key stakeholders, including ministerial staff, the responsible Minister, and other Ministers or Members of Parliament.

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**Robust decision-making and record keeping frameworks**

**Recommendation 11** Grants administration processes must involve robust decision-making frameworks for Ministers and officials, including that:

* where there is an assessment team making recommendations to a decision- maker, those recommendations should be made in writing
* a Minister must not approve or decline a grant without first receiving written advice from the assessment team on the merits of the grant
* a Minister, or delegated official, who approves a grant must record the decision in writing, including the basis for the approval with regard to the grant guidelines and achieving value for money
* where a Minister, or delegated official, makes a decision that departs from the recommendations of the assessment team, they must record the reasons for the departure.

**Recommendation 12** As reflected in the draft *Grants Administration Guide* at Appendix A, guidance on grants administration should emphasise all parties’ obligations under the *State Records Act 1998* (NSW), especially those of Ministers and ministerial staff to ensure decisions and actions of Ministers are properly recorded and stored.

**Comprehensive grants information on a central, publicly accessible website**

**Recommendation 13** Develop a whole-of-government database that includes up-to-date information on:

* + upcoming grant opportunities
  + all open grant opportunities and their guidelines
  + all grants awarded
  + a record of ministerial grant award decisions that vary from the recommendations of officials, and the reasons for the decisions
  + grant program evaluations.

This grants information must be made publicly available on a central website, subject to legal and policy exceptions outlined in the draft *Grants Administration Guide*. Until a central website can display this information, it should be published on agency websites.

**Grantees are accountable for how they spend public funds**

**Recommendation 14** All grants must have a funding agreement or, where not practicable, formalised terms and conditions. Where grants have an acquittal process, officials should assess grantee compliance with the terms of the funding as part of this process.

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Value for money and outcomes orientation

**Efficient and customer-focused grants processes**

**Recommendation 15** As reflected in the draft *Grants Administration Guide* at Appendix A, guidance on grants administration should make clear that application, reporting and acquittal requirements must be proportionate to the value and risk of the grant, and the applicant’s capability.

**Reinforce existing NSW expenditure appraisal and evaluation policies**

**Recommendation 16** Grants should be designed with clear and specific objectives, including connection to identified needs, agency outcomes and government priorities. Officials should identify the outcomes and program measures to be used to evaluate the program against these objectives, consistent with existing policy requirements.

**Recommendation 17** Officials must demonstrate at the planning and design stage how a grant program will deliver value for money by identifying benefits and costs (economic, social, environmental, and cultural). Value for money assessment should be proportional to the value and risk of the grant.

Probity and governance

**Leverage agencies’ existing risk management requirements and practices**

**Recommendation 18** Ensure best-practice grants processes, in line with agencies’ risk management frameworks and requirements under the *Government Sector Finance Act 2018* (NSW), by requiring:

* officials to establish processes to identify and manage risks throughout the grant lifecycle, including preparation of a risk appetite statement for all medium-to high-risk grants for approval along with the grant guidelines
* agencies to identify and task their appropriate risk management officials with providing advice and support to officials who are planning, designing, and implementing grants
* officials to seek probity advice (whether external or internal) for all grant programs that are complex, high risk or high value, to support the design, application, assessment, and decision-making phases
* Chief Audit Executives to ensure their agency’s internal audit program includes regular audits of grant programs to monitor and assess compliance with the Guide. The frequency of audits should be proportionate to the value and risk of grants activity undertaken by the agency.

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**Implement fraud risk controls**

**Recommendation 19** When administering grants, officials must develop and implement fraud controls that are proportionate to the value and risk of the grant and consistent with NSW public sector risk management requirements.

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