Controller and Auditor-General
Tumuaki o te Mana Arotake

Performance audit report

# Foundation for Research, Science and Technology: Administration of grant programmes

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# Foundation for Research, Science and Technology: Administration of grant programmes

This is the report of a performance audit we carried out under section 16 of the Public Audit Act 2001.

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# Foreword

I have committed to undertake a series of annual performance audits of grant programmes managed by public entities. This is to provide assurance to Parliament that grant programmes are well administered, with public funding allocated as intended by the Government.

My performance audit of the Foundation for Research, Science and Technology is the second in the series.

I am pleased to report that the Foundation is effectively administering its grant programmes. My expectations for how the grant programmes should be managed were met by the Foundation, including the use of consistent and well-defined procedures for assessing applicants, effectively monitoring grants, and evaluating programmes to assess how well they meet the intended results of funding.

I thank staff in the Foundation, and others we spoke to, for their help during this audit.

Kevin Brady
Controller and Auditor-General

3 May 2006

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# Summary



It is important that public entities administering grant programmes award grants in keeping with the Government's intentions, and that recipients spend the funding as planned.

Our performance audit of the Foundation for Research, Science and Technology (the Foundation) is the second in a 3-year series we are undertaking, examining how public entities administer grant programmes.

The Foundation is a Crown entity. Its main purpose is to invest in science and technology research that benefits New Zealand. The Foundation administers grant programmes worth around $400 million a year, making it the largest public sector provider of grants for research, science, and technology.

We looked at grants administered under the largest of the Foundation's programmes, Research for Industry (RFI), and 2 schemes which are part of the fourth largest programme, Technology New Zealand (TechNZ). RFI accounted for nearly 46% of the total funding allocations for Foundation grant programmes in the 2005-06 budget appropriations, and is predominantly directed at public sector institutions. TechNZ made up slightly more than 13% of the allocations, with grants mainly going to private sector recipients.

The 2 schemes we examined within TechNZ were Technology for Business Growth (TBG), which dominates overall TechNZ funding, and Grants for Private Sector Research and Development (GPSRD), which targets small and medium-sized firms.

## Our findings

Overall, the Foundation is effectively administering the grant programmes and schemes we examined.

The Foundation met our expectations that grant programmes should:

- involve effective assessment, approval, and management of applications that comply with well-defined guidelines and procedures;
- have effective monitoring of approved grants; and
- be evaluated to determine whether the expected results of funding are being achieved.

### Assessment and approval of grants

The Foundation has sound systems and processes in place for ensuring compliance with Government and Foundation criteria for grant schemes. Grant applications were generally consistently assessed against criteria.

The Foundation effectively assesses applications for the TechNZ schemes against most applicable criteria. We found only 2 exceptions in the TechNZ schemes where criteria were not always consistently considered as part of the approval process. For the GPSRD scheme, there was rarely any assessment of a criterion that applicants would be more likely to start a project and complete it earlier with the scheme's funding. Similarly, the assessment of TBG applications seldom addressed a criterion that projects are unlikely to proceed without the funding.

We did not audit whether applications approved under the RFI programme met assessment criteria, because of the complex and scientific nature of typical projects. However, we found a rigorous assessment process is used for assessing applications. This involves using clear and detailed decision-making criteria, and weightings by panels of external advisers.

The Foundation sensibly uses a risk-based system for assessing and signing off funding approval of its grant programmes, depending on the size of individual grants. For GPSRD grants – which are for $100,000 or less – recommendations for funding approval are made by Business Managers within the Foundation, with funding sign-off decided by an Investment Sub-committee of the Foundation's Board. The TBG scheme uses a tiered approach for funding sign-off approval, with smaller grants approved by Foundation management, while larger grants have to be approved by the Investment Sub-committee. The Investment Sub-committee also approves funding for RFI grants (which can typically be worth several million dollars) based on the recommendations of the panel of external advisers.

## Documentation

The paper-based grant files we audited were well-organised. File management practices were consistent in each of the Foundation's 3 regional offices that we visited.

The Foundation has created, and continues to improve, web-based systems for administering some of its grant programmes. We found these systems easy to navigate, and it was easy to find information on individual grants or clients.

The amount of information stored either electronically or as paper records varied between the grant schemes we examined. The TechNZ schemes have been designed to be largely electronic, while RFI still mainly relies on paper. It was slightly harder to follow decisions and review actions taken in the assessment and approval of RFI grants than TechNZ grants.

However, the Foundation is seeking additional capital funding from the Government in 2006 to fund a project to integrate all of its grant programmes

into a single electronic administration system. If this integrated system is funded, it is likely to improve the consistency of data collection throughout all of the Foundation's grant programmes, and enhance the Foundation's ability to effectively monitor and evaluate grant programmes.

### Monitoring of grant programmes and schemes

The Foundation has adopted a risk-based approach to monitoring and auditing grants, which  works well.

The Foundation has effective processes and systems in place to ensure that grant recipients submit regular progress reports about funded projects. A shift to quarterly reporting, being implemented for RFI grants, should further improve the quality of monitoring with that programme.

### Evaluation of grant programmes and schemes

Evaluation of grant programmes is undertaken by both the Ministry of Research, Science and Technology, and the Foundation (or through commissioned independent research). The evaluation involves a range of methods, including case studies, user and stakeholder surveys, portfolio evaluations, and outcome indicators.

However, the respective evaluation roles of the Ministry and the Foundation were unclear to us. We are not aware of any formal agreement between the 2 entities defining roles and responsibilities for evaluating grant programmes.

## Our recommendations

We recommend that the Foundation for Research, Science and Technology:

1. ensure that its assessment processes for awarding Grants for Private Sector Research and Development meet the Ministerial criterion that a project is likely to start sooner and complete earlier with funding support;
2. review the effectiveness of existing arrangements with evaluating agents of the Grants for Private Sector Research and Development scheme for evaluating completed projects;
3. ensure that its assessment processes for awarding Technology for Business Growth grants meet the Ministerial criterion that a project is not likely to proceed without the scheme's funding support;
4. amend its web-based system for administering Technology for Business Growth grants to automatically detect breaches of funding limits;

5. clearly record in paper files or electronic systems the reasons for approved variations to payment drawdown schedules by grant recipients;
6. use a consistent file identification and management system for its Research for Industry grant programme so that applications can be easily linked to approved grants; and
7. liaise with the Ministry of Research, Science and Technology to define clearly their respective roles and responsibilities for evaluating grant programmes administered by the Foundation.

# Part 1
# Introduction



1.1 We have committed to carry out a series of annual performance audits of grant programmes managed by public entities. The purpose of this scrutiny is to provide assurance to Parliament on how effectively and efficiently grant programmes are being administered. It is important that public entities give grants in keeping with the Government's intentions, and that grant recipients spend the money as planned.

1.2 Our performance audit of the Foundation for Research, Science and Technology (the Foundation) is the second in our series. We decided to audit the Foundation after a detailed review of the various grant programmes administered by public entities. Factors that influenced our choice included:

- the size of grant budgets administered;
- the extent to which grant recipients are in the public and private sectors; and
- whether there has been a recent audit of the grant programmes.

## What is the Foundation for Research, Science and Technology?

1.3 The Foundation for Research, Science and Technology is a Crown entity, created by the Foundation for Research, Science and Technology Act 1990 (the Act). The Foundation's main objective is to invest in science and technology research for the benefit of New Zealand. It is governed by a board appointed by the Minister of Research, Science and Technology (the Minister).

1.4 The main roles of the Foundation are:

- to allocate the Government's main investments in public good science and technology[1] research that supports economic and social development, and environmental sustainability;
- responsibility for administering several other Government funding schemes that have been set up to address specific research, science, and technology aims; and
- to provide advice to the Minister on matters about research, science, and technology.

1.5 The Foundation is required under the Act to comply with directions issued periodically by the Minister. For grant programmes, these Ministerial directions specify criteria the Foundation must assess when making funding decisions, and also how funding should be allocated.

1 Public good science and technology is explained in paragraph 4.2.

## Grant programmes administered by the Foundation for Research, Science and Technology

1.6 The Foundation allocates about $400 million a year of public funding in research, science, and technology. In 2005-06, the Foundation was allocated $412 million (excluding GST), through Vote: Research, Science and Technology. The funding is distributed to 9 grant programmes predominantly administered by the Foundation, shown in Figure 1.[2]

**Figure 1**
**Grant programmes administered by the Foundation for Research, Science and Technology**

| Year ended 30 June | 2005-06 appropriation $m GST exclusive | As % of total |
|---|---|---|
| Research for Industry | 188.0 | 45.6% |
| Environmental Research | 84.6 | 20.5% |
| New Economy Research Fund | 61.6 | 15.0% |
| Technology New Zealand | 54.4 | 13.2% |
| Supporting Promising Individuals | 7.7 | 1.9% |
| Social Research | 5.8 | 1.4% |
| Pre-Seed Accelerator Fund | 4.3 | 1.0% |
| International Investment Opportunities Fund | 3.2 | 0.8% |
| Māori Knowledge and Development Research | 2.4 | 0.6% |
| **Total** | **412.0** | **100.0%** |

Source: Foundation for Research, Science and Technology (2005), *Statement of Intent 2005-2008*.

1.7 The Foundation is the largest public sector provider of grants for research, science, and technology. The $412 million allocated to the Foundation in 2005-06 made up more than 68% of the total public investment in research and development from Vote: Research, Science and Technology. Overall, the Foundation contributes about one-third of the total investment (public and private sector combined) in research and development.

1.8 Four grant programmes dominate the Foundation's funding of research, science, and technology:

- Research for Industry;
- Environmental Research;
- New Economy Research Fund; and

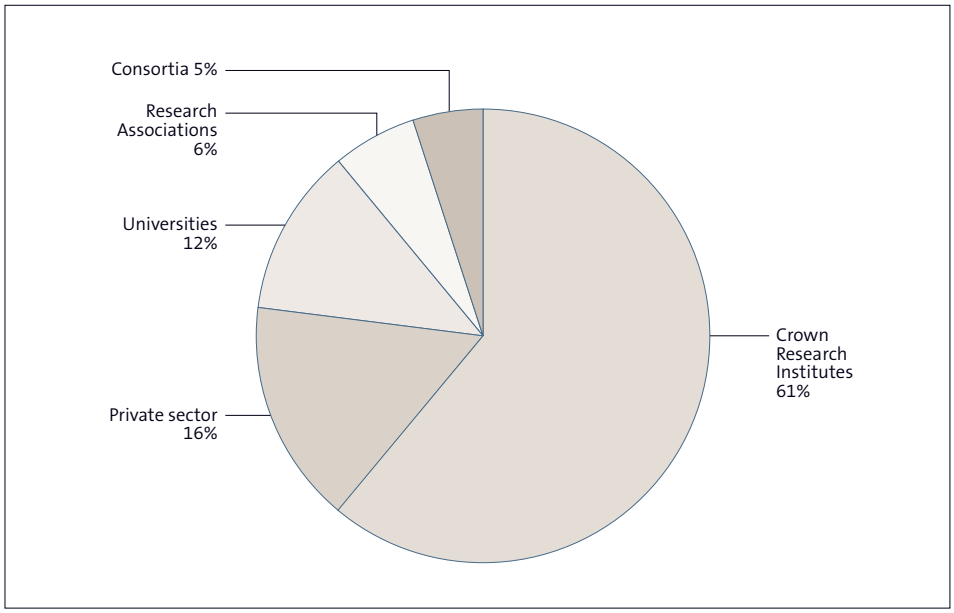
2 Administration for the following funds is co-managed by the Foundation with other agencies: Supporting Promising Individuals, Māori Knowledge and Development Research, and the International Investment Opportunities Fund. Only funding allocated to the Foundation is shown in Figure 1.

- Technology New Zealand.

1.9 These 4 programmes collectively accounted for more than 94% of the total funding in the 2005-06 appropriations for the 9 grant programmes in Figure 1.

1.10 Recipients of funding from the Foundation's grant programmes are a mix of public sector and private sector clients. Figure 2 shows that Crown Research Institutes were the largest single group of grant recipients in 2004-05, receiving 61% of all funding in that year from the Foundation. Private sector recipients received 16% of the total Foundation grant funding in 2004-05. The funding included grants to both private firms for research and development, and fellowships to individuals.

**Figure 2**
**Allocation of the Foundation's research, science, and technology grant funding by organisation type, 2004-05**




Source: Foundation for Research, Science and Technology (2005), *Briefing to the Incoming Minister of Research, Science and Technology*.

## How we conducted our audit

1.11 Our audit examined whether the Foundation was effectively and efficiently administering its grant programmes, and doing so in keeping with the policy direction set by the Government.

## Which grant programmes did we audit?

1.12 We audited 2 of the largest grant programmes administered by the Foundation – Technology New Zealand (TechNZ), and Research for Industry (RFI).

1.13 We selected TechNZ because it has experienced very rapid growth in funding levels in recent years, and is directed predominantly to the private sector. The Foundation administers 4 schemes within the TechNZ programme:

- Grants for Private Sector Research and Development (GPSRD) – a scheme which provides assistance for small and medium-sized "technologically aware" firms to undertake research and development projects with potential to raise their technological capability;
- Technology for Business Growth (TBG) – a scheme which aims to promote research and development and innovation by part-funding projects that enhance the technological capabilities of firms;
- Technology for Industry Fellowships (TIF) – assistance for placing researchers or technologists in firms to build links and encourage technological innovation; and
- TechLink – a scheme which provides technology guidance, strategic planning, and promotional services to stimulate awareness of technological innovation in firms.

1.14 We selected grants from the TBG and GPSRD schemes. We selected TBG because it makes up nearly three-quarters of the total value of TechNZ grants. GPSRD was selected because it targets small and medium-sized firms which are not covered by the TBG scheme.

1.15 We selected RFI because it is the largest single grant programme, accounting for nearly 46% of the Foundation's total grant funding in the 2005-06 appropriations (Figure 1). RFI funding predominantly goes to the public sector – as at mid-2005, 95% of RFI funding went to public institutions, mainly Crown Research Institutes.

1.16 We chose to audit grants directed to the food and fibre industries because this area accounted for nearly 60% by value of all RFI funding when we selected our sample of grants to audit (in mid-2005). Neither the Foundation nor the Ministry for Research, Science and Technology have formally evaluated or reviewed the food and fibre area in recent years.

1.17 Between them, the TechNZ and RFI programmes provided us with a good split between auditing grants going to the public and private sectors.

## How we selected individual grant applications to examine

1.18 We selected individual grant applications from those assessed by the Foundation between 1 July 2003 and 30 June 2005. This allowed us to select from a wide

range of recent grant applications, while helping to exclude older applications that were assessed by processes no longer used by the Foundation.

1.19 In selecting our sample of grants to examine, we considered:

- the value of individual grants, to ensure that we looked at small and large grants (because – especially in the case of TBG grants – the Foundation applies different levels of assessment and monitoring scrutiny, depending on the size of grant applications);
- the number of grants that had been fully and partially paid, so we could assess monitoring activity undertaken by the Foundation;
- the regional distribution of grants, so we audited grants administered from all of the Foundation's regional offices; and
- declined applications in the GPSRD and TBG schemes, to ensure that assessment criteria were applied consistently.[3]

1.20 A summary of the grants and applications we audited is provided in Figure 3. Overall, we examined 119 out of 743 grants (16%) from the 3 schemes (GPSRD, TBG, and RFI) allocated funding by the Foundation between 1 July 2003 and 30 June 2005. We also examined 10 declined applications.

**Figure 3**
**Summary of grants and applications we audited**

| | TechNZ | | RFI | Total |
|---|---|---|---|---|
| | GPSRD | TBG | | |
| Number of grants examined | 40 | 42 | 37 | 119 |
| as % of all grants in each scheme between 1 July 2003 and 30 June 2005 | 15% | 14% | 22% | 16% |
| Number of declined applications examined | 5 | 5 | 0 | 10 |
| Total value of grants examined (including GST) | $2.4m | $24.5m | $12.8m* | $39.7m |
| as % of funding allocated to each scheme between 1 July 2003 and 30 June 2005 | 15% | 31% | 10% | 18% |

* RFI grants usually involve funding allocations spanning several years. This figure is the funding allocation made between 1 July 2003 and 30 June 2005.

## Fieldwork

1.21 We reviewed grant documentation and interviewed staff in the Auckland, Wellington, and Christchurch offices of the Foundation. Documentation we examined included online databases used by the Foundation for administering the grant programmes. We also interviewed agents involved with the GPSRD scheme. (We discuss the role of these agents in Part 2.)

3 We did not examine declined applications in the RFI grant programme, because the basis of assessment meant that there were technically no declined applications.

## Our audit criteria

1.22 The audit criteria we applied for reviewing grants were originally prepared for our first performance audit examining the administration of grant programmes, the audit of New Zealand Trade and Enterprise, in 2004.[4]

1.23 We audited whether:

- there were sound and appropriate policies and procedures in place to ensure that grants were provided in keeping with programme policy objectives;
- these policies and procedures were being complied with;
- there was appropriate monitoring of grants as they were paid; and
- there were appropriate frameworks in place to evaluate the grant programmes.

1.24 We expected:

- the assessment, approval, and management of grant applications to be sound, and comply with well-defined guidelines and procedures;
- approved grants to be effectively monitored; and
- grant programmes to be evaluated to see if expected results were being achieved, and, if not, that programmes were redesigned accordingly.

4 *New Zealand Trade and Enterprise: Administration of grant programmes*, ISBN 0-478-18124-8.

# Part 2
# The Grants for Private Sector Research and Development scheme



2.1 In this Part, we:

- provide an overview of the GPSRD scheme, including information on our audit sample; and
- discuss our findings from the applications and grants we audited.

## Overview of the Grants for Private Sector Research and Development scheme

2.2 The GPSRD scheme is part of the TechNZ programme administered by the Foundation. TechNZ aims to increase the ability of firms to adopt new technology, and apply technological learning and innovation for business growth.

2.3 The purpose of the GPSRD scheme is to increase the level of private sector investment in research and development in New Zealand. It targets small and medium-sized private firms that are planning to make a new investment in research and development.[1] Under the scheme, the Foundation provides partial funding of up to one-third of the total research and development costs of an approved project, up to a maximum contribution of $100,000 (including GST).

### Our audit sample

2.4 Our GPSRD audit sample was chosen from applications recommended for funding approval between 1 July 2003 and 30 June 2005. During this period, there were 270 approved GPSRD applications where payments were made by the Foundation. These payments totalled $16.6 million (including GST).

2.5 We audited 40 grants involving payments. This sample was equivalent to both 15% of the 270 approved grants with payments, and 15% of the total value of the payments made. Our sample included grants for completed projects, approved but incomplete projects, and grants terminated by the Foundation after some payment had been made to the recipients. We also examined 5 of the 21 applications rejected by the Foundation during the same period. Our audit sample is summarised in Figure 4.

1 Small and medium-sized firms are defined in the Ministerial direction to the Foundation about the GPSRD scheme as firms with annual turnover of up to and including $50 million.

**Figure 4**
**Audited Grants for Private Sector Research and Development**

| | Audit sample | Total* | Sample as % of total |
|---|---|---|---|
| Grants involving payments: | | | |
| Completed | 20 | 144 | 14% |
| Approved | 15 | 109 | 14% |
| Terminated | 5 | 17 | 29% |
| Total grants involving payments – number | 40 | 270 | 15% |
| Total grants involving payments – value** | $2.4m | $16.6m | 15% |
| Rejected applications (no payments made) | 5 | 21 | 24% |
| **Total grants and applications audited** | **45** | | |

*Total number and value assessed by the Foundation between 1 July 2003 and 30 June 2005.
** Including GST.

## Ministerial criteria for awarding Grants for Private Sector Research and Development

2.6 The Foundation must comply with criteria provided in a Ministerial direction issued by the Minister for Research, Science and Technology. The Ministerial direction covering the GPSRD scheme sets out:

- the criteria for characteristics of grant recipients;
- the criteria the Foundation should assess applications against when making funding decisions; and
- how funding should be allocated.

2.7 The Ministerial direction requires the Foundation to target private "technologically aware" New Zealand-resident firms with an annual turnover of up to $50 million. For the purposes of the scheme, the definition of "firm" excludes sole traders, partnerships, and Crown-owned entities. "Technologically aware" firms are defined in the direction as –

> *...those firms that, in the Foundation's view, have developed a basic set of competencies in the area of technological innovation and recognise that increased investment in research and development can lead to improved performance.*[2]

2.8 All grants we audited met these criteria on the characteristics of recipients.

2 Hon. P. Hodgson MP (2003), *Notice of Amendment to Ministerial Scheme Under Section 8A of the Foundation for Research, Science and Technology Act 1990 – the Grants for Private Sector Research and Development Scheme.*

2.9 The Ministerial direction requires the Foundation to fund projects that best meet the following criteria:

- the application should have a clear link to a business strategy focused on developing markets, processes, or services with reasonable commercial potential;
- have the potential to create an enduring wealth-creating capability;
- have the potential to create an enduring increase in technological capability in the firm; and
- are likely to start sooner and complete earlier with the scheme's support.

2.10 These criteria were routinely applied to the applications we audited, except for consideration about whether a project would be likely to start sooner and complete earlier with the funding. This criterion was rarely addressed.

**Recommendation 1**

We recommend that the Foundation for Research, Science and Technology ensure that its assessment processes for awarding Grants for Private Sector Research and Development meet the Ministerial criterion that a project is likely to start sooner and complete earlier with funding support.

2.11 The Ministerial direction for the GPSRD scheme stipulates the Foundation is to only fund up to 33.3% of the total research and development costs a firm will incur in undertaking a project, up to a maximum contribution of $100,000 (including GST). All audited grants complied with this requirement.

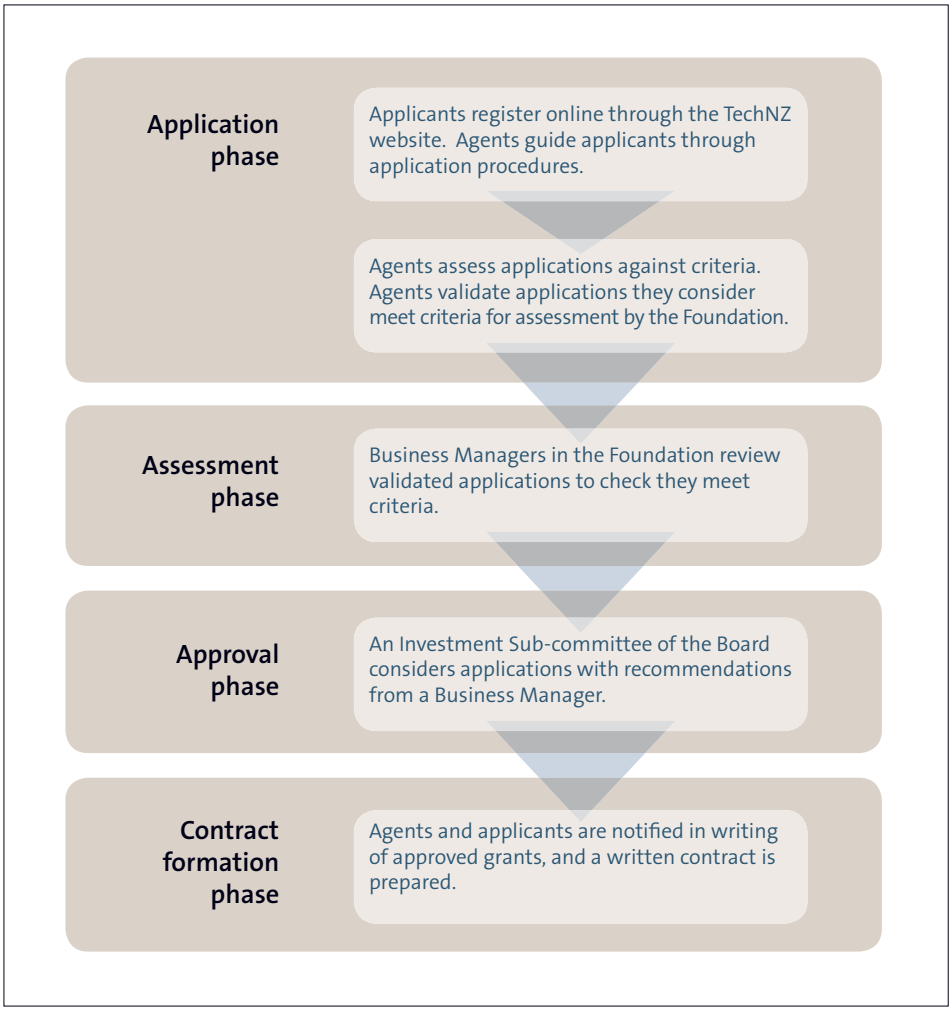
## The approval process

2.12 The Foundation has designed GPSRD to be a predominantly web-based scheme. Applications and approved grants are mainly administered using a TechNZ website, with grant recipients given secure access rights to the site.

2.13 The Foundation contracts Economic Development Agencies throughout New Zealand to act as local agents for the scheme.[3] Agents guide applicants through application procedures, and the Foundation expects agents to assess applications against criteria set by the Foundation. Applications that meet assessment criteria are then validated in the website, by agents, for formal assessment by the Foundation. Business managers in the Foundation review validated applications, and submit applications with recommendations to an Investment Sub-committee of the Foundation Board for approval. The approval process is summarised in Figure 5.

3 Economic Development Agencies are independent entities associated with local authorities that promote economic development initiatives.

**Figure 5**
**Approval process for Grants for Private Sector Research and Development**




2.14 We assessed compliance with the requirements of each phase of the approval process shown in Figure 5 for each grant we audited.

## Application phase

2.15 For the initial application phase, agents have a detailed user guide from the Foundation on how to assess and validate GPSRD applications. The user guide specifies information that should be included in validated applications, including assessment criteria additional to the criteria in the Ministerial direction. The required information includes:

- clearly summarised objectives and outcomes of a proposed project;

- research and development budget analysis for the applicant firm;
- other budgeted costs associated with the proposed project;
- information on the applicant firm, including GST registration, and number of employees;
- evidence a proposed project is not business as usual for a firm; and
- capability of the firm to realistically undertake the project.

2.16 There was widespread compliance with the provision of this information in the validated applications we audited. An exception was that several validated applications did not state clear, measurable, objectives and outcomes of the proposed projects. A less significant omission, in our view, was the omission of data in some applications on the number of employees.

2.17 Agents we interviewed said they were well-supported by the Foundation throughout the application process.

### Assessment, approval, and contract formation phases

2.18 All audited GPSRD grants complied with the requirements of the assessment, approval, and contract formation phases of the approval process. Validated applications were routinely reviewed by Business Managers in the Foundation and, in some cases, also peer reviewed. We found several instances where reviewers had sought clarification from agents about aspects of applications that were unclear, or if they were concerned that funding criteria had not been addressed. This indicates active involvement by the Foundation's reviewers, and demonstrates effective procedures are used to review assessments made by agents.

2.19 An Investment Sub-committee of the Board formally considers applications with recommendations from Business Managers. All decisions to approve or reject validated applications that were made by the Investment Sub-committee were recorded in meeting minutes. These decisions were consistent with the recommendations of Business Managers.

2.20 In the applications we examined, rejected applications were rejected for failing to meet all of the funding criteria for the GPSRD scheme.

## Documentation

2.21 Because GPSRD is a web-based scheme, most of the information on funded grants is stored electronically. There is minimal paper documentation for approved grants. Agents are required to get a signed Statutory Declaration from applicants before validating their applications, which is then held on file. Applicants declare

that they have provided true and accurate information in their applications, and accept the terms and conditions under which the Foundation may grant funds.

2.22 Completed application forms submitted by agents to the Foundation become part of the legal funding contract between the Foundation and grant recipients. They are also held on file.

2.23 Paper documents (including the signed declarations and contracts) for grants were well organised and maintained by the Foundation. Check sheets contained in each file were used to ensure that all the required documentation was included in the file. In all cases, and throughout all regional offices visited, we could easily locate important documents, and were able to follow the processes and decisions made, from the initial application through to the approval and completion of funding of projects.

2.24 The web-based system used by the Foundation for administering the GPSRD scheme was also well organised and easy to use.

## Monitoring Grants for Private Sector Research and Development

2.25 The Foundation requires GPSRD recipients to submit quarterly progress reports electronically to receive funding instalments. (GPSRD grants are normally paid in equal quarterly instalments, based on the total approved value of the grant and the project's duration.) The quarterly reports must include information on the achievements of the project during the quarter, and the results and actual costs of research undertaken.

2.26 Business managers in the Foundation review the progress of projects against the project plan contained in the original application. If there is variation between planned and actual research and development work on a project, the Business Managers may adjust the quarterly payments. This electronic reporting system works well, with several cases observed where quarterly payments had been adjusted because of the review. In one case, a claim for funding of work that was not part of the approved project was declined by reviewers.

2.27 Grant recipients are required to submit a final report at the end of their projects. The final quarterly instalment is not released by the Foundation until the final report is submitted and reviewed by Foundation staff. This system works well.

2.28 The Foundation aims to audit 15% of approved GPSRD grants a year. This is to ensure that validation procedures are correctly and accurately followed, and that grant funding is used for its intended purposes. The audits are completed by either a private accountancy firm, on a contracted basis, or the Foundation.

This approach works well, using a selection methodology that enables coverage both throughout regions and among Business Managers responsible for different grants. In 2004-05, the Foundation exceeded its target for auditing GPSRD grants.

2.29 Issues identified in individual audits are reported to the recipient and relevant Business Manager for comment. Audit issues are assessed quarterly, and formal reports are given to the Chief Executive and the Board on a regular basis. The Foundation keeps an audit issues register, which summarises any issues found in the audits, and can be accessed by relevant staff.

## Evaluation of the Grants for Private Sector Research and Development scheme

2.30 It is important that grant programmes (or component schemes of them) are evaluated to assess their effectiveness. A range of evaluation work has been done on the GPSRD scheme.

2.31 GPSRD recipients are required to complete an evaluation questionnaire as part of their final report for their grant, and before the final grant instalment is paid by the Foundation. These questionnaires get information from grant recipients on how the completion of the research and development project, partially funded by the GPSRD, will benefit their operations. The evaluation questionnaire had been submitted for all but one of the completed grants we audited. The potential withholding of the final payment gives grant recipients a clear incentive to provide the Foundation with useful grant evaluation information.

2.32 The Foundation's business processes for the GPSRD scheme say that agents should be prompted online to visit grant recipients for an evaluation report on completion of a project. However, it was not possible to tell from the electronic records or paper documentation whether these visits had occurred. Interviewed agents indicated that they try to undertake site visits, but visits usually occur informally and irregularly, and are not structured specifically for evaluating a completed project.

**Recommendation 2**

We recommend that the Foundation for Research, Science and Technology review the effectiveness of existing arrangements with evaluating agents of the Grants for Private Sector Research and Development scheme for evaluating completed projects.

2.33 An independent evaluation report of the GPSRD scheme, commissioned by the Foundation, was released in September 2004. The short review provided an overview of outcomes, such as the:

- size and characteristics of companies and industrial sectors receiving grants;
- research and development activity undertaken by grant recipients; and
- effect of the grants on sales growth of companies.

2.34 The Ministry of Research, Science and Technology (MORST) is planning to undertake an evaluation of the TechNZ grant schemes, which includes GPSRD. This evaluation will report on the effects, benefits, and barriers to growth of TechNZ.

# Part 3
# The Technology for Business Growth scheme



3.1 In this Part, we:

- describe the Technology for Business Growth scheme; and
- present our findings from the applications and grants we audited.

## Overview of the Technology for Business Growth scheme

3.2 TBG is the largest scheme of the TechNZ programme, accounting for nearly three-quarters of the total value of TechNZ grants. TechNZ aims to increase the ability of firms to adopt new technology, and apply technological learning and innovation for business growth.

3.3 The purpose of the TBG scheme is to partially fund projects undertaken by firms that have the potential to improve technological capability, and enable the firms to move towards high-value, technology-based products, processes, or services. The Foundation funds up to 50% of the research and development costs of approved projects.

### Our audit sample

3.4 We chose our TBG audit sample from applications assessed by the Foundation between 1 July 2003 and 30 June 2005. There were 306 TBG grants approved during this period, worth a total of $79.5 million (including GST).

3.5 We audited 42 (or 14%) of the approved grants. This was equivalent to 31% of the total value of approved funding during the period. We selected grants from a range of values because the Foundation applies different levels of assessment scrutiny according to the size of funding applied for (see paragraphs 3.16-3.18). Our sample included both completed and incomplete projects. We also audited 5 of the 26 (19%) TBG applications declined between 1 July 2003 and 30 June 2005. Our audit sample is summarised in Figure 6.

**Figure 6**
**Audited Technology for Business Growth grants**

| | Audit sample | Total* | Sample as % of total |
|---|---|---|---|
| Approved grants – number | 42 | 306 | 14% |
| Approved grants – value** | $24.5m | $79.5m | 31% |
| Declined applications – number | 5 | 26 | 19% |
| **Total grants and applications audited** | **47** | | |

* Total number and value assessed by the Foundation between 1 July 2003 and 30 June 2005.
** Including GST.

## Ministerial criteria for awarding Technology for Business Growth grants

3.6 The Foundation must comply with criteria contained in a Ministerial direction governing the Technology for Business Grants scheme. This direction defines:

- the characteristics of the type of firms that are the scheme's intended recipients;
- the criteria the Foundation should assess applications against when making funding decisions; and
- how funding should be allocated.

3.7 The Ministerial direction for the TBG scheme requires funding recipients to be "technologically capable" New Zealand-resident firms. The definition of "firm" for the TBG scheme can include sole traders.[1] "Technologically capable" firms are defined in the governing Ministerial direction as –

> *…those firms that, in the Foundation's view, have developed a comprehensive set of competencies in the area of technological innovation and recognise that research, science and technology capability is fundamental to sustained competitive advantage.*[2]

3.8 All the TBG grants we audited complied with the requirement for recipients to be technologically capable New Zealand-resident firms.

3.9 The Ministerial direction requires the Foundation to fund projects that, in its view, best meet the following criteria:

- have a clear link to a business strategy focused on creating new markets for high-value, technology-based products, processes, or services with reasonable commercial potential;
- are not likely to proceed without the scheme's support;
- are technology-based projects undertaken in a "learning by doing" model; and
- have the potential to create an enduring increase in technological capability in the firm.

3.10 These criteria were routinely applied to assessments of applications, with the exception of the criterion that a project is not likely to proceed without the scheme's support. It was unclear with most grants we audited whether the project would not have proceeded without TBG funding.

1 Crown-owned body corporates or other entities governed by the Education Act 1989 and the Crown Research Institutes Act 1992 are ineligible for TBG funding. However, the Foundation may allow, on a case-by-case basis, other Crown owned body corporates or entities to apply to the scheme.

2 Hon. P. Hodgson MP (2004), *Notice of Revocation of Ministerial Scheme and Introduction of New Ministerial Scheme Under Section 8A of the Foundation for Research, Science and Technology Act 1990 – the Technology for Business Growth Scheme.*

**Recommendation 3**

We recommend that the Foundation for Research, Science and Technology ensure that its assessment processes for awarding Technology for Business Growth grants meet the Ministerial criterion that a project is not likely to proceed without the scheme's funding support.

3.11 The Ministerial direction also requires the Foundation to fund only up to 50% of the research and development costs a firm will incur in undertaking a project which meets the TBG scheme's aims. In a few cases, it initially appeared that approved funding exceeded the 50% limit. These discrepancies were able to be explained by the relevant Business Managers in the Foundation. They resulted from either an initial failure to include GST in calculations, or calculation amendments not being included in files. However, this is an area of the application process where there is potential for errors.

**Recommendation 4**

We recommend that the Foundation for Research, Science and Technology amend its web-based system for administering Technology for Business Growth grants to automatically detect breaches of funding limits.

## The approval process

3.12 There is a 2-stage application phase for Technology for Business Growth grants. Applicants initially complete, and electronically submit to the Foundation, a "Concept Level" application. This preliminary application is an opportunity for applicant firms to provide summarised information to the Foundation about their operations and proposed project.

3.13 Business managers in the Foundation provide feedback to applicants on their concept applications, with applications assessed as having a reasonable chance of being approved proceeding to a full application stage. Full applications build on the concept application by including detailed project costs and a project plan.

3.14 The Foundation requires TBG applications to include information supporting a set of criteria that expand on the criteria set out in the Ministerial direction. Business managers then assess the applications against the criteria, before making an initial approval recommendation. These assessment criteria are summarised in Figure 7.[3]

3 The assessment criteria used by the Foundation were regrouped and renamed during the period from which we selected our audit sample (1 July 2003 – 30 June 2005). Grants were therefore audited against the criteria that applied when they were assessed. The criteria presented here are the current definitions used by the Foundation. However, the criteria they replaced were materially the same.

**Figure 7**
**Assessment criteria for Technology for Business Growth applications**

| Criterion | Description |
|---|---|
| Technical stretch and capability building | Is the proposed research and development project technically challenging for the firm, and not business as usual? |
| Investment and returns | Is there a reasonable likelihood the innovation will be profitable, with a significant research and development effect? |
| Pathway to market | Is there a clear path to commercialisation and improvement of competitive advantage? |
| Ability to deliver | Does the firm have the resources, people and skills to successfully complete the proposed project? |
| Research risks to be addressed | Has the project plan addressed various risks associated with the project, such as scientific, financial, marketing, and commercialisation risks? |

3.15 In our view, all the TBG grants we examined met the required criteria.

## Assessing applications

3.16 The Foundation uses a tiered system of assessment for TBG applications, depending on the level of funding sought. The degree of scrutiny and review by the Foundation is progressively increased as the requested funding level increases. This is good practice.

3.17 A Business Manager in the Foundation assesses proposals worth up to $100,000, with peer review undertaken by a second Business Manager. If they do not agree, then a third Business Manager also reviews the proposal.

3.18 Members of a reference group assess applications for more than $100,000. A reference group is a panel of experienced professionals selected from business and research organisations. Reference groups or their members make recommendations for the Foundation to consider, but do not have funding decision-making powers. There are 3 levels of assessing TBG applications that involve reference group members:

- proposals for between $100,000 and $400,000 are assessed by 2 reference group members, or the whole reference group if those 2 members do not agree with each other;
- proposals for between $400,000 and $1 million are assessed by 3 reference group members, who make a recommendation for the full reference group to consider; and

- proposals for more than $1 million are assessed by 3 reference group members, who should also conduct a site visit, and make a recommendation for the full reference group to consider.

3.19 All the grants we examined followed the appropriate assessment procedures for the funding amount requested. The electronic records and paper documentation showed that the level of review by Business Managers and reference group members was in-depth and considered.

3.20 The reasons for declining applications were well-documented, and based on the applications failing to meet all the assessment criteria.

### Approving applications

3.21 The Foundation uses a tiered approach, depending on the size of funding sought, for approving TBG applications. The final approval for funding is given by:

- Regional Managers, for grants of $25,000 and under;
- a Group Manager, after consideration by the Management Investment Committee,[4] for grants between $25,000 and $100,000;
- the Chief Executive, after consideration by the Management Investment Committee, for grants between $100,000 and $1 million; and
- the Investment Sub-committee of the Board, after consideration by the Management Investment Committee, for grants of more than $1 million.

3.22 All the grants we audited followed these approval procedures. Sign-off decisions were clearly documented in the files (except for 2 grants, where Board minutes documenting the approval were missing).

3.23 The approval process for TBG grants is summarised in Figure 8.

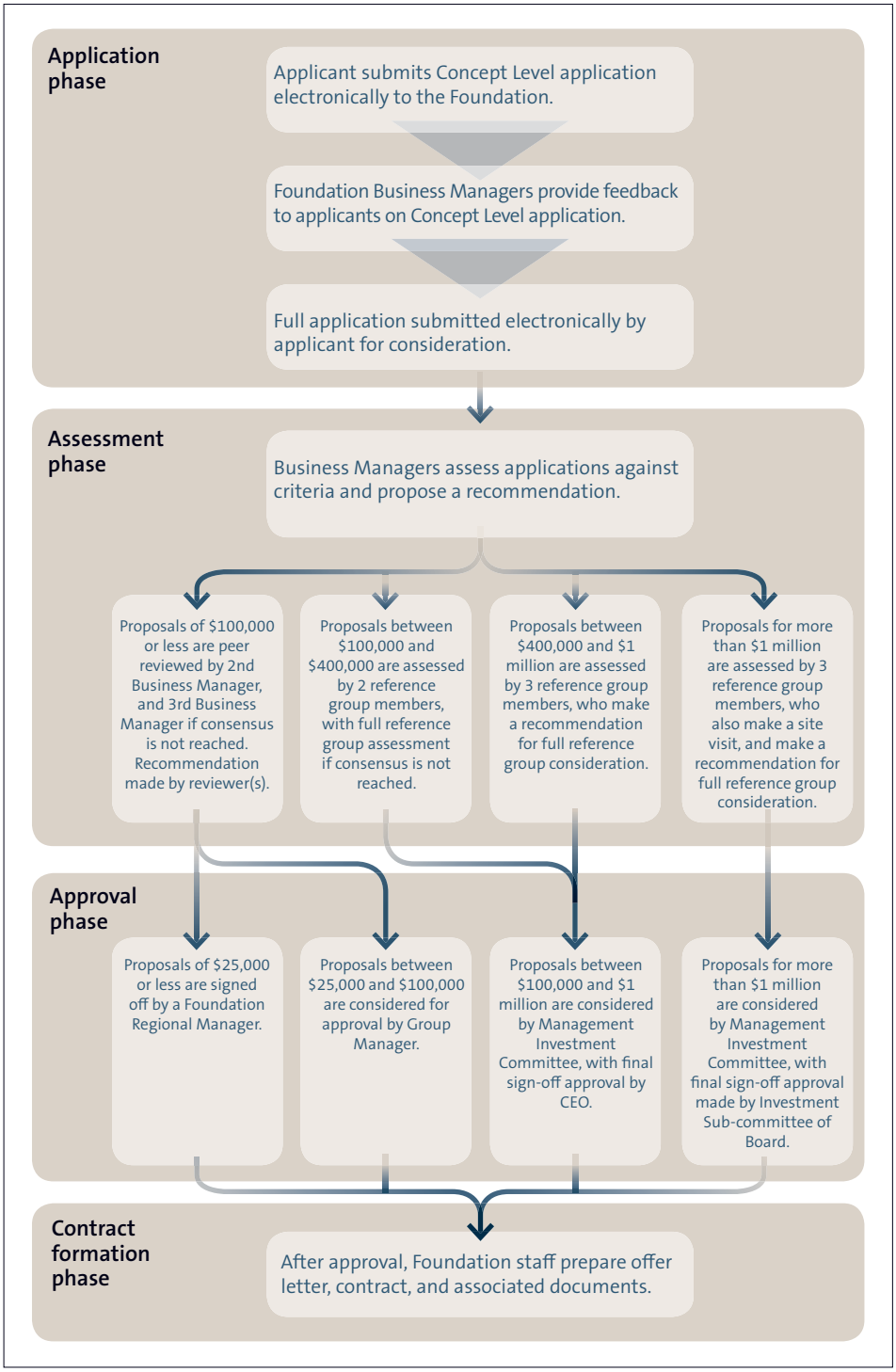
## Documentation

3.24 The Foundation uses both paper files and electronic records to document the TBG scheme. Check sheets are used in each paper file to ensure that all required documentation is kept on file, including signed Statutory Declarations from grant recipients, and a copy of the signed contract between the Foundation and the recipient. This system generally works well, although we did find one case where a Statutory Declaration was missing from a file.

3.25 The web-based system used for TBG grants (and other TechNZ schemes) was well-maintained and easy to navigate. Review comments of Business Managers and reference group members were clear and comprehensive.

4 The Management Investment Committee is comprised of senior managers of the Foundation, appointed by the Chief Executive.

**Figure 8**
**Approval process for Technology for Business Growth grants**



3.26 It was sometimes difficult to determine whether reference group members had undertaken a site visit, as required, for grant applications of more than $1 million.

## Monitoring Technology for Business Growth grants

3.27 TBG grant recipients are required to submit to the Foundation a monthly progress and invoicing report. A standard reporting and invoicing template is used for recipients to record actual costs incurred, and progress against milestones. All the claimed costs must be directly related to achieving the technical objectives contained in the project plan for approved applications. The Foundation requires original copies of invoices for costs of more than $1,000.

3.28 Foundation staff check these monthly reports and invoices and, where appropriate, ask grant recipients to provide clarification or amend claims before making payments. This reporting system works well. It was clear from electronic records and file documentation that Foundation staff routinely reviewed reports.

3.29 In some cases, applicants had not submitted invoices and reports in keeping with the agreed expected drawdown schedule (contained in the approved project plan). The Foundation produces exception reports, which identify the recipients who are not claiming in keeping with the expected drawdown schedule. Although the reasons for delays were rarely recorded on file, the Business Managers we spoke to were aware of the reasons why a recipient would be running late. It is important that this information is recorded, either in the paper file or as an electronic record.

**Recommendation 5**

We recommend that the Foundation for Research, Science and Technology clearly record in paper files or electronic systems the reasons for approved variations to payment drawdown schedules by grant recipients.

3.30 The Foundation has a similar auditing arrangement for TBG grants as for the GPSRD scheme, with an annual target to audit 10% of all current TBG contracts. The methods used to select grants to audit encompass both regions and Business Managers responsible for different grants. Audits are undertaken by either the Foundation, or a private accountancy firm on a contracted basis.

3.31 Issues identified in individual audits are reported to the recipient and relevant Business Manager for comment. The Foundation produces quarterly reports summarising any issues found in audits, and regularly briefs the Chief Executive and the Board. The Foundation also maintains an audit issues register, which summarises identified issues. This is a useful process for ensuring that issues identified in audits are dealt with.

## Evaluating the Technology for Business Growth scheme

3.32 TBG grant recipients are required to complete online performance reports when they finish their projects. The Foundation does not release the final instalment of a grant until the report is submitted. This process works well. Performance reports had been submitted to the Foundation for all the completed TBG contracts we audited.

3.33 The reports provide evaluation information to the Foundation on the size and characteristics of recipient firms, along with information on the effect of the grants for several performance indicators.

3.34 The Foundation requires recipients of grants of $50,000 and more to provide additional performance information 18 months after, and 3 years after, the completion of the contract. This reporting requirement has been in effect since October 2004, so none of the completed contracts we audited had reached the 18-month mark. We therefore did not assess compliance with this reporting requirement.

3.35 The Ministry of Research Science and Technology is evaluating the TechNZ grant schemes, including TBG, in the first half of 2006. The evaluation will aim to report on the effects, benefits, and barriers to growth of the TechNZ programme.

# Part 4
# The Research for Industry programme



4.1 In this Part, we:

- describe the RFI grant programme; and
- discuss our findings from the applications and grants we audited.

## Overview of the Research for Industry programme

4.2 RFI is the largest grant programme administered by the Foundation, accounting for nearly 46% of total grants funding in the 2005-06 appropriations. RFI is part of the Foundation's wider funding of public good science and technology. Public good science and technology is defined in the Act as science or technology that:

- is likely to increase knowledge or understanding of the physical, biological, or social environment;
- is likely to develop, maintain, or increase skills or scientific or technological expertise that is of particular importance to New Zealand; or
- may be of benefit to New Zealand, but is unlikely to be funded, or adequately funded, from non-governmental sources.

4.3 The purpose of the RFI programme is to increase the competitiveness of New Zealand industries and sectors through strategic research. Recipients of RFI funding are predominantly public sector institutions, including Crown Research Institutes and universities. Other recipients include specialist research companies, and not-for-profit research centres.

4.4 RFI funding is directed into 4 broad areas:

- research, with the main goal of advancing food and fibre-based industries and sectors through innovation;
- research, with the main goal of advancing manufacturing and services industries and sectors through innovation;
- research to improve infrastructure that supports economic development; and
- research consortia that help public/private partnerships to increase private sector investment in New Zealand.

### Our RFI audit sample

4.5 We audited a sample of RFI grants directed to the food and fibre industries and sectors, because this area of funding makes up nearly 60% of the total value of RFI grants.

4.6 Between 1 July 2003 and 30 June 2005, 167 RFI (food and fibre) grants were awarded, worth a total of $131 million (including GST). These were in the food and

fibre "portfolios" (or subject areas) of biological industries, sector sustainability, and innovative foods. We audited 37 of these grants, equivalent to 10% of the total funding allocated to RFI (food and fibre) grants during the period.

4.7 RFI grants typically span several years, so our audit sample included newly funded applications as well as grants that had been continued from funding rounds before 1 July 2003. Our audit sample is summarised in Figure 9.

**Figure 9**
**Audited Research for Industry (food and fibre) grants**

| | Audit sample | Total* | Sample as % of total |
|---|---|---|---|
| Number of grants | 37 | 167 | 22% |
| Value of grants (including GST) | $12.8m | $131.0m | 10% |

* Total number of RFI (food and fibre) grants allocated by the Foundation between 1 July 2003 and 30 June 2005, and the value of the funding allocation during that period.

4.8 We did not ascertain if the grants in the RFI programme met assessment criteria, because the applications tend to be very complex and scientific in content. However, we did audit the process used by the Foundation for assessing applications, to see whether the process was sound.

## The approval process

4.9 The Foundation allocates RFI grant funding in "investment rounds". There is a contestable process based on a comparative assessment of written applications. The Foundation has limited funding it can allocate to RFI grants in a financial year. In the RFI investment rounds that we audited, there were more than twice as many applications for funding than there were funds available.

4.10 Before an investment round starts, the Foundation publishes a Request for Proposals document for potential applicants.[1] The Request for Proposals sets out:

- an overview of portfolios for which applications are requested, and the application process;
- the "investment signals"[2] for the particular portfolio; and
- submission instructions, which set out for applicants what information needs to be included in their application.

1 In some cases, the Foundation may also require applicants to submit a Registration of Interest to help determine the likely level of funding requested, and the breadth of research ideas covered.

2 Investment signals specify, at a detailed level, the research priorities requested by the Foundation for a particular portfolio or group of portfolios.

4.11 The Foundation requires applicants to submit applications by a due date. The documentation provided by the Foundation to applicants was comprehensive and clear. The Foundation's expectations and decision-making criteria were clearly defined.

## Assessment of applications

4.12 Foundation staff first review applications to ensure that the minimum information requirements are met, before the applications are formally assessed by a reference group.

4.13 Reference groups are made up of external advisers to the Foundation, selected for their expertise and knowledge in the portfolios covered by a particular investment round. They do not have funding decision-making powers. They make recommendations to an Investment Sub-committee, which is a sub-committee of the Foundation's Board. The Investment Sub-committee appoints a reference group chairperson from a pool of nominations put forward by Foundation staff. The chairperson is then responsible for recommending the composition of the reference group to the Foundation. The names of reference group members are published on the Foundation's website.

4.14 At various stages throughout the application process, applicants may be invited to provide further information or to answer any questions that reference group members or Foundation staff may have.

4.15 Reference group members must:

- understand the assessment criteria;
- read all assigned applications fully, and the executive summary of all other applications to obtain an overview of the pool of applications;
- complete and record scores and comments regarding applications;
- contribute to equitable and defensible decision-making processes; and
- take collective ownership of the reference group recommendations (and the processes used to rank and select applicants).

4.16 The Foundation has clear and well-defined procedures for dealing with confidentiality issues and potential conflicts of interest. All reference group members must sign a confidentiality agreement, and declare any conflict of interest with an application. Applicants can specify special confidentiality requirements for all or part of their application. This can result in a reference group member not receiving an application, or being excluded from deliberations on an application.

4.17 Conflicts of interest are recorded in a conflicts register. This sets out the nature of the conflict and the action taken to address the conflict (such as not taking part in the discussion of the application, or leaving the room when the application was discussed). The conflicts register is included as part of the paper submitted to the Investment Sub-committee, setting out the recommendations of the reference group.

4.18 The reference group assesses each application against a set of criteria (see Figure 10). As noted earlier, because of the complex and scientific content of most RFI-funded projects, we did not determine if grants met the criteria.

**Figure 10**
**Assessment criteria for Research for Industry applications**

| |
|---|
| **Benefit to New Zealand through innovation**<br>Applicants are required to demonstrate how the research will create wealth through direct commercial returns and potential public returns as well as the expected environmental and social returns and risks. |
| **Science merit**<br>Applicants must demonstrate the rigour, originality, 'stretch', and soundness of the methodology of the proposed research. |
| **Future human/provider capability**<br>Applicants must show how scientific or technological 'stretch' develops new skills and knowledge within the team in a way that does not just duplicate skills already in place elsewhere in New Zealand. |
| **Users' capacity to innovate**<br>Applicants need to show how their research will improve the ability of research users to understand and manage the benefits of the research to achieve their particular goals. |
| **User connections and partnerships**<br>Applicants should demonstrate evidence of user commitment to the research through formal or informal partnerships – it is preferable that end-users are involved in the design of the research from its inception. |
| **Pathway to implementation**<br>Applicants need to demonstrate a clear path to achieving returns and to demonstrate a convincing route to achieving uptake of the results of the research in a way that maximises benefits to New Zealand. |
| **Existing delivery capacity**<br>Applications must show the ability of the science provider or research consortium to pull together the best team to carry out the research tasks and to implement the results of its research. |

4.19 Each criterion is assessed on a scale of 1 to 7. Typically, a score of one indicates that the application has not demonstrated any worthwhile contribution to research, science, and technology, while a score of 7 indicates an outstanding contribution. A score of 4 indicates that the application has satisfactorily met the major requirements of the criterion. Each criterion is weighted independently, so specific criteria can be emphasised in different portfolios.

4.20 Each application is scored against the criteria, and then considered in relation to the other applications. The assessment is made in terms of a proposed project's contribution to the overall investment in the area, as well as taking into account the overall balance of the portfolio.

4.21 The reference group agrees a score out of 7 for each of the assessment criteria, to produce an aggregated score for each application. If required, reference groups may get applicants to provide additional information as part of the assessment process. They may also seek an external peer review for any aspect of a proposed project if the reference group is unclear about its scientific merit.

4.22 We are satisfied that the process used to assess applications was sound. The use of clear decision-making criteria and weightings, reference groups, and external peer review (as required) ensured that all applications were rigorously scrutinised, and carefully debated and considered.

### Approval of applications

4.23 The reference group makes written recommendations to the Investment Sub-committee of the Board, after all the applications have been assessed and ranked. The Investment Sub-committee has ultimate responsibility for deciding whether a grant is awarded. The papers we examined, that set out to the Investment Sub-committee recommendations of reference groups for the investment rounds, were clear and comprehensive.

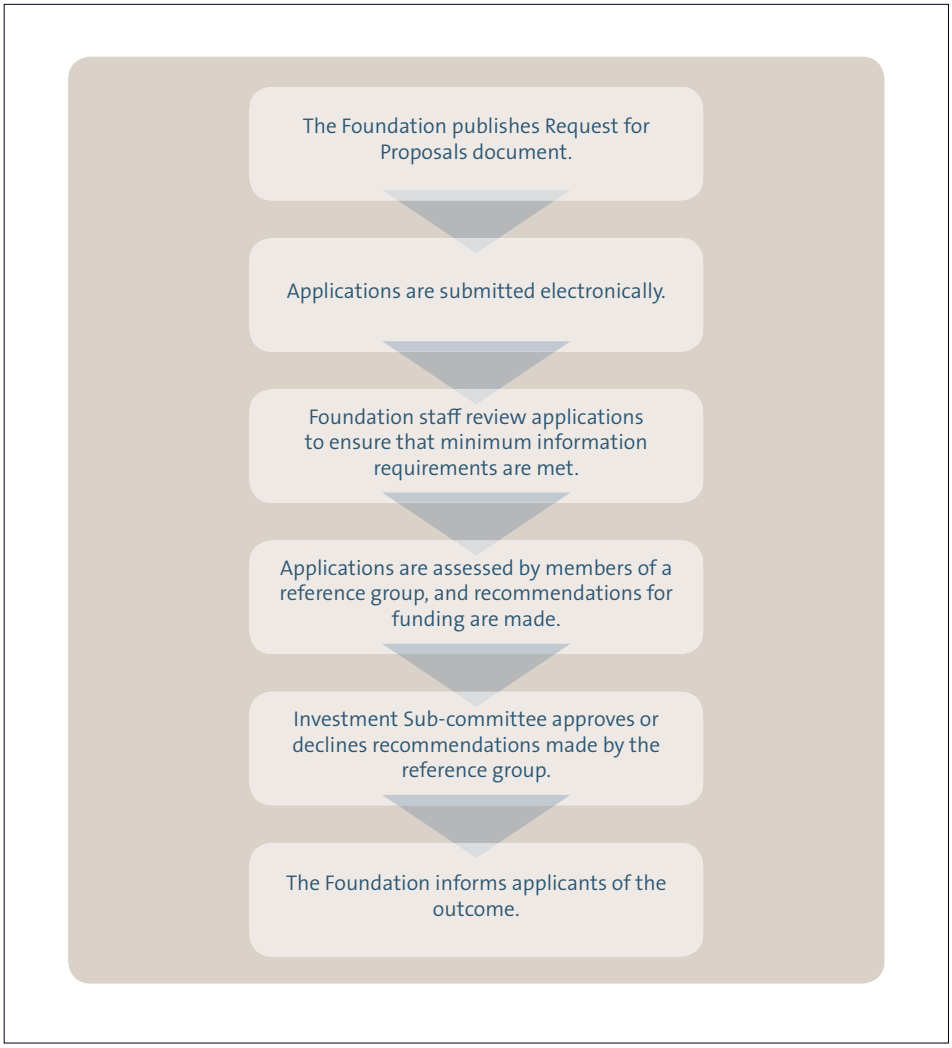
4.24 Figure 11 summarises the RFI approval process.

## Documentation

4.25 Overall, the file documentation for RFI grants was harder to follow than for the TBG and GPSRD grants. This was mainly because:

- identification numbers assigned to RFI applications were not subsequently linked to approved grant contracts; and
- some information about the grants was contained in different electronic databases, which were not consistently linked.

**Figure 11**
**Approval process for Research for Industry grants**




**Recommendation 6**

We recommend that the Foundation for Research, Science and Technology use a consistent file identification and management system for its Research for Industry grant programme, so that applications can be easily linked to approved grants.

4.26 RFI grants are administered primarily using a paper-based system within the Foundation, with only small amounts of grant or client information stored electronically. This contrasts with the TechNZ schemes (including GPSRD and TBG), which have been designed to be mainly administered electronically.

4.27 However, we understand that the Foundation is seeking capital funding from the Government in 2006 for a project to integrate all of its grant programmes and investment rounds into a single computer-based administration system. An integrated system would help improve the consistency of data collection for all the grant programmes. It should also address our recommendation that the Foundation uses a consistent file identification and management system for all of its grant programmes. An integrated system should also enhance the Foundation's ability to effectively monitor and evaluate the effect of the grants it awards.

## Monitoring Research for Industry grants

4.28 RFI grant recipients are required to submit annual performance reports to the Foundation, describing the progress of funded projects against their contracted objectives. The reports are collated into a report to Parliament each year, and are also published on CD-ROM by the Foundation. This reporting requirement was complied with for all the RFI grants we examined.

4.29 Aside from the annual performance reports, we found little evidence on file of regular contact by the Foundation with grant recipients. However, interviews with Business Managers indicated regular liaison takes place between Foundation staff and RFI grant recipients.

4.30 We note that the Foundation has recently changed how it interacts with its grant recipients. The change has included a move from annual monitoring of grant recipients to quarterly exception-based monitoring. All new RFI grants since June 2005 require quarterly reporting, while existing contracts are being progressively transferred to quarterly reporting as they are renewed. The shift to quarterly reporting is prudent, given the large amount of funding involved with RFI grants. It should also strengthen the Foundation's monitoring of the RFI programme.

4.31 Features of the new quarterly reporting system for RFI grants are summarised in Figure 12.

## Evaluating the Research For Industry programme

4.32 A range of studies and research has been undertaken in recent years that includes the evaluation of aspects of RFI grants. However, the RFI programme as a whole has not been evaluated. Aspects that have been evaluated include:

- RFI output class evaluation case studies by Foundation-commissioned consultants in 2001 and 2002;
- an evaluation of RFI-Manufacturing by the Ministry of Research, Science and Technology in 2003; and
- various portfolio evaluations undertaken by an evaluation unit of the Foundation between 2002 and 2005.

**Figure 12**
**Performance and reporting requirements for RFI grants***

| Requirement | Description |
|---|---|
| Quarterly reports | Exception-based reporting, covering all critical performance indicators. |
| Fourth quarterly annual report (to be completed by 31 July of each year) | To cover all critical performance indicators and:<br>• annual information on the Foundation's outcome indicators;<br>• information to be publicly shared on the status of the work programme;<br>• the status of the work programme, including progress towards achieving each intermediate outcome or objective; and<br>• output and benefit achievement, funding and revenue, key relationships, and capability building initiatives. |
| Statistical information | Including basic profiling data as reasonably required. |
| Miscellaneous | Information that would enhance the Foundation's understanding of the work programme.<br>Any other additional reporting requirements as specified in individual contracts between the Foundation and grant recipients. |

* Since June 2005 for new RFI grants, and progressive introduction for other existing grants.

4.33 Although the Foundation and the Ministry of Research, Science and Technology both undertake or commission evaluation work, their respective roles and responsibilities were unclear to us. We are not aware of any formal agreement between the 2 entities regarding evaluation work.

**Recommendation 7**
We recommend that the Foundation for Research, Science and Technology liaise with the Ministry of Research, Science and Technology to define clearly their respective roles and responsibilities for evaluating grant programmes administered by the Foundation.

# Publications by the Auditor-General

Other publications issued by the Auditor-General recently have been:

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- Central government: Results of the 2004-05 audits – B.29[06a]
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- Achieving public sector outcomes with private sector partners
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- Maritime Safety Authority: Progress in implementing recommendations of the Review of Safe Ship Management Systems
- Inquiry into certain aspects of Te Wānanga o Aotearoa
- Cambridge High School's management of conflicts of interest in relation to Cambridge International College (NZ) Limited
- Inquiry into the sale of Paraparaumu Aerodrome by the Ministry of Transport
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