



Performance audit report

New Zealand
Trade and
Enterprise:
Administration
of grant
programmes –
follow-up audit





Office of the Auditor-General
Private Box 3928, Wellington

Telephone: (04) 917 1500
Facsimile: (04) 917 1549

E-mail: reports@oag.govt.nz
www.oag.govt.nz

New Zealand Trade and Enterprise: Administration of grant programmes – follow-up audit

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

March 2008

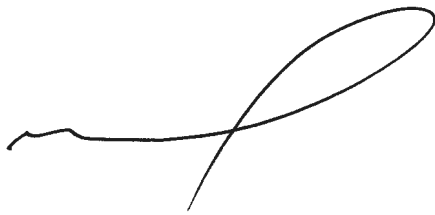
ISBN 978-0-478-18197-5

Foreword

My 2004 performance audit of grant administration by New Zealand Trade and Enterprise (NZTE) found that NZTE needed to do considerable work to ensure that it applied sound administrative principles and standards to all grant programmes.

I am pleased to report that NZTE has done that work and has substantially improved its administration of grant programmes. NZTE now has an effective framework in place for administering its grant programmes in keeping with policy direction set by the Government.

I thank the staff of NZTE for their assistance during my follow-up audit.

A handwritten signature in black ink, consisting of a horizontal line that curves upwards and loops back to the left, ending in a small flourish.

K B Brady

Controller and Auditor-General

12 March 2008

Contents

Summary	5
Our findings	5
Part 1 – Introduction	7
Overview of New Zealand Trade and Enterprise	7
Our findings in 2004	7
How we conducted our follow-up audit	8
Part 2 – A grant administration framework and adherence to grant criteria	11
A framework for administering grant programmes	11
Guidance for interpreting, and adhering to, criteria for grant programmes	13
Part 3 – Data collection and documentation standards	15
Data collection and reporting	15
Documentation standards and guidance	16
Part 4 – Risk assessment and monitoring	19
Risk assessment	19
Monitoring	20
Figures	
1 Descriptions of the three grant programmes we examined	9
2 Summary of grants we audited	10

Summary

We carried out a performance audit that assessed the extent to which New Zealand Trade and Enterprise (NZTE) has addressed the areas of concern identified in 2004 when we examined NZTE's administration of grant programmes.

Our findings

Overall, NZTE has responded appropriately to the recommendations we made in our 2004 report. NZTE is effectively and efficiently administering the grant programmes we examined in keeping with the Government's intentions.

We have suggested some minor improvements to NZTE's grant administration processes in this report, but did not find it necessary to make any formal recommendations.

A grant administration framework and adherence to grant criteria

NZTE is administering all its grant programmes more consistently. It has set up an effective framework for administering its grant programmes.

NZTE now has effective systems and processes to ensure that its grant programmes comply with both the Government's and NZTE's criteria. NZTE effectively and consistently assessed the grant applications we examined against relevant criteria.

Data collection and documentation standards

NZTE has improved its information systems so that it can provide comprehensive information on grants. The extent to which staff used its electronic client management system for grant administration varied between grant programmes. We understand, however, that NZTE is reviewing use of the system by different grant programmes to improve consistency.

Comprehensive documentation standards and guidance are now in place for all the grant programmes we reviewed. Grant files we audited were generally well organised. Files were organised consistently and in keeping with NZTE's documentation standards and guidance.

Risk assessment and monitoring

Grant programmes use risk profiles to identify and mitigate associated risks. All three grant programmes we examined have processes in place to assess the risk of awarding grants to applicants. NZTE could provide staff with more guidance about assessing risk to ensure that they do it consistently.

NZTE actively monitored many of the grants we examined, but the extent to which grant recipients met reporting requirements varied between the three grant programmes we looked at. Some grant programmes could make greater use of NZTE's electronic client management system to record monitoring contact with grant recipients and to track whether they are meeting reporting requirements.

Part 1

Introduction

- 1.1 This report follows up on a performance audit of New Zealand Trade and Enterprise (NZTE) in 2004 that examined NZTE's administration of grant programmes.¹
- 1.2 We did a follow-up audit to provide assurance to Parliament that NZTE has responded appropriately to the recommendations we made in 2004, and is effectively and efficiently administering its grant programmes in accordance with the Government's intentions.

Overview of New Zealand Trade and Enterprise

- 1.3 NZTE is the Government's national economic development agency. It was set up as a Crown entity in July 2003 out of the merger of three predecessor entities – Industry New Zealand, Investment New Zealand, and Trade New Zealand.
- 1.4 An important purpose of NZTE is to support the development of internationally competitive business performance.² This role includes administering a wide range of grant and awards programmes on behalf of the Crown. In 2007/08, NZTE is responsible for administering more than \$95.6 million of grants and awards.³

Our findings in 2004

- 1.5 Our performance audit in 2004 examined five of NZTE's grant programmes to see whether they were being administered effectively and efficiently, and in keeping with the policy direction set by the Government. Some of the grant programmes were being administered better than others, but all could have been administered better in some areas. In his foreword to the 2004 report, the Auditor-General concluded that:

NZTE has not yet established a framework to ensure that, for each grant programme, consideration has been given to important aspects of grant administration, including the assessment of risk, data collection and reporting, documentation, and monitoring practices.

- 1.6 We made 47 recommendations for improvements or changes to NZTE's administration of grant programmes. Six of the recommendations applied to all grant programmes, five applied to the evaluation of grant programmes, and the remaining 36 applied specifically to the five different grant programmes we examined.

1 *New Zealand Trade and Enterprise: Administration of grant programmes*, ISBN 0-478-18124-9.

2 New Zealand Trade and Enterprise (2007), *Statement of Intent 2007-2010*, Wellington.

3 New Zealand Trade and Enterprise(2007), *Statement of Intent 2007-2010*, page 52. In addition to the funding for grants and awards, NZTE was appropriated nearly \$4.7 million in 2007/08 for grant administration and management.

How we conducted our follow-up audit

- 1.7 For our follow-up audit, we grouped our original recommendations into six themes instead of specifically assessing NZTE's response to each individual recommendation. We took this approach for two reasons:
- Our 2004 report contained general and programme-specific recommendations covering similar issues because we found the same issues in several of the five grant programmes we examined.
 - Two of the five grant programmes examined in 2004 have been disestablished, and our recommendations concerning those programmes are no longer directly relevant.
- 1.8 We did not examine grant programme evaluation in our follow-up audit. This was because evaluation was not a main area of concern identified in 2004. In addition, several of the five evaluation recommendations in our 2004 report were directed at the Ministry of Economic Development and Ministry of Foreign Affairs and Trade, whereas our follow-up audit focused only on NZTE.
- 1.9 The six themes this follow-up audit examined were:
- an overall framework for administering grant programmes;
 - guidance for interpreting, and adhering to, government criteria for grant programmes;
 - quality of data collection and reporting;
 - documentation standards and guidance;
 - assessment of risk; and
 - monitoring of grants.
- 1.10 For each of the six themes, we set up audit expectations derived from our 2004 findings and recommendations. We set out these expectations when we discuss our detailed findings in Parts 2 to 4.
- 1.11 We:
- examined NZTE documentation relevant to grant administration;
 - interviewed NZTE staff involved with grant administration and business process improvement; and
 - examined a small sample of individual grants from three grant programmes.
- Which grant programmes did we audit?**
- 1.12 The three grant programmes we selected were the Growth Services Fund (GSF), the Strategic Investment Fund (SIF), and Enterprise Development Grants for Market Development (EDG-MD).

- 1.13 Our 2004 audit also examined the GSF and SIF programmes. We re-selected them for two reasons:
- Both programmes involve significant amounts of public funding. GSF was appropriated \$9.4 million and SIF \$5.2 million for 2007/08.
 - Our 2004 report found several areas where the administration of both of these programmes could be improved.⁴
- 1.14 We selected the EDG-MD programme because it is now the largest grant programme by value administered by NZTE. The 2007 Budget substantially increased funding for this programme, from \$36.3 million for 2006/07 to \$51.4 million for 2007/08, with funding at the new level planned for the next three years.
- 1.15 Figure 1 summarises the main characteristics and aims of the three grant programmes we examined.

Figure 1
Descriptions of the three grant programmes we examined

Programme	Description
Growth Services Fund (GSF)	Provides co-funding support to medium- to high-growth-potential firms to purchase external advice and expertise, marketing intelligence, and development services.
Strategic Investment Fund (SIF)	Provides assistance with specific sector initiatives, particularly in the areas of major events, pre-feasibility and feasibility studies, and guarantees for significant projects to access funding through other government programmes and cash grants.
Enterprise Development Grants for Market Development (EDG-MD)	Provides co-funding support to help businesses enter a new export market, or carry out new activity in an existing export market. The aim is to encourage greater integration of more New Zealand businesses into global markets.

Our audit sample

- 1.16 We sampled individual grants from those approved under the three selected grant programmes in the 2005/06 and 2006/07 financial years. We mainly chose grants where half or more of the approved funding had been paid to recipients, so we could assess the administration of grants from application to completion. Figure 2 summarises our audit sample as a percentage of the number and value of grants in each grant programme that were approved in the two-year period we sampled.

⁴ Of the other three grant programmes examined in 2004, two of them – Enterprise Network Grants and the Major Events Fund – have been disestablished. We excluded the third – Enterprise Development Grants for Capacity Building – because it was found to be well administered overall.

Figure 2
Summary of grants we audited

	GSF	SIF	EDG-MD
Number of grants examined	10	4	10
As % of all grants approved between 1 July 2005 and 30 June 2007	8%	27%	2%
Total value of grants examined (GST-incl.)	\$1.3m	\$2.3m	\$1.0m
As % of the total value of all grants approved between 1 July 2005 and 30 June 2007	6%	52%	2%

Part 2

A grant administration framework and adherence to grant criteria

- 2.1 In this Part, we discuss our findings on NZTE's:
- introduction of a grant administration framework;
 - guidance for interpreting criteria for grants; and
 - adherence to that criteria.

A framework for administering grant programmes

Overall finding from 2004 report

- 2.2 In 2004, we concluded that NZTE had not set up a framework to ensure that it considered important aspects of grant administration, including risk assessment, data collection and reporting, documentation, and monitoring practices.

Our expectations

- 2.3 We expected NZTE to have:
- reviewed its grant programmes to ensure that it administers them consistently; and
 - applied an effective set of administrative principles and standards to policies and procedure manuals, risk assessment, documentation, decision-making processes, and monitoring of grant recipients.

Our findings

- 2.4 NZTE has carried out a major and rigorous business process improvement project since 2004 that has improved the consistency of its grant administration. The project included setting up an effective framework for administering NZTE's grant programmes.

Review of grant programmes and business process improvement

- 2.5 When NZTE set up the business process improvement project in early 2004, the focus was on aligning the different business processes and practices that had resulted from the merger of NZTE's predecessor entities.
- 2.6 After we published our 2004 report, NZTE widened the scope of the business process improvement project to include a substantial review of all grant programmes. The project also sought to ensure that NZTE addressed the recommendations made in our 2004 report.
- 2.7 NZTE has reviewed each of the grant programmes it administers. A specialist business process improvement team has worked with business units responsible for managing individual grant programmes to:

- map and review existing business processes to identify areas for improvement;
- create guidelines, procedures, and templates for administering grant programmes; and
- carry out reviews after changes to a grant programme's administration have been implemented to test whether new processes and requirements are being followed correctly.

2.8 This detailed review process has several strengths:

- A high level of consistency of administration processes and documentation standards was evident between the different grant programmes we examined.
- Important documentation for administering grant programmes (such as procedure manuals and operating guidelines) clearly defines roles and responsibilities, and states requirements for the main aspects of grant administration. These include ensuring that grant programmes are consistent with the Government's intentions, clearly defining eligible activities for grant funding, and outlining necessary administrative procedures to be followed.
- A document control system is in place that gives the business process improvement team responsibility for updating and amending processes and procedures for grant programme administration. In our view, this also helps to reduce the likelihood for changes to be inadvertently made to grant programmes that are inconsistent with either the Government's or NZTE's intentions.
- Review processes are used after a grant programme's administration procedures have been re-designed (such as mini file reviews, post-implementation reviews, and internal audits). These reviews are an effective and transparent way of testing adherence to new requirements.

2.9 NZTE has demonstrated its strong commitment to its business process improvement project by regularly reporting project progress to its Board. Initially, this reporting was monthly; more recently, it has been quarterly.

2.10 The business process improvement project was formally completed in February 2008. Functions from the project have been shifted to normal operations in NZTE.

2.11 We understand that NZTE is planning a new project in 2008 to review and improve the way it interacts with its clients. This includes identifying ways in which NZTE can further improve or, if necessary, streamline grant administration processes. The project should help ensure that NZTE's grant administration processes are appropriate for the outcomes they support.

The grant administration framework

- 2.12 NZTE's review of its grant programmes has led to it implementing a grant administration framework. The framework's aim is to provide detailed guidance to ensure that all grant programmes meet government requirements. The framework describes processes and documentation required, to ensure their consistency and transparency and effective management.
- 2.13 The framework clearly sets out how staff should follow NZTE's grant administration processes and procedures. It defines and describes the purpose of the documentation that staff are required to use for different aspects of grant administration (such as assessing and approving applications, or administering contracts and claims).
- 2.14 The grant programmes we examined generally followed the new framework, although the SIF programme could improve its adherence to all framework requirements.

Guidance for interpreting, and adhering to, criteria for grant programmes

Overall finding from 2004 report

- 2.15 In 2004, we found that all the grant programmes we examined were not always meeting Cabinet criteria for approving grant funding. In our view, NZTE was in breach of its output agreement. This agreement requires NZTE to ensure that it delivers all grant programmes in keeping with policy recorded in relevant Cabinet papers.

Our expectations

- 2.16 We expected:
- NZTE to have clear and comprehensive guidelines for setting out how assessors should interpret criteria for grant programmes; and
 - grant applications to explicitly address all relevant Cabinet and NZTE criteria, supported by appropriate documentation.

Our findings

- 2.17 As part of its business process improvement project, NZTE has thoroughly reviewed Cabinet papers for most of its grant programmes, except for grant programmes where limited criteria were provided. NZTE has reviewed the Cabinet papers for all three grant programmes we examined. These reviews

identified all required criteria and listed where the documentation for grant programmes addresses them. In our view, this is an effective way of ensuring and demonstrating that NZTE is implementing grant programmes in keeping with the Government's intentions.

- 2.18 All the grant programmes reviewed under the business process improvement project have had project checklists completed to ensure that NZTE's business processes meet all government requirements. This is good practice.

Operating guidelines

- 2.19 NZTE's business process improvement project introduced operating guidelines for all grant programmes. The guidelines provide detailed guidance on all aspects of grant programmes, including their objectives, eligibility criteria, and requirements covering application, assessment, and administration.
- 2.20 The operating guidelines we examined for the GSF, SIF, and EDG-MD programmes all explicitly stated the relevant criteria, and clearly differentiated between Cabinet and NZTE criteria. The guidelines also included useful information for staff on how to interpret the eligibility of applicants against those criteria.

Adherence to criteria

- 2.21 All the grants in our sample from the GSF, SIF, and EDG-MD programmes met Cabinet and NZTE criteria for funding eligibility.
- 2.22 For one GSF grant we examined, the documentation noted that the Programme Manager approved waiving a Cabinet criterion that applicants should "... (indicatively) have no more than 100 full-time equivalent employees". Given that this criterion is indicative rather than prescriptive, it provides NZTE with some discretion. However, the file did not document the reason for applying the waiver. In our view, it is important that NZTE clearly documents the reasons for decisions waiving any indicative Cabinet criteria.

Part 3

Data collection and documentation standards

3.1 In this Part, we discuss our findings on NZTE's:

- data collection and reporting; and
- documentation standards and guidance.

Data collection and reporting

Overall finding from 2004 report

3.2 In 2004, the quality of data about the five grant programmes we examined varied. For some, it was difficult to get basic information such as the number of grant recipients and amounts paid out.

Our expectations

3.3 We expected NZTE to have improved its information systems to provide comprehensive information on all grants (including how much funding has been approved, how much has been paid out, and information about the grant recipients).

Our findings

Information systems on grants

3.4 NZTE's information systems for administering grants have improved substantially since 2004. Pivotal, an electronic client management system, is now used for all grant programmes. This system can readily provide a range of information about grants and their recipients.

3.5 NZTE's grant administration framework states that it is essential that all relevant transactions between NZTE and a recipient are promptly recorded in Pivotal. There should be enough information in the system for any staff member to access a recipient's record and be able to hold a constructive meeting with them.

Use of Pivotal for grants in our audit sample

3.6 Pivotal was used for recording recipient and funding information for all the grants we examined. Most grants had important recipient information routinely entered into the system (such as contact information and addresses), although we identified several cases where some entry fields we expected to be completed were empty or not updated. For example, some records did not have the recipient's GST number entered in the relevant field, and the system recorded some grants that had been closed as being in progress.

- 3.7 The extent to which the three grant programmes we examined used Pivotal varied. Overall, the EDG-MD programme tended to have the most comprehensive information stored electronically.

Use of electronic client management system

- 3.8 The variation in use of Pivotal may be partly because of a mixed range of guidance material available on when to use the system. User manuals for Pivotal were available for the SIF and EDG-MD programmes, but not for the GSF programme.
- 3.9 We understand that NZTE's more generic *Use of Pivotal Policy* is under review, with the aim of reducing variation between grant programmes and reinforcing the importance of using Pivotal. In addition, a wider review of NZTE's client management system is due to be completed by mid-2008 and will examine how Pivotal can be best set up to meet NZTE's future requirements. Both of these reviews should provide NZTE with the opportunity to ensure consistent use of its client management system in a way that best meets its requirements.

Documentation standards and guidance

Overall finding from 2004 report

- 3.10 In 2004, we found variable standards of documentation held in all five of the grant programmes we examined. Some important documents were missing from some grant files, including applications or signed contracts.

Our expectations

- 3.11 We expected:
- grant programmes to have clear guidance to clarify the types of documents and information that should be held on file for approved grants; and
 - periodic checks of grant files to ensure that required information is complete.

Our findings

Documentation standards and guidance for grants

- 3.12 NZTE's business process improvement reviews have put in place comprehensive documentation standards and guidance for grant programmes. The grant administration framework outlines general filing principles and requirements for grants. These principles are reiterated in operating guidelines for each grant programme, along with programme-specific requirements and instructions.
- 3.13 In our view, the document control system (see paragraph 2.8) is an effective way of controlling and tracking revisions to core documentation on the administration

of grant programmes. For example, we were able to easily identify what amendments had been made to various updated versions of operating guidelines for the grant programmes we examined.

Checklists for required file documentation

- 3.14 Staff must use paper-based checklists for all grant files. These checklists are used to ensure that files contain all relevant documentation and information for an approved grant and its recipient. Links to electronically stored material can be recorded on checklists if required. This is sensible acknowledgement that documentation for a grant or recipient can be a mix of both paper-based and electronic referencing. Checklists are required to be kept at the front of each file and to be regularly updated and maintained.

Internal review of adherence to the framework

- 3.15 As noted earlier in Part 2, NZTE has reviewed grant programmes after changes were made to them under the business process improvement project. These reviews include testing that a random sample of grants from a grant programme meet the requirements of the grant administration framework, and that the grant files contain all required documentation as stated in the checklists. In our view, this is a useful way of both testing adherence to new grant administration processes and identifying training or improvement opportunities.

Adherence to required documentation standards

- 3.16 Overall, the documentation on the grant files we examined was well organised, and files were generally managed consistently. This appears to be at least partly the result of using the checklists, which have been designed to follow the distinct stages of administering a grant through its life cycle.¹ Their use therefore encourages a logical filing of documentation. We were usually able to trace the progress of grants from application to closure, based on file documentation.
- 3.17 All the grant files we examined contained checklists, although we found some cases where the checklists had been only partially completed or had only recently been updated. In our view, grant administrators should ensure that checklists are routinely updated so that required grant documentation is complete.

Checking claims assessments for EDG-MD grants

- 3.18 The EDG-MD programme has a team of grant administrators who assess claims lodged by recipients against a detailed schedule of eligible and ineligible costs. To assist with this task, the administration team uses a custom spreadsheet to convert claimed costs made in foreign currencies into New Zealand dollars, inclusive of GST.

¹ These stages include application, assessment, approval, contract, claims, and monitoring/reporting.

- 3.19 We found minor calculation errors with use of this spreadsheet in two of the 10 EDG-MD grants we examined. This resulted in incorrect claim amounts being approved. In one case, GST was incorrectly entered as 12.55%. In the other case, conversions for one currency were incorrectly applied, even though another currency in the same claim assessment was correctly converted. To help prevent these calculation errors, we suggest that NZTE review the design of its EDG-MD claims spreadsheet and that peer reviewers check completed claims calculations.

Part 4

Risk assessment and monitoring

- 4.1 In this Part, we discuss our findings on NZTE's:
- risk assessment of grant applicants; and
 - monitoring of grants.

Risk assessment

Overall finding from 2004 report

- 4.2 In 2004, NZTE did not have a consistent approach to assessing risk for its grant programmes. The GSF programme had a comprehensive approach to risk assessment, but the other grant programmes varied. This included the SIF programme, where there was no formal risk profiling of grant applicants.

Our expectations

- 4.3 We expected NZTE to have:
- set up a risk-based approach to help assess grant applicants; and
 - comprehensive guidance for assessing the risk profile of applicants for grants.

Our findings

Programme-level risk profiling

- 4.4 NZTE has designed and introduced detailed risk profiles for all grant programmes as part of the business process improvement project. These risk profiles aim to identify all risks for each grant programme (such as operational, financial, reputation, and political) to ensure that the business processes and documentation cover those risks. The profiles assign risk ratings to the probability and effect of each identified risk, outline mitigation options, and link to the processes or documentation that address each risk. In our view, this is a rigorous and comprehensive way to mitigate the risks associated with grant programmes.

Identified operational and reputation risk with the EDG-MD programme

- 4.5 We identified an operational risk with the EDG-MD programme that might also have implications for NZTE's reputation. The 2007 Budget increased funding for this programme from \$36.3 million for 2006/07 to \$51.4 million for 2007/08. This increase in EDG-MD programme funding was not accompanied by an increase in operational funding for grant administration.
- 4.6 The EDG-MD programme is now the largest grant programme NZTE administers, and there has been a substantial increase in applicants to it. This has created a significant backlog with processing applications. To reduce this backlog, NZTE

altered its application and assessment processes in late 2007. Previously, the EDG-MD grant process required applicants to specify the activities for which they sought market development funding, and administrators would assess the eligibility of each activity before approving grants. Applicants are now given a detailed schedule of eligible activities and costs for EDG-MD funding, and their eligibility is not assessed until claims are lodged.

- 4.7 In our view, while this process change suitably reduces the time taken to process applications, it could transfer the backlog to the claims stage for EDG-MD recipients in 2008. NZTE should monitor the risk of a backlog to processing claims and, if necessary, consider appropriate measures to counter its effect.

Risk assessment of grant applicants from our audit sample

- 4.8 The GSF, SIF, and EDG-MD programmes have processes in place for assessing the risk applicants pose. These included routine background checks of the legal status of applicants, as well as scrutiny of financial background and credit checks.
- 4.9 For the GSF programme, members of an assessment panel each complete an assessment sheet to assign risk ratings to a range of variables. An overall risk rating score is then produced to guide the panel with its assessment decision, or to seek further information from applicants. This system is comprehensive and appears to work well.
- 4.10 Individual assessors complete risk assessments for the EDG-MD and SIF programmes to build a recipient risk profile. The higher the risk rating, the more analysis or scrutiny of applications is expected.
- 4.11 In our view, guidance for staff on assessing risks and interpreting their potential effect could be improved. Except for the GSF panel, whose approach allows risk rating scores to be compared, we were unable to assess the consistency of risk assessments. We note that this finding was also made by a recent NZTE internal audit that reviewed the grant programmes we examined in 2004. NZTE management's response to this internal audit finding noted that a risk management framework has recently been created that will be used for refining risk assessment tools in individual grant programmes.

Monitoring

Overall finding from 2004 report

- 4.12 In 2004, the monitoring of grant recipients and the collection of monitoring information was inconsistent in all the grant programmes we examined. This included cases where required monitoring reports from grant recipients were

either not received or only partially completed. In some cases, we were unable to tell whether contact had been maintained with recipients after a grant had been approved.

Our expectations

4.13 We expected:

- all grant programmes to have been reviewed to ensure that monitoring information is collected consistently;
- monitoring activities to be tailored to take account of the risk profile of grant recipients; and
- grant recipients to submit completion reports before final funding instalments are paid.

Our findings

Framework requirements for monitoring and reporting

4.14 NZTE has reviewed reporting and monitoring requirements as part of its wider business process improvement review. The grant administration framework states that the main objective of monitoring is to identify risks and barriers to progress and to ensure that funding is spent for approved purposes. Monitoring must be active and documented. The recommended recording method is using Pivotal. For reporting, the framework stipulates that grant recipients must submit progress and final reports for funded projects. Reporting should show progress against pre-determined project milestones.

4.15 The operating guidelines for the three grant programmes we audited all reiterate the framework's basic requirements for monitoring and reporting. All three grant programmes require monitoring to identify risks and barriers to progress of funded projects. Furthermore, grant monitoring must be active. Individual grant contracts set out specific reporting requirements. These normally require GSF and SIF grant recipients to submit either quarterly or monthly progress reports. EDG-MD recipients were required to submit progress reports at months six and 10 of the funding year.

Monitoring and reporting of grants in our audit sample

4.16 All 10 of the GSF grants in our sample met the reporting requirements. There was only one case where a final evaluation report (of a funded project) was not received until NZTE staff took follow-up action.

4.17 Half of the GSF grants we examined were actively monitored, as defined by the operating guidelines. For the other half of our sample, there was evidence of

some monitoring on file or in Pivotal, but contact frequency was less than the monthly stipulation in the operating guidelines. We note, however, that later revisions of the operating guidelines for the GSF programme have removed the requirement for monthly contact. This is because NZTE is introducing individual client management plans to define specific monitoring requirements for each GSF recipient.

- 4.18 There was active monitoring of all the grants we sampled from the EDG-MD programme. This was evident from good monitoring notes recorded in Pivotal. Two grants out of the sample of 10 were missing progress reports from the grant files. Given that the electronic client management system is currently under review, NZTE could consider introducing an alert system to prompt administrators to remind grant recipients to submit progress reports.
- 4.19 Reporting requirements were only partly met in our sample of SIF grants. In all four SIF grants we examined, actual practice varied from the reporting requirements agreed in the funding contracts. The operating guidelines do provide NZTE with discretion to waive specific deliverable or milestone requirements (such as providing a progress report). However, we did not see documented evidence of waivers being used. There were also some significant delays between contractual deadlines for progress reports to be submitted and follow-up by grant administration staff.
- 4.20 It was also difficult to assess whether the grants in our SIF sample had been actively monitored, as defined by their operating guidelines. The guidelines require at least monthly monitoring contact, with records kept of minutes of progress meetings or email contact. Although we found some evidence of monitoring contact with grant recipients, this was usually substantially less often than monthly and not always about the specific grant. NZTE could make greater use of Pivotal to record regular monitoring activity of SIF grants. This could include ensuring that the grant administration framework's recommendation that Pivotal contain enough information for any NZTE staff member to learn enough about a recipient to hold a constructive meeting with them is met.

Withholding final grant instalment payments if recipient reporting requirements are not met

- 4.21 In 2004, we recommended that a proportion of grants be withheld until the grant recipient provides a final report when a funded project is completed. Provision to do this is now built into the operating guidelines of all three grant programmes we audited.

Publications by the Auditor-General

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

- Mental health services for prisoners
- Liquor licensing by territorial authorities
- Implementing the Māori Language Strategy
- Management of conflicts of interest in the three Auckland District Health Boards
- Annual Report 2006/07 – B.28
- Turning principles into action: A guide for local authorities on decision-making and consultation
- Matters arising from the 2006-16 Long-Term Council Community Plans – B.29[07c]
- Local government: Results of the 2005/06 audits – B.29[07b]
- Effectiveness of the New Zealand Debt Management Office
- Statements of corporate intent: Legislative compliance and performance reporting
- Department of Labour: Management of immigration identity fraud
- Assessing arrangements for jointly maintaining state highways and local roads
- Sustainable development: Implementing the Programme of Action
- New Zealand Customs Service: Collecting customs revenue
- Ministry of Health and district health boards: Effectiveness of the “Get Checked” diabetes programme
- Guidance for members of local authorities about the law on conflicts of interest
- Managing conflicts of interest: Guidance for public entities

Website

All these reports are available in PDF format on our website – www.oag.govt.nz. They can also be obtained in hard copy on request – reports@oag.govt.nz.

Mailing list for notification of new reports

We offer a facility for people to be notified by e-mail when new reports and public statements are added to our website. The link to this service is in the Publications section of the website.

Sustainable publishing

The Office of the Auditor-General has a policy of sustainable publishing practices. This report is printed on environmentally responsible paper stocks manufactured under the environmental management system ISO 14001 using Elemental Chlorine Free (ECF) pulp sourced from sustainable well-managed forests. Processes for manufacture include use of vegetable-based inks and water-based sealants, with disposal and/or recycling of waste materials according to best business practices.



Office of the Auditor-General
Private Box 3928, Wellington

Telephone: (04) 917 1500
Facsimile: (04) 917 1549

E-mail: reports@oag.govt.nz
www.oag.govt.nz