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# Observations from our work

## *Managing public funding in an emergency response or recovery*

In emergency response and recovery situations, funding and purchasing decisions often need to be made quickly, while still ensuring transparent and accountable decision-making, getting value for money, and acting lawfully.

To help public sector staff who are setting up and running emergency response and recovery initiatives, we have summarised some of the key observations and recommendations from our recent work.

### **Core principles for funding and purchasing decisions**

There are some fundamental principles that govern how public organisations use public money to pay for or fund external parties, no matter what level of urgency. These principles apply whether the public organisation is spending money through a procurement process, a grant, or a gift.

The basic principles are:

- **Accountability:** Public organisations are accountable for their performance and should be able to give complete and accurate accounts of how they have used public funds. This includes funds that they passed on to others for particular purposes. They should also
- have suitable governance and management arrangements to oversee their funding arrangements.
- **Openness:** Public organisations should be transparent in how they administer funds. This supports accountability and promotes clarity and a shared understanding of the respective roles and obligations of the public organisation and the external parties they have entered into funding arrangements with.
- **Value for money:** Public organisations should use resources effectively, economically, and without waste. They should have due regard for the total costs and benefits of an arrangement and its contribution to the outcomes the organisation is trying to achieve. Where practical, this may involve considering the costs of alternative supply arrangements.
- **Lawfulness:** Public organisations must act within the law and meet their legal obligations.
- **Fairness:** Public organisations have a general legal obligation to act fairly and reasonably. Public organisations must be, and must be seen to be, impartial in their decision-making. Public organisations may sometimes also need to

consider the balance of power in some funding arrangements and whether any imbalance is significant enough that they need to change the way they conduct the relationship.

- **Integrity:** Anyone managing public resources must do so with integrity. The standards applying to public servants and other public employees are clear, and public organisations need to make clear that they expect similar standards from any external parties they fund.

The details of how different funds and purchasing decisions are designed and implemented will depend on the context, size, complexity, and objectives that are being sought. However, no matter the size or complexity of a scheme, there are some common aspects of good practice. Getting these in place early will help ensure that public money is spent according to these basic principles.

#### For more information, see:

- [Inquiry into the Ministry of Social Development's funding of private rental properties for emergency housing](#)
- [Public sector purchases, grants, and gifts: Managing funding arrangements with external parties](#)

### Consistent, transparent application processes and clear criteria provide a strong foundation

When applicants are applying for funding, criteria need to be clear, robust, and complete, and include enough guidance so applicants can assess whether they meet the criteria and whether it is worthwhile applying. All applicants should go through the same process and the criteria should be applied consistently across all applications.

Criteria also need to be effective in achieving the investment objectives. We have seen examples where policy decisions about funds have been made at pace, and the resulting criteria applied by decision-makers has not been clearly linked to the outcomes being sought.

#### Key questions to consider:

- Are criteria and processes for applying and assessing applications as clear, consistent, and robust as possible?
- Is there a process to review how assessments are undertaken, to ensure consistency?



- Are applicants and staff able to clarify criteria? Where clarifications are issued, are all applicants and staff able to access that information?
- Is there independent probity or specialist advice needed in all or part of the assessment process?
- Has the applicant received, or are they eligible for, other avenues of support? Either through other government schemes or other support mechanisms (such as parent companies)?
- Have you been clear with applicants about the reporting you expect in return for receiving funding?
- Have you set out in the application form the right to audit how funding has been spent, and the right to recover funds if spending doesn't meet the criteria?

#### For more information, see:

- [Inquiry into the Strategic Tourism Assets Protection Programme](#)
- [Management of the Wage Subsidy Scheme](#)
- [Cost of living payment](#)

### Reasons for awarding funding should be clearly explained and well documented

We sometimes found it difficult to understand the process used for making funding decisions or the basis on which those decisions were made. To help ensure transparency, we recommend that the method for deciding the amount of funding awarded, and reasons for awarding funding (and not awarding funding) – including decisions by Ministers or councillors – be clearly explained and well documented.

Good record-keeping of the reasons for decisions and processes followed is critical when extraordinary steps need to be taken, quick action is needed, or the action is contrary to official advice provided to decision-makers.

Without clear records about reasons for decisions, decision-makers may not be able to provide sufficient confidence that they are acting impartially, are effectively managing public funds, and that project benefits will be delivered.

Rather than being seen as an administrative burden, recording the reasons for a decision, why it was taken quickly, or why it was taken contrary to advice can help to support the quality of the decisions made and public confidence in them.

### Key questions to consider:

- Have you documented the methodology for decision-making, along with the reasons for awarding (or not awarding) funding?
- Has appropriate due diligence been undertaken on the criteria used for decision-making – and is this documented?
- Have you documented the decisions about how much funding was distributed, and to whom?
- Are you clear that the spending fits within the scope of an existing appropriation? Or, in the case of local government, an appropriate budget?



### For more information, see:

- [Cost of living payment](#)
- [Inquiry into the Strategic Tourism Assets Protection Programme](#)
- [Managing the Provincial Growth Fund](#)

## Managing conflicts of interest helps protect trust and confidence

It is important to consider how to manage conflicts of interest, even when decisions are made quickly.

Decision-makers might have connections to recipients of funding or there might be perceptions of a conflict, which need to be managed.

You need a clear policy and a system for managing conflicts of interest, a register of declared interests, and a process for obtaining declarations from all people involved in the process. When project teams involve staff from other organisations, it's important to disclose conflicts to them as well as being aware of their conflicts.

One way to help ensure that conflicts of interest are managed is to include them as part of approval procedures. An example is to include prompts in approval memos for decision-makers to consider conflicts of interest, assert they have none or, if they do, provide a means for them to document the conflict.

This helps senior management know about any risks and how they are managed.

### Key questions to consider:

- Do you have a policy and system for managing conflicts of interest as part of any project controls?
- Is there a register of declared interests?
- Have declarations been made by all involved in the process, and are appropriate decisions made about how to manage declared conflicts of interest?
- Does funding approval documentation refer to how conflicts of interest were managed?



### For more information, see:

- [Managing conflicts of interest: A guide for the public sector](#)

## A high-trust approach needs post-payment verification to mitigate the risk of fraud and error

It is not uncommon (and sometimes necessary) to take a high-trust approach in emergencies to get support to people and groups who urgently need it.

High-trust processes may require little or no supporting evidence in support of applications initially, and there may also be limited reporting on how the funding has been used by recipients.

In these situations, decision-makers may have to initially rely on the accuracy of any statements made and information submitted by applicants. In such circumstances, there is an increased risk of fraud and error.

Using a high-trust approach requires that criteria are sufficiently clear, robust, and complete so applicant information can be adequately verified either before or, if necessary, after payment.

Applicants understanding the types of evidence that they might need to provide at a later stage is also important.

Any later requests for evidence are called “post-payment verification measures”. The nature and extent of post-payment verification measures will depend on the circumstances, but might involve risk-based audits against source documentation or self-reported confirmation that funding was legitimately sought and used as intended.

Reviews based on independent, or at least documented, information are more reliable than verbal checks. Written confirmation requests can be targeted at larger or higher-risk applications. In some situations, it might be helpful to provide a process to receive complaints and follow those up.

### Key questions to consider:

- Have you been clear with applicants that you might require supporting evidence after funding has been paid, and that you will have a right to access and audit this information?
- Are there clear and measurable milestones in place?
- What are the monitoring and reporting requirements attached to grants, and are these clear?
- Have you considered what the post-payment verification might be?



### For more information, see:

- [Cost of living payment](#)
- [Management of the Wage Subsidy Scheme](#)

## Clear expectations need to be set for the staff involved

It is important that staff involved in delivering grants and funding schemes are clear about the processes, standards, and practices expected of them.

Where funding and purchasing are delivered through staff based in different locations with delegated decision-making powers, there should be very clear guidelines about the level of discretion they have on process, spending levels, and prices. There should be some monitoring of how decisions are made to ensure consistency across different regions and localities.

Staff need to be clear about what needs to be supplied for the price paid, and the controls to ensure delivery.

### Key questions to consider:

- Have you given useful and clear guidance to all staff who need to make quick decisions about payments or purchases?
- Do you have systems in place (such as regular review) to make sure staff are working according to the guidance?



### For more information, see:

- [Inquiry into the Ministry of Social Development's funding of private rental properties for emergency housing](#)
- [Management of the Wage Subsidy Scheme](#)

## Consider where and how the funding fits in with performance reporting

Reporting on performance helps the public and Parliament (or a council) to understand where money has been spent and what has been achieved.

In an unexpected event, new services and functions might not align with existing ways of reporting. When this happens, we recommend establishing performance measures for any new services and functions. There might be a need to collect new kinds of information and data to measure performance.

When funding is allocated to an overarching programme or fund that is made up of smaller projects, an important consideration is how to measure and report on the programme as a whole and the projects within it.

### Key questions to consider:

- How will Parliament and the public be kept informed about the amount of money spent, what it will be used for and what results have been achieved with it?
- How will senior management, governors, ministers and/or councillors be kept informed?
- How does the response to an emergency align with the organisation's current performance framework?
- What systems and processes are in place to report on any new performance measures?
- Do the measures show what is being achieved in relation to objectives and desired outcomes?
- How might your auditor get assurance over the systems and processes that support how you report on any new measures?



### For more information, see:

- [Good practice in reporting about performance](#)

## Our relevant reports

For more information, see:

- [Cost of living payment](#)
- [Inquiry into the Strategic Tourism Assets Protection Programme](#)
- [Management of the Wage Subsidy Scheme](#)
- [Managing the Provincial Growth Fund](#)
- [Inquiry into the Ministry of Social Development's funding of private rental properties for emergency housing](#)

## Other resources

- [Crisis response and recovery](#): A list of our content about crisis response and recovery work, setting out useful lessons for future events.
- [Expediting investment decisions \(treasury.govt.nz\)](#)
- [Financial management of secondments \(treasury.govt.nz\)](#)
- [Information on Infrastructure Projects – A Guide \(infrastructure.nsw.gov.au\)](#)
- [What good looks like: Procurement \(auditnz.parliament.nz\)](#)
- [What good looks like: Contract management \(auditnz.parliament.nz\)](#)