



Australian Government  
Department of Transport and  
Regional Services

*Review of Regional Office Delivery*  
*18/2003-04*  
*Final report*

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### Third Party Reliance

This internal audit report has been prepared at the request of Management of the Department of Transport and Regional Services in connection with our engagement to perform internal audit services as detailed in the contract dated 6 December 2002. Other than our responsibility to the Executive Board and the Management of the Department, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party on this report. Any reliance placed is that party's sole responsibility.

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We believe that the statements made in this report are accurate, but no warranty of accuracy or reliability is given in relation to information and documentation provided by the Department's Management and personnel.

## Synopsis

Report #	Issue date
18/003-04	17/08/04

### REVIEW OBJECTIVE:

Consider and report on the adequacy of how Regional Offices manage their responsibilities in respect of grant processes, project performance monitoring and grant payments.

### CONCLUSION

Our findings indicate that, in general, Regional Offices are managing their responsibilities in respect of grant processes, project performance monitoring and grant payments. There is, however, scope to strengthen arrangements particularly in respect of project monitoring and finalisation.

During the course of our review we also identified examples of good practice that should be carried forward to the Regional Partnerships Programme and shared across the Regional Office Network.

### POINTS OF NOTE:

Category	CR1	CR2	CR3	CR4
Number	-	-	-	4

Recommendations raised in relation to BR findings are as follows:

- To facilitate consistent programme delivery and allow for more efficient work practices, DCIARS should consider collating best practices with a view to producing standard documentation that can be used across the Regional Office Network.
- To promote the timely submission of progress reports, Regional Offices should take a more proactive approach by actively informing proponents of due dates. This should be explicitly outlined in the contract and reiterated closer to the due date. Additionally, and where possible, the use of an administrative officer (or similar) and a suitable system (in the absence of TRAX) should be used to facilitate this process.
- Regional Offices should seek to finalise outstanding projects, particularly in relation to legacy programmes, as soon as possible.
- DCIARS should review the content of the Regional Partnerships internal procedures manual and ensure that it is communicated to all staff.

**MANAGEMENT RESPONSE**

The recommendations contained in this report have been agreed with JOTARS and have either been implemented or are currently underway.



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## 1 Executive Summary

### 1.1 Background

The Department of Transport and Regional Services (DOTARS) has staff located in numerous sites across Australia. Those sites are known as Regional Offices and twelve are engaged in the administration of regional programmes, including the Regional Partnerships Programme and existing legacy programmes (eg RFP and Dairy RFP). Additionally, some Regional Offices have responsibilities in respect of Sustainable Regions.

Regional Offices differ in size and are located in Adelaide, Hobart, Brisbane, Ingham, Melbourne, Darwin, Newcastle, Townsville, Perth, Orange and Wollongong.

It is anticipated that more work will be devolved to Regional Offices in the future and it is, therefore, important that appropriate work practices are in place to ensure that Regional Offices can manage their responsibilities effectively.

This review is part of the 2003/04 Internal Audit Plan and focused on how Regional Offices manage their responsibilities in respect of grant processes, project performance monitoring and grant payment.

The focusing task for this review was:

- **Consider and report on the adequacy of how Regional Offices manage their responsibilities in respect of grant processes, project performance monitoring and grant payments.**

Our scope and methodology have been included at Appendix B.

### 1.2 Summary of key findings

Our findings are based on:

- A detailed review of documentation provided by the Regional Offices visited;
- Discussions with National Office and Regional Office staff; and
- Sample testing of Regional Office project files.

#### GOOD PRACTICE IDENTIFIED

For the sample of project files tested:

- Adequate assessment procedures appeared to have been followed prior to Regional Office recommendation;
- Accruals were on file and evidenced as reviewed prior to payments being made;
- Payments reviewed matched the schedule in the contract, could be traced back to a valid tax invoice and were properly identified in SAP; and
- Contracts were completed properly and contained all necessary information.

In addition, we were also able to identify examples of good practice that could be carried forward in the Regional Partnerships Programme and shared across the Regional Office network, including:

- Use of locally developed project management pro-formas to streamline the grant process and allow for consistency in procedures;
- Use of contractual obligations letter, which outlines the proponents key responsibilities, including progress reporting and acquittal dates and procedures;
- The use of an administrative officer with responsibility for managing due and overdue reports was identified as useful in facilitating the timely submission of progress reports at one of the Regional Offices visited; and
- Use of standard letters to address non-delivery of progress reports.

#### AREAS FOR IMPROVEMENT

The table below shows a summary of the key areas for improvement arising from our review. Further information and recommendations can be found in the detailed report at section 2.

<i>Key themes</i>	<i>Key findings</i>
Project Management Pro-formas	Each of the offices visited were using different pro-formas for various aspects of grant administration. Whilst the use of these pro-formas appeared to be effective in facilitating consistency in work and programme delivery, it may be beneficial for a standard set of forms to be developed and shared across the whole Regional Office network to ensure consistency between offices.  Refer to Appendix B for a listing of the pro-formas identified during the course of the review.
Progress Reports	At two of the offices visited we found that follow-up and management of progress reports was generally reactive rather than proactive. Progress reports were regularly submitted late (or not at all).  RANIS was identified as a useful tool for identifying and following up due and overdue progress reports. In the event that TRAX is unable to provide such functionality, a similar system should be considered for managing progress reports for Regional Partnerships. We understand that the Department has undertaken significant work since our review to ensure that TRAX can provide such reports.
Communication of Guidelines	Discussions certified that there is some confusion over the existence of a Regional Partnerships Procedures Manual. The Department should consider re-launching this document to ensure that all Regional Offices are aware of its existence and content.

<i>Key themes</i>	<i>Key findings</i>
Timeliness	<p>We identified some significant delays from application date to contract execution (some instances near 30 months), particularly in respect of DRAP projects. The delays mainly appeared to be a result of prolonged contract preparation and requests for further information at National Office level in some cases this caused retrospectively issues and threatened the ongoing viability of the project.</p> <p>We also identified delays in project finalisation. In order to reduce workload pressures Regional Offices should seek to finalise projects as soon as possible.</p>
Application Assessments / Ongoing management of Regional Partnerships	<p>Several offices commented on the difficulties associated with assessing Regional Partnerships grant applications. From discussions, difficulties appeared to arise as a result of the flexible nature of the programme and the additional time required to assess applications. Additionally, concerns were made about duplication of work, particularly regarding the need to complete application assessments in TRAX and the Regional Office Assessment Checklist (ROACH).</p> <p>We also noted that each of the Regional Offices visited had different workaround systems in place to track approved and contracted Regional Partnerships projects. Regional Offices have developed these workaround systems, as TRAX functionality is currently limited to application assessments. The lack of a suitable system to aid ongoing Regional Partnerships programme management (eg progress report tracking) was raised as a concern.</p>



Key themes	Key findings
General Issues	<p>Across all offices visited, a number of isolated issues were identified, these issues included:</p> <ul style="list-style-type: none"> <li>- Six instances of contract variations not being properly approved;</li> <li>- Four instances of Payments not made (on receipt of suitable invoice) within the timeframes outlined in the contract (i.e. 14 days for initial payment, 30 days for a 1 subsequent);</li> <li>- Evidence of client correspondence not being filed/recorded;</li> <li>- One instance of a final audit not being completed by a properly independent auditor, and</li> <li>- One instance of an incorrect final audit certificate that had not been further investigated.</li> </ul> <p>Refer to Appendix A for more detail.</p> <p>These issues have been raised with the offices concerned for further action.</p>

### 1.3 Conclusion

Our findings indicate that, in general, Regional Offices are managing their responsibilities in respect of grant processes, project performance monitoring and grant payment. There is, however, scope to strengthen arrangements particularly in respect of project monitoring and final audit.

During the course of our review we also identified examples of good practice that should be carried forward to the Regional Partnerships Programme and shared across the Regional Office Network.

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