KPMG

Review of Regional Partnerships Programme

Report #: 9/2003-04

Final report

Conducted:	November - January 2004
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Third Party Reliance

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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.

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Contents

1 Executive Summary

1.1 Background

The Regional Partnerships programme represents a significant change in the way grant programmes are administered and delivered to Regional Australia. It integrates several existing regional programmes, including (RAP and Dairy RAP). As a result, it was considered appropriate for internal audit to review the key control environment associated with this integrated programme delivery initiative.

The Regional Partnerships programme is at a relatively early stage of its life-cycle, controls are still evolving and operating procedures being embedded. In this situation, an assessment of the key risk and control framework provides management and the Audit Committee with the greatest value. Consequently, we have undertaken this review with consideration of the appropriateness of the key programme risk management strategies, controls design and have assessed whether overall programme management is consistent with policy guidelines.

The focusing questions for this review were:

Is DOTARS administering the Regional Partnership programme in a manner that ensures:

- *Suitable programme administration procedures are established to meet the requirements of the programme guidelines?*

- *Programme risks have been identified and are being proactively managed through the development / implementation of appropriate control strategies? and*

- *Programme delivery issues are identified, communicated and resolved?*

Our scope and methodology have been included at Appendix C.

1.2 Summary of key findings

1.2.1 POSITIVE FINDINGS

Several positive findings were noted during the course of the review, including:

- A comprehensive risk assessment and planning task was undertaken during the transition phase to the Regional Partnerships programme;

- All programme staff and Area Consultative Committees (ACCs) received training at the introduction of Regional Partnerships. Training requirements are monitored and refresher training is provided periodically.

- The application assessment process is subject to a multi-stage review process, including a dedicated area responsible for quality assurance and a single approval point (eg the Minister for final decision);

- There are established communication channels and processes in place to allow for and facilitate consistent programme delivery;

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- A detailed procedures manual has been developed for use by all Regional Partnerships staff and ACCs; and
- A dedicated central ACC area is in place to manage ACC matters.

1.2.2 AREAS FOR IMPROVEMENT

Category CR2 Findings

Summary	Action required	Section reference
At the time of the review, there was no formal and consistent performance monitoring protocol in place. While customers are all risk-ranked during the application assessment process, monitoring activities are at the discretion of Regional Officers and do not necessarily extend past the desktop review of milestone reports. While site visits do occur in several cases, these may only be limited to a simple "drop-in" visit rather than a review of operations to ensure they are in accordance with the programme guidelines. This provides limited assurance as to the extent that compliance activities are being consistently undertaken across all Regional Offices.	To maintain the consistency of programme delivery and reduce the risk of customer non-compliance, DOTARS should have a suitable project monitoring regime. Since the time of the review, Management has advised that a formal monitoring and compliance strategy for projects has been developed. This strategy is being implemented in Regional Offices, with training over the upcoming months.	Section 3 – R1

Business Improvement Recommendations

Business Improvement Recommendations have been raised in relation to the following:

- The lack of functionality within TRAX; and
- The use of spreadsheet models.

In addition to these recommendations, additional matters for Management and Audit Committee attention are discussed in Appendix B.

1.3 Conclusion

Is DOTARS administering the Regional Partnership programme in a manner that ensures:

- *Suitable programme administration procedures are established to meet the requirements of the programme guidelines?*

Yes. Administration procedures established and implemented would appear to meet the requirements of the programme guidelines.

- *Programme risks have been identified and are being proactively managed through the development / implementation of appropriate control strategies?*

Yes. With the exception of the findings and recommendations made in this review, programme risks appear to have been identified and appropriately managed. A number of other areas of concern have been raised in Appendix B.

- *Programme delivery issues are identified, communicated and resolved?*

Yes. Programme delivery issues appear to be appropriately managed. To ensure continued effectiveness, the issues raised in Appendix B should be actively monitored and actioned as necessary.

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2   Findings and Recommendations

R1   Performance Monitoring / Site Audits

Recommendation 1	
Ranking	CR 2
Finding	During the course of this review, issues were identified regarding performance monitoring and site visits conducted by Regional Offices.
	Specifically, while customers are all risk-ranked during the application assessment process (based on the funding level and nature of the organisation), monitoring of grantees does not necessarily extend past desktop review of milestone reports.
	While site visits do occur in several cases, these may only be limited to a simple "drop-in" visit to inspect how things are going, rather than a review of operations to ensure they are in accordance with the programme guidelines. With no set procedures or requirements in place, Regional Offices determine the level of activity and tasks undertaken during site visits. This provides limited assurance as to the extent that compliance activities are being consistently undertaken across all ROs.
	It is our understanding that a draft monitoring protocol has been put forward for consideration and will be implemented progressively during 2004.
Implication(s)	Without a proper monitoring regime, the risk of non-compliance by grantees (deliberate or otherwise) is increased.
	Additionally, inconsistencies in monitoring procedures may negatively impact customer perceptions of the programme. Specifically, grantees should feel they are treated fairly and equally and are subject to a consistent monitoring regime.

Recommendation	To maintain the consistency of programme delivery and reduce the risk of customer non-compliance, we recommend that DOTARS have a formal monitoring and compliance strategy for the Regional Partnerships programme. In particular, improvement may be achieved through:
	■ Site audits of grantees, including a review of operations to determine compliance with programme guidelines and the funding agreement;
	■ Continued development and implementation of a grantee monitoring protocol (with particular focus on risk areas);
	■ Ensuring consistent application of the protocol across all Regional Offices; and
	■ Ensuring that staffs are properly skilled and trained in the required compliance activities.
	When determining the extent to which site audits occur, a suitable 'cost-benefit' analysis should be undertaken. Additionally, should resources be insufficient to audit all grantees, sampling could be used based on a 'risk-management' approach which would focus on higher risk customers.
Responsibility & Management Comment	Agreed.
	DOTARS has developed a formal monitoring and compliance strategy for RP. It is a multi-layered methodology that recognises the variable risk profile of projects primarily, but not wholly, based on the amount of the funding provided and the nature of the recipient. It recognises the need to explicitly address risk in a grant programme as outlined in the ANAO Administration of Grants Better Practice Guide. It also forms part of the programme and the Department's response to risk management.
	Guidance on the approach to project monitoring is included in the RP Internal Procedures Manual.
	An essential part of the agreed monitoring methodology is a modest, measured, systematic programme of site visits by Regional Office Staff. These visits have two main functions:
	■ To assist the recipients to administer the project and meet the Commonwealth's reporting requirements; and
	■ To undertake probity checks on whether recipients are meeting the various conditions of funding agreement and the written progress reports are adequate representations of reality.

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Proposed Action & Timeframe	July 2004.
	DOTARS has already implemented its monitoring and compliance strategy and will shortly initiate training for regional office staff to improve understanding of the strategy and consistency of implementation. In addition the number of site visits is now being recorded as part of the routine Regional Office monitoring of Regional Partnerships Programme activity.

R2   TRAX Functionality

Recommendation 2	
Ranking	BIR
Finding	During the course of this review, it was noted that there are a number of concerns re the current lack of functionality within TRAX. The primary issue / concern relating to TRAX is the lack of reporting within the system. Weaknesses in TRAX reporting functionality generally related to the following: ■ Tracking the status of applications; ■ Application statistical analysis and reporting (eg number of applications, breakdowns by state/ACC, number approved/rejected); ■ Status of approved grants – to provide users with key dates, expected payment dates, etc; ■ Allocation of resources – statistics on workloads at the Regional Offices to aid in work planning; ■ Allocation of funds – to provide statistics on funds committed, expected future commitments and available funds; and ■ Processing of payments (eg the use of an interface between TRAX and SAP).
Implication(s)	Without a suitable system, the management of Regional Partnerships may become further inhibited in the future as the number of applications and approved grants increases. While a number of spreadsheet models are being used to provide information (See Recommendation 3), these should be seen as a short-term rather than long-term solution, due to the increased risks associated with data integrity and security.

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Recommendation	To allow for ease of future programme management, it is important that the development of TRAX is continued and completed in a timely manner. Specifically, this review identified the following functions/reports as being beneficial to continued efficiency in programme administration: ■ Ability to track the status of applications and approved grants; ■ Various statistical reports on applications (including in progress, approved and rejected); ■ Allocation of resources; ■ Allocation of funds; and ■ A mechanism to facilitate the processing of payments.
Responsibility & Management Comment	Agreed. TRAX is being implemented in stages. Current functionality includes application and assessment phases of grant management. Implementation of the Claims module in August 2004 will provide end-to-end functionality. This module will include full financial management of projects, including development of funding agreements, payments and audit processes.
Proposed Action & Timeframe	Ongoing. Further work is currently being undertaken to enhance the reporting capability of TRAX which will deliver a broad spectrum of reports. These reports are dependent on the successful implementation of the claims module. Current planning for this implementation will incorporate a strategy to ensure data migration from 'shadow' systems (spreadsheets, etc). Reports will include capacity to monitor the business process flow. Resources are already in the project budget for developing an automated upload to the Department's payment system.