



Management of the Community Support Fund



Audit summary

Background

The Community Support Fund (CSF) is a statutory trust fund that has been operating since 1991. It is funded solely from a set proportion of gambling revenues, and in recent years its income has averaged just over \$100 million annually. The fund balance at year-end typically averages around \$50 million, and approximately \$1.4 billion has been spent as grants from the fund since 1991.

Grants from the fund are required to be spent first to address problem gambling; and then on a range of other areas including drug addiction, financial counselling, youth programs, community advancement, sport, art and tourism.

CSF distributions are either paid to government departments, which administer and distribute them as grants, or paid directly to councils and community organisations for community strengthening projects under the Victorian Community Support Grants (VCSG) program.

Cabinet approves all CSF funding for departmental initiatives that are recommended to it by the CSF Committee of Cabinet. The CSF Committee of Cabinet also provides advice to the Premier on funding guidelines and broad funding allocation policy for the CSF.

A cap on annual expenditure, presently \$108 million, has been set by the Expenditure Review Committee (ERC) of Cabinet. The ERC recommends to Cabinet the broad allocations of CSF funds and also refers funding proposals to the CSF Committee of Cabinet.

The Minister for Community Development is the responsible minister under the *Gambling Regulation Act 2003* (the *GR Act*) and is supported by the Department of Planning and Community Development (DPCD), which administers the trust fund.

The audit

The objective of this audit was to determine the effectiveness of the management framework operated by the DPCD; whether CSF grants were made in compliance with the *GR Act*; and whether the funds provided to beneficiaries were spent for the purposes approved.

The audit examined the governance and administrative arrangements for the management of the CSF, and for the following grants programs, which account for around 80 per cent of annual distributions from the CSF:

- the Victorian Community Support Grants (VCSG) Program administered by DPCD
- the Community Facility Funding Program (CFFP) administered by Sport and Recreation Victoria (SRV)
- the Taking Action on Problem Gambling (TAPG) program administered by the Department of Justice (DOJ).

Conclusion

The CSF has spent \$1.4 billion since 1991 on programs and initiatives to benefit the Victorian community, but the fund's overall performance cannot presently be assessed as it has no explicit objectives and there is no monitoring, evaluation or reporting on its overall effectiveness.

This is because it has been managed from a narrow compliance perspective reflecting its status as a trust fund. Past emphasis has been on ensuring that approved funding proposals are consistent with the purposes of the trust, and although administering agencies separately evaluate their own CSF-funded initiatives, less regard has been given to what outcomes have been achieved across the entire fund from these significant outlays of public moneys.

DPCD and DOJ grants complied with the *GR Act*, and recipients spent the funds for the purposes approved. Inconsistent practices by DPCD in some cases, however, indicate that aspects of the administration of the VCSG and CFFP programs need to be strengthened.

Key findings

Management of the CSF by DPCD

The CSF has no agreed enduring objectives, or an overarching policy framework to guide and/or focus distributions within the broad legislative areas.

The absence of CSF objectives means that its aggregate performance cannot be monitored over time and the overall benefits of CSF distributions cannot be determined.

Evaluation strategies are developed for individual programs funded from the CSF, but the absence of CSF objectives means there is no common reference for these evaluations and, therefore, no basis for measuring the CSF's aggregate performance.

There is also no single source of public information about annual CSF expenditure disaggregated by legislative category, by recipient, by project and/or by geographical location across all CSF programs. This limits Parliament's capacity to assess the fund's performance and results in a lack of transparency over the use of CSF funds.

These are longstanding issues. It is timely, therefore, that a 2008 inter-departmental review has also identified, and is addressing, this gap in accountability.

The decision-making role of the CSF Committee of Cabinet had at times been taken by the Expenditure Review Committee, as part of the budget process. Greater clarity for the role of the CSF Committee of Cabinet will strengthen the governance and oversight of the CSF.

Overall guidelines for the CSF were developed in 2000, but have not been updated since 2003. Updated guidelines, relevant to the current and future operating context of the CSF, are needed. Accountability can be strengthened by providing greater clarity on what constitutes appropriate use of CSF monies apart from the broad areas identified by the Act.

Agency management of Community Support Fund grants

Agencies administering CSF-funded programs had:

- comprehensive guidelines that clearly described application processes, eligibility criteria and information for applicants
- clear and thorough processes for assessing grant applications
- funding agreements that contained sound accountability requirements with all approved grant recipients.

All grant applications examined were properly assessed by agencies against the program criteria.

For all approved grants, agencies established funding agreements with the recipients that required them to comply with the relevant requirements of each grant program.

There were examples, however, where grants arising from election commitments deviated from the guidelines and where DPCD did not apprise the minister of the associated implications. Documenting approvals and the reasons for deviations from applicable program criteria would strengthen transparency and accountability, consistent with good practice in public administration.

In all cases examined recipients forwarded progress reports to the administering agency when required, and they were paid only after agreed milestones had been achieved.

However, the funding agreements for five VCSG grants, with values ranging from \$48 000 to \$1 million, did not provide for DPCD to retain a portion of funds until the grant had been acquitted. The VCSG guidelines allow for judgement to be used in determining the retention amount, but there are no criteria to guide decision makers in these circumstances.

In addition, two VCSG grants of \$30 000 and \$1.013 million were fully disbursed to recipients before they submitted final acquittal reports. In the latter case, the acquittal report was received more than two years late. DPCD advised that it had actively worked with the recipient to finalise the acquittal, however, these activities, were not documented. This recipient received two more grants totalling \$120 000 from the CFFP despite their prior breach of the terms and conditions of funding.

Recommendations

Number	Recommendation	Page
Management of the CSF by DPCD		
1.	<p>DPCD should in conjunction with the cross-government working group:</p> <ul style="list-style-type: none"> • establish clear objectives and updated guidelines for the CSF as part of developing the CSF policy framework • introduce the CSF policy framework as soon as possible to enable better targeting of future CSF expenditure, and ongoing assessment and reporting on the fund’s overall performance • include key performance indicators linked to CSF outcomes in the Memoranda of Understanding (MOU) with administering agencies • make the reporting requirements in the MOUs consistent with those needed by the CSF Committee of Cabinet to adequately monitor CSF-funded projects • develop a longer-term strategy to progressively reduce the cash balance of the CSF that involves identifying opportunities to fund new initiatives consistent with priorities contained in the post-2012 CSF policy framework • introduce the monitoring and evaluation framework for the CSF as soon as possible prior to 2012. 	16
Agency management of selected grant programs		
2.	<p>DPCD in consultation with administering agencies should enhance their grant management frameworks by:</p> <ul style="list-style-type: none"> • requiring the rationale for any departures from the program guidelines in relation to individual grants to be clearly documented and properly approved • developing criteria and/or guidelines to assist decision makers determine appropriate retention amounts and funding ratios for individual grants • strengthening follow-up procedures for the timely completion and submission of acquittal reports by recipients, including processes for documenting these activities • establishing procedures to preclude further grants to applicants who have failed to abide by the terms and conditions of funding. 	22