Good Practice Guide to Grants Administration
Good Practice Guide to Grants Administration

The Guide to Grants Administration has been developed to assist NSW Government grant giving departments to engage consistent practices for grants programs.

Each section covers a different process in the grants administration cycle and provides good practice, tools and resources for use by grants program managers. Where appropriate, the model process templates can be customised to the requirements of individual grants programs. However, departments are encouraged to harmonise their grants programs to reduce red tape for grant applicants and to ensure a level of compliance that is commensurate with the risks involved. The Department of Human Services and NSW Health are implementing improvements to their grant forms consistent with recommendations from the Non-Government Organisation Red Tape Reduction report released in 2009. Other departments should consider the applicability of these forms as to their grant programs as harmonised processes make it easier for NGOs that draw funding from multiple departments. Further information can be obtained from the Department of Human Services on 8270 2485

The following links take you to each process in the grants administration cycle:

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Good Practice: Receive/Process Applications .............................................................................................. 11
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Good Practice: Monitor and Acquit Grants .................................................................................................. 18
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Model process templates downloaded from these pages can be customised and used according to this basic guide to Using Model Forms.
Good Practice: Plan and Design

- Align the goals of each grants program with the core business and goals of the department.
- Coordinate grants planning with the department’s Results and Services Plan.
- Use the cross-department grants planning model to identify need and remove overlap or duplication between grants programs.
- Establish systems and procedures to ensure proper management and accountability for grants programs.
- Integrate funding and management of multiple grants (reduces red tape for NGOs and helps grant provider to control risks)
- Develop performance measures to be used for monitoring during the life cycle of the grant and to evaluate the program.
- Incorporate an appropriate risk assessment process. Require grant recipients to establish internal controls.
- Aim to harmonise audit thresholds, insurance arrangements and reporting formats across grants to minimise administrative burden on grant recipients and simplify administration. Consider aligning audit thresholds with those prescribed by regulation under the Associations Incorporation Act 2009. It is anticipated that a new threshold will be prescribed some time in 2010
- Identify the unit costs of processing a grant to minimise administration costs.
- Establish a NGO reference group to support effective working and funding relationships.
- Reduce red-tape by using:
  - standard terminology when dealing with grant recipients
  - three or four year agreements for recurrent services and ongoing projects
  - targets to better manage the time taken to process grants.

Guidelines and Resources

Establishing the Program

The decision to develop or to continue a grants program should be taken in the course of departmental strategic planning. Careful planning is required to ensure financial assistance to non government organisations is compatible with department objectives and that administration of the financial assistance is based on appropriate policies and procedures. Integrating grants program planning with departmental corporate planning will help ensure that community projects or funded services are those required by departments and that:

- Allocations are consistent with government priorities
- Programs are established with clear and non-conflicting objectives and based on evidence of need
- The potential is reduced for duplication of programs across departments; and
The program is administered by the department with the most appropriate infrastructure, expertise and experience.

The Cross-Department Grants Planning Model has been designed to provide:

- Alignment of available funding with government priorities and evidence of community need
- A capacity for greater community input into determining how needs can be addressed and improve service delivery
- A process to enhance the relationship between the Government and NGO grants recipients
- Better cross-department participation in resolving grants funding issues
- Support to move from one year funding agreements to three or four year funding agreements, where appropriate.

Policy and procedures by which the grants program will be managed in the department should be established in order to:

- Inform consistent and transparent practice by the department in all elements of grants administration
- Provide clarity to all grants administration about what to expect when making an application for a grant to the department.

Develop performance measures

Performance measures should be used for monitoring during the life cycle of the grant and to evaluate the program as a whole. Refer to the headings ‘Monitor and Acquit’ and ‘Evaluate’ for further information.

Performance measures are simply explicit statements that define how the success of a program is to be measured and the criteria or benchmarks to be used in judging success. These criteria for comparison include standards, targets, time and other programs.

Performance measures should be clear and easy to understand and use. They should assist decision makers and community groups to understand program performance requirements and inform performance improvement.

Quantitative measures

The use of performance measures is intended to bring precision into the judgements about the program’s performance and therefore they tend to be expressed in quantitative or numerical terms such as percentages, ratios and rates.

Qualitative measures

Qualitative measures may be expressed in numerical terms. However, some may be better expressed in narrative form. Qualitative indicators can inform program managers about stakeholder opinions, judgements and ideas and so help to improve the program.
When developing performance measures:

- **Be clear on intended program outcomes**
  Ensure the performance measures relate to the intended outcomes of the program.

- **Have a comprehensive set of measures**
  A single performance measure can only indicate one aspect of the program’s performance. A comprehensive set of measures on appropriateness, effectiveness, efficiency and economy of the program will contribute to an overall evaluation of the program’s performance.

- **Test measures before use**
  Performance measures should be tested to ensure that they measure what you want them to measure (i.e. they are valid) and that they measure accurately and consistently (i.e. they are reliable). They also need to be credible to grants recipients and it can be useful to ask community organisations and NGOs to comment on proposed performance measures.

- **Review measures from time to time**
  Performance measures used in performance monitoring should be reviewed from time to time to ensure that they are still valid. However, unnecessary changes to performance measures should be avoided as they make comparisons over time difficult.

**Determining and managing risk**

Departments should manage risk and streamline procedures to the minimum needed to ensure accountability and value for money. The planning stage should incorporate appropriate risk assessment. Risk assessment can be used to streamline processing costs, both for the grant giving department and grant recipients, and to determine risk in direct negotiation with funding recipients.

Follow these links to publications for guidance on determining and managing risk:

- [NSW Treasury Risk Management Toolkit](#)
- [Financial Management Framework – What You Do and Why: An Agency Guide to Defining Results and Services](#) (TPP 04-4). An important part of the Government’s Results and Services Plan (RSP) process is identifying significant service delivery risks and how those risks are to be managed.
- [Guidelines for Managing Risks in Direct Negotiations](#). This Independent Commission Against Corruption (ICAC) publication provides guidance when deciding to enter into direct or exclusive negotiations between a government department and a proponent (such as a grant applicant) without first undergoing a genuine competitive process. It highlights a number of probity risks that can compromise apparently competitive contracting, and methods to manage those risks. Many of the risks apply to grants administration and include overly close relationships with recurrent proponents, poor continuity planning forcing departments into de facto
direct negotiations, and the issue of proponents as customers/stakeholders of the department.

The NGO Red Tape Reduction Report (2009) recommends:

- Developing standard questions on capability/management/financial viability
- Considering mutual recognition of audits amongst funding Departments
- Harmonising audit thresholds amongst grants and harmonising with thresholds prescribed by regulation under the Associations Incorporation Act 2009.
- Accepting audits from all professional bodies that meet Australian auditing standards rather than prescribing one.
- Standardising insurance requirements
- Introducing a standard chart of accounts for funding departments
- Considering prequalification panels

**Determining administration costs**

Administration costs are an important consideration in grants planning and management. It allows departments to identify and adopt cost-effective processes and maintain internal controls.

Administration costs for grants programs are broad in nature, but generally fall in the categories of salaries/wages and operating costs and typically include the following activities:

- Grants planning
- Community consultation
- Grants promotion and advertising
- Assessment of applications and selection of recipients
- Monitoring and assessment of grants

Operating costs associated with grants programs include, but are not limited to, costs for:

- Contractors/consultants
- Travel
- Printing
- Advertising

Each department should identify the unit cost of processing a grant and utilise benchmark costs to test the performance of the overall administration of its grants programs. Where integrated services can be provided across grant giving departments, the unit costs of these should also be developed.

Improving the efficiency and reducing the cost of administrative processes for grants programs can be achieved through:
• Adopting standardised procedures across departments, sectors and whole-of-government
• Adopting ‘best practice’ including setting targets for administration costs either as a specific dollar amount, or as a percentage of grant program value
• Greater use of automated systems
• Recognising the need for following administratively efficient paths through the grants planning process
• Standardising terminology, insurance, and audit arrangements across grants within your Department and harmonising arrangements with the other Departments. The Department of Human Services is currently implementing changes to its documents and requirements. Other departments may benefit from this work. Further information can be obtained on 8270 2485.
• Aligning requirements with those of the Associations Incorporation Act 2009.
Good Practice: Promote the Program

- **Develop guidelines** for the program.
- **Provide the same information package** to all prospective applicants.
- **Develop strategies to ensure high level awareness** of the grants program.

Guidelines and Resources

Content of Guidelines

Guidelines for a grants program should contain the following information.

**General program information**

- A description of the department and of the specific grants program in the context of the department's core business and Results and Services Plan and any relevant legislation.
- The opening and closing dates for applications.
- An indication of the amount and type of funding likely to be available under the program.
- A broad description of the types of projects which would meet the program's objectives or of the specific kinds of costs which may be eligible for funding.
- The required monitoring and reporting activities for grants recipients.
- The type and minimum level of insurance cover, if any, required to be held by recipients of funding.

**Specification of any services to be provided**

- A clear statement of the objectives of the program and the community needs it is intended to address, consistent with the program objectives and needs established during the planning process.
- If re-current funding is envisaged then provide details of multi-year funding and performance agreements.
- Provide details of performance criteria and service standards which will be expected and monitored during the funding term.
- Outline clearly the agreed purpose, form and timing of monitoring.

**Eligibility and selection criteria**

Criteria should be designed to permit an objective assessment of all the relevant factors and should encompass:

- Consistency of the proposal with program objectives.
- Capability of the applicants - the experience of the applicant organisation, management expertise, specialist skills, community support, capacity for innovation.
• Technical aspects of the proposal - the infrastructure and technical capacity to fulfil the project requirements.
• Financial arrangements.

Procedural information
• A description of the assessment, approval and notification procedures and the time frames involved.

For services funding programs also include:
• Contractual aspects - the costs and benefits of any contractual variations proposed.
• The existence of processes for ensuring customer service, including quality controls, internal evaluation processes, consumer feedback and complaint handling procedures.
• A copy of the funding and performance agreement.

Develop strategies to ensure high level awareness of the grants program

The nature and objectives of the grants program will inform how and to whom the availability of funding is to be promoted. Strategies should take into account the most cost effective means to reach all potential applicants. Strategies to promote the program include:

• Mainstream or ethnospecific newspaper advertisements (city and regional) in accordance with Government advertising policy.
• Letters to local government, peak and/or targeted non government organisations.
• Providing information on the department’s website and on the funding and awards section of www.communitybuilders.nsw.gov.au.
• Adopting a rolling calendar of grants funding expected to be available in the next 12 months.

Website access to information about all NSW Government grants programs

The NSW Government provides a single point of electronic access to information about NSW Government community grants programs through www.communitybuilders.nsw.gov.au.

The site provides non government organisations and community groups with a planning tool to know what programs are available and when. It contains all the NSW Government grants programs together with some Commonwealth Government and some institutions and corporate philanthropic programs.

A comprehensive search engine allows users to search for programs using key word, subject or grant giving department name. Each grants program includes a program summary, whether the program is open or closed, key dates, who can and can’t apply, what will be funded and how much funding is available. Hyperlink access is also provided to each grant giving department’s website to download more detailed information if required.
Site users can join a free email list to receive a monthly email update of funding and awards programs closing in the next 90 days.

Departmental grants managers are provided with login and password access to the site to enter and maintain their grants program information.

communitybuilders.nsw does not replace the information about funding programs provided on Departmental websites. Departmental websites will remain the most comprehensive source of information. The information on communitybuilders.nsw leads people to information on departmental websites. The site is maintained by the Department of Human Services, and a small annual fee is charged to participating departments to cover web administration costs.

Contact: webkeeper@communitybuilders.nsw.gov.au or call 02 9716 2846.
Good Practice: Receive/Process Applications

Good Practice: Receive and Process Applications

- Establish time targets for grant processing and resource the process adequately.
- Use the NSW model application form to develop a standard application form for each funding program.
- Restrict information collected to only what is necessary to assess applications against published program criteria.
- Use available technologies for applications lodgement and assessment processes. Departments are encouraged to adopt Web technology to streamline administration and simplify the process for applicants.
- Establish a transparent process with the minimum number of administrative layers for assessment and approval of applications.
- Fully document funding recommendations and decisions. Software or web based grant management systems can be used to reduce risk by controlling the decision making process making it easier to audit.
- Advise successful and unsuccessful grants applicants at the same time and as quickly as possible following Ministerial approval. Tell unsuccessful applicants why their proposal was not successful.

Guidelines and Resources

Applications

Applications should follow a standard format to allow for a fair comparison of applicants and an objective assessment of their capabilities and the project feasibility against the grants program criteria. A model application form is provided which can be used to develop a standard form for different grants programs while maintaining a consistent cross government approach to language and information collected.

The model application form has three parts:

1. Registration designed to obtain details of the applicant organisation, its structure and legal status and contact details. Only the minimum amount of information should be sought to meet accountability requirements.
2. Project funding with core questions to collect information against the criteria for community project funding programs.
3. Service provider funding with core questions to collect information against criteria for service delivery funding programs.
Model process templates can be customised and used according to this basic guide to Using Model Forms.

**Assessment**

Grants programs must have criteria against which applications are assessed. The full criteria should be published when promoting the program and decisions must be made on the basis of the published criteria.

The grants assessment process should be as transparent as possible and have a minimum number of administrative layers. Assessment should include a recommendation stage and a decision making stage. A personal ‘statement of conflict of interest’ on behalf of any person involved in the assessment of applications should be formally made and recorded.

Wherever possible, processing should utilise the current technologies that are available, such as the Internet. The Auditor General’s Performance Audit of Grants Administration encourages departments to use web technology to make it easier for applicants to apply for grants, improve the information available to grant makers and recipients, and streamline interactions between grant makers and recipients. Beyond e-applications, Departments are encouraged to consider administering the full cycle of grants via a single web application. There are benefits for both grant makers and recipients of using a common platform.

Adhere to the timetable provided in the published guidelines as circumstances may change with the passage of time for either the applicant or the grant giving department.

Deal with the assessment process promptly to avoid unnecessary uncertainty and provide a written response to both successful and unsuccessful applicants. Provide unsuccessful applicants with the reason for why their applications were not successful.

Follow this link to a Model Grant Application Assessment Form. Model process templates can be customised and used according to this basic guide to Using Model Forms.

**Model assessment process**

Departments are encouraged to ensure transparency by publishing on their websites in a timely way:

- a rolling calendar of grants funding expected to be available in the next 12 months
- procedures and criteria for making grant decisions
- reasons for decisions to make or refuse grants outside of normal procedures
- evaluation of what grant programs have achieved and how the distribution of funds has supported government objectives

<table>
<thead>
<tr>
<th>Steps</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Cull</strong></td>
<td>Initial eligibility cull by grants administration officer completed against the grants program criteria.</td>
</tr>
<tr>
<td><strong>2. Summary</strong></td>
<td>If ineligible to be considered: Submission to Minister. Letter to applicant with reason signed by CEO or delegate.</td>
</tr>
<tr>
<td><strong>3. Committee</strong></td>
<td>Establish Grants Advisory Committee. Include representative(s) from another department, stakeholder groups, and an independent person. Departments with a regional presence include regional staff. In larger departments include program staff.</td>
</tr>
<tr>
<td><strong>4. Assessment</strong></td>
<td>Undertake assessment against criteria. &lt;ul&gt;&lt;li&gt;Develop and use a standard template.&lt;/li&gt;&lt;li&gt;Document reasons for decisions.&lt;/li&gt;&lt;/ul&gt;</td>
</tr>
<tr>
<td><strong>5. Recommendation</strong></td>
<td>Grants Advisory Committee makes recommendation to CEO or delegated officer. Detail the procedures followed and the selection criteria used.</td>
</tr>
<tr>
<td><strong>6. Decision-making</strong></td>
<td>Minister’s or delegated officer’s approval based on whether: &lt;ul&gt;&lt;li&gt;The financial assistance is in line with the goals of the program&lt;/li&gt;&lt;li&gt;Costs and other aspects appear reasonable&lt;/li&gt;&lt;li&gt;That sufficient funds are available; and&lt;/li&gt;&lt;li&gt;The assessment is fully justified and documented.&lt;/li&gt;&lt;/ul&gt; Record decisions and any variance to recommendation with reasons. Publish decision on Department’s website and disclose reasons for any variation.</td>
</tr>
<tr>
<td><strong>7. Announcement</strong></td>
<td>Public announcement if required. Written advice to unsuccessful applicants with reasons for lack of success.</td>
</tr>
</tbody>
</table>
Good Practice: Offer Grants and Enter into a Funding Agreement

- **Enter into a formal agreement** with each approved grant recipient to ensure that both parties are clear about their roles and responsibilities.
- Both parties **sign the agreement prior to the commencement of the term of the grant**.
- **Enter into 3-4 year performance-based agreements for recurrently funded services** to support effective NGO planning and minimise administration costs.

Explain to unsuccessful applicants why their proposal was not successful.

Guidelines and Resources

Definition and purpose

A funding agreement is a legal document which sets out the arrangements under which a grant is provided, received, managed and acquitted.

A funding agreement contains appropriate controls and accountability mechanisms which need to be in place to enable the funding department to ensure that grants are spent appropriately and the project or the service is going to plan. The agreement will contain a clear mechanism for managing issues that could lead to a change to the agreement.

A well drafted funding agreement includes a dispute resolution procedure. It is expected however, that the majority of issues arising between the funding department and the recipient will be resolved satisfactorily in discussion between the recipient and the grants program manager.

Legal Status of Agreements

Funding agreements may not always be enforceable as contracts. Funding departments should seek their own legal advice when customising the model funding agreement to determine legal status prior to use. For further information, refer to the NSW Crown Solicitor's Office's [Legal Guide to Model Funding Agreement (Community Grants)](#).

Forms of Agreements

The form of the agreement will vary with circumstances. Unless legislation or policy prescribes the form of agreement, the funding department should choose the form of agreement that best suits the nature of the funding program and the nature of the recipient.

When choosing a form of agreement the decision should be taken consistent with funding departments’:

- internal control and audit system
- risk management guidelines; and
- legal advice.

**Letter of Offer**

For **small community projects** involving limited funds, a letter of offer from the department and a copy of that letter signed by the recipient accepting the offer and conditions should be sufficient. The letter should contain all the relevant information.

Follow this link to the [Model Letter of Offer (Small Community Grants)](#).

**Funding Agreement**

For more **complex projects or services** involving significant funds (suggested over $15,000) a detailed funding agreement signed by both parties is more appropriate.

Clearly, no one form of funding agreement is applicable in all circumstances. There are, however, principles, common elements and some standard wording appropriate to all grants programs. A model funding agreement has been developed and reviewed by the NSW Crown Solicitor. The model contains standard clauses including compliance with law, employing staff, dispute resolution, asset management, confidentiality, protection of intellectual property and insurance; and schedules to contain the specifics of the grant arrangements such as amount of funding, monitoring, reporting and performance measures.

Follow this link to the [Model Funding Agreement (Community Grants Programs)](#). Also download the [Legal Guide to Model Funding Agreement (Community Grants)](#) prepared by the NSW Crown Solicitor’s Office.

Model process templates can be customised and used according to this basic guide to [Using Model Forms](#).

**Agreements between Departments**

In some circumstances a document commonly referred to as a Memorandum of Understanding (MOU) is used to detail arrangements relating to provision of resources between governments or between two or more government departments and authorities. For example:

- The political and administrative arrangements applying to funding provided by the Commonwealth Government to the NSW State Government for purposes of conducting specific grants programs are usually set out in a MOU.
- When funding is provided by one government department to another with the intent that the money will be provided to a local government authority, non government organisation or an individual to conduct an activity or provide a service the arrangements are usually set out in a MOU.
When two or more government departments jointly commit resources to a funding program one of the departments should be specified in the MOU to take the lead role to administer the funding program. Agreed reporting arrangements should be set out in the MOU.

Relevant terms and conditions in a MOU should be subsequently incorporated into the funding agreement with the recipient of the funding. On occasion it may be appropriate for a copy of a MOU to be provided for information to the final recipient of the funding.

Further guidelines on agreements between departments can be found in Service level agreements – guidelines for public sector organisations, NSW Premier's Department Corporate Services Reform Team, 1999.

**Acknowledgement of NSW Government Funding**

All Letters of Offer, Funding Agreements and Agreements between Departments must contain a statement relating to the acknowledgement of financial support by the NSW Government. The organisation receiving the funding must abide by the following set of principles:

- acknowledge the NSW Government’s contribution in any written material in relation to the project;
- use the revised NSW Government logo in accordance with the NSW Government Style Guide in any publicity provisions of any kind (including brochures, signage, advertising, and invitations); and
- issue an invitation to a government representative to any lunch or public event associated with the funding, and that where they are able to attend, they are acknowledged as official guests. Where practicable, they should be afforded the courtesy of publicly addressing the event.

These requirements in relation to acknowledgement of NSW Government Funding apply to all agency grants, all intergovernmental funding agreements, all dispersals of funds from a Ministerial or Director General’s discretionary fund, and any other dispersal of NSW Government funding for a project or program to be delivered by a third party.
# Model offer and fund process

<table>
<thead>
<tr>
<th>STEPS</th>
<th>ACTIONS</th>
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</thead>
<tbody>
<tr>
<td>1. Offer funding</td>
<td><strong>Small community projects:</strong></td>
</tr>
<tr>
<td></td>
<td>• Customise model grants letter of offer. Letter signed by Minister, CEO or delegate and recipient. Move to step 3.</td>
</tr>
<tr>
<td></td>
<td><strong>Complex projects or services:</strong></td>
</tr>
<tr>
<td></td>
<td>• Initial system generated letter to successful applicants. Letter signed by Minister, CEO or delegate. Move to step 2.</td>
</tr>
<tr>
<td>2. Agreement signed</td>
<td>• Model funding agreement customised in discussion with recipient.</td>
</tr>
<tr>
<td></td>
<td>• Agreement signed by CEO or delegate and recipient.</td>
</tr>
<tr>
<td>3. Funds transferred</td>
<td>Electronic transfer of funds arranged by financial officer.</td>
</tr>
</tbody>
</table>
Good Practice: Monitor and Acquit Grants

GOOD PRACTICE: MONITOR AND ACQUIT

- **Monitor against all requirements** set out in the funding agreement.
- **Establish a standard of quality and performance** that can be assessed objectively.
- **Establish performance measures and benchmarks** for each grants program and for individual grants, if appropriate.
- **Use the model reporting and acquittal templates** provided on this site to reduce the number of reporting regimes.
- **Establish a policy to remove inconsistency** between the level of accountability required and the level of funding being provided.
- **Regularly review the effectiveness of monitoring activities**, including data collection and information sharing within and between departments.

Guidelines and Resources

**Definition and purpose**

In the context of grants administration, monitoring is the process of collecting, recording and analysing information on a regular basis throughout the life of a grant and a grants program.

The Government needs to collect information from grants recipients to establish that funds are being spent correctly and to measure the results or performance of its spending against the objectives of grants programs.

**Factors that inform the way grants are monitored in NSW**

Grants administration occurs within the legal and regulatory framework in which the NSW Government operates. A range of legal and regulatory requirements also informs the operations of funded non-government organisations and local government councils.

Follow the link to a chart of [Financial Reporting by Nonprofit Organisation](#).

Departments should be aware that organisations that receive funding from multiple sources are often required to meet multiple accountability requirements, each with different reporting periods, vocabulary, formats and measurements. This can be in addition to other legislative financial reporting obligations. In smaller organisations this effort can impact significantly on the resources of the organisation.

Some grants programs that fund the delivery of services to the community are managed by the NSW Government but the source of money is the Commonwealth Government. Reporting requirements for Commonwealth funded programs often have additional monitoring requirements such as collecting data for the Australian Productivity Commission.
**Types of monitoring**

Collecting and recording information most often takes place through written progress and/or final reports and through financial statements but can also take place through telephone discussions and site visits which are recorded in a file note.

To establish an appropriate level of monitoring departments should take into account:

- the amount of funding, the nature of the funding program and the nature of the funded organisation. For example funds provided for one-off projects may only require a simple statement of acquittal, whereas funds provide on a recurrent basis for the delivery of services will require more rigorous monitoring to ensure the continuity of the service.
- the administrative cost of monitoring, reporting and data collection both to the department and the funded organisation.
- the department’s risk management policy.

Data collection should:

- comprise only what is necessary and not what is merely desirable.
- be well defined and collected and presented in a form that is clear and easy to understand and interpret.
- be coordinated across grants within the department or cluster or between departments to reduce duplication of effort both for the funding departments and grants recipients.

**Performance monitoring**

Performance monitoring of activities funded by the Government grants programs should collectively answer the questions:

- *What has been done?*
- *How well was it done?*
- *Is anyone better off or has anything improved?*

Information to answer these questions should be collected against a set of performance measures which:

- are clear and easy to understand and use
- assist decision makers and funded organisations to understand program performance requirements and inform performance improvement
- are connected and integrated with a department’s other planning, budgeting and management systems
- can be adapted to reflect changes in program requirements and policies
- focus on outputs and outcomes rather than relying almost exclusively on input and process measures.
Follow this link to the [Model Performance Report](#).

Model process templates can be customised and used according to this basic guide to [Using Model Forms](#).

**Site visits**

In addition to written reports, performance monitoring may involve a meeting between the funding department representative and the recipient at the site where project management or service delivery occurs. Such a visit provides the opportunity to:

- observe evidence of progress or achievement of agreed goals
- inform discussion about emerging issues, opportunities for improvement and barriers to progress
- inspect project and program records
- attend a management or board meeting.

The inclusion of site visits, their nature and frequency, should be agreed between the funding department and the recipient organisation in accordance with privacy and confidentiality arrangements and clearly stated in the funding agreement.

**Financial monitoring**

Two broad objectives should guide financial monitoring:

1. Funds should be used in an efficient, effective and appropriate manner, consistent with Government priorities and community needs; and
2. Funds should be properly accounted for with adequate safeguards in place to prevent misuse.

**Determining the type and level of monitoring required**

For small one-off projects, a report on achievements against objectives and financial acquittal when the project is completed would generally be sufficient.

For more complex projects and service delivery programs, regular and rigorous review is required to determine progress and assess whether value for money has been achieved. This will include regular progress reports by the funding recipient against agreed performance measures or milestones and/or site visits by a representative of the funding department.

A regular review of monitoring, reporting and evaluation activities for funding programs should be scheduled in the funding department’s internal audit plan.

**Model templates for performance and financial monitoring**

Templates have been designed to capture information relating to different aspects and levels of financial and performance reporting. The templates can be adapted for both
interim and final reports and include a basic performance report, acquittal certificate, balance sheet, income and expenditure statement, application for surplus funding retention, and an asset register.

Select any of the following to download a model monitoring template:

- Model Performance Report
- Model Acquittal Certificate
- Model Balance Sheet
- Model Income and Expenditure Statement
- Model Asset Register

Model process templates in Word can be customised and used electronically according to this basic guide to Using Model Forms.

The model balance sheet template and the model income and expenditure statement template are provided in Excel spreadsheet format with embedded formulas and capacity to monitor against the full range of financial elements. Not every grant will require this extent of financial monitoring. Grants managers should customise the templates to only include the necessary elements to determine expenditure against the funding agreement.

**Unspent funds**

Unless there is an agreement with the funding department a recipient is required to pay back unspent funds at the completion of the funding period. There may be occasions when the funding recipient wishes to present a case to retain unspent funds and departments should properly consider any proposal. Follow this link to the model template Model Unspent Funding Retention Form.

**Financial management**

All funding recipients should be required to maintain an interest bearing account at an approved financial institution (i.e. bank, building society or credit union with 100% security of deposits) for all transactions relating to the funding received. Unless required by legislation, it is not necessary for separate accounts to be opened in respect of each funding source. Rather, the funds should be deposited in an approved form to ensure protection and accountability.

Good financial management practice indicates that the recipient should advise the funding department in the following circumstances:

- where a project or service will not commence within 3 months of receiving the funding; and/or
- where the project or service has been inactive for a period of 3 months or more.
Keeping records and accounts during the funding period
With limited exceptions, organisations receiving NSW Government funding must be incorporated in Australia. Where possible, requirements such as audit thresholds should be harmonised with those of the Associations Incorporation Act 2009. The new thresholds are expected to be prescribed by regulation in 2010. The recipient organisation is required to maintain adequate financial and operational records in relation to the operation of the project or service in accordance with the arrangements specified under incorporation or other relevant legislation.

The type of accounting records required to be held will vary according to the funding program but the following list is provided as a guide:

- Cash Book
- Bank Deposit Book
- Cheque Butts
- Petty Cash Book (kept on imprest system)
- Pre-numbered Official Receipt Book
- Monthly Bank Reconciliation of Cash Book
- Documentation of all Expenditure with evidence of approval (e.g. Management Committee or Officers as authorised under the organisation's approved constitution)
- Wages Records/Time Sheets (where staff are employed)

The above records may be encompassed in an adequate computerised accounting system.

The type of financial records required to be held will vary according to the funding program but the following list is provided as a guide:

- Balance Sheet
- Profit And Loss Statement or Receipts and Payments
- Cash Flow Statement
- Assets/Inventory Register

Goods and Services Tax

Applicant organisations are required to provide their Australian Business Number ABN and their GST status. It is recommended that the funding department checks the validity of each applicant organisation's ABN and GST registration on the Australian Taxation Office's website. Follow this link to the Australian Government's ABN Lookup website.
Good Practice: Evaluate the Program

- **Review** grants programs every 3-5 years, or when priorities change.
- **Develop** performance measures at the planning phase for a grants program to provide a basis for reviewing the program’s objectives and outcomes.
- **Undertake** an objective evaluation process which is not led by those involved in the management or administration of the grants program.
- **Report** the outcomes of the evaluation on your department’s website. To improve transparency, departments should explain what the grant programs achieved and how the distribution of funds has supported government objectives. Include an evaluation in your department’s annual report.

Guidelines and Resources

**Definition and purpose**

Evaluation is a systemic review process of assessing, on the basis of evidence, how well a grants program is doing. Evaluation will provide a guide for future directions in a program.

A review will enable the department to determine if the program objectives and intended outcomes are still appropriate, relevant and able to be achieved with available resources.

*Conventional management systems* assume, based on best practice or best available science, that the activities prescribed will succeed if carried out. The objectives or required activities of subsequent grants are adjusted following evaluation according to changes in available evidence.

Grants under *adaptive management strategies* differ in that an explicit aim of the program is to learn more about the impact of particular activities or management strategies. Accordingly a larger proportion of resources is dedicated to planning, monitoring, and evaluation. Adaptive management is often used when dealing with complex social or ecological systems where the outcome of an intervention is not certain.

Another feature of adaptive management systems is the inclusion of stakeholders in planning and evaluation. This can range from consultation and feedback through to full scale co-management. This recognises that the efficacy of a program doesn’t just depend on whether a management intervention is technically correct or desirable but also on whether there is sufficient social support. For further information see the publication *Does Your Project Make a Difference? A guide to evaluating environmental education projects and programs*, at: [http://www.environment.nsw.gov.au/community/projecteval.htm](http://www.environment.nsw.gov.au/community/projecteval.htm)

Regardless of whether grants are based on conventional or adaptive management processes, their design must be rigorous and capable of being evaluated for the purpose for which they are designed.
Grants programs need to be reviewed because government priorities may change. The identified needs that a program was designed to meet may no longer exist, or it may be determined that other strategies now may be more effective in achieving the desired outcomes.

**Evaluation elements**

Deciding the information to be collected is a critical step. Information should only be collected if it:

- can be accurately collected and understood
- informs management decisions about the effectiveness of the agreed actions of a funding recipient and/or the effectiveness of a program.

Plan the way evaluation will be conducted when designing a funding program. Make sure that the evaluation can be reported effectively within the broader reporting framework of the funding department including annual reports; Memoranda of Understanding (MOUs) and central agency requirements. Departments should improve transparency by publishing in a *timely* and *accessible* way what grant programs have achieved and how the distribution of funds has supported government objectives. In most circumstances this evaluation should be linked to the main grants pages on the department’s website and a preliminary evaluation should be available before the opening of subsequent rounds of grants. Programs should be reviewed in relation to their *appropriateness*, *effectiveness*, *efficiency* and *economy*.

The Australasian Evaluation Society has produced guidelines for the ethical conduct of evaluations. They refer to commissioning, preparing, conducting and reporting an evaluation. See [http://www.aes.asn.au](http://www.aes.asn.au)

*Appropriateness*: is the extent to which stated program objectives and priorities match the needs of the clients of the program. Clients of the program include Government. Evaluations should in the first instance, question whether there are realistic alternatives to Government provision and funding of the program and whether programs are aligned with Government priorities.

*Effectiveness*: is the extent to which the program outcomes are achieved at a reasonable cost in a reasonable time. Effectiveness asks whether the program is achieving its stated objectives.

*Efficiency*: is the extent to which the program outcomes are achieved at a reasonable cost and in reasonable time. Efficiency asks what has been achieved with the resources used.

*Economy*: considers the minimum resources (inputs) needed to achieve the minimum level of service (output) expected of the program.
Using performance indicators

Performance measures should be developed in the planning phase of the program and used for monitoring during the life cycle of the grant and to evaluate the program as a whole. Follow this link to the Plan and Design guidelines.

Follow this link to a Model Evaluation Framework.

References for the development of the policy statement and guidelines for Grants Administration in New South Wales

The development of this policy statement and guidelines has been informed through consultation with NSW grant giving departments, local government and non-government organisations and national and international research.

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**United States of America**

Mark Friedman, Fiscal Policy Studies Institute (FPSI) in Santa Fe, New Mexico, USA. In 2004, the NSW Human Services CEOs' engaged Mr Friedman to provide an insight into a new way of determining performance and results. Further information about Mark Friedman's work is available [here](#).
National Center for Charitable Statistics, *Unified Chart of Accounts, Version 3.0*
Office of Management and Budget, The Executive Office of the President of the United States, *Grants Management Forms SF 269, 269A, 272, 272A*
Office of Management and Budget, The Executive Office of the President of the United States, *Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations*
Definition of a Non-Profit Organisation

Non-profit organisation

For the purposes of grants administration in NSW, a non-profit organisation is one which is not operating for the profit or gain of its individual members, whether these gains would have been direct or indirect. A non-profit organisation can still make a profit, but this profit must be used to carry out its purposes and must not be distributed to owners, members or other private people.