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# New South Wales Auditor-General's Report

## Performance Audit

### Government Assistance to Industry

Department of Trade and Investment, Regional Infrastructure  
and Services

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The roles and responsibilities of the Auditor-General, and hence the Audit Office, are set out in the *Public Finance and Audit Act 1983*.

Our major responsibility is to conduct financial or 'attest' audits of State public sector agencies' financial statements. We also audit the Total State Sector Accounts, a consolidation of all agencies' accounts.

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In accordance with section 38E of the *Public Finance and Audit Act 1983*, I present a report titled **Government Assistance to Industry: Department of Trade and Investment, Regional Infrastructure and Services**.

A handwritten signature in black ink, reading 'A. T. Whitfield'.

**A T Whitfield PSM**  
Acting Auditor-General  
17 December 2015

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# Executive summary

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The audit assessed whether the former Department of Trade and Investment, Regional Infrastructure and Services (DTIRIS) could demonstrate that its assistance to industry was effective. The audit was restricted to direct industry assistance and did not cover tax concessions or regulatory assistance.

Our audit focused on seven industry assistance programs administered through agencies in the former Trade and Investment, Regional Infrastructure and Services cluster. During the course of the audit, changes were made to NSW Government cluster arrangements. This led to a transfer in responsibility for several industry assistance programs. Further, the NSW Government announced that it would replace two industry assistance programs we examined (State Investment Attraction Scheme and Regional Industries Investment Fund) with a new scheme (Jobs for NSW Fund).

## Conclusion

**The Department was unable to demonstrate that the direct assistance it provided to industry was effective in achieving long term industry development objectives.**

The NSW Government does not have an overarching rationale that identifies the circumstances under which the use of direct industry assistance is justified. The lack of principles or guidelines around when it is appropriate to provide public money to private businesses for the purpose of industry development is a concern for accountability.

The Department cannot demonstrate that the scale and coverage of its industry assistance programs are consistent with government priorities as it does not consistently collect information, or report comprehensively on support provided to priority industries or regions.

The Department cannot demonstrate that its programs delivered sustained benefits after support ceased because there has been limited ex-post evaluation of industry assistance.

### **No consistent definition of industry assistance or rationale to properly justify its provision**

Through DTIRIS, the NSW Government has a number of programs that provide direct financial assistance to industry to achieve desired outcomes. There is no agreed definition of industry assistance and no overarching rationale for why direct industry assistance should be used. There is also no reporting on the total amount of assistance provided to industry. The Department advises that addressing a priority of the government of the day provides a rationale for using industry assistance. There are many ways, however, to achieve the outcomes sought by government. Industry assistance is one lever among many.

### **Reporting on the contribution of industry assistance programs is limited**

The Department published information on the total level of expected benefits from its assistance programs in terms of additional jobs, capital investment and exports. This reporting was inconsistent—in some cases it was combined across a number of programs. For a number of programs, the Department linked payment to milestone achievement. Where milestones are partially achieved, the total payment is reduced. We found, however, that the total benefits reported were based on anticipated completion of all milestones and did not consider the impact of partial achievement. Further, the Department did not report on whether benefits were sustained beyond payment. In the absence of this information, the Department is unable to demonstrate the extent to which an industry has been 'developed'.

### **Cost-benefit analysis provides rigour but long-term benefits were not followed up**

The Department conducted detailed cost-benefit analysis for project assistance above \$200,000 but only for the Regional Industries Investment Fund and State Investment Attraction Scheme programs. These estimated the net benefits of the project to the broader community and assessed whether the project was likely to go ahead regardless of whether support was provided. Cost-benefit analysis also shows the point at which assistance would be revenue neutral for the NSW Government. This type of cost-benefit analysis should be continued under any future investment attraction programs. Further work, however, needs to be done on long-term follow up of projects to evaluate whether expected benefits were sustained. This may assist in continuously improving industry assistance programs.

### **Industry assistance programs have not been subject to comprehensive evaluation**

Despite some programs being run for many years, the Department has not comprehensively evaluated any of its industry assistance programs. The Department cannot demonstrate that the programs have been achieving their objectives or that the current program design is the most efficient one. Since the NSW Government Evaluation Framework was released in 2013, the Department has conducted an early evaluation of the Arts Funding Program and a program review of the Regional Industries Investment Fund. These examined program logic and alignment to government priorities, and recommended changes to performance indicators to enable future evaluation. Comprehensive evaluations of industry assistance programs are needed to ensure they achieve their objectives efficiently and effectively.

### **Not enough details are published on the recipients of assistance for some programs**

Information published for most programs was adequate, if not extensive. However, information for the Regional Industries Investment Fund or the State Investment Attraction Scheme was insufficient for public accountability purposes. The Department announced details for the majority of projects through media releases that outlined the expected number of jobs and amount of investment. The media releases did not detail how much assistance companies received and were not in a single location which limits accessibility. While we acknowledge that the Department must balance commercial confidentiality, future applicant expectations and transparency, the information presently reported is insufficient for providing public money to private companies.

### **Industry assistance programs did not have clear output and outcome targets**

No program examined specified an expected level of benefits at a program level or had targets for the contribution made toward targets in the former NSW 2021, the Department's Strategic Plan or the *NSW Economic Development Framework (2013)*. We found the high level macroeconomic targets in these strategic plans were more likely to be influenced by general economic conditions than the Department's activity. Nonetheless, the lack of program level targets limits the Department's accountability for results. Appropriately defined targets may encourage the selection of projects with the highest net benefits.

### **The Department could not demonstrate how the scale and coverage of its industry assistance programs aligned with government priorities**

The Department administers programs that use industry assistance across many industry sectors. Priority industries are identified in the *NSW Economic Development Framework (2013)*. The Department did not consistently record or report information on industry sector for supported projects. Without this, the Department was unable to demonstrate how the scale and coverage of industry assistance aligned with government priorities. Better collection, analysis and reporting of industry support will assist in ensuring that programs are targeted at the highest need regions and industries and have the biggest economic impact.



## Recommendations

**By September 2016, the Department of Industry, Skills and Regional Development and the Department of Premier and Cabinet should:**

### **Better guidance for using direct assistance to industry**

1. jointly develop a whole-of-government definition for industry assistance
2. jointly develop guiding principles for the circumstances when providing direct assistance to industry is appropriate, including genuine market failures, sustainability of firms, long term industry viability, and demonstrating net community benefits through requiring comprehensive cost-benefit analysis for assistance above \$200,000.

**By September 2016, the Department of Industry, Skills and Regional Development should:**

### **Setting targets for industry assistance programs**

3. develop departmental level targets for industry development outcomes
4. develop targets for each industry assistance program which align with Departmental level targets

### **More transparent information about industry assistance programs**

5. report comprehensive industry assistance program information annually, covering: overall level of assistance (both direct and indirect); program administration costs; level of assistance by priority industry sector; geographic coverage; number of applicants and number of approved projects; ongoing program benefits (expected and realised)
6. increase the amount and detail of public reporting on all projects that receive direct industry assistance, including the amount of assistance provided (where this is not possible, the Department should outline why), recipient name, industry, project description and benefits

### **Evaluation of industry assistance programs**

7. review industry assistance programs to ensure objectives are clearly defined (i.e. specific, measurable and time-related)
8. review the suite of industry assistance programs to determine whether coverage of regions and priority industries is appropriate and the extent of overlap between programs
9. evaluate the State Investment Attraction Scheme and Regional Industries Investment Fund to inform the design of the Jobs for NSW Fund. The evaluations should be done at arms-length from the responsible program managers, address whether the programs achieved long term benefits and met their objectives efficiently, and be made public
10. establish a schedule of formative and summative evaluations for all programs that use direct industry assistance.

# Introduction

## 1. Government assistance to industry

### 1.1 Defining government assistance to industry

#### Industry assistance can take a number of forms

The *Productivity Commission Act 1998* (Cth) defines government assistance to industry as:

... any act that, directly or indirectly: assists a person to carry on a business or activity; or confers a pecuniary benefit on, or results in a pecuniary benefit to, a person in respect of carrying on a business or activity.

Governments provide industry assistance with the aim of achieving a range of policy objectives, including facilitating economic growth or employment, supporting regional development or growing priority industries. The direct impact of such assistance to reaching those objectives is often hard to measure and evaluate.

Industry assistance takes many forms and includes grants, tax concessions, support for research and development, promotional activities, and assistance for industry adjustment. See Exhibit 1 below for types of industry assistance.

#### Exhibit 1 – Types of industry assistance by State governments

Type of Government assistance	Direct assistance	Indirect assistance
Budgetary outlays	Bounties, grants, subsidies, credits Interest rate subsidies Concessional or convertible loans Equity injections Promotion or staff training Assistance with relocation costs Provision of free or subsidised government-owned assets Provision of infrastructure	Funding to organisations that perform services or benefit industry e.g. industry groups Providing economic incentives of industry-specific products
Tax concessions	Payroll, stamp duty and other tax exemptions Deferrals and deductions Rebates or concessions on payroll or land tax Preferential tax rates	Providing tax incentives to purchasers of industry-specific products
Regulatory assistance	Government purchasing preferences/procurement processes Government price support schemes Facilitation of regulatory processes. For instance, governments may fast track building approval processes Land and resource access policies Provision of specialist information on Government processes	Legislation or regulation restricting competition e.g. restrictions on entry to industries through licensing, such as limits to the number of taxi plates Statutory marketing arrangements and regulations

Source: Economic development policy, Centre for International Economics, June 2010.

### **Competing for ‘footloose’ firms or projects**

Governments provide direct assistance to industry to attract and compete for ‘footloose’ firms or projects because of perceived employment and income generation benefits for the State. Projects may also be strategically important for the State or develop new skills and capabilities. Footloose firms or projects are those not tied to specific resources and are able to choose the location of operation over different States or countries. Governments generally compete for footloose firms or projects in two ways. They:

- attempt to contribute to the establishment of an economic environment which attracts such firms or projects – also referred to as ‘getting the economic fundamentals right’
- provide project specific assistance – hoping that for a relatively small outlay, the State may secure a substantial addition to its tax base and increase the welfare of residents.

Competition between States can cause the incentives to be increased, and the addition to the tax base to decrease. Investors are aware of this dilemma for the States and it is in the investor’s interest to encourage competitive bidding between States for their investment.

### **Benefits and disadvantages of industry assistance programs**

Industry assistance is often justified as a response to market failure—a situation where free markets fail to allocate resources efficiently. Market failure includes:

- public goods – can be used by one person without reducing its availability to other people and from which no one is excluded (e.g. biosecurity measures)
- externalities – costs or benefits that affect a person who did not choose to incur that cost or benefit (e.g. some types of Research and Development)
- information asymmetry – where one party has more or better information than the other (e.g. providing information to international firms to base location decisions)
- lack of effective competition – where a small number of firms are able to restrict output and maintain prices above optimal levels.

The justification for industry assistance often relies on the promise of positive externalities. These are benefits from investment projects that accrue to society, but are not totally captured by the owners of the investing entity. For example, flow on jobs and investments. Industry assistance may also provide other benefits which are deemed socially important, such as increased access to arts and culture.

While industry assistance is generally of benefit to the targeted business and local area of activity, there are also opportunity costs. Assistance to selected businesses or activities typically comes at a cost to other industries and activities across the economy as finite labour and financial resources are channelled to the activity receiving support. Further, the provision of assistance itself has costs—including administration and compliance costs.

The disadvantages of direct assistance are that it:

- is provided to a firm which may have set up business in the State anyway and the assistance was unnecessary
- could have been used in some other capacity to the greater benefit of the State
- may result in sub-optimal location decisions
- may put existing firms at a cost disadvantage
- generates demand from existing firms for equivalent assistance
- ‘crowds out’ other potential investments that could have delivered more benefits
- may be provided to a firm that is not financially viable and which ultimately fails
- may only retain a project in the State while assistance is provided.



The issues associated with provision of direct assistance to industry are not unique to NSW and have been examined by several independent bodies across Australia. The Queensland Competition Authority reported on Industry Assistance in Queensland in 2015, the Victorian Auditor-General's Office reported on Investment Attraction in Victoria in 2012 and the Productivity Commission reports annually on Industry Assistance at a Commonwealth level.

## 1.2 NSW Government programs that provide assistance to industry

A number of NSW Government agencies administer programs that provide direct and indirect assistance to industry for a wide range of objectives. This ranges from providing subsidised rental properties for arts organisations to funding research and development on capture and storage of carbon dioxide from coal.

Prior to July 2015, most programs that incorporate industry assistance originated in agencies in the former Trade and Investment, Regional Infrastructure and Services cluster. The Department of Trade and Investment, Regional Infrastructure and Services (DTIRIS) was the responsible agency for the former NSW 2021 State Plan goals to drive regional economic growth and increase the competitiveness of doing business in New South Wales.

The DTIRIS budget for grants and subsidies in 2014–15 was \$1.322 billion. Not all of this qualifies as assistance to industry, for example, assistance to households to pay for energy and operational grants for cultural institutions.

DTIRIS advised us of eleven programs that provide direct financial assistance to industry:

- Arts and Cultural Development Program
- Arts Infrastructure Support Program
- Coal Innovation NSW
- Destination NSW
- Destruction of Noxious Weeds
- Global Growth Program/Export Accelerator Program
- NSW Rural Assistance Authority
- Regional Industries Investment Fund
- Research Attraction and Acceleration Program
- Screen NSW
- State Investment Attraction Scheme

During the course of the audit, the NSW Government established the Jobs for NSW Fund. This replaced the State Investment Attraction Scheme and the Regional Industries Investment Fund. The new fund has a budget of \$190 million over four years to provide targeted incentives for economic development, and aims to create 150,000 jobs.

The Productivity Commission has previously estimated levels of industry assistance across States and Territories. The most recent estimates are for 2008–09, prior to the timeframe considered in this report. In that year, estimated assistance in New South Wales was \$722.8 million, or \$101 per person. Industry assistance was lower per head in New South Wales than other States and Territories, except for the ACT.

### Exhibit 2 – Estimated State and Territory government assistance to industry, 2008–09

<i>Jurisdiction</i>	<i>Expenditure \$ million</i>	<i>Per capita \$ per person</i>
Northern Territory	160.1	703
Tasmania	160.6	318
South Australia	516.1	315
Western Australia	591.6	261
Victoria	1,059.5	193
Queensland	849.5	190
<b>New South Wales</b>	<b>722.8</b>	<b>101</b>
Australian Capital Territory	14.6	41
<b>Total</b>	<b>4,074.8</b>	<b>184</b>

Source: Productivity Commission, Trade and Assistance Review 2009–10.

In 2015, the Queensland Competition Authority reviewed industry assistance in Queensland. It used a wider definition of industry assistance including tax concessions and regulatory restrictions on competition. It estimated the Queensland Government provides over \$5.0 billion annually in assistance to industry. In 2014–15, this was made up of \$1.7 billion in direct (budget funded) assistance, \$3.3 billion in tax concessions and \$330 million in assistance from underpricing government assets and services. Such figures are not available for New South Wales.

### 1.3 What this audit is about

The audit assessed whether the then Department of Trade and Investment, Regional Infrastructure and Services could demonstrate that its assistance to industry is effective. The audit was restricted to direct industry assistance and did not cover tax concessions or regulatory assistance. Our report answers three questions:

- does the NSW Government have a rationale that properly justifies industry assistance and is that rationale consistent with government priorities?
- is the scale and coverage of industry assistance funding consistent with government priorities?
- are industry assistance programs evaluated to ensure that expected benefits have been achieved?

The activities reviewed were programs of at least \$2.0 million per annum that provide grants and subsidies to industry. We reviewed programs administered by agencies in the former Trade and Investment, Regional Infrastructure and Services cluster.

The Department identified eleven programs that provide direct assistance to industry. We chose seven programs to examine in detail. These are the:

- Coal Innovation NSW Fund
- Arts Funding Program
- Arts Infrastructure Support Program
- Research Attraction and Acceleration Program (RAAP), specifically the TechVouchers Program which is funded by RAAP
- Global Growth Program (GGP) / Export Accelerator Program (EAP)
- State Investment Attraction Scheme (SIAS)
- Regional Industries Investment Fund (RIIF).

We reviewed a selection of projects supported through the RIIF, SIAS and GGP/EAP.

During the course of the audit, machinery of government changes were made to cluster arrangements. This transferred responsibility for several industry assistance programs. The Justice Cluster is now responsible for the Arts Funding Program and the Arts Infrastructure Support Program. The Premier and Cabinet Cluster is now responsible for investment facilitation and export attraction. See Appendix 2 for more information on the audit scope and focus.

# Key findings

## 2. Rationale for provision of industry assistance

In this section, we assess whether the NSW Government, through the former Department of Trade and Investment, Regional Infrastructure and Services (DTIRIS), had a rationale that properly justified the use of industry assistance and whether that rationale was consistent with government priorities.

**The NSW Government does not have an overarching rationale that identifies the circumstances under which the use of direct industry assistance is justified.**

The stated rationales for individual programs varied from addressing market failures to attracting investment and creating jobs. The lack of principles or guidelines around when it is appropriate to provide public money to private businesses for the purpose of industry development is a concern for accountability.

The former NSW 2021 State Plan and *NSW Economic Development Framework (2013)* provide an overarching view of government priorities. These strategic plans have high level measures and targets for economic growth and employment. Although the responsibility for achieving these is allocated to DTIRIS, it is difficult for the Department to show the impact of its programs as measures and targets are affected by a number of factors. Without program level targets, there is not a strong connection between program activities and achievement of high level macroeconomic targets.

### Recommendations:

By September 2016, the Department of Industry, Skills and Regional Development and the Department of Premier and Cabinet should:

1. jointly develop a whole-of-government definition for industry assistance
2. jointly develop guiding principles for the circumstances under which providing direct assistance to industry is appropriate, including consideration of genuine market failures, sustainability of firms, long term industry viability, and demonstrating net community benefits through requiring comprehensive cost-benefit analysis for project assistance above \$200,000.

By September 2016, the Department of Industry, Skills and Regional Development should:

3. develop Departmental level targets for industry development, outputs and outcomes
4. develop targets for each industry assistance program which align with Departmental level targets.

### 2.1 The rationale for providing direct assistance to industry

#### **We could not identify an overarching rationale for providing direct assistance**

The *NSW Economic Development Framework (2013)* is the strategic plan most relevant to industry assistance programs. This Framework does not outline a clear and overarching rationale for providing direct assistance to industry. We expected an overall rationale that cascaded down to program objectives and criteria for assistance. By rationale, we mean a set of reasons justifying the use of industry assistance as a tool to achieve industry development objectives.

The lack of a clear rationale for the use of this tool is of concern for accountability, especially for providing public money to private businesses. For the Department to achieve its outcome of developing industry, greater strategic oversight is needed to ensure that direct industry assistance is proportional, targeted and delivers the greatest net benefit.

Section 1.1 of this report outlined a number of potential problems with providing direct financial assistance to industry, something also recognised in the *NSW Economic Development Framework* (2013). This signalled 'a shift from potentially market-distorting industry assistance to capability building, innovation and collaboration'. The Framework did not specify how the shift would apply to existing programs. The State Investment Attraction Scheme (SIAS) and Regional Industries Investment Fund (RIIF) are market-distorting in that they still selectively benefit firms.

The *Economic Development Strategy for Regional NSW* also does not identify the rationale for providing direct assistance to firms in regional areas. Its objectives are to:

- facilitate competition and competitive industries
- increase investment in and facilitate drivers of productivity and growth
- maximise the return from government activities and expenditure
- ensure net economic benefits from public investment.

The Department claimed that its programs were established as a result of government priorities, and this provides sufficient rationale for using direct industry assistance. In the case of the RIIF, this extends to the *Regional Development Act 2004*. We agree that program objectives generally reflect Government priorities. This alone, however, does not provide a sufficient justification for using the tool of direct financial assistance to achieve these objectives.

### Justifications for the use of industry assistance vary by program

We examined seven of the eleven identified programs that provide direct assistance to industry. These programs did not have a consistent approach to identifying the rationale for providing direct financial assistance to industry to achieve program objectives. While we expected program objectives to vary, there was no consistent justification for the use of industry assistance. This makes it difficult to show a clear link to government priorities.

Two programs had a rationale that funding research and development activities would give wider benefits (positive externalities). Two programs had a rationale that subsidising production costs would allow reduced prices and encourage consumption of arts at a 'socially desirable' level. Three programs had a primary rationale of promoting economic growth and jobs (for 'footloose projects', for exports, and in regional areas). See Exhibit 3.

### Exhibit 3 - Rationales for providing industry assistance for seven programs

Program	Rationale	Explanation
Coal Innovation Fund	Market failure – positive externalities	Industry will not research and develop low emissions coal technology without support and low emissions coal will have wide 'public good' style benefits.
Arts Funding Program	Market failure – positive externalities Intangible benefits	Subsidies allow art and culture to be provided to the public at prices which the market can bear. This helps encourage or maintain a 'socially optimal' level of art and culture consumption.
Arts Infrastructure Support Program	Market failure – positive externalities Cluster or agglomeration benefits	Subsidies provide 'affordable' accommodation to arts and cultural organisations which would otherwise not be able to recover costs. Co-location allows for creative collaboration and efficiency benefits.

Program	Rationale	Explanation
Research Attraction and Acceleration Program	Market failure – positive externalities	Investment in research and development has long-term benefits, which include the generation of further knowledge, discoveries and services and ultimately higher standards of living.
Global Growth Program/ Export Accelerator Program	High 'value' of exports Information asymmetry	Leverage NSW Government funds to grow export sales of goods and services, resulting in increased returns to the NSW economy. Lower costs and risks for businesses exporting for the first time or to a new market.
State Investment Attraction Scheme	Employment and economic growth Interstate rivalry	Capture investment projects that are considering alternative geographical options that will create significant jobs and investment.
Regional Industries Investment Fund	Regional employment and economic growth	Promote regional population and economic growth, business development and jobs creation.

Source: Audit Office analysis of DTRIS program documents.

The *Regional Development Act 2004* provides a framework for strategic intervention in the economies of regional New South Wales and authorises the Minister to grant financial assistance. This gives an authorising environment for the Regional Industries Investment Fund to grant financial assistance but does not, in itself, provide a sufficient rationale for doing so.

**With the exception of market failure, the rationales identified by the Department's evaluation framework were too broad**

The Department developed a program evaluation framework and implemented it in August 2012. It provides a template for staff to evaluate existing departmental programs and new program proposals. The first step under the framework asks what is the issue or challenge that an existing or proposed program aims to address and whether there is a role for the Department. If industry assistance is used, we consider this to be the step where the rationale for the use of industry assistance should be defined.

As part of determining whether there is a role for the Department, the framework asks whether the outcome sought is consistent with:

- a NSW 2021 goal
- a NSW Trade and Investment Strategic Plan outcome
- correcting a market failure
- promoting a social equity goal.

Of the above four rationales, we found only market failure to be well defined. The other criteria were too broad. Using a macroeconomic target, such as those contained in the former NSW 2021, as a program rationale is not a sufficient justification. The wide range of goals under NSW 2021 means that almost any program is justified under this rationale. Legitimate social equity concerns were also insufficiently outlined.

**Market failure was cited as a rationale for assistance to industry but this was not convincingly addressed in a number of programs we examined**

The Department's program evaluation framework provides four types of 'market failure' that may provide a justification for government intervention:

- public good – can be used by one person without reducing its availability to other people and from which no one can be excluded (e.g. biosecurity measures)
- externalities – costs or benefits that affect a person who did not choose to incur that cost or benefit (e.g. some types of Research and Development)
- information asymmetry – where one party has more or better information than the other (e.g. providing information to international firms to base location decisions)
- lack of effective competition – where a small number of firms are able to restrict output and maintain prices above optimal levels.

We examined one 'formative' evaluation applying the program evaluation framework. Formative evaluations can be used to develop program logic and identify aspects of the program that can be improved to achieve better results. We also examined a program review that applied the evaluation framework. The formative evaluation and program review did not convincingly provide evidence that the programs met the market failure criteria. Neither program relied on the social equity rationale for intervention:

- the Arts Funding Program formative evaluation (2013) identified the public good nature of some activities and positive externalities of public amenity and social development, but did not make clear why direct financial assistance was the best response
- the RIIF program review (2013) mentioned the need to apply market failure principles but the practical focus remained on maximising jobs, investment and regional economic growth.

We also examined two draft formative evaluations that, in the absence of further complete evaluations, were provided to demonstrate the process of evaluations within the Department.

The draft Coal Innovation Fund formative evaluation argued that the fund corrects a market failure that the level of investment in research and development of low emissions coal technology is lower than socially optimal due to positive externalities. Commercialisation of low emissions technologies would have resulted in positive externalities of lower electricity prices under the Carbon Pricing Mechanism that was operational at the time of the scheme. This provides a convincing explanation of market failure.

The draft SIAS formative evaluation argued that the fund corrects a market failure of information asymmetry. It claims that foreign investors have less or worse information than NSW investors. It justifies financial assistance to offset these higher costs. While we acknowledge this was only a 'draft' evaluation, this use of market failure as a rationale appears weak for provision of substantial direct financial assistance.

## 2.2 Targets and measures for industry assistance programs

**The Department has high-level measures but the link to programs is weak**

The Department has a number of high-level key performance indicators and targets. While industry assistance programs contribute to these high level measures and targets, external economic conditions are more likely to influence the measures. The weak link between programs and high level measures diminishes accountability for performance.

The Department's *Strategic Plan 2012–2015* sets out key result areas, intended outcomes and strategies, and key performance indicators to measure success – see Exhibit 4.



#### Exhibit 4 – Strategic plan key result area 1 – outcomes and performance indicators

Key result area		
1. Increased investment and jobs		
Outcomes		
Growth in total business investment and exports	Jobs are supported and created in urban and rural NSW	
Improved performance of key industry sectors leading to growth in Gross State Product	Cultural, creative and recreational opportunities are enhanced to support and strengthen communities	
Key Performance Indicators		
Business investment grows by an average of 4% per year to 2020	Value of primary industries and mining production increases by 30% from 2010 to 2020	The share of jobs in regional NSW increases
GSP per capita grows by an average of 1.5% per year to 2020	Average annual trend in NSW total international exports grows in real terms	Population in regional NSW increases by 470,000 from 2010 to 2036
Visitor expenditure doubles from 2010 to 2020 (delivered with Destination NSW)	Employment grows by an average of 1.25% per year to 2020	Participation in recreational, arts and cultural activities in Sydney and regions increases by 10% from 2010 to 2016

Source: Department of Trade and Investment, Regional Infrastructure and Services, Strategic Plan, 2012.

Industry assistance programs contribute to the key performance indicators for result area 'increased investment and jobs'. For example, assistance provided to a manufacturing firm to invest in a new factory contributes to 'business investment growing by an average of 4 per cent each year'. However, these key performance indicators are too high-level to hold the Department's activities to account. If business investment did grow by an average of 4 per cent each year, it is more likely to do with general economic conditions than industry assistance programs.

As well as the Strategic Plan, the *NSW Economic Development Framework* has further macroeconomic level measures and targets. These are:

- labour productivity – the growth of NSW's Industry Value Add / hours worked to increase at a rate faster than the rest of Australia over the period to 2021
- industry value-add – the growth of NSW's Industry Value Add for Creative Industries, Digital Economy, Manufacturing, Professional Services, and Visitor Economy to be faster than those of the rest of Australia over the period to 2021
- exports – the rate of growth in NSW's Creative Industries, Digital Economy, Manufacturing, International Education & Research, Professional Services (including finance), and Visitor Economy exports to be faster than those of the rest of Australia
- Sydney's global ranking – Sydney to be consistently recognised as one of the top global business cities in a range of relevant global city ranking surveys.

The Department reports annually on the measures and targets in the *NSW Economic Development Framework*.

The Department advised that it is developing a 2015–2019 corporate plan. It is intended that the plan will outline strategic priorities, outcomes and high level performance measures. Divisional Strategic Plans will contain specific performance measures and targets. The Department is planning to implement a new planning and performance framework to align branch level business activities to strategic priorities, goals and outcomes.

### **Industry assistance programs have performance measures but few have targets**

The high level targets in the Department's Strategic Plan and the *NSW Economic Development Framework* do not cascade down to program level targets. Six of the seven programs we examined had measures, but none had targets.

The Department previously reported quarterly on the impact of departmental activity to the Deputy Premier but discontinued this in 2014. These quarterly reports had a mix of outputs and outcome measures attributed to the Department's activity, including:

- investment attracted (forecasts over three years)
- regional investment attracted
- export dollars (actuals and forecasts over three years)
- number of investors and exporters serviced
- number of investment and export projects 'won'
- Screen NSW expenditure production leveraged
- jobs created (created or protected) forecasts over 3–5 years
- regional jobs created or protected
- events won (Destination NSW)
- festivals – visitation
- arts grants (\$m allocated, no. of projects, no. of organisations/individuals assisted)
- Arts NSW properties (no. of tenant organisations, occupancy rate, value of subsidy).

None of these measures had targets. Although a total for the past year was reported, the quarterly reporting did not indicate if performance was above or below expectations. This type of reporting does not provide information on whether programs are contributing to priority regions or industries or if performance is meeting expectations.

Program level targets would bring greater focus to areas that deliver the highest net benefits. They would allow the Department to evaluate whether the program was delivering outcomes consistent with government priorities. In Victoria, the former Department of State Development, Business and Innovation had program level targets – see Exhibit 5.

### **Exhibit 5 – Victorian Department of State Development, Business and Innovation**

The Victorian Department of State Development, Business and Innovation reported against targets for its programs that provide assistance to industry. Targets for 2013–14 included:

- jobs derived from investment facilitated (4,250 jobs)
- new investments facilitated (\$2,000 million)
- businesses participating in export programs (2,400 businesses)
- value of exports facilitated and imports replaced (\$1,500 million)
- client satisfaction with export assistance offered (85 per cent)

While these do not provide a comprehensive account of the effectiveness of industry assistance measures, they do enhance accountability for departmental performance. They give an intermediate step between the high level objectives and program outcomes.

Source: Victorian Department of State Development, Business and Innovation, Annual Report 2013-14.

### **There is limited public reporting on the contribution of industry assistance programs**

Public reporting contained in the former NSW 2021 performance reports and the Department's annual reports is mainly on high level macroeconomic indicators. This type of reporting does not attribute benefits to individual programs, differentiate between direct and indirect assistance, or report on the realised benefits of past support provided. Reporting would be strengthened through more detailed reporting on each program.

The Department's annual report details the expected amount of additional investment, jobs and exports from facilitated projects as a total and by Division or Branch level, but it is difficult to attribute this to individual programs or projects. Limited reporting on the contribution of industry assistance programs diminishes public accountability.

At a Division level, there is limited information on the contribution of departmental programs. For example, the Industry, Innovation, Hospitality and the Arts Division reported:

- jobs impact of major investment projects supported by the Department
- clients serviced – export and other services
- occupation rate for Arts NSW properties.

Further details are provided for the Investment and Export Services branch:

- number of investment projects facilitated
- number of export 'wins'
- expected level of business investment attributed to projects
- expected number of jobs attributed to projects
- expected level of exports attributed to projects.

### **Reported program benefits are forward looking rather than verified**

For business support programs, the Department reports on prospective benefits. That is, the number of jobs, amount of capital investment and exports that projects are expected to create. These are generally reported as a three year total. For example, the 2014 highlights of the Economic Development Framework notes:

Since 2011, NSW Trade and Investment facilitated projects expected to create 18,375 jobs and investment worth \$4.74 billion and generate exports worth more than \$135 million for the State over the next three years.

The Department mainly determines project benefits through upfront cost benefit analysis. Most projects we examined required evidence of jobs created or capital expenditure as a condition of milestone payment. The Department does not use this information to report on the actual investment or number of jobs created as a result of the support. In some cases we examined this was either lower or higher than originally estimated. This actual performance information could be used better for public reporting and program improvement.

Under the SIAS and RIIF programs, grant payments are contingent on meeting milestones agreed between the Department and the company. Milestones are often derived from jobs, exports and capital expenditure outcomes. Funding agreements allow for partial payments. Companies are required to provide documentary evidence to support a claim for payment. We looked at a selection of project files and found evidence that the Department checks the documentation and certifies its accuracy.

The Global Growth and Export Accelerator programs require clients to sign off on milestone achievement to access funding. At completion of the final milestone, a CEO statement must be provided with the invoice which details actual and projected outcomes as a result of participation. This is followed up 12–18 months later with a client survey asking if projected outcomes were achieved. The follow up survey is a positive aspect of this program.

The Arts Funding Program reports on the number of grant recipients and amounts of funding provided. It does not, however, report detailed information on the reach of the projects, audiences or benefits from this funding. Acquittal forms collect information on actual employment levels, income, expenditure and other key performance indicators. This information could be used to improve program reporting on the employment and expenditure outcomes for arts support programs as well as indicators of audience reach.

The United Kingdom Regional Growth Fund is an example of a program that publicly reports on actual benefits - see Exhibit 6.

### **Exhibit 6 – United Kingdom Regional Growth Fund**

The Regional Growth Fund is a £3.2 billion competitive government fund operating across England. It was launched in June 2010 and aims to:

- stimulate enterprise by providing support for projects and programs with significant potential for economic growth, leveraging significant private sector investment and creating additional sustainable private sector employment
- support in particular those areas and communities that are currently dependent on the public sector to make the transition to sustainable private sector led growth and prosperity.

Each year, the fund publishes a monitoring report. This report covers government investment, the number of jobs created and safeguarded and private sector investment leveraged. Details are provided on:

- the number of applications for support and the number bids selected for funding
- the number of projects and programs that are now operational
- the progress that projects and programs have made in meeting jobs and investment targets
- the number of verified jobs and additional jobs advised to be created in supply chains
- the amount of funding by industrial sector and region.

Source: UK Regional Growth Fund Annual monitoring report, 2014.

### 3. The scale and coverage of industry assistance funding

In this section, we assess whether the scale and coverage of industry assistance funding was consistent with NSW Government priorities.

**The Department cannot demonstrate that the scale and coverage of its industry assistance programs are consistent with government priorities as it does not consistently collect information, or report comprehensively on support provided to priority industries or regions.**

Industry assistance entails winners and losers and has opportunity costs. Comprehensive information on the scale and coverage of assistance is needed for the Department to be sure it is targeting the highest needs and achieving the greatest benefits from investment.

The Department does not comprehensively monitor or report information on the scale and coverage of its industry assistance programs. Reporting done on individual programs is most often limited to overall expenditure. Most programs do not provide enough information on grant recipients. Reporting does not show support by geographic region or by priority industry sector as identified in the *NSW Economic Development Framework*.

One reason that the Department does not report comprehensive information on the scale and coverage of industry assistance is that it does not have a clear definition.

As a result, the Department cannot demonstrate that its industry assistance program funding is consistent with government priorities in terms of the eight priority industry sectors identified in the *NSW Economic Development Framework*.

#### Recommendations

By September 2016, the Department of Industry, Skills and Regional Development should:

5. report comprehensive industry assistance program information annually, covering: overall level of assistance (both direct and indirect); program administration costs; level of assistance by priority industry sector; geographic coverage; number of applicants and number of approved projects; program benefits (expected and realised)
6. increase the amount and detail of public reporting on all projects that receive direct industry assistance, including the amount of assistance provided (where this is not possible, the Department should outline why), recipient name, industry, project description and benefits.

#### 3.1 Information reported on the scale and coverage of assistance

##### While total grants and subsidies increased, program budgets decreased

Without specific public reporting on industry assistance, we looked at total grants and subsidies. The Department's budget was stable from 2011–12 to 2014–15 at around \$2.4 billion. Total grants and subsidies increased from \$956 million to \$1.3 billion over this period.

##### Exhibit 7 - DTIRIS budget for grants and subsidies, \$ million

	2011–12 Revised	2012–13 Budget	2013–14 Budget	2014–15 Budget
Total grants and subsidies	956	1,062	1,155	1,322
Total budget	2,362	2,531	2,408	2,361

Sources: Treasury, Budget Paper 3, 2012–13, 2013–14, 2014–15.

The Department does not separately report overall levels of industry assistance. Industry assistance programs are generally a subset of total grants and subsidies. The Department advised us of eleven programs of over \$2.0 million per annum that provide direct assistance to industry. We cannot be sure if this captures all programs providing direct financial assistance. More programs would be included under the more expansive Productivity Commission or Queensland Competition Authority definitions.

The budget for direct industry assistance programs decreased from 2011–12 to 2014–15 – see Exhibit 8 below. As the total DTIRIS budget was relatively stable, this may indicate a shift from direct to indirect forms of assistance, acknowledging there is a significant range of activities within the Department which are not solely concerned with industry development. We do not, however, have information on budgets allocated to indirect assistance programs to make a firm conclusion about this.

#### **Exhibit 8 - Industry assistance program budgets, 2011–12 to 2014–15, \$'000**

<b>Program</b>	<b>2011–12</b>	<b>2012–13</b>	<b>2013–14</b>	<b>2014–15</b>
<b>Focus area programs</b>				
Arts and Cultural Development Program	58,218	57,019	51,218	48,392
Regional Industries Investment Fund	45,311	43,854	31,734	22,000
Research Attraction and Acceleration Program	15,000	12,338	13,352	14,000
State Investment Attraction Scheme	51,595	75,999	53,325	36,209
Coal Innovation NSW ( <i>indicative only</i> )	10,000	10,000	10,000	10,000
Arts Infrastructure	10,069	11,133	10,647	10,604
Global Growth Program/ Export Accelerator	1,500	0	580	580
<b>Other DTIRIS industry assistance programs</b>				
Screen NSW	10,185	8,777	6,933	7,417
Destruction of Noxious Weeds	11,000	11,000	11,000	11,000
Destination NSW	41,998	4,998	7,200	11,114
NSW Rural Assistance Authority	50,441	5,900	37,237	32,253
<b>Total industry assistance programs</b>	<b>305,317</b>	<b>241,018</b>	<b>233,226</b>	<b>203,569</b>

Note: 2011–12 revised figures for RIIF, SIAS, Screen NSW, Destination NSW and NSW Rural Assistance Authority. Coal Innovation NSW budget indicative only - based on \$100m total program fund. RAAP program for 2011–12 based on Science Leveraging Fund and grant to NICTA. Screen NSW, Destination NSW and NSW Rural Assistance Authority (grants and subsidies only), Arts Infrastructure includes recurrent maintenance expenditure and accommodation subsidy.

Source: Treasury Budget Paper 3, 2012–13, 2013–14 and 2014–15.

Eight industry assistance programs were separately listed in NSW Budget papers from 2011–12 to 2014–15. Only two programs were separately listed in the 2015–16 budget papers. The budgets for the Arts and Cultural Development Program, State Investment Attraction Scheme (SIAS) and Regional Industries Investment Fund (RIIF) were not detailed in the 2015–16 budget papers. It is not clear why this information is no longer reported. This is a concern for public accountability of expenditure.

#### **The cost of administering industry assistance programs is not reported**

While there is some reporting on the total amount of grants and subsidies expended, there is little accounting for the cost of administering these grants or providing indirect assistance. Only one program we examined, the Coal Innovation Fund, clearly identified administration costs in its annual report to the NSW Parliament. Without clear accounting for the costs of administering programs, claimed returns on investment are overstated.



Other jurisdictions have examined this issue and raised similar concerns with reporting on administration costs of industry assistance programs. In 2012, the Victorian Auditor-General found the costs of administering Victorian Industry Assistance programs was not sufficiently allocated to individual programs or projects. In 2015 the Queensland Competition Authority found some assistance measures had administration costs of around 50 per cent of total program cost, meaning for every dollar of assistance, a dollar is spent administering the program. Without reporting on administration costs by individual program, it is difficult to determine whether programs in NSW are being delivered efficiently.

### **The Department does not report on industry assistance by priority industry sector**

The *NSW Economic Development Framework* identifies eight 'priority' industry sectors – see Exhibit 9. The NSW Government has a number of programs to support these priority sectors, involving both direct and indirect forms of assistance. For example, StudyNSW was established to support the international education sector. Some sectors require different levels of support because they may be more or less capital and labour intensive.

### **Exhibit 9 – Priority industry sectors as in the *NSW Economic Development Framework***

Agriculture	Manufacturing
Creative industries	Minerals
Digital economy	Professional services
International education and research	Visitor economy

Source: *NSW Economic Development Framework*.

There is no monitoring or reporting of the level of direct and indirect assistance provided to each sector. More consistent collection and reporting of industry sector data would give the NSW Government greater information on where assistance is given and whether support is consistent with the identified priority sectors. This is of less concern for programs that target a single industry sector, for example, the Arts Funding Program.

We found that the Department has differing data collection requirements across industry assistance programs. This is possibly due to different departmental divisions administering the programs and no standard definitions. Program monitoring for the SIAS includes a section to classify the industry based on a standard classification (ANZSIC), but we found the information collected for this was missing in the majority of cases.

The Department advised that it is about to commence a review of programs that use industry assistance to determine whether coverage of regions and priority industries is appropriate. The review will be completed by June 2016.

During the course of the audit, the Department collated information on the recipients of assistance from the SIAS and RIIF according to Industry. Appendix 3 shows the amount of direct support given to different industries from 2011–12 to 2013–14.

### **Some programs have only limited public reporting on grant recipients**

Of the programs we examined, the information that is disclosed publicly does not provide enough details about the recipients of industry assistance. This makes it difficult to determine whether the coverage of programs is consistent with government priorities. It is also a concern for public accountability and transparency for expenditure of public monies.

The Department's 2013–14 annual report notes total grants and subsidies of \$28.7 million paid for the SIAS and \$12.3 million paid for the RIIF. Of the \$41 million total, details are provided for around \$278,000 in grants – or less than one per cent of expenditure. Appendix 3 details grant payments made under the SIAS and RIIF for 2011–12, 2012–13 and 2013–14 and lists companies that received assistance of more than \$100,000.

The Department uses media releases to announce details for some supported projects. These generally outlined the expected number of jobs and investment for each project. This is insufficient for public accountability as details are not consistent across projects and do not detail how much assistance companies received. Further, it is not possible to grasp the overall program direction and trends from this project-by-project reporting.

The Department advised that commercial sensitivities for some projects mean it would not be appropriate to report all grant recipients. The Department also advised that there is a risk that providing details of the amount of assistance provided to each project would weaken its ability to negotiate on future projects. While we acknowledge the concerns of the Department, it is our opinion that the current level of reporting is insufficient.

Transparency is an important principle for the use of public money. Publicly reporting details on the assistance provided exposes government assistance to greater external scrutiny and provides a strong incentive to demonstrate that funds provided are generating expected benefits. The Department could provide a greater level of information than it currently does. For example, the level of assistance by region, by industry sector, names of companies being supported and project descriptions. The level of assistance could also be provided after the project has been fully completed and commercial sensitivities have expired.

The Arts Funding Program is an example of better practice in public reporting in the selection of programs we examined. Funding recipients and amounts of funding are detailed in the DTIRIS Annual Report and on the Arts NSW website. This program also collects and reports detailed information on the geographic distribution and types of funding.

Most programs we examined did not report on the total number of applications and the number of successful recipients. This type of information helps show the competitiveness of funding and the transparency of the selection process.

The Arts Funding Program publishes assessment meeting reports that detail the number of applications received and the success rate. These reports also describe the successful applications and provide feedback on what successful applications contained.

## 4. Evaluation of industry assistance programs

In this section, we assess whether programs that use industry assistance have been evaluated to ensure that expected benefits were achieved.

**The Department cannot demonstrate that its programs delivered sustained benefits after support ceased because there has been limited ex-post evaluation of industry assistance.**

Most of the industry assistance programs we reviewed did not have clearly specified, targeted or time-dependent program objectives. For example, business development programs had objectives to increase business investment, create jobs and grow exports. We do not consider these specific enough to enable evaluation because of the many other factors that influence investment, jobs and exports. Programs did not attempt to quantify expected benefits, although this was done at an individual project level.

The Department has developed an internal methodology to evaluate programs. The Department has applied this methodology to a formative evaluation of one industry assistance program so far. The Department also conducted a program review that applied the evaluation framework methodology. These recommended clearer objectives and better data collection to allow for comprehensive evaluation in the future. The Department has not assessed the efficiency or effectiveness of any of its industry assistance programs, despite some programs running for a number of years.

At a project level, cost benefit analysis estimates the net benefits of project support. Some projects use jobs or investment as milestones and require proof these are achieved before payment. There is, however, little follow up of longer-term benefits.

### Recommendations

By September 2016, the Department of Industry, Skills and Regional Development should:

7. review industry assistance programs to ensure objectives are clearly defined (i.e. specific, measurable and time-related)
8. review the suite of industry assistance programs to determine whether coverage of regions and priority industries is appropriate and the extent of overlap between programs
9. evaluate the State Investment Attraction Scheme and Regional Industries Investment Fund to inform the design of the Jobs for NSW Fund. The evaluations should be done at arms-length from the responsible program managers, address whether the programs achieved long term benefits and met their objectives efficiently, and be made public
10. establish a schedule of formative and summative evaluations for all programs that use direct industry assistance.

### 4.1 The objectives and outcomes of industry assistance programs

#### Several industry assistance programs do not clearly define objectives and outcomes

Clear objectives and outcomes are those that are specific enough to focus effort and enable evaluation. They are measurable and can be accounted to the impact of the activity. We examined program objectives of seven industry assistance programs and found that a number of them were not clear enough to focus effort or enable evaluation.

We assessed a number of programs as having broad objectives (see table below). These objectives are not specific enough to clearly judge whether an assistance measure has been a success or failure. This is because objectives are neither quantitative nor time-dependent. Objectives do not specify the level of increase sought, or the types of investors, regional businesses or exporters the program hopes to target. This makes it hard to determine the link to sustainable industry development objectives the Department hopes to achieve.

#### Exhibit 10 – Objectives of three Industry Assistance programs

Program	Objective
State Investment Attraction Scheme	'to increase business investment by international and interstate investors in NSW, to improve the performance of the NSW economy and create new jobs in NSW'
Regional Industries Investment Fund	'encourage business growth and job creation in regional NSW by helping businesses overcome impediments to investment projects'
Export Accelerator Program	'leverage NSW Government and business funds to grow export sales of goods and services, resulting in increased returns to the NSW economy'

Source: Audit Office analysis of DTRIS program documents.

The State Investment Attraction Scheme (SIAS) provides very little publicly available information on program objectives and eligibility criteria. This program requires potential recipients to contact a Trade and Investment advisor to access program details, including criteria for accessing funding. The Department advised this serves to contain expectations.

We consider this creates a risk that potential applicants may not receive consistent advice. It also gives departmental business advisors greater latitude to recommend projects for support. This could be off-putting and may result in a smaller pool of potential applicants for the Department to choose the highest net benefit project from. Pre-assessment processes are concerning given the large amounts of public funding apportioned to these programs. Our review of projects showed no consistent approach to weighting of selection criteria.

Two programs we examined had clearer objectives. The Coal Innovation NSW fund had its objectives/purposes defined in legislation. The Arts Funding Program had an overarching program objective that cascades for each funding stream.

#### Formative evaluations and program reviews recognised problems with program objectives and recommended better specifying objectives and outcomes

The formative evaluation and program review we examined both recommended clearer objectives to help ensure funding is consistent with government priorities. Clearer program objectives allow for development of more meaningful KPIs to assess performance against and give a framework for evaluation. These reviews led to some improvements in objectives to help target effort.

The Arts Funding Program formative evaluation (2013) recommended revising objectives. It also recommended aligning key performance indicators to the objectives to measure the progress and success of the program. This will allow for an evaluation of the impact and value of assistance. The new objectives were incorporated into the 2015 program guidelines. This should allow for better data collection to enable comprehensive evaluation.

The Regional Industries Investment Fund (RIIF) program review (2013) applied the program evaluation framework methodology. It recommended establishing one clear set of objectives and that the Department assess all applications against consistent criteria linked to these objectives. The review suggested the reason for unclear objectives may have been that the previous range of programs consolidated into the RIIF had differing objectives. New RIIF objectives were updated on the Trade and Investment website following the review.

### **Program objectives are not specific enough to evaluate program effectiveness**

Clear program objectives help focus program funding to government priorities. High level or broad objectives make it harder to know what is expected of the program. Several program objectives we examined claimed the program would help achieve a former 2021 goal, a DTIRIS Strategic Plan or Economic Development Framework outcome. Clear and targeted objectives are needed to develop meaningful KPIs to show whether programs are on track.

Reviews in other jurisdictions have found similar issues for industry assistance programs. For example, the Victorian Auditor General's Office reviewed Victorian Government investment attraction programs in 2012. It found the Victorian Department of Business and Innovation did not clearly define objectives for investment attraction and could not accurately determine whether each of its investment attraction activities was contributing appropriately to the achievement of its objectives.

As part of determining program objectives, the Department's Evaluation Framework asks 'what is expected to be achieved' for the program. The framework notes that 'KPIs should be developed to demonstrate whether the program is having the intended effect'. The framework notes that KPI's should be quantifiable and provide evidence of program effectiveness. We did not find such program level KPIs in the programs we reviewed, although we did find some benchmarks at a project level.

Although not explicitly listed as KPIs, some programs we examined had 'rules of thumb' for expected benefits. For example, the Export Accelerator Program internal guidance material notes that recipients should achieve a Return on Investment of 40:1. This allows evaluation of whether the program achieved a return on investment of 40:1 or not.

## **4.2 Evaluation of industry assistance programs**

### **There have been few evaluations of industry assistance programs to date and these have not reported on whether expected benefits are being achieved**

The Department implemented a program evaluation framework in August 2012. This was designed to assist staff in evaluating existing departmental programs and new program proposals. The Department noted that this was consistent with 'formative evaluations' under the *NSW Government Evaluation Framework* (2013). These evaluations examine the rationale of the programs and link to government priorities, and make recommendations for better KPIs.

## Exhibit 11 – NSW Government Evaluation Framework (2013)

The NSW Government published an evaluation framework in 2013. Evaluation is defined as ‘a systematic and objective process to make judgments about the merit or worth of one or more programs, usually in relation to their effectiveness, efficiency and appropriateness’.

The framework outlines requirements for program evaluation plans and agency evaluation schedules, mandates transparency and provides advice on how to share evaluation findings.

Agencies are expected to periodically evaluate their programs, both new and existing, to assess their continued relevance, relationship to cluster priorities and other programs, efficiency and effectiveness in delivering outcomes.

### *Types of evaluation*

#### Formative evaluations

- used to identify aspects of a program that can be improved to achieve better results
- can provide information on how the program might be developed (new programs) or improved (both new and existing programs)
- may include a needs assessment, development of a program logic, business case and/or evaluability assessment.

#### Summative evaluations

- generally report when the program has been running long enough to produce results
- should be initiated during program design
- assesses positive and negative results
- assesses intended and unintended outcomes
- determines whether the program caused demonstrable effects on target outcomes.

Source: NSW Government Evaluation Framework (2013).

Of the eleven programs that the Department identified as providing direct assistance to industry, it has done a formative evaluation of only one. The Arts Funding Program was subject to formative evaluation in November 2013. The RIIF was subject to a program review that applied the evaluation framework methodology in May 2013. Both recommended administrative improvements and refinements of KPIs to enable summative evaluation.

The Department has made some changes in response to these recommendations, but it has not completed evaluations of the success of any of the eleven programs so far. The use of direct financial assistance as a tool for industry development has been used for a number of years without any direct evaluation of its long term effectiveness.

## Exhibit 12 – Formative evaluation and program review using the Department’s program evaluation framework

Arts Funding Program – formative evaluation	Regional Industries Investment Fund – program review
<p>Investigated:</p> <ul style="list-style-type: none"> <li>• current objectives, structure, and administration of the program, and mechanisms for its evaluation.</li> </ul> <p>Made recommendations to:</p> <ul style="list-style-type: none"> <li>• revise KPIs to measure the progress and success of the program</li> <li>• ensure comprehensive data collection to allow for proper evaluation of both the success of the AFP against its objectives and the success of funded programs and projects against their intended outcomes.</li> </ul>	<p>Investigated:</p> <ul style="list-style-type: none"> <li>• opportunities to improve management control, transparency, consistency, communication, administration and alignment with SIAS.</li> </ul> <p>Made recommendations to:</p> <ul style="list-style-type: none"> <li>• align KPIs to with those used in the SIAS</li> <li>• improve assessment, administration and governance processes to improve transparency, consistency and effectiveness</li> <li>• undertake a further evaluation of RIIF in 2016 that would include the economic outcomes of funding decisions.</li> </ul>

Source: Arts Funding Program Formative Evaluation (2013), Regional Industries Investment Fund Program Review (2013).



An internal audit of the Research Attraction Acceleration Program (TechVouchers) in 2013 made similar findings. It recommended the Department establish performance indicators (criteria and measures) appropriate to the program's objectives and activities. The internal audit recognised a lack of appropriately defined performance indicators could result in not having a mechanism to reliably measure the progress, trends or level of success or failure of the program.

These issues are not unique to New South Wales. The Queensland Competition Authority recently reviewed industry assistance in Queensland. It found that few programs are monitored or evaluated beyond meeting certain process requirements. Only 16 of 112 industry assistance measures it reviewed had been formally evaluated since introduction.

**Cost-benefit analysis for large projects provides rigour and promotes contestable funding, but the achievement of benefits in the long-term is not followed up**

None of the seven programs we examined attempted to quantify the total expected benefits. The expected benefits were expressed in broad terms, without targets. The Department's annual reports have some overall expected benefits but these are not verified with actual results. Expected benefits are expressed at a project level through cost-benefit analysis.

Benefits of industry assistance are primarily identified as number of jobs supported, capital investment and exports. The SIAS and RIIF programs require Department program officers to use a basic cost-benefit analysis tool for investment support below \$200,000 or require a full appraisal for support above this level. This assists program officers to determine whether a project is likely to generate net benefits.

We examined a selection of cost-benefit analysis reports for SIAS and RIIF projects. These reports assessed whether the project was genuinely 'footloose' and if the project was likely to occur without financial support. We found little evidence of genuine market failure in the projects we examined. The primary factor seemed to be the number of jobs created.

The cost-benefit analyses we examined were generally more rigorous for recent projects compared to older ones. We found that multiple projects were approved where the cost-benefit analysis concluded it was 'likely' the project would go ahead without financial support. These cost-benefit analyses made it clear that this would be a windfall gain to the recipient and a zero return to the NSW Government and the residents of New South Wales.

We examined several projects that gave assistance to the film industry. We did not find evidence of long-term benefits. Project analysis did not quantify the consequences of not funding these projects for the viability of the film industry. The Department linked milestone payment to payroll tax receipts to ensure the employment of the number of workers claimed in the application. We saw evidence of independently audited cost reports and pro-rata payments where targets were not fully reached.

**There is little long-term follow up of claimed benefits at a project level**

Projects supported under industry assistance programs identify expected benefits from the support provided. These are often in terms of jobs, investment or exports. Several programs we examined require those receiving assistance to demonstrate that a specified number of jobs have been created, or investment committed before milestone payments are made. This is often done over a timeframe of between one and three years. Beyond this, there is little long-term follow up of the benefits of support. Comprehensive evaluation of program effectiveness would examine whether the expected benefits claimed in project applications were achieved, and attributable to the support.

The SIAS, RIIF and Global Growth Program (GGP) / Export Accelerator Program (EAP) do not have competitive application processes. This limits the potential pool of projects that could deliver the highest net benefits and gives program officers greater discretion. For the RIIF, if a program officer considers that a project meets the criteria, a basic cost benefit analysis is completed. If the result is positive, an application form is provided. Program officers for the GGP/EAP choose potential candidates from a list. Candidates then complete a pre-application approval, which assesses whether the client meets the criteria and is export ready.

Besides maintaining regular contact with past clients, the Department generally does not follow up the long-term benefits of support provided. One example of longer term follow up of claimed benefits is the GGP/EAP program. Support recipients are followed up 12-18 months after project completion with a client survey. The survey notes the expected sales as stated in the application form and asks the CEO to confirm actual sales and additional positions created. This type of follow up survey can help the Department determine which projects provide comparatively higher benefits over a longer period of time.

An internal audit of the TechVouchers Program (which is funded by the RAAP) in 2013 recommended the Department follow up completed projects to validate reported outcomes. If outcomes of completed projects are not being followed up, this could result in lack of deterrence for companies to exaggerate or make inaccurate claims (particularly if companies become aware that the Department does not follow up). This recommendation is relevant to all programs we examined.

Without long term follow up of projects, the Department does not know which projects continue to provide benefits after financial support has ceased. This type of information could be used to maximise returns from investment and achieve industry development objectives more efficiently.

# Appendices

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## Appendix 1: Response from the Department of Industry, Skills and Regional Development



Office of the Secretary

INT15/133381

A T Whitfield  
Acting Auditor-General  
Audit Office of NSW  
Level 15, 1 Margaret Street  
SYDNEY NSW 2000

Dear Mr Whitfield

### **Performance Audit – Government Assistance to Industry**

Thank you for your correspondence dated 24 November 2015 and the attached final performance audit report.

Many of the Report's findings coincide with the Government's decision to close the two main programs that you reviewed, and to replace them by the creation of *Jobs for NSW*. This new approach, based on world's best practice, provides a simpler overarching objective, which is job creation.

The NSW Department of Industry, Skills and Regional Development is committed to making NSW the preferred place to do business in an increasingly globalised and competitive environment. To achieve this, the Department of Industry actively works to attract business to the State through initiatives designed to create an environment that grows business.

A number of the recommendations provided within the Performance Audit – Government Assistance to Industry will be of continuing value in the new environment and have already been adopted by the Department. They will continue to guide the development of future industry assistance programs.

Should you wish to discuss any aspects of the Departmental response, please contact Amanda Chadwick, Executive Director Industry Policy, Economics & Regional Development on 02 9338 6741.

Yours sincerely

A handwritten signature in black ink, appearing to read 'SAY Smith'.

Simon A Y Smith  
**Secretary**

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## **NSW Department of Industry, Skills and Regional Development response to Performance Audit – Government Assistance to Industry**

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The NSW Department of Industry, Skills and Regional Development (Department of Industry) leads the State Government's contribution to making NSW a fertile place to invest, to produce goods and services, and create jobs and opportunities. The Department of Industry measures its success by the growth in employment, value of output and the competitiveness and sustainability of industries in NSW.

The Department of Industry is committed to making NSW the preferred place to do business in an increasingly globalised and competitive environment. To achieve this, the Department of Industry actively works to attract business to the State through initiatives designed to facilitate growth for individual sectors and create an environment that supports business.

The most recent initiative of the NSW Government to achieve this objective is Jobs for NSW. Jobs for NSW is a private sector-led and NSW Government-backed initiative which aims to make the NSW economy as competitive as possible and therefore help create new jobs across the State. The initiative will help deliver on the NSW Government's election commitment to create 150,000 new jobs in the four years to March 2019.

The Jobs for NSW Board oversees the Jobs for NSW fund, which was created to meet the NSW Government's commitment to provide \$190 million over four years to attract and grow businesses. Jobs for NSW represents an innovative new approach to tap the insights and knowledge of leading private sector minds to help drive Government policy to grow the economy and create jobs.

### **Objectives and Rationale for Industry Assistance**

The Department of Industry supports many of the recommendations made by the Audit Office of NSW. As noted by the Audit Office, the Department uses direct industry assistance to achieve the objectives noted above. However, direct industry assistance is merely one tool in a portfolio of options used by the Department to achieve its objectives. Where direct industry assistance has been used, the rationale and objectives for its use are articulated at the program level and supported by enabling instruments such as, but not limited to, the *Regional Development Act 2004*, the Economic Development Strategy for Regional NSW and the 'State Priorities'.

The Department's numerous industry assistance programs, and their respective objectives, are a result of the Government's desire to tailor its programs to achieve focussed and specific objectives. That is, a recognition that one size does not fit all industries and regions. For example, the Film Industry Attraction Program (FIAP), which was part of the State Investment Attraction Scheme, has a clear rationale, along with stated objectives and assessment criteria. The Government's stated objective is to increase the State's market share in film and television production by attracting major footloose filming and VFX projects that create a significant economic benefit for the State in terms of jobs, expenditure, skills development and new technology, as well as boosting the profile of NSW worldwide.

The Audit Office notes that market failure was cited as a rationale for industry assistance but was not addressed by a number of programs. Market failure is only one possible rationale for industry assistance. Other rationales include attracting investment and the subsequent creation of jobs that would not have otherwise occurred in NSW. The rationale for each use of industry assistance depends on the nature of the program objectives that are being sought, the reason the program was established and the industry or region targeted. As a result, the rationale for industry assistance will intentionally differ between programs and over time.



It is recognised that the NSW economy is continually evolving, and for this reason, where a program is no longer the most effective or efficient way to deliver the outcomes noted above, the programs will be changed. This has been demonstrated by the closure of the State Investment Attraction Scheme (SIAS) and the Regional Industries Investment Fund (RIIF). The Government has put in place a new approach with the creation of Jobs for NSW. The creation of jobs in NSW will be the specific focus of Jobs for NSW. This clarifies the lack of precision in program objectives found in the audit.

### **Benefits of Industry Assistance Programs**

For projects under the major industry assistance programs, such as RIIF and SIAS, the Department undertook cost benefit analysis to determine the net benefits of supporting the project to the residents of NSW. As payment of assistance is linked to achieving milestones, such as the creation of jobs, payment is not made until benefits are achieved. In terms of benefits realisation, this negates the requirement for long term follow up after payments are made.

For example, in the case of film projects, Screen NSW only provides funding on achievement of milestones during a project or at the completion of the production once independently audited cost and employment reports have been provided. This ensures that the NSW Government is not incurring a cost until the tangible and financial benefits of the project have been realised. Recently, the Department undertook a follow up survey of The Wolverine project, which found that the production surpassed targets and the cost benefit analysis was conservative.

The Department acknowledges that there may be some value in long term project follow up, especially for the purposes of data collection to inform future program administration. This will be a consideration for Jobs for NSW's program design.

### **Public Reporting of Grant Recipient Information**

The Department of Industry's annual budget reporting accords with the NSW Treasury guidelines. The Department is supportive of, and demonstrates transparency and accountability, by making grant information publicly available where it is in the public interest. In addition to annual reporting, the Department of Industry also announces industry assistance initiatives that create jobs within NSW and support economic activity through frequent media releases.

As noted by the Audit Office, there is strong competition between international and interstate jurisdictions to attract 'footloose' projects that offer net economic and employment gains. This competition can result in the 'bidding-up' of assistance as competing jurisdictions attempt to attract projects. The Department has sought to steward taxpayers' funds by careful and strategic participation in such competition. On balance, excessive disclosure would compromise the mission and/or increase costs for taxpayers.

The publication of the assistance provided to individual projects will significantly weaken the negotiating position of the NSW Government and inevitably increase the amount of assistance sought by applicants. This will erode the economic and employment benefits of attracting 'footloose' projects to NSW. There is therefore a need to balance the publication of detailed information on the amount of assistance provided for specific projects and achieving value for money and job creation. The degree of publication in the public interest is not as simple as automatic disclosure, but requires careful balancing of these competing priorities.

## **Strategic Planning and Performance Reporting Framework**

The Department has commenced implementation of a new planning and performance framework this financial year. The framework is intended to address a number of points raised by the Audit Office with regard to measures and targets cascading down to divisions, programs and projects across the Department.

The NSW Department of Industry's new 2015-2019 Corporate Plan sets the Department's direction and focus for the next four years. It outlines the strategic priorities and outcomes of the Department and includes high level performance measures.

Each division has a strategic plan that aligns with the Corporate Plan. Divisional strategic plans capture the outcomes from the Corporate Plan that each division is accountable for. The plans also capture each division's own specific targets and performance measures against the divisional outcomes and its programs/strategies to ensure an aligned and focussed workforce. Each branch has a business plan which sets out the actions required to deliver on the divisional outcomes. Actions and measures in these plans flow down to individual Personal Development Plans.

In support of the new strategic planning and performance reporting framework, a new tool known as the Performance Scorecard is being rolled out through a phased approach. The Performance Scorecard aligns business activities at the divisional and branch levels to the Department's Corporate Plan, and facilitates quarterly performance monitoring and reporting.

The Department is continuing to build capability and refine the Performance Scorecard to meet corporate and divisional performance monitoring and reporting needs. I note that the Department is the product of numerous machinery of government reforms that require consolidation of multiple preceding systems and cultures. Integration is not a trivial undertaking. As program management matures under NSW Treasury's Financial Management Transformation, the Performance Scorecard will strengthen alignment between corporate outcomes, program targets and project measures.

## **Program Evaluation Framework**

The Department's Program Evaluation Framework is consistent with the NSW Government Evaluation Framework that applies to all NSW Government clusters. Consequently, the Department complies with the Cabinet requirement to submit an annual schedule of programs to be evaluated.



## Response to Recommendations

### Better guidance for using direct industry assistance

1. Jointly develop a whole-of-government definition for industry assistance.
2. Jointly develop guiding principles for the circumstances when providing direct industry assistance to industry is appropriate, including genuine market failures, sustainability of firms, long term industry viability, and demonstrating net community benefits through requiring comprehensive cost benefit analysis for assistance above \$200,000.

#### Response to Recommendations 1 and 2

The Department of Industry concurs that a whole-of-government definition for industry assistance would provide increased consistency across government. However, any such definition must reflect the diverse nature and objectives of industry assistance programs undertaken by the NSW Government.

The Department has adopted job creation as its overarching industry policy objective, reflecting the Premier's priority. Sub-targets relating to location and job quality are under consideration.

The Department of Industry has a range of program-specific objectives and associated principles for the provision of industry assistance, including market failure and the sustainability of firms and regions. This program focus allows Departmental programs to be targeted and responsive.

Prior to the Jobs for NSW initiative, projects that sought assistance greater than \$200,000 under the RIIF and SIAS programs were subject to a comprehensive Cost Benefit Analysis. This threshold may continue to apply under the (yet to be determined) Jobs for NSW assessment framework.

### Setting targets for industry assistance programs

3. Develop Department level targets for industry development, output and outcomes.
4. Develop targets for each industry assistance program which align with Departmental level targets.

#### Response to Recommendations 3 and 4

The Department of Industry concurs with recommendations 3 and 4, noting that the overarching target will be job creation.

### More transparent information of industry assistance programs

5. Report comprehensive industry assistance program information annually, covering: overall level of assistance (both direct and indirect); program administration costs; level of assistance by priority industry sector; geographic coverage; number of applicants and number of approved projects; ongoing program benefits (expected and realised).
6. Increase the amount and detail of public reporting on all projects that receive direct industry assistance, including the amount of assistance provided (where this is not possible, the Department should outline why), recipient name, industry, project description and benefits.

### **Response to Recommendations 5 and 6**

The Department of Industry's reporting in the annual budget accords with NSW Treasury guidelines. The Department agreed to provide program or aggregated level information, as recommended.

As noted by the Audit Office, Governments often provide industry assistance to attract and compete for 'footloose' projects because of the associated employment and income generation benefits to the State. Furthermore, the Audit Office notes that competition between States can cause incentives to be increased, and the addition to the tax base to decrease (p. 6). The Department agrees with this assessment.

Public reporting of assistance amounts paid to individual recipients and industry reveals the amount that Governments are willing to pay to attract economically desirable 'footloose' projects to the State. This would significantly weaken the negotiating position of the NSW Government and would undoubtedly result in incentives increasing, thereby eroding job creation and value for money.

The Department recognises the balance between ensuring value for money and job creation for the residents of NSW and transparency concerns raised by the Audit Office.

Launched in August 2015, the Jobs for NSW fund replaced the State Investment Attraction Scheme and Regional Industries Investment Fund. A single, consolidated fund will be easier for business to understand and use and will also help increase transparency. Consistent with the Audit Office recommendations, Jobs for NSW will produce an annual report, outlining funding grants and outcomes, to ensure transparency.

### **Evaluation of industry assistance programs**

7. Review industry assistance programs to ensure objectives are clearly defined (i.e. specific, measurable and time-related).
8. Review the suite of industry assistance programs to determine whether coverage of regions and priority industries is appropriate and the extent of overlap between programs.
9. Evaluate the State Investment Attraction Scheme and Regional Industries Investment Fund to inform the design of the Jobs for NSW Fund. The evaluations should be done at arms-length from the responsible program managers, address whether the programs achieved long term benefits and met their objectives efficiently, and be made public.
10. Establish a schedule of formative and summative evaluations for all programs that use direct industry assistance.

### **Response to Recommendations 7, 8, 9 and 10**

In preparation for the Jobs for NSW initiative, the Department commissioned an independent review of industry assistance programs, including RIIF and SIAS. The design of Jobs for NSW was informed by this independent review as well as draft performance audit recommendations provided by the Audit Office.

The Jobs for NSW Board will recommend robust assessment criteria to the Minister, accordance with the *Jobs for NSW Act 2015*, to ensure that the Jobs for NSW fund is directed to areas where it will have the biggest economic impact, both now and over the medium and longer term. In addition, to accelerate regional growth, a minimum 30 per cent of the Jobs for NSW fund will be allocated to regional areas.

The Department has actively worked with DPC and other agencies in revising the NSW Government Evaluation Framework. The revised Framework increases the emphasis on cluster evaluation towards 'outcomes' evaluation. In preparation for the application of the new Framework in 2016-17, the Department has been developing a new, more outcomes-focused evaluation methodology and process.

The Department complies with the Cabinet requirement to submit an annual schedule of programs to be evaluated.

## Appendix 2: About the audit

The audit assessed whether the Department of Trade and Investment, Regional Infrastructure and Services (DTIRIS) could demonstrate that its assistance to industry, in the form of direct budget outlays, is effective. We asked three questions.

- Does the NSW Government have a rationale that properly justifies industry assistance and is that rationale consistent with government priorities?
- Is the scale and coverage of industry assistance funding consistent with government priorities?
- Are industry assistance programs evaluated to ensure that expected benefits have been achieved?

### Scope

This audit focussed on:

- grants and subsidy programs to industries in all Service Groups in DTIRIS of at least \$2.0 million per annum, including the agencies in the cluster
- assistance in the form of operational expenditure not capital expenditure
- the rationale for industry assistance in New South Wales and its linkage to government priorities as identified in the State Plan 2021
- the scale and coverage of industry assistance in the DTIRIS cluster
- objectives and expected benefits of programs that provide grants and subsidies to assist industry and any evaluations of those programs to assess the benefits achieved.

### Audit exclusions

We did not review:

- the grant administration and allocation process
- administrative, compliance or regulatory expenses sometimes included under indirect industry assistance
- industry assistance provided by agencies other than those in the DTIRIS cluster
- assistance provided to households or private citizens acting in a personal capacity
- the justification for State Plan 2021 targets relating to industrial or economic growth.

Note that we did comment on these issues where they affected our findings or provided context.

### Audit approach

We collected evidence by:

- interviewing agency personnel responsible for collecting processing, collating and reporting data and other information relevant to industry assistance programs
- gathering information from other stakeholders as appropriate
- examining:
  - data from DTIRIS financial records and other relevant sources to establish the scale and coverage of direct financial assistance to industry
  - the rationale for assistance to industry overall and for a sample of DTIRIS programs
  - the rationale for assistance to industry in other jurisdictions and in research
  - a selection of program evaluations undertaken in the DTIRIS cluster.

### Program selection

DTIRIS provided us with a list of eleven programs of at least \$1.0 million per annum that have an industry assistance component. We chose seven of these programs to examine in further detail that represented around 70 per cent of the total program expenditure.

### **Audit selection**

We use a strategic approach to selecting performance audits which balances our performance audit program to reflect issues of interest to Parliament and the community. Details of our approach to selecting topics and our forward program are available on our website.

### **Audit methodology**

Our performance audit methodology is designed to satisfy Australian Audit Standards ASAE 3500 on performance auditing. The Standard requires the audit team to comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance and draw a conclusion on the audit objective. Our processes have also been designed to comply with the auditing requirements specified in the *Public Finance and Audit Act 1983*.

### **Acknowledgements**

We gratefully acknowledge the co-operation and assistance provided by the NSW Department of Industry, Skills and Regional Development and the former DTIRIS. In particular we wish to thank our liaison officers and staff who participated in interviews and provided material relevant to the audit.

### **Audit team**

Angelina Pillay, Lucy Stedman, Chris Allen and Kevin Hughes conducted the performance audit. Sean Crumlin and Kathrina Lo provided direction and quality assurance.

### **Audit cost**

Including staff costs, printing costs and overheads, the estimated cost of the audit is \$322,716.

### Appendix 3: State Investment Attraction Scheme and Regional Industries Investment Fund grant payments: 2011–12, 2012–13 and 2013–14

The tables below provide details of grant payments under the State Investment Attraction Scheme and Regional Industries Investment Fund for 2011–12, 2012–13 and 2013–14. Payments are shown according to industry sector. Individual recipients who received grants above \$100,000 are named.

**Table – State Investment Attraction Scheme grant payments, 2011–12 to 2013–14**

Industry (ANZSIC level 1)	2011–12			2012–13			2013–14		
	No of recipients <sup>1</sup>	Total grants committed: current recipients <sup>2</sup> \$	Total grants paid in the financial year	No of recipients <sup>1</sup>	Total grants committed: current recipients <sup>2</sup> \$	Total grants paid in the financial year	No of recipients <sup>1</sup>	Total grants committed: current recipients <sup>2</sup> \$	Total grants paid in the financial year
Agriculture, Forestry and Fishing	--	--	--	--	--	--	--	--	--
Mining	--	--	--	--	--	--	--	--	--
Manufacturing	12	39,545,000	10,093,597	7	17,026,000	2,765,535	11	35,366,000	3,663,338
Electricity, Gas, Water and Waste Services	--	--	--	--	--	--	--	--	--
Construction	--	--	--	--	--	--	--	--	--
Wholesale Trade	--	--	--	--	--	--	--	--	--
Retail Trade	--	--	--	--	--	--	--	--	--
Accommodation and Food Services	--	--	--	--	--	--	--	--	--
Transport, Postal and Warehousing	4	28,100,000	4,588,180	4	28,300,000	3,526,655	4	28,300,000	2,513,660
Information Media and Telecommunications	20	28,961,300	14,522,507	8	22,752,800	9,521,443	5	26,030,000	21,748,496
Financial and Insurance Services	--	--	--	--	--	--	--	--	--
Rental, Hiring and Real Estate Services	--	--	--	--	--	--	--	--	--
Professional, Scientific and Technical Services	8	21,120,500	7,471,000	5	9,107,500	2,052,412	3	7,240,000	2,276,000
Administrative and Support Services	--	--	--	--	--	--	--	--	--
Public Administration and Safety	1	96,300	16,300	4	1,962,425	1,315,104	5	1,377,625	493,185
Education and Training	--	--	--	--	--	--	--	--	--
Health Care and Social Assistance	--	--	--	--	--	--	--	--	--
Arts and Recreation Services	--	--	--	--	--	--	--	--	--
Other Services	8	19,447,500	6,863,000	7	18,565,000	4,689,462	12	23,306,654	3,059,732
<b>Total recipients with projects above \$100,000</b>	<b>53</b>	<b>137,270,600</b>	<b>43,554,584</b>	<b>35</b>	<b>97,713,725</b>	<b>23,870,611</b>	<b>40</b>	<b>121,620,279</b>	<b>33,754,410</b>

Notes: 1. Number of recipients that received payments in the financial year.  
2. Represents grant commitments to clients that received a payment in that year. For example, 12 manufacturing firms received payments totalling \$10,093,597 in 2011-12. In total these 12 firms were provided grants of \$39,545,000. Does not represent the amount of new grants offered in that year. These amounts cannot be summed across years and do not represent outstanding liabilities.

**Table – State Investment Attraction Scheme grant recipients, 2011–12 to 2013–14**

2011-12	2012-13	2013-14
<b>Manufacturing</b>		
<b>No of recipients: 12</b> <b>Total commitment: \$39,545,000</b> <b>Amount paid: \$10,093,597</b> <b>Proponents in receipt of grants over \$100,000</b> <ul style="list-style-type: none"> <li>• Beak &amp; Johnston Pty. Ltd. B &amp; J</li> <li>• Broens Industries Pty Ltd</li> <li>• Forgacs Group</li> <li>• Geely Holding Group</li> <li>• Intercast &amp; Forge Pty Limited</li> <li>• Vinidex Pty Ltd</li> <li>• Newly Weds Foods</li> <li>• Orora Ltd formerly Amcor Ltd</li> <li>• Quickstep Holdings Ltd</li> <li>• Thales Group</li> <li>• Thomas Global Systems</li> <li>• Turbomeca Australasia Pty Ltd.</li> </ul>	<b>No of recipients: 7</b> <b>Total commitment: \$17,026,000</b> <b>Amount paid: \$2,765,535</b> <b>Proponents in receipt of grants over \$100,000</b> <ul style="list-style-type: none"> <li>• Agri Australis Pty Ltd</li> <li>• Forgacs Group</li> <li>• Vinidex Pty Ltd</li> <li>• Newly Weds Foods</li> <li>• Orora Ltd formerly Amcor Ltd</li> <li>• Thomas Global Systems</li> <li>• Turbomeca Australasia Pty. Limited.</li> </ul>	<b>No of recipients: 11</b> <b>Total commitment: \$35,366,000</b> <b>Amount paid: \$3,663,338</b> <b>Proponents in receipt of grants over \$100,000</b> <ul style="list-style-type: none"> <li>• Agri Australis Pty Ltd</li> <li>• Forgacs Group</li> <li>• Greenfields Development Company</li> <li>• Vinidex Pty Ltd</li> <li>• Midal Cables International Pty Ltd</li> <li>• Newly Weds Foods</li> <li>• Orora Ltd formerly Amcor Ltd</li> <li>• Quickstep Holdings Limited</li> <li>• Thales Group</li> <li>• Thomas Global Systems</li> <li>• Turbomeca Australasia Pty. Limited.</li> </ul>
<b>Transport, Postal and Warehousing</b>		
<b>No of recipients: 4</b> <b>Total commitment: \$28,100,000</b> <b>Amount paid: \$ 4,588,180</b> <b>Proponents in receipt of grants over \$100,000</b> <ul style="list-style-type: none"> <li>• Delta Airlines Inc</li> <li>• Etihad Airways PJSC</li> <li>• HPM Legrand</li> <li>• Virgin Australia Airlines Pty Ltd.</li> </ul>	<b>No of recipients: 4</b> <b>Total commitment: \$28,300,000</b> <b>Amount paid: \$3,526,655</b> <b>Proponents in receipt of grants over \$100,000</b> <ul style="list-style-type: none"> <li>• Delta Airlines Inc</li> <li>• HPM Legrand</li> <li>• Joe White Maltings Pty Ltd</li> <li>• Virgin Australia Airlines Pty Ltd.</li> </ul>	<b>No of Recipients: 4</b> <b>Total commitment: \$28,300,000</b> <b>Amount paid: \$2,513,660</b> <b>Proponents in receipt of grants over \$100,000</b> <ul style="list-style-type: none"> <li>• Delta Airlines Inc</li> <li>• HPM Legrand</li> <li>• Joe White Maltings Pty Ltd</li> <li>• Virgin Australia Airlines Pty Ltd.</li> </ul>



Information Media and Telecommunications		
<p><b>No of recipients:</b> 20</p> <p><b>Total commitment:</b> \$28,961,300</p> <p><b>Amount paid:</b> \$14,522,507</p> <p><b>Proponents in receipt of grants over \$100,000</b></p> <ul style="list-style-type: none"> <li>• A Few Best Men Pty Ltd</li> <li>• Animal Logic Film Pty Ltd</li> <li>• Digital Economy Strategy</li> <li>• Cretaceous Films</li> <li>• FremantleMedia Australia Pty Ltd</li> <li>• Fuji Xerox Australia Pty Ltd</li> <li>• Macquarie Telecom</li> <li>• Polaris Software Pty Ltd</li> <li>• Screentime Pty Limited</li> <li>• Fairfax Media Ltd</li> <li>• Village Roadshow Mumble 2 Productions</li> <li>• Warner Brothers Pictures.</li> </ul>	<p><b>No of recipients:</b> 8</p> <p><b>Total commitment:</b> \$22,752,800</p> <p><b>Amount paid:</b> \$9,521,443</p> <p><b>Proponents in receipt of grants over \$100,000</b></p> <ul style="list-style-type: none"> <li>• Animal Logic Film Pty. Limited</li> <li>• Digital Economy Strategy</li> <li>• Cretaceous Films</li> <li>• Fuel VFX Pty Ltd</li> <li>• Kennedy Miller Mitchell Production Services Pty Ltd</li> <li>• Macquarie Telecom</li> <li>• Polaris Software Pty Ltd</li> <li>• Screentime Pty Limited.</li> </ul>	<p><b>No of recipients:</b> 5</p> <p><b>Total commitment:</b> \$26,030,000</p> <p><b>Amount paid:</b> \$21,748,496</p> <p><b>Proponents in receipt of grants over \$100,000</b></p> <ul style="list-style-type: none"> <li>• 20th Century Fox</li> <li>• Bazmark Film Pty Ltd</li> <li>• Digital Economy Strategy</li> <li>• Macquarie Telecom</li> <li>• Warner Brothers Pictures.</li> </ul>
Professional, Scientific and Technical Services		
<p><b>No of recipients:</b> 8</p> <p><b>Total commitment:</b> \$21,120,500</p> <p><b>Amount paid:</b> \$7,471,000</p> <p><b>Proponents in receipt of grants over \$100,000</b></p> <ul style="list-style-type: none"> <li>• Centre for International Finance and Regulation</li> <li>• Dimension Data Australia Pty Ltd</li> <li>• Fidelity Asia Services Pty Ltd</li> <li>• Mark Group Australia Pty Ltd</li> <li>• National ICT Australia Limited - NICTA</li> <li>• Virgin Money (Australia) Pty Ltd.</li> </ul>	<p><b>No of recipients:</b> 5</p> <p><b>Total commitment:</b> \$9,107,500</p> <p><b>Amount paid:</b> \$2,052,412</p> <p><b>Proponents in receipt of grants over \$100,000</b></p> <ul style="list-style-type: none"> <li>• Centre for International Finance and Regulation</li> <li>• Dimension Data Australia Pty Limited</li> <li>• SGE Analytical Science Pty Ltd.</li> </ul>	<p><b>No of recipients:</b> 3</p> <p><b>Total commitment:</b> \$7,240,000</p> <p><b>Amount paid:</b> \$2,276,000</p> <p><b>Proponents in receipt of grants over \$100,000</b></p> <ul style="list-style-type: none"> <li>• Centre for International Finance and Regulation</li> <li>• GPT Group</li> <li>• SGE Analytical Science Pty Ltd.</li> </ul>

Public Administration and Safety		
<b>No of recipients: 1</b> <b>Total commitment:</b> \$96,300 <b>Amount paid:</b> \$16,300 <b>Proponents in receipt of grants over \$100,000</b> <i>Nil above \$100,000</i>	<b>No of recipients: 4</b> <b>Total commitment:</b> \$1,962,425 <b>Amount paid:</b> \$1,315,104 <b>Proponents in receipt of grants over \$100,000</b> <ul style="list-style-type: none"> <li>• 2013 Defence White Paper</li> <li>• Blue Mountains City Council</li> <li>• Defence Industry.</li> </ul>	<b>No of recipients: 5</b> <b>Total commitment:</b> \$1,377,625 <b>Amount paid:</b> \$493,185 <b>Proponents in receipt of grants over \$100,000</b> <ul style="list-style-type: none"> <li>• Defence Industry</li> <li>• Gosford City Council</li> <li>• Nexus Smart Hub Pty Ltd</li> </ul>
Other Services		
<b>No of recipients: 8</b> <b>Total commitment:</b> \$19,447,500 <b>Amount paid:</b> \$6,863,000 <b>Proponents in receipt of grants over \$100,000</b> <ul style="list-style-type: none"> <li>• Australian Film Institute Awards</li> <li>• Industry Action Plan</li> <li>• National Rugby League Ltd</li> <li>• Cricket NSW</li> <li>• NSW Wine Industry Association Inc (TNSW)</li> <li>• The Sydney Film Festival</li> <li>• United States Studies Centre.</li> </ul>	<b>No of recipients: 7</b> <b>Total commitment:</b> \$18,565,000 <b>Amount paid:</b> \$4,689,462 <b>Proponents in receipt of grants over \$100,000</b> <ul style="list-style-type: none"> <li>• Australian Film Institute Awards</li> <li>• Industry Action Plan</li> <li>• Industry Capability Network (NSW) Ltd.</li> <li>• National Rugby League Ltd</li> <li>• Cricket NSW</li> <li>• NSW Wine Industry Association Inc (TNSW)</li> <li>• United States Studies Centre.</li> </ul>	<b>No of recipients: 12</b> <b>Total commitment:</b> \$23,306,654 <b>Amount paid:</b> \$3,059,732 <b>Proponents in receipt of grants over \$100,000</b> <ul style="list-style-type: none"> <li>• Australian Film Institute Awards</li> <li>• Industry Action Plan</li> <li>• Industry Capability Network (NSW) Ltd.</li> <li>• Innovate NSW</li> <li>• International Engagement Strategy</li> <li>• National Occupational Licensing Authority (NOLA)</li> <li>• National Rugby League Ltd</li> <li>• Cricket NSW</li> <li>• Supply Chain Accelerator</li> <li>• United States Studies Centre.</li> </ul>

**Table – Regional Industries Investment Fund grant payments, 2011–12 to 2013–14**

Industry (ANZSIC level 1) <sup>3</sup>	2011–12			2012–13			2013–14		
	No of recipients <sup>1</sup>	Total grants committed: current recipients <sup>2</sup> \$	Total grants paid in the financial year	No of recipients <sup>1</sup>	Total grants committed: current recipients <sup>2</sup> \$	Total grants paid in the financial year	No of recipients <sup>1</sup>	Total grants committed: current recipients <sup>2</sup> \$	Total grants paid in the financial year
Agriculture, Forestry and Fishing	14	1,348,352	822,043	10	1,484,100	1,161,300	5	2,215,000	831,250
Mining	4	360,000	103,977	4	6,360,000	1,923,810	4	4,460,000	2,596,523
Manufacturing	50	8,075,300	2,743,806	26	7,466,117	2,231,734	11	6,366,000	926,916
Electricity, Gas, Water and Waste Services	--	--	--	--	--	--	--	--	--
Construction	4	143,485	92,650	3	80,000	30,000	--	--	--
Wholesale Trade	12	1,292,000	428,636	3	27,500	17,390	1	75,000	55,000
Retail Trade	7	412,978	249,978	7	331,671	141,624	2	67,500	30,000
Accommodation and Food Services	4	77,000	40,575	3	13,268	11,608	--	--	-
Transport, Postal and Warehousing	7	1,318,000	276,714	4	745,000	186,750	3	670,000	173,294
Information Media and Telecommunications	7	1,449,000	499,044	7	845,227	397,381	1	32,000	8,000
Rental, Hiring and Real Estate Services	--	--	--	--	--	--	--	--	--
Professional, Scientific and Technical Services / Finance, Administrative & Support Services	23	1,485,819	611,925	13	716,000	419,100	5	453,000	248,235
Public Administration and Safety / Health Care, Social Assistance	20	12,268,715	5,009,481	32	14,373,177	8,375,570	27	17,397,981	5,983,982
Education and Training	1	20,000	16,000	1	20,000	4,000	--	--	--
Arts, Recreation & Other Services	47	2,665,181	171,956	17	850,950	399,211	12	911,650	438,575
<b>Total recipients</b>	<b>200</b>	<b>30,915,830</b>	<b>11,066,785</b>	<b>130</b>	<b>33,313,010</b>	<b>15,299,477</b>	<b>71</b>	<b>32,648,131</b>	<b>11,291,774</b>

Notes:

1. Number of recipients that received payments in the financial year.
2. Represents grant commitments to clients that received a payment in that year. For example, 50 manufacturing firms received payments totalling \$2,743,806 in 2011-12. In total these 50 firms were provided grants of \$8,075,300. Does not represent the amount of new grants offered in that year. These amounts cannot be summed across years and do not represent outstanding liabilities.
3. Some ANZSIC industry sectors have been combined to avoid having only two recipients listed in one sector.

**Table – Regional Industries Investment Fund grant recipients, 2011–12 to 2013–14**

2011-12	2012-13	2013-14
<b>Agriculture, Forestry &amp; Fishing</b>		
<b>No of recipients:</b> 14 <b>Total commitment:</b> \$1,348,352 <b>Amount paid:</b> \$822,043 <b>Proponents in receipt of grants over \$100,000</b> <ul style="list-style-type: none"> <li>• Cumulus Wines Pty Ltd</li> <li>• Grain Products Australia</li> <li>• Metziya Pty Ltd</li> <li>• Tree Tops Plantation Pty Ltd</li> <li>• Urbenville Timber Pty Ltd.</li> </ul>	<b>No of recipients:</b> 10 <b>Total commitment:</b> \$1,484,100 <b>Amount paid:</b> \$1,161,300 <b>Proponents in receipt of grants over \$100,000</b> <ul style="list-style-type: none"> <li>• Caccaviello Family Trust</li> <li>• Dongwha Timbers Pty Limited</li> <li>• Urbenville Timber Pty Ltd.</li> </ul>	<b>No of recipients:</b> 5 <b>Total commitment:</b> \$2,215,000 <b>Amount paid:</b> \$831,250 <b>Proponents in receipt of grants over \$100,000</b> <ul style="list-style-type: none"> <li>• Australian Bay Lobster Producers Pty Ltd</li> <li>• B E Campbell (NSW) Pty Ltd</li> <li>• Metziya Pty Ltd</li> <li>• Murray River Organics</li> <li>• Norco Co-Operative Limited.</li> </ul>
<b>Mining</b>		
<b>No of recipients:</b> 4 <b>Total commitment:</b> \$360,000 <b>Amount paid:</b> \$103,977 <b>Proponents in receipt of grants over \$100,000</b> <ul style="list-style-type: none"> <li>▪ Ullrich Metals.</li> </ul>	<b>No of recipients:</b> 4 <b>Total commitment:</b> \$6,360,000 <b>Amount paid:</b> \$1,923,810 <b>Proponents in receipt of grants over \$100,000</b> <ul style="list-style-type: none"> <li>• Alkane Resources Ltd</li> <li>• Sandvik Mining &amp; Construction Australia Pty Ltd</li> <li>• Ullrich Metal.</li> </ul>	<b>No of recipients:</b> 4 <b>Total commitment:</b> \$4,460,000 <b>Amount paid:</b> \$2,596,523 <b>Proponents in receipt of grants over \$100,000</b> <ul style="list-style-type: none"> <li>• Alkane Resources Ltd</li> <li>• P&amp;H MinePro</li> <li>• Ullrich Metals.</li> </ul>

Manufacturing		
<p><b>No of recipients:</b> 50</p> <p><b>Total commitment:</b> \$8,075,300</p> <p><b>Amount paid:</b> \$2,743,806</p> <p><b>Proponents in receipt of grants over \$100,000</b></p> <ul style="list-style-type: none"> <li>• Agabow Pty. Limited</li> <li>• Ampcontrol Pty Limited</li> <li>• BAE Systems Australia Limited</li> <li>• Banlaw Pty Limited</li> <li>• Bega Cheese Limited</li> <li>• Birdon Marine Pty Ltd</li> <li>• Bisalloy Steels Pty. Ltd.</li> <li>• Cast Apparel Pty Ltd</li> <li>• D&amp;L Brancourt Nominees Pty Ltd</li> <li>• David Brown Gear Industries Ltd</li> <li>• Falcones Pty Ltd</li> <li>• Freedom Foods Pty Limited</li> <li>• Industrial Maintenance &amp; Fabrications Pty Ltd</li> <li>• Jeff Hort Engineering</li> <li>• Joyce Foam Products</li> <li>• Lawmans Frame &amp; Truss Pty Ltd</li> <li>• LDC Mountain Industries</li> <li>• Marciano Industries Pty Ltd</li> <li>• Mascot Engineering Co Pty Ltd</li> <li>• MD Steel Fabrication Pty Ltd</li> <li>• Midpro Engineering Pty Ltd</li> <li>• National Engineering Young Pty Ltd</li> <li>• Thales Group</li> <li>• Varley Holdings Pty Ltd</li> </ul>	<p><b>No of recipients:</b> 26</p> <p><b>Total commitment:</b> \$7,466,117</p> <p><b>Amount paid:</b> \$2,231,734</p> <p><b>Proponents in receipt of grants over \$100,000</b></p> <ul style="list-style-type: none"> <li>• Austalian Blister Sealing Incorporated Pty Ltd</li> <li>• Banlaw Pty Limited</li> <li>• Bertab Pty Ltd</li> <li>• Birdon Marine Pty Ltd</li> <li>• Cast Apparel Pty Ltd</li> <li>• D&amp;L Brancourt Nominees Pty Ltd</li> <li>• David Brown Gear Industries Ltd</li> <li>• Emergency Transport Technology Pty Ltd (ETT)</li> <li>• Falcones Pty Ltd</li> <li>• Freedom Foods Pty Limited</li> <li>• H F Hand Constructors Pty. Limited</li> <li>• Joyce Foam Products</li> <li>• K. E. Brown Manufacturing Pty Ltd</li> <li>• MD Steel Fabrication Pty Ltd</li> <li>• National Engineering Young Pty Ltd</li> <li>• Pacific Beverages Pty Ltd</li> <li>• Riverina Oils &amp; Bio Energy Pty Ltd</li> <li>• Thales Group</li> <li>• Varley Holdings Pty Ltd</li> </ul>	<p><b>No of recipients:</b> 11</p> <p><b>Total commitment:</b> \$6,366,000</p> <p><b>Amount paid:</b> \$926,916</p> <p><b>Proponents in receipt of grants over \$100,000</b></p> <ul style="list-style-type: none"> <li>• Ampcontrol Pty Limited</li> <li>• BAE Systems Australia Limited</li> <li>• D&amp;L Brancourt Nominees Pty Ltd</li> <li>• Freedom Foods Pty Limited</li> <li>• H F Hand Constructors Pty Ltd</li> <li>• Pacific Beverages Pty Ltd</li> <li>• Thales Group</li> <li>• Varley Holdings Pty Ltd</li> </ul>

Construction		
<b>No of recipients:</b> 4 <b>Total commitment:</b> \$143,485 <b>Amount Paid:</b> \$92,650 <b>Proponents in receipt of grants over \$100,000</b> <i>Nil above \$100,000</i>	<b>No of recipients:</b> 3 <b>Total commitment:</b> \$80,000 <b>Amount paid:</b> \$30,000 <b>Proponents in receipt of grants over \$100,000</b> <i>Nil above \$100,000</i>	<b>No of recipients:</b> 0 <b>Total commitment:</b> \$0 <b>Amount paid:</b> \$0 <b>Proponents in receipt of grants over \$100,000</b> <i>Nil above \$100,000</i>
Wholesale Trade		
<b>No of recipients:</b> 12 <b>Total commitment:</b> \$1,292,000 <b>Amount paid:</b> \$428,636 <b>Proponents in receipt of grants over \$100,000</b> <i>Nil above \$100,000</i>	<b>No of recipients:</b> 3 <b>Total commitment:</b> \$27,500 <b>Amount paid:</b> \$17,390 <b>Proponents in receipt of grants over \$100,000</b> <i>Nil above \$100,000</i>	<b>No of recipients:</b> 1 <b>Total commitment:</b> \$75,000 <b>Amount paid:</b> \$55,000 <b>Proponents in receipt of grants over \$100,000</b> <i>Nil above \$100,000</i>
Retail Trade		
<b>No of recipients:</b> 7 <b>Total commitment:</b> \$412,978 <b>Amount paid:</b> \$249,978 <b>Proponents in receipt of grants over \$100,000</b> <ul style="list-style-type: none"> <li>Enstrom Pty Ltd.</li> </ul>	<b>No of recipients:</b> 7 <b>Total commitment:</b> \$331,671 <b>Amount paid:</b> \$141,624 <b>Proponents in receipt of grants over \$100,000</b> <ul style="list-style-type: none"> <li>Enstrom Pty Ltd.</li> </ul>	<b>No of recipients:</b> 2 <b>Total commitment:</b> \$67,500 <b>Amount paid:</b> \$30,000 <b>Proponents in receipt of grants over \$100,000</b> <i>Nil above \$100,000</i>
Accommodation and Food Services		
<b>No of recipients:</b> 4 <b>Total commitment:</b> \$77,000 <b>Amount paid:</b> \$40,575 <b>Proponents in receipt of grants over \$100,000</b> <i>Nil above \$100,000</i>	<b>No of recipients:</b> 3 <b>Total commitment:</b> \$13,268 <b>Amount paid:</b> \$11,608 <b>Proponents in receipt of grants over \$100,000</b> <i>Nil above \$100,000</i>	<b>No of recipients:</b> 0 <b>Total commitment:</b> \$0 <b>Amount paid:</b> \$0 <b>Proponents in receipt of grants over \$100,000</b> <i>Nil above \$100,000</i>
Transport, Postal and Warehousing		
<b>No of recipients:</b> 7 <b>Total commitment:</b> \$1,318,000 <b>Amount paid:</b> \$276,714 <b>Proponents in receipt of grants over \$100,000</b> <ul style="list-style-type: none"> <li>Jetstar Airlines Pty Ltd</li> <li>Regional Express Pty Ltd – REX.</li> </ul>	<b>No of recipients:</b> 4 <b>Total commitment:</b> \$745,000 <b>Amount paid:</b> \$186,750 <b>Proponents in receipt of grants over \$100,000</b> <ul style="list-style-type: none"> <li>Regional Express Pty Ltd – REX</li> <li>Taylor Rail Australia Pty Ltd.</li> </ul>	<b>No of recipients:</b> 3 <b>Total commitment:</b> \$670,000 <b>Amount paid:</b> \$173,294 <b>Proponents in receipt of grants over \$100,000</b> <ul style="list-style-type: none"> <li>Regional Express Pty Ltd – REX.</li> </ul>

Information Media and Telecommunications		
<b>No of recipients:</b> 7 <b>Total commitment:</b> \$1,449,000 <b>Amount paid:</b> \$499,044 <b>Proponents in receipt of grants over \$100,000</b> <ul style="list-style-type: none"> <li>• IQ Multimedia Pty Ltd</li> <li>• Oxford Communications Group Pty Ltd</li> <li>• Photo Create Pty Ltd</li> <li>• Southern Phone Company Limited</li> <li>• Sykes Australia Pty Ltd.</li> </ul>	<b>No of recipients:</b> 7 <b>Total commitment:</b> \$845,227 <b>Amount paid:</b> \$397,381 <b>Proponents in receipt of grants over \$100,000</b> <ul style="list-style-type: none"> <li>• Southern Phone Company Limited</li> <li>• Sykes Australia Pty Ltd</li> <li>• Synnex Australia Pty. Ltd.</li> </ul>	<b>No of recipients:</b> 1 <b>Total commitment:</b> \$32,000 <b>Amount paid:</b> \$8,000 <b>Proponents in receipt of grants over \$100,000</b> <i>Nil above \$100,000</i>
Rental, Hiring and Real Estate Services		
<b>No of recipients:</b> 0 <b>Total commitment:</b> \$0 <b>Amount paid:</b> \$0 <b>Proponents in receipt of grants over \$100,000</b> <i>Nil above \$100,000</i>	<b>No of recipients:</b> 0 <b>Total commitment:</b> \$0 <b>Amount paid:</b> \$0 <b>Proponents in receipt of grants over \$100,000</b> <i>Nil above \$100,000</i>	<b>No of recipients:</b> 0 <b>Total commitment:</b> \$0 <b>Amount paid:</b> \$0 <b>Proponents in receipt of grants over \$100,000</b> <i>Nil above \$100,000</i>
Professional, Scientific and Technical Services Financial, Administrative and Support Services		
<i>Note: The two sectors are combined to avoid having less than three clients listed.</i>		
<b>No of recipients:</b> 23 <b>Total commitment:</b> \$1,485,819 <b>Amount paid:</b> \$611,925 <b>Proponents in receipt of grants over \$100,000</b> <ul style="list-style-type: none"> <li>• Advitech Pty Ltd</li> <li>• Commonwealth Bank of Australia (Wagga Wagga Call Centre)</li> <li>• Mid Murray Fire Protection Pty Ltd</li> <li>• Robins Davies Australia Finance Pty Ltd</li> <li>• TES-AMM Australia Pty Ltd.</li> </ul>	<b>No of recipients:</b> 13 <b>Total commitment:</b> \$716,000 <b>Amount paid:</b> \$419,100 <b>Proponents in receipt of grants over \$100,000</b> <ul style="list-style-type: none"> <li>• Advitech Pty Limited</li> <li>• Billinudgel Property Pty Ltd</li> <li>• Commonwealth Bank (Wagga Wagga Call Centre)</li> <li>• Hugh Symons Wireless Data Services P/L</li> <li>• Wahlstrom Consultants Pty Ltd.</li> </ul>	<b>No of recipients:</b> 5 <b>Total commitment:</b> \$453,000 <b>Amount paid:</b> \$248,235 <b>Proponents in receipt of grants over \$100,000</b> <ul style="list-style-type: none"> <li>• Billinudgel Property Pty Ltd</li> <li>• GHD Pty Ltd</li> <li>• HunterNet Co-operative Ltd.</li> </ul>



**Public Administration and Safety**  
**Health Care and Social Assistance**

*Note: The two sectors are combined to avoid having less than three clients listed.*

<p><b>No of recipients: 20</b></p> <p><b>Total commitment:</b> \$12,268,715</p> <p><b>Amount paid:</b> \$5,009,481</p> <p><b>Proponents in receipt of grants over \$100,000</b></p> <ul style="list-style-type: none"> <li>• Albury City Council</li> <li>• Blayney Shire Council</li> <li>• Bogan Shire Council</li> <li>• Dungog Shire Council</li> <li>• Marda Investments Pty Ltd</li> <li>• Muswellbrook Shire Council</li> <li>• Nambucca Shire Council</li> <li>• Probiotec Limited</li> <li>• Upper Hunter Shire Council</li> <li>• Wingecarribee Shire Council.</li> </ul>	<p><b>No of recipients: 32</b></p> <p><b>Total commitment:</b> \$14,373,177</p> <p><b>Amount paid:</b> \$8,375,570</p> <p><b>Proponents in receipt of grants over \$100,000</b></p> <ul style="list-style-type: none"> <li>• Albury City Council</li> <li>• Department of Industry, Innovation, Science, Research and Tertiary Education</li> <li>• DSRD - Fine Food Australia</li> <li>• Gloucester Shire Council</li> <li>• Greater Hume Shire Council</li> <li>• Mid-Western Regional Council</li> <li>• Regional Development Australia - Mid North Coast</li> <li>• Regional Development Australia - Central Coast</li> <li>• Regional Development Australia - Central West</li> <li>• Regional Development Australia - Far South Coast</li> <li>• Regional Development Australia - Far West</li> <li>• Regional Development Australia - Hunter</li> <li>• Regional Development Australia - Illawarra</li> <li>• Regional Development Australia - Murray</li> <li>• Regional Development Australia - Northern Inland</li> <li>• Regional Development Australia - Northern Rivers</li> <li>• Regional Development Australia - Orana</li> <li>• Regional Development Australia - Riverina</li> <li>• Regional Development Australia - Southern Inland Incorporated</li> <li>• Regional Development Australia - Sydney Inc</li> <li>• Thompson Health Care Pty Ltd</li> <li>• Tumut Shire Council</li> <li>• Upper Hunter Shire Council</li> <li>• Wingecarribee Shire Council</li> </ul>	<p><b>No of recipients: 27</b></p> <p><b>Total commitment:</b> \$17,397,981</p> <p><b>Amount paid:</b> \$5,983,982</p> <p><b>Proponents in receipt of grants over \$100,000</b></p> <ul style="list-style-type: none"> <li>• Blayney Shire Council</li> <li>• Department of Industry, Innovation, Science, Research and Tertiary Education</li> <li>• DSRD - Fine Food Australia</li> <li>• DSRD - Regional Marketing Project</li> <li>• Glen Innes Severn Council</li> <li>• Gloucester Shire Council</li> <li>• Kempsey Shire Council</li> <li>• Orange City Council</li> <li>• Port Macquarie Hastings Council</li> <li>• Thompson Health Care Pty Ltd</li> <li>• Regional Development Australia – Hunter.</li> </ul>
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Education and Training		
<b>No of recipients: 1</b> <b>Total commitment: \$20,000</b> <b>Amount paid: \$16,000</b> <b>Proponents in receipt of grants over \$100,000</b> <i>Nil above \$100,000</i>	<b>No of recipients: 1</b> <b>Total commitment: \$20,000</b> <b>Amount paid: \$4,000</b> <b>Proponents in receipt of grants over \$100,000</b> <i>Nil above \$100,000</i>	<b>No of recipients: 0</b> <b>Total commitment: \$0</b> <b>Amount paid: \$0</b> <b>Proponents in receipt of grants over \$100,000</b> <i>Nil above \$100,000</i>
Arts, Recreation & Other Services		
<i>Note: The two sectors, 'Arts and Recreation' and 'Other Services' were combined to avoid having less than three clients listed.</i>		
<b>No of recipients: 47</b> <b>Total commitment: \$2,665,181</b> <b>Amount paid: \$171,956</b> <b>Proponents in receipt of grants over \$100,000</b> <ul style="list-style-type: none"> <li>• Business Connect Pty Limited</li> <li>• EM Utick Pty Ltd</li> <li>• FITT Resources</li> <li>• Janison Solutions Pty Ltd</li> <li>• SCMG Pty Ltd</li> <li>• Stellar Call Centres P/L</li> <li>• Tickets.com Pty Limited.</li> </ul>	<b>No of recipients: 17</b> <b>Total commitment: \$850,950</b> <b>Amount paid: \$399,211</b> <b>Proponents in receipt of grants over \$100,000</b> <ul style="list-style-type: none"> <li>• Foundation for Regional Development Limited</li> <li>• Martini Industries Pty Ltd.</li> </ul>	<b>No of recipients: 12</b> <b>Total commitment: \$911,650</b> <b>Amount paid: \$438,575</b> <b>Proponents in receipt of grants over \$100,000</b> <ul style="list-style-type: none"> <li>• Community Technology Centres Association Incorporated</li> <li>• Foundation for Regional Development Limited</li> <li>• Janison Solutions Pty Ltd.</li> </ul>

# Performance auditing

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## **What are performance audits?**

Performance audits determine whether an agency is carrying out its activities effectively, and doing so economically and efficiently and in compliance with all relevant laws.

The activities examined by a performance audit may include a government program, all or part of a government agency or consider particular issues which affect the whole public sector. They cannot question the merits of government policy objectives.

The Auditor-General's mandate to undertake performance audits is set out in the *Public Finance and Audit Act 1983*.

## **Why do we conduct performance audits?**

Performance audits provide independent assurance to parliament and the public.

Through their recommendations, performance audits seek to improve the efficiency and effectiveness of government agencies so that the community receives value for money from government services.

Performance audits also focus on assisting accountability processes by holding managers to account for agency performance.

Performance audits are selected at the discretion of the Auditor-General who seeks input from parliamentarians, the public, agencies and Audit Office research.

## **What happens during the phases of a performance audit?**

Performance audits have three key phases: planning, fieldwork and report writing. They can take up to nine months to complete, depending on the audit's scope.

During the planning phase the audit team develops an understanding of agency activities and defines the objective and scope of the audit.

The planning phase also identifies the audit criteria. These are standards of performance against which the agency or program activities are assessed. Criteria may be based on best practice, government targets, benchmarks or published guidelines.

At the completion of fieldwork the audit team meets with agency management to discuss all significant matters arising out of the audit. Following this, a draft performance audit report is prepared.

The audit team then meets with agency management to check that facts presented in the draft report are accurate and that recommendations are practical and appropriate.

A final report is then provided to the CEO for comment. The relevant minister and the Treasurer are also provided with a copy of the final report. The report tabled in parliament includes a response from the CEO on the report's conclusion and recommendations. In multiple agency performance audits there may be responses from more than one agency or from a nominated coordinating agency.

## **Do we check to see if recommendations have been implemented?**

Following the tabling of the report in parliament, agencies are requested to advise the Audit Office on action taken, or proposed, against each of the report's recommendations. It is usual for agency audit committees to monitor progress with the implementation of recommendations.

In addition, it is the practice of Parliament's Public Accounts Committee (PAC) to conduct reviews or hold inquiries into matters raised in performance audit reports. The reviews and inquiries are usually held 12 months after the report is tabled. These reports are available on the parliamentary website.

## **Who audits the auditors?**

Our performance audits are subject to internal and external quality reviews against relevant Australian and international standards.

Internal quality control review of each audit ensures compliance with Australian assurance standards. Periodic review by other Audit Offices tests our activities against best practice.

The PAC is also responsible for overseeing the performance of the Audit Office and conducts a review of our operations every four years. The review's report is tabled in parliament and available on its website.

## **Who pays for performance audits?**

No fee is charged for performance audits. Our performance audit services are funded by the NSW Parliament.

## **Further information and copies of reports**

For further information, including copies of performance audit reports and a list of audits currently in-progress, please see our website [www.audit.nsw.gov.au](http://www.audit.nsw.gov.au) or contact us on 9275 7100.

## Our vision

Making a difference through audit excellence.

## Our mission

To help parliament hold government accountable for its use of public resources.

## Our values

**Purpose** – we have an impact, are accountable, and work as a team.

**People** – we trust and respect others and have a balanced approach to work.

**Professionalism** – we are recognised for our independence and integrity and the value we deliver.

**Professional people with purpose**

Making a difference through audit excellence.

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