



PERFORMANCE AUDIT

9 APRIL 2020

Destination NSW's support for major events

NEW SOUTH WALES AUDITOR-GENERAL'S REPORT

THE ROLE OF THE AUDITOR-GENERAL

The roles and responsibilities of the Auditor-General, and hence the Audit Office, are set out in the *Public Finance and Audit Act 1983* and the *Local Government Act 1993*.

We conduct financial or 'attest' audits of State public sector and local government entities' financial statements. We also audit the Total State Sector Accounts, a consolidation of all agencies' accounts.

Financial audits are designed to add credibility to financial statements, enhancing their value to end-users. Also, the existence of such audits provides a constant stimulus to entities to ensure sound financial management.

Following a financial audit the Audit Office issues a variety of reports to entities and reports periodically to parliament. In combination these reports give opinions on the truth and fairness of financial statements, and comment on entity compliance with certain laws, regulations and government directives. They may comment on financial prudence, probity and waste, and recommend operational improvements.

We also conduct performance audits. These examine whether an entity is carrying out its activities effectively and doing so economically and efficiently and in compliance with relevant laws. Audits may cover all or parts of an entity's operations, or consider particular issues across a number of entities.

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Performance audits are reported separately, with all other audits included in one of the regular volumes of the Auditor-General's Reports to Parliament – Financial Audits.



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In accordance with section 38E of the *Public Finance and Audit Act 1983*, I present a report titled '**Destination NSW's support for major events**'.

A handwritten signature in black ink, appearing to read 'Margaret Crawford'.

Margaret Crawford
Auditor-General
9 April 2020

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Section one

Destination NSW's support
for major events

Executive summary

Destination NSW (DNSW) provides funding to attract a range of major events to New South Wales, including high-profile professional sports matches and tournaments, musicals, art and museum exhibitions, and participation-focused events such as festivals and sports events that members of the public can enter. The NSW Government's rationale for providing funding is to encourage event organisers to hold events in New South Wales, and to ensure that events held in New South Wales maximise the potential for attracting overseas and interstate visitors.

This audit assessed whether DNSW can demonstrate that its support for major events achieves value for money. In making this assessment, the audit examined whether:

- DNSW effectively assesses proposals to support major events
- DNSW effectively evaluates the impact of its support for major events.

This audit focused on DNSW's work to attract major events to New South Wales. It did not assess DNSW's tourism promotion or development work, which includes developing tourism strategies, marketing and advertising campaigns, national and international partnerships, and regional programs.

Conclusion

Destination NSW's processes for assessing event applications and evaluating its support for major events are mostly effective. DNSW's internal systems allow it to know whether its decisions are achieving value for money. Its public reporting does not provide enough information about its activities and their outcomes, although it is consistent with that of equivalent organisations in other Australian jurisdictions.

DNSW's process for assessing applications for funding from organisers of major events is mostly effective. Clear information is provided to event organisers seeking funding, and DNSW has a comprehensive methodology for conducting detailed event assessments. However, the reasons for decisions to progress events from the initial assessment to the detailed assessment stage are not documented in sufficient detail. DNSW has a framework for disclosure and monitoring staff conflicts of interest. However, its forms for staff to disclose conflicts of interest on specific events they are working on are ambiguous. DNSW's management of gifts and benefits broadly complies with the minimum standards set by the Public Service Commission, but there are some gaps in its implementation of these.

DNSW conducts an evaluation of each major event it supports. DNSW articulates expected outcomes in contracts with event organisers and uses a sound methodology to evaluate events. Internal reporting to its key decision-makers, including the CEO, the Board and the Minister is appropriate. However, DNSW does not publish detailed information about the events it funds or the outcomes of these events. This means that members of the public are unable to see whether its activities achieve value for money.

1. Key findings

DNSW provides clear information on the application process for event funding, but the documentation of reasons for progressing from initial assessment to detailed assessment is insufficient

DNSW provides clear information to event organisers seeking funding. This includes publishing its assessment criteria for major event funding on its website and providing event organisers with a checklist to complete as part of their initial application to DNSW for funding.

DNSW advises that staff who make initial assessment decisions receive on the job training. However, DNSW does not have documented guidance for staff to help ensure consistency in decision making against DNSW's selection criteria. The reasons for initial assessment decisions against DNSW's published criteria are not documented in sufficient detail to allow these assessments to be scrutinised externally.

The initial assessment is a key stage in DNSW's process, because many event applications are rejected at this stage. The inadequate documentation of the key factors behind initial decisions to reject events or progress to the detailed assessment stage reduces DNSW's ability to demonstrate that those initial decisions were justified.

DNSW uses a consistent methodology for its detailed assessments of applications for funding of major events

Events that DNSW assesses as meeting DNSW's funding criteria proceed to a more detailed assessment. DNSW uses a clear methodology for its detailed assessments of events, focusing on the potential for the event to increase the number overnight visitors to the state. This is documented comprehensively and was applied consistently in the sample of events we examined. DNSW applies the same assessment methodology to larger and smaller events. This ensures that its assessments are consistent, but also means that assessments for some smaller events involve a disproportionate amount of work to complete.

DNSW has recently incorporated cost-benefit analysis principles into its event assessment methodology. This approach has the potential to further increase the rigour of event assessment because the cost-benefit analysis methodology considers a range of costs and benefits beyond the direct economic impact.

Ministerial briefings seeking approval or endorsement to fund events comply with delegations, but do not always provide comprehensive and balanced information

DNSW's decisions to provide funding to events were approved in line with its financial delegation policy in the sample of events we examined, including Ministerial approval where this was required. However, key information about areas in which the event was expected to have a lower impact was not included in several of the Ministerial briefings we examined. This meant that the briefings did not provide a balanced overall view of the advantages and disadvantages of funding the event.

Our review found that two events that did not meet KPIs in previous years and received relatively low scores against DNSW's economic and community benefits criteria were recommended for repeat funding. DNSW informed us that the Minister advised DNSW at the initial assessment stage that these events should be funded because of their alignment with NSW Government strategic objectives. This is in accordance with the Minister's legislative powers and aligns with the Ministerial Code of Conduct. However, these directions were provided verbally and were not documented at the time or in subsequent briefings to the Minister. Government agencies are required to keep documentation in accordance with the *State Records Act 1998* and the NSW Government Standard on Records Management. Funding directions provided by Ministers to government departments or agencies are state records that should be documented consistently.

DNSW's event risk management is effective, but there are gaps in its management of internal independence risks

External event risks associated with the event organiser are managed well. DNSW consistently applies its process for assessing the financial and legal status of event organisers that are seeking funding. DNSW's application of its staff independence policies requires improvement. We identified gaps in DNSW's application of its conflicts of interest framework and gifts and benefits policy. All staff are required to complete an initial conflict of interest declaration when they commence employment at DNSW and agree to continuous disclosure of conflicts. However, staff that conduct initial assessments of funding applications are not required to make a clear statement about whether they have a conflict of interest and provide details of any declared conflict.

DNSW's management of gifts and benefits broadly complies with the minimum standards set by the Public Service Commission, but there are some gaps in its implementation of these. It has a gifts and benefits policy, maintains a gifts and benefits register, and provides some training and guidance to employees. However, its gifts and benefits register does not record information against some key categories. The absence of these details in DNSW's register means it is not always clear whether a decision complied with its Gifts and Benefits Policy.

DNSW uses a thorough evaluation methodology for the major events it funds

DNSW's evaluation methodology is thorough and was applied consistently in the sample of events we examined. DNSW articulates the expected outcomes of its funding for major events by including KPIs in its funding contracts with event organisers.

In previous years, DNSW's evaluation methodology did not distinguish between events that were attracted to New South Wales because of DNSW's funding and those that would have taken place without DNSW funding. This could result in unreasonably high benefits being attributed to DNSW's funding. DNSW refined its evaluation methodology in 2018 to address this issue.

DNSW produces detailed internal reporting on the outcomes of major events it funds, but these outcomes are not transparent to the public

Detailed internal reporting on event outcomes is prepared for DNSW's CEO, the DNSW Board, and the Minister. This reporting allows DNSW's senior staff to assess the value for money of its support for major events.

DNSW only includes high-level summaries of this information in its public reporting. This does not provide sufficient transparency to demonstrate the value for money of its activities to the public. DNSW advised that publishing details of funding for individual events would put it at a commercial disadvantage for future event funding negotiations. However, DNSW could publish more detailed information about its funding decisions and their outcomes than it currently does without disclosing commercially sensitive information. For example, it could publish the number of events, amount funded and estimated outcomes by event category, and report in more detail on its performance against its major event-related KPIs.

2. Recommendations

By 1 July 2020, Destination NSW should:

1. Improve the documentation of initial event assessment decisions by:
 - providing more detailed guidance for staff on how to make assessments against DNSW's funding criteria
 - documenting the reasons for initial assessments against funding criteria in more detail
 - documenting Ministerial directions relating to funding events.
2. Consider using a streamlined approach to assess and evaluate major events that receive small amounts of funding.
3. Improve the application of policies for managing staff independence risks by:
 - clarifying conflict of interest declarations forms for staff
 - clarifying the treatment of industry rates under its Gifts and Benefits policy
 - revising its Gifts and Benefits register to comply with the Public Service Commission's recommended minimum standards.
4. Increase transparency by including more detail about the major events it funds and the outcomes of these events in its public reporting.

1. Introduction

1.1 Destination NSW's role and objectives

Destination NSW (DNSW) is the lead Government agency for the New South Wales tourism and major events sector. DNSW was established under the *Destination NSW Act 2011* as a public service executive agency. It is governed by a Board and reports to the Minister for Jobs, Investment, Tourism and Western Sydney and to the Treasurer.

DNSW's legislation states that its role is to achieve economic and social benefits for the people of New South Wales by developing tourism and securing major events. Major events are defined as events that are expected to provide significant economic or cultural benefits to New South Wales.

DNSW's legislation also include a range of other tourism promotion and development responsibilities. These include developing tourism strategies, developing and running marketing and advertising campaigns, building national and international partnerships, and developing and administering regional tourism development programs. We did not assess these areas of DNSW's work in this audit.

The DNSW functions related to major events include:

- marketing New South Wales as a destination for major events
- promoting major events
- identifying, attracting and procuring major events for New South Wales.

Types of support that DNSW provides to major events include direct funding, facilitation and marketing, and subsidised access to assets and services. In this report, we focus on DNSW's processes for providing funding to support major events in New South Wales.

In recent years, DNSW has focused its major events efforts on supporting the achievement of nationally agreed tourism targets. In 2011, the Australian Government launched the Tourism 2020 strategy that aims to increase the demand for travel to and within Australia. Tourism Ministers from state and territory governments committed to working towards achieving the 2020 Tourism target. The NSW Government targets for overnight visitor expenditure are to achieve \$36.6 billion by 2020 and \$55.0 billion by 2030. DNSW's support for major events is expected to contribute to these targets.

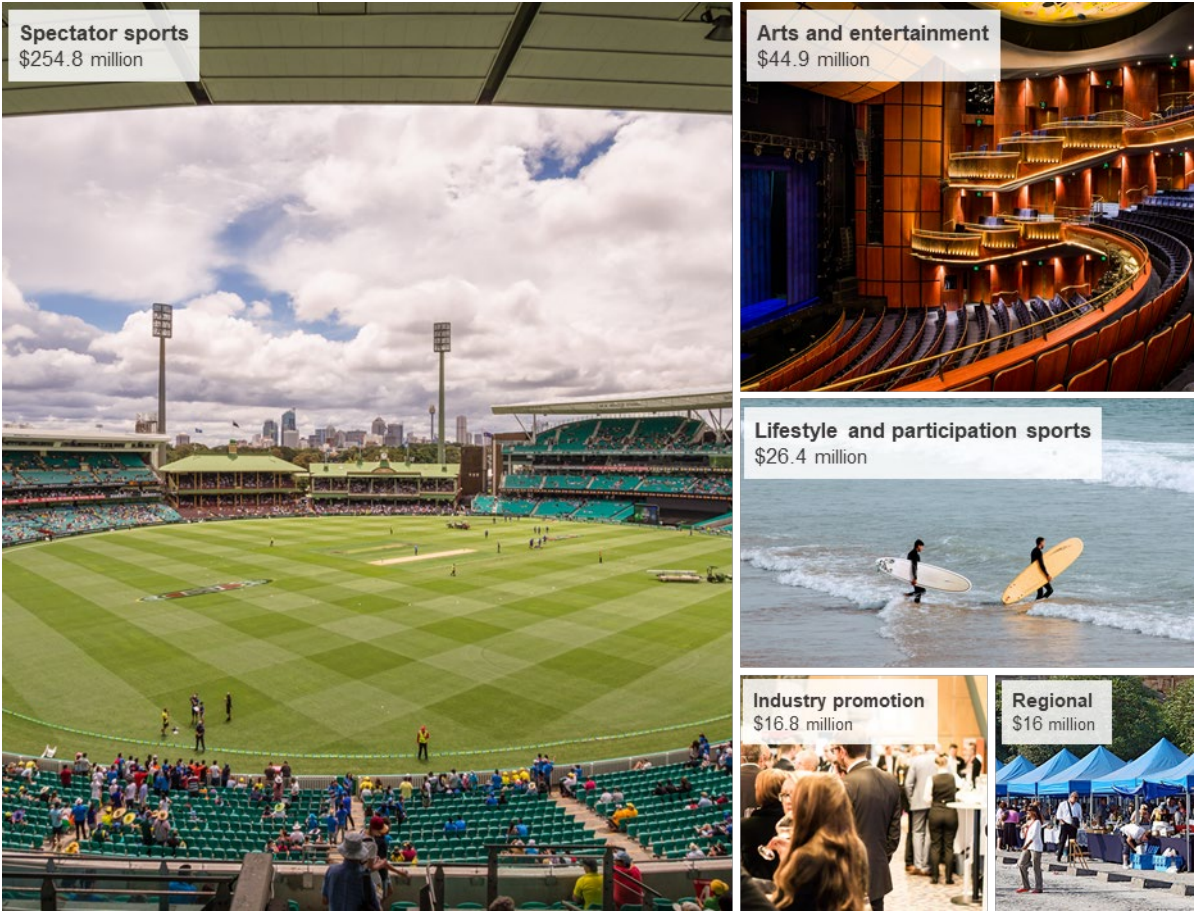
1.2 Destination NSW's support for major events

DNSW supports over 100 major events annually. It divides major events into the following categories:

- arts and entertainment events, such as musicals and exhibitions
- industry promotion events, such as industry awards nights and festivals
- lifestyle and participation sports events, such as surfing and volleyball festivals
- regional events, which cover most events held outside the Greater Sydney area
- spectator sports, such as Australian and international tournaments and high-profile one-off matches.

Between 2014–15 and 2018–19, DNSW committed funding of around \$360 million to major events in New South Wales. Over this period, most of funding was provided to spectator sports events, as shown in Exhibit 1.

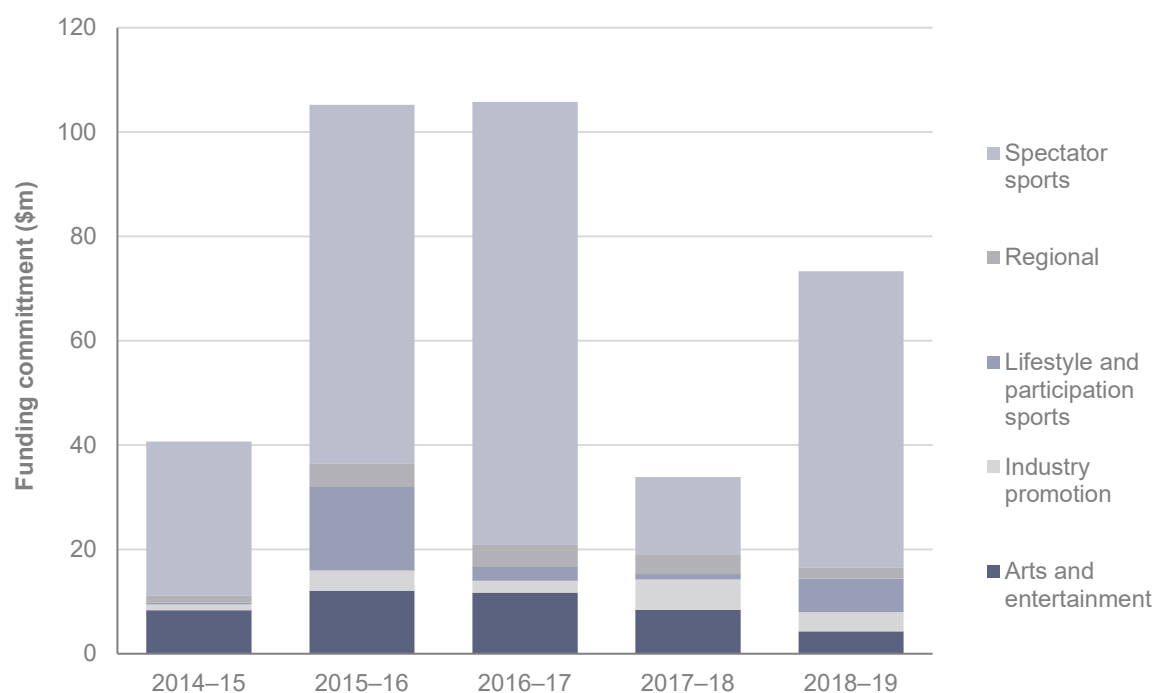
Exhibit 1: Total value of funding committed to major events 2014–15 to 2018–19



Source: Audit Office analysis of DNSW data.

There was a significant increase in total funding commitments in 2015–16 and 2016–17 following a NSW Government election commitment to increase funding for major events.

Exhibit 2: Value of funding committed to major events 2014–15 to 2018–19



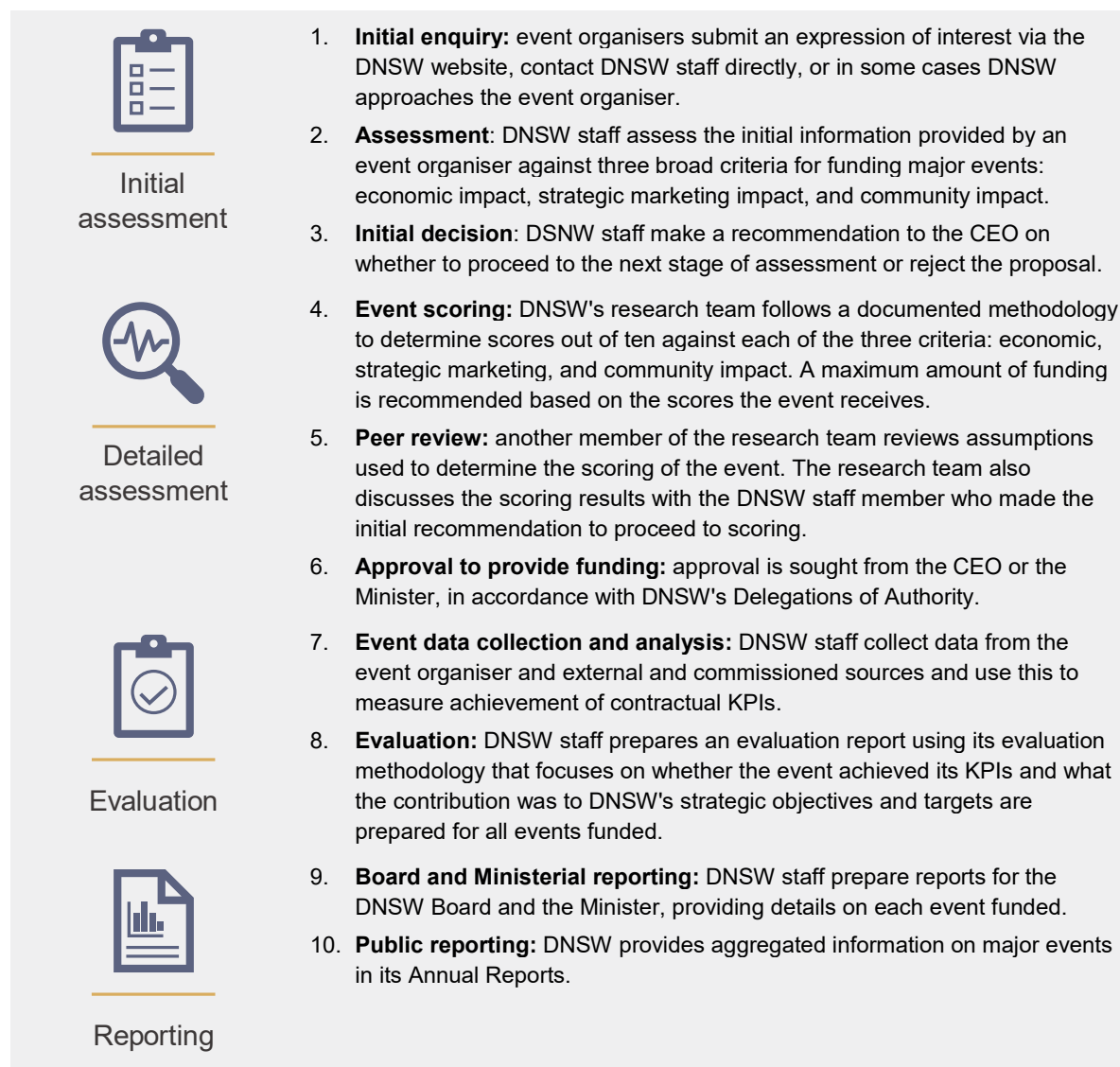
	2014–15	2015–16	2016–17	2017–18	2018–19
	\$m	\$m	\$m	\$m	\$m
Spectator sports	29.6	68.7	84.9	14.8	56.8
Regional	1.3	4.6	4.2	3.8	2.1
Lifestyle and participation sports	0.3	16.0	2.6	1.0	6.5
Industry promotion	1.1	3.8	2.3	5.9	3.7
Arts and entertainment	8.4	12.1	11.7	8.4	4.3
Total	40.7	105.2	105.8	33.9	73.3

Source: Audit office analysis of DNSW event funding data (unpublished).

1.3 Destination NSW's process for funding major events

Major events that receive funding from DNSW go through an assessment and evaluation process.

Exhibit 3: DNSW major event assessment and approval process



Source: Audit Office research based on DNSW data.

1.4 About the audit

This audit assessed whether DNSW can demonstrate that its support for major events achieves value for money. In making this assessment, the audit examined whether:

- DNSW effectively assesses proposals to support major events
- DNSW effectively evaluates the impact of its support for major events.

The audit focused on DNSW's processes for assessing and evaluating major events. We completed a detailed review of a selection of ten major events that DNSW supported which were hosted in 2017–18.

The audit did not assess DNSW's tourism promotion or development work, which includes tourism strategy, marketing and advertising campaigns, national and international partnerships, and regional development programs.

Further information on the audit scope, criteria and approach is at Appendix two.

2. Assessment of applications for funding

2.1 Initial assessment of event funding proposals

The application process for event organisers seeking funding is transparent, but there are gaps in guidance for staff making initial decisions

DNSW provides clear information to event organisers about the way it assesses applications for funding. The DNSW website provides an overview of its typical process and information about the criteria it uses to assess applications for funding. DNSW provides a standard form for expressions of interest. DNSW may subsequently invite event organisers to submit a full proposal if the event meets criteria or will advise them they are unsuccessful.

DNSW uses three broad criteria, aligned to its legislation, to assess applications for funding: economic impact, strategic marketing impact, and community impact. When assessing an event proposal, DNSW considers whether it meets these three criteria and whether there is funding available.

DNSW advises that staff who make initial assessment decisions receive on the job training. DNSW does not provide written guidance for staff on how to make initial assessments against its three criteria (economic impact, strategic marketing impact, and community impact). The initial decisions made are recorded in a weekly summary report to the CEO and are reported at Board meetings. The main reason for making the decision is included in this report, but there is no documentation of analysis and evidence that supports the decision.

Our analysis of a sample of Board papers from March to August 2019 found that 50 per cent of event proposals were rejected because they did not meet DNSW's criteria for funding major events. DNSW cannot demonstrate that the initial assessment decisions, whether positive or negative, were made consistently because there is no written guidance for staff and the evidence and analysis behind the decisions is not documented.

2.2 Detailed assessment of the likely outcomes of events

DNSW's methodology for estimating economic outcomes is clear

Events that pass the initial assessment stage proceed to a more detailed assessment by DNSW's research unit. DNSW has a clear methodology for the detailed assessment of the likely economic outcomes of providing funding to an event. The methodology was followed consistently in the sample of ten events that we tested. Practices we observed included:

- comprehensive documentation of the process, including detailed guidance for staff who use the methodology
- research team testing of assertions made by event organisers about visitor numbers and visitor spending, using independent data sources and its evaluations of previous similar events
- conducting internal peer reviews to test the validity of conclusions reached by the assessor.

DNSW's estimates of the number of international, interstate and intrastate visitors that will attend major events are often significantly different to actual visitation. DNSW argues this is inevitable because events are typically assessed several years before they are held. As a result, DNSW cannot reasonably predict external factors such as subsequent changes to the length of time an exhibition runs for, or the weather on the day of an outdoor event.

Our analysis of a sample of ten events held in 2017–18 found that the estimated number of visitors was significantly higher than DNSW predicted for two events and significantly lower for another two events. In these cases, there were no clear external factors to explain the differences between predicted and actual visitor numbers. DNSW advises that it assesses reasons for differences between its estimates and actual results and includes this information in future event assessments.

DNSW has refined its approach to estimating the likely impact of its funding for major events several times in recent years. In 2018 in consultation with NSW Treasury, DNSW incorporated cost benefit analysis (CBA) principles into its assessment methodology. DNSW now uses this on all detailed assessments of major events.

DNSW applies the same assessment methodology to a wide range of events

Many of the events funded through DNSW's major events process receive small funding amounts. In 2017–18, 31 events received funding of \$50,000 or less. This represents around one quarter of all major events that were funded in that year. These figures were similar in the previous two years (Exhibit 4).

Exhibit 4: Number of events supported by funding amount, 2015–16 to 2017–18

Year	Up to \$50,000	\$50,001– \$250,000	\$250,001– \$1 million	Over \$1 million	Total
2015–16	35	45	22	14	116
2016–17	30	37	26	15	108
2017–18	31	42	92	17	119

Source: Audit Office analysis of DNSW event funding data (unpublished).

The application of the full major events assessment methodology to events that are seeking a small amount of funding involves a disproportionately large use of DNSW staff resources. In contrast, DNSW runs separate grants programs for small regional events that offers funding of up to \$50,000. DNSW uses a less complex assessment process for events funded through these programs, which reflects the smaller amount of funding provided.

2.3 Approval of decisions to fund major events

Decisions to support major events are approved in line with delegations

DNSW's financial delegations provide the framework for gaining approval to fund major events. In addition to the financial delegations, the DNSW CEO seeks endorsement from the DNSW Board before approving funding of more than \$250,000, although the CEO's expenditure limit is \$1 million (Exhibit 5). The CEO also seeks Board endorsement before submitting recommendations for event approval to the Minister. All events in our sample of ten events were approved in line with the delegations.

Exhibit 5: DNSW delegations for major event funding approvals

Funding amount	Approval required
Up to \$250,000	CEO
\$250,000 to \$1 million	CEO, with Board endorsement
Over \$1 million	Minister for Jobs, Investment, Tourism and Western Sydney

Source: DNSW Financial Delegations, November 2019, and Audit Office research.

Ministerial briefings do not always provide comprehensive and balanced information

Our review of ten events held in 2017–18 found that Ministerial briefings were prepared for all events, in accordance with DNSW's financial delegation policy. The briefs contained information about the event and its expected benefits. However, the briefs did not provide balanced overall advice by highlighting the advantages and disadvantages of the event. For example, briefs for two events that DNSW assessed as having low economic benefits did not include the results of the economic assessment that DNSW conducted. Ministerial briefing on other major events we examined included this information. In addition, Ministerial briefings we examined did not include information on funding already committed or events secured in the same category for that year. This means the Minister may not have a complete view of the portfolio of events DNSW is supporting when making decisions about funding for individual events.

Our review also found that two events were recommended for repeat funding despite not previously meeting KPIs and receiving relatively low scores in DNSW's assessment process. A combined total of \$8.0 million was approved by the Minister for these two recurring events to be spent over three years. DNSW informed us that the Minister advised DNSW at the initial assessment stage that these events should be funded. The decision to fund these events was based on the Government's strategic objective of promoting Sydney as a creative hub. This is in accordance with the Minister's legislative powers and aligns with the Ministerial Code of Conduct. However, these directions were provided verbally and were not documented at the time or in subsequent briefings to the Minister. Government agencies are required to keep documentation in accordance with the *State Records Act 1998* and the NSW Government Standard on Records Management. Funding directions provided by Ministers to government departments or agencies are state records that should be documented consistently.

2.4 Managing the risks of funding major events

External risks associated with the event organiser are managed well

DNSW's event assessment process includes several risk management activities. DNSW conducts financial and legal risk assessments on event organisers before it proceeds to negotiate a contract for funding. It also assesses the suitability of the event for government support and potential reputational risk associated with supporting the event. Our review of ten events held in 2017–18 found that these processes were applied consistently.

There are gaps in DNSW's management of staff independence risks

DNSW has policies in place that aim to manage risks to staff independence. These include a Code of Conduct, a framework for managing conflicts of interest, and a Gifts and Benefits Policy. However, we identified several gaps in DNSW's application of these policies which create risks to the perceived independence of DNSW's assessment process.

The Conflict of Interest declaration process for DNSW staff working on event assessments is ambiguous. The Event Investment Submission form does not require staff to make a clear 'yes/no' statement about actual, potential or perceived conflicts of interest. In our sample, nine event investment submissions had the conflict of interest marked as 'low', without providing any information to explain this rating or how the conflict of interest would be managed or mitigated. One submission in our sample did not have a conflict of interest declaration completed.

The ICAC guidelines on Managing conflicts of interest in the NSW Public Sector identify procurement and awarding of grants or subsidies as areas of high risk for conflict of interest breaches. To manage these risks, the guidelines recommend public sector agencies consider additional controls, including:

- providing additional, regular training and awareness-raising sessions
- enhancing record-keeping requirements
- adopting stricter gift and hospitality procedures for high-risk situations
- using data analytics and review to identify red flags.

The NSW Public Service Commission's (PSC) direction on managing gifts and benefits sets 'minimum standards' for departments and agencies. This states each department or agency must have:




1. a policy for the management of gifts and benefits
2. a gifts and benefits register
3. training and support for employees on gifts and benefits.

Our assessment of DNSW's management of gifts and benefits against the PSC minimum standards found that DNSW broadly complies with the three minimum requirements, but that there are some gaps in its implementation of these.

DNSW has a Gifts and Benefits policy that includes required information such as specific risks to DNSW employees, obligations of DNSW employees, thresholds for approval of gifts and benefits, and a description of the approval process. The policy does not include a clear definition of 'gifts and benefits'. Specifically, it does not state whether using an 'industry rate' constitutes the acceptance of a gift or benefit.

The PSC minimum standards state that an effective gifts and benefits register should record ten categories of information. Our assessment of DNSW's gifts and benefits register against the PSC standards is summarised in Exhibit 6. This shows that DNSW's register fully records required information in four categories, partially records information in three categories, and does not record any information in three categories.

Exhibit 6: DNSW alignment with PSC's recommended content for gifts and benefits registers

Category of information to record	Present in DNSW register
Date of the offer or receipt	✓
Name and business unit of the receiver	—
Name and organisation of the giver	✓
Description of the gift or benefit	✓
Estimated value of the gift or benefit, where possible supported by evidence	✓
Description of the context in which the gift or benefit was offered and/or received	!
Disclosure of any relationship - business or personal - between the giver and receiver	!
Name of the approving manager or supervisor	—
Decision (e.g. accept and retain; accept and dispose; refuse)	—
Reasons for the decision	!
Key	 Present in register  Not in register but recorded elsewhere  Not in register and not recorded

Source: Audit Office analysis of DNSW gifts and benefits data (unpublished).

For the three categories we assessed as partially meeting PSC standards, DNSW did not record this information in its summary spreadsheet, which we consider to be its 'register' for the purposes of the PSC standards, but did record the information elsewhere in its files. For the three we assessed as not meeting the PSC standard, the information was not included in the register or in DNSW's files. The absence of these details in DNSW's register and files reduces the clarity about whether decisions to approve the acceptance a gift or benefit complied with its Gifts and Benefits Policy.

Our review of the 2017–18 records in the DNSW Gifts and Benefits register identified an example of the acceptance of a discounted 'industry rate' being approved. The approved benefit was a discounted dinner cruise for a family of four. As noted above, DNSW's Gifts and Benefits policy states that discounts for personal use should not be accepted, but it is not clear on whether the acceptance of industry rates is covered by the policy.

DNSW's induction training for new staff includes information about the gifts and benefits policy and staff are required to sign a Code of Conduct that includes reference to the policy. DNSW does not conduct ongoing refresher training for employees in managing gifts and benefits, but it does have a nominated senior staff member who is responsible for providing guidance to staff when required.

3. Evaluation of events funded

3.1 Setting expected outcomes for events

DNSW articulates the expected outcomes of its funding for major events

DNSW staff develop key performance indicators (KPIs) and targets that it expects the event to achieve and includes these in its contracts with event organisers. In some cases, parts of the contract payment are linked to the achievement of these KPIs.

Our review of ten events held in 2017–18 indicated that DNSW used standard contracts that included KPIs related to its strategic objectives. One contract in our sample did not include any KPIs because during contract negotiations, the event organiser would not agree to including KPIs. In this case, DNSW made a commercial decision to agree to provide funding without having contractual KPIs. We found that 78 per cent of KPIs in our sample related to the achievement of overnight visitor spend targets and 22 per cent related to strategic marketing.

3.2 Evaluation of the outcomes of events

DNSW uses a consistent evaluation methodology for the major events it funds

DNSW has a clear methodology for evaluating the impact of its funding for major events. The methodology was followed consistently in the sample of ten events that we assessed in detail. Practices we observed included:

- The process is documented comprehensively and includes detailed guidance for staff who use the methodology.
- DNSW uses data from event organisers, other external sources such as ticketing companies, and crowd counts and surveys that it commissions from research providers.
- DNSW makes some parts of its payments contingent on the event organiser providing data that is required for event evaluation. DNSW reserves the rights to terminate a contract for a multi-year event if an event organiser exceeds a reasonable timeframe to submit their data. In our sample, all event organisers provided required data to DNSW.
- Internal peer reviews are conducted to test the validity of conclusions reached.
- DNSW staff who complete evaluations have a different reporting line to staff who work directly with event organisers. This creates a degree of independence between staff responsible for attracting and managing events and staff who assess and evaluate the impact of events.

DNSW improved its evaluation methodology in 2018 when it incorporated cost-benefit analysis principles. Until 2018, DNSW attributed the full economic benefits of all major events it funded to its funding. Its revised approach uses a more nuanced method that distinguishes between events that are only able to proceed with DNSW funding and events that would have happened without DNSW funding. For the latter type of event, DNSW calculates the economic benefits proportionately to its funding contribution.

3.3 Reporting on major events

Detailed regular reporting is provided to internal decision makers

DNSW reports regularly on the outcomes of its support for major events to the DNSW Board and the Minister for Jobs, Investment, Tourism and Western Sydney. DNSW reports its event evaluation results to the Board through meeting papers. The reports provide information on the events including: funding provided; estimated visitor numbers and visitor expenditure; and performance against KPIs. DNSW reports similar information in quarterly reports to the Minister.

These reports to the Board and Minister are on an event-by-event basis. This reporting could be improved by providing a view of the entire portfolio of events that DNSW has funded or is considering funding.

Public reporting does not provide sufficient transparency

Given DNSW's role is to achieve economic and social benefits for the people of New South Wales, it does not include sufficient information about the nature and outcomes of its funding for major events. This limited transparency reduces the ability of Parliament and the public to scrutinise the value for money of DNSW's activities.

In its Annual Report, DNSW reports against KPIs on the total number of events by location, the number of overnight visitors, visitor expenditure and number of events evaluated. DNSW reports on selected major events in its Annual Reports and on its website. However, this is presented in a 'highlights' format that does not provide a comprehensive view of DNSW's activities.

The information DNSW publishes is comparable to other Australian jurisdictions. DNSW argues that it would be disadvantaged by publishing more information about the major events it funds. This is because some events are sought by more than one jurisdiction, and DNSW engages in negotiations with some event organisers on the amount of funding provided.

However, DNSW could publish more detailed information about its funding decisions and their outcomes than it currently does without disclosing commercially sensitive information. For example, it could publish performance information by event category, including the number of events, amount funded and estimated outcomes. It could also report in more detail on its performance against its major event-related KPIs.

Section two

Appendices

Appendix one – Response from Destination NSW



Ms Margaret Crawford
Auditor-General for New South Wales
GPO Box 12
SYDNEY NSW 2001

Dear Ms Crawford,

Thank you for your report. I am pleased that your report highlighted the overall effectiveness of Destination NSW support for major events. In particular, I note your findings include that:

1. Destination NSW's processes for assessing event applications and evaluating its support for major events are mostly effective
2. Destination NSW's internal systems allow it to know whether its decisions are achieving value for money
3. Destination NSW conducts an evaluation of each major event it supports
4. Destination NSW articulates expected outcomes in contracts with event organisers and uses a sound methodology to evaluate events
5. Internal reporting to its key decision-makers, including the CEO, the Board and the Minister is appropriate
6. Destination NSW uses a consistent methodology for its detailed assessments of applications for funding of major events
7. Clear information is provided to event organisers seeking funding, and Destination NSW has a comprehensive methodology for conducting detailed event assessments

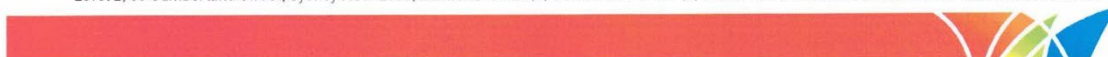
In relation to your findings, we appreciate the opportunity to provide some comments.

Audit Office observation:

Documentation of reasons for progressing from initial assessment to detailed assessment is insufficient.

Destination NSW comment:

- a. The initial assessment is not actually an 'assessment' per se but a vetting process to determine eligibility
- b. *Destination NSW* staff are selected for their extensive skill and expertise in managing event funding applications
- c. *Destination NSW* staff do provide commentary and justification for investment looking at pros and cons of potential event investment.



Audit Office observation:

Destination NSW's public reporting does not provide enough information about its activities and their outcomes, although it is consistent with that of equivalent organisations in other Australian jurisdictions.

Destination NSW comment:

- a. Destination NSW complies with its legislative obligations
- b. The Destination NSW corporate website has extensive information regarding its strategies, plans, research statistics, engagement opportunities and information about media releases and announcements.

Audit Office observation:

Destination NSW only includes high-level summaries of this information in its public reporting

Destination NSW comment:

Destination NSW provides the following information to the public via its annual report:

- a. Key Performance Indicators;
 - i. Growth in total NSW visitor nights (million)
 - ii. Growth in total NSW overnight expenditure (\$billion)
 - iii. Media Exposure
 - iv. Consumer Response to Marketing Activity
 - v. List of events acquired
 - vi. Intrastate overnight visitors
 - vii. Interstate overnight visitors
 - viii. International overnight visitors
 - ix. No of events evaluated
 - x. Visitor Expenditure
 - xi. Business events secured, delivered and expenditure
 - xii. Trade famils and missions activity
 - xiii. Partnership programs
 - xiv. Tourism Performance
 - xv. Financial statements audited by the Audit Office of NSW
- b. As noted in the report certain information is commercial-in-confidence and would impact negatively on event acquisition and partner commitments if Destination NSW's domestic and international competitors had access to sensitive information
- c. Destination NSW enters into contracts with confidentiality provisions with organisers; disclosure may trigger a breach of contract.

Audit Office observation:

Destination NSW has a framework for disclosure and monitoring staff conflicts of interest. However, its forms for staff to disclose conflicts of interest on specific events they are working on are ambiguous.

Destination NSW comment:

- a. Destination NSW's framework for disclosure and monitoring staff conflicts of interest is as follows:
 - i. Annual declaration by all staff and senior executives
 - ii. Ongoing declaration by all staff and senior executives
 - iii. Inclusion in Destination NSW Code of Conduct
 - iv. Dedicated Conflicts of Interest policy
 - v. Fortnightly declaration by Events team to Legal and Procurement Unit
 - vi. Training on Conflicts of interest.
- b. The submission document has been amended to reflect this recommendation. The reference to ambiguity appears to reference that the submission document had a low, medium and high rating dealing with conflicts of interests. The submission document has been changed to a 'yes' or 'no' statement.

Audit Office observation:

Destination NSW's management of gifts and benefits broadly complies with the minimum standards set by the Public Service Commission, but there are some gaps in its implementation of these.

Destination NSW comment:

- a. Destination NSW has a gifts and benefits policy, maintains a gifts and benefits register, and provides training and guidance to employees
- b. Noting the size of the agency, review of approval or non approval of gifts and benefits was decided by the former Destination NSW CEO who knew the employee and business unit that the employee was part of providing context for decisions
- c. Since January 2020, Destination NSW has made changes to the gifts and benefits form to meet the minimum standards set by the Public Service Commission and this recommendation.

Audit Office observation:

Ministerial briefings seeking approval or endorsement to fund events comply with delegations, but do not always provide comprehensive and balanced information.

Destination NSW comment:

- a. As noted in the report: Destination NSW's decisions to provide funding to events were approved in line with its financial delegation policy
- b. As per the Destination NSW Act 2011, section 6 – titled Ministerial Control - Destination NSW is subject to the control and direction of the Minister in the exercise of its functions.

Additionally I note that:

- a. Events may receive funding to meet broader Destination NSW strategic objectives i.e. to be the creative hub of Asia Pacific or meet NSW Government policy
- b. Destination NSW notes Ministerial Directions are evidenced in briefing notes and email correspondence. Destination NSW agrees to document verbal directions in writing in the future.

Audit Office observation:

Destination NSW's event risk management is effective, but there are gaps in its management of internal independence risks.

Destination NSW comment:

The Audit Office notes that:

- a. External event risks associated with the event organiser are managed well;
- b. Destination NSW consistently applies its process for assessing the financial and legal status of event organisers that are seeking funding;

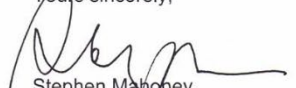
Below is a table showing the recommendations in the audit report and a Destination NSW status and action on those recommendations.

Recommendations

By 1 July 2020, Destination NSW should:

Finding	Destination NSW status and action
1. Improve the documentation of initial event assessment decisions by: <ol style="list-style-type: none"> a. providing more detailed guidance for staff on how to make assessments against Destination NSW's funding criteria. b. documenting the reasons for initial assessments against funding criteria in more detail. c. documenting Ministerial Directions relating to funding events. 	<p>1a - Destination NSW will enhance documentation on the existing comprehensive assessment process.</p> <p>1b - Destination NSW will enhance its documentation for initial vetting for eligibility.</p> <p>1c - agree to document verbal Ministerial Directions in writing.</p>
2. Consider using a streamlined approach to assess and evaluate major events that receive small amounts of funding.	Agree but need to ensure consistency of methodology used.
3. Improve the application of policies for managing staff independence risks by: <ol style="list-style-type: none"> a. clarifying conflict of interest declarations forms for staff. b. clarifying the treatment of industry rates under its Gifts and Benefits policy. c. revising its Gifts and Benefits register to comply with the Public Service Commission's recommended minimum standards. 	<p>3a - submission form to be revised.</p> <p>3b - Gifts and Benefits policy has been amended to deal with industry rates.</p> <p>3c - Gifts and Benefits register has been amended to comply with the Public Service Commission's recommended minimum standards. The gifts and benefit form has also been changed.</p>
4. Increase transparency by including more detail about the major events it funds and the outcomes of these events in its public reporting.	Destination NSW agrees with the Audit Office of NSW recommendation to provide more detailed information without disclosing commercially sensitive information. This includes publishing the number of events, amount funded and estimated outcomes by event category, and report in more detail on its performance against its major event-related KPIs, whilst protecting commercial-in-confidence information.

Yours sincerely,



Stephen Mahoney
Acting Chief Executive Officer
Destination NSW

Appendix two – About the audit

Audit objective

This audit assessed whether Destination NSW can demonstrate that its support for major events achieves value for money.

Audit criteria

We addressed the audit objective by examining whether:

1. DNSW effectively assesses proposals to support major events.
2. DNSW effectively evaluates the impact of its support for major events.

Audit scope and focus

The audit focused on DNSW's processes for assessing and evaluating major events. We completed a detailed review of a selection of ten major events that DNSW supported which were hosted in 2017–18.

Audit exclusions

The audit did not:

- question the merits of government policies
- assess the adequacy of DNSW's events budget
- assess whether specific events should or should not have been funded
- undertake a cost benefit analysis of funded events or re-perform other analysis of events
- include conferences or small regional events funded under the Regional Flagship Events Funding Program
- include analysis of the Vivid Festival, which is organised directly by DNSW.

Audit approach

Our procedures included:

1. interviewing
 - relevant DNSW staff
 - key stakeholders, including Treasury
2. examining relevant data and documents, including legislation, policies, strategies, plans, guidelines, reviews and evaluations
3. examining in-depth documents related to a selection of ten major events that received DNSW support in 2017–18
4. research into relevant practices in other Australian jurisdictions.

We used a judgemental sampling approach to select events for the in-depth review based on the following criteria:

- events in the top five funded by category (art and entertainment, industry promotion, lifestyle and participation sports, regional, and spectator sports)
- location (Sydney and regional New South Wales)
- frequency (one-off and recurring)
- access (ticketed and free access)
- timing (peak and off-peak)
- how secured (bid, DNSW approached an event organiser, and event organiser approached DNSW)
- length (one-day and multiple days)
- evaluated events only.

The audit approach was complemented by quality assurance processes within the Audit Office to ensure compliance with professional standards.

Audit methodology

Our performance audit methodology is designed to satisfy Australian Audit Standard ASAE 3500 Performance Engagements and other professional standards. The standards require 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 requirements specified in the *Public Finance and Audit Act 1983*.

Acknowledgements

We gratefully acknowledge the co-operation and assistance provided by DNSW. In particular, we would like to thank our liaison officer and staff who participated in interviews and provided evidence for the audit.

Audit cost

The estimated cost of the audit is \$218,000.

Appendix three – Performance auditing

What are performance audits?

Performance audits determine whether State or local government entities carry out their activities effectively and do 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 an audited entity, or more than one entity. They can also consider issues which affect the whole public sector and/or the whole local government sector. They cannot question the merits of government policy objectives.

The Auditor-General's mandate to undertake performance audits is set out in section 38B of the *Public Finance and Audit Act 1983* for State government entities, and in section 421D of the *Local Government Act 1993* for local government entities.

Why do we conduct performance audits?

Performance audits provide independent assurance to the NSW Parliament and the public.

Through their recommendations, performance audits seek to improve the value for money the community receives from government services.

Performance audits are selected at the discretion of the Auditor-General who seeks input from parliamentarians, State and local government entities, other interested stakeholders and Audit Office research.

How are performance audits selected?

When selecting and scoping topics, we aim to choose topics that reflect the interests of parliament in holding the government to account. Performance audits are selected at the discretion of the Auditor-General based on our own research, suggestions from the public, and consultation with parliamentarians, agency heads and key government stakeholders. Our three-year performance audit program is published on the website and is reviewed annually to ensure it continues to address significant issues of interest to parliament, aligns with government priorities, and reflects contemporary thinking on public sector management. Our program is sufficiently flexible to allow us to respond readily to any emerging issues.

What happens during the phases of a performance audit?

Performance audits have three key phases: planning, fieldwork and report writing.

During the planning phase, the audit team develops an understanding of the audit topic and responsible entities 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 audited entity, program or activities are assessed. Criteria may be based on relevant legislation, internal policies and procedures, industry standards, best practice, government targets, benchmarks or published guidelines.

At the completion of fieldwork, the audit team meets with management representatives 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 management representatives to check that facts presented in the draft report are accurate and to seek input in developing practical recommendations on areas of improvement.

A final report is then provided to the head of the audited entity who is invited to formally respond to the report. The report presented to the NSW Parliament includes any response from the head of the audited entity. The relevant minister and the Treasurer are also provided with a copy of the final report. In performance audits that involve multiple entities, there may be responses from more than one audited entity or from a nominated coordinating entity.

Who checks to see if recommendations have been implemented?

After the report is presented to the NSW Parliament, it is usual for the entity's audit committee to monitor progress with the implementation of recommendations.

In addition, it is the practice of Parliament's Public Accounts Committee 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 received by the NSW Parliament. These reports are available on the NSW Parliament website.

Who audits the auditors?

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

The Public Accounts Committee appoints an independent reviewer to report on compliance with auditing practices and standards every four years. The reviewer's report is presented to the NSW Parliament and available on its website.

Periodic peer reviews by other Audit Offices test our activities against relevant standards and better practice.

Each audit is subject to internal review prior to its release.

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 or contact us on 9275 7100.

OUR VISION

Our insights inform and challenge government to improve outcomes for citizens.

OUR PURPOSE

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

OUR VALUES

Pride in purpose
Curious and open-minded
Valuing people
Contagious integrity
Courage (even when it's uncomfortable)

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