

# INTERNAL AUDIT SERVICES

## AUDIT REPORT On The

Review of the Administration of the Major Facilities Program

Department of Communities



**Queensland Government**  
Department of Communities

### CRIME & MISCONDUCT COMMISSION

No: 8/5009 Date: 25-11-09

IN THE MATTER OF: Complaint A  
Apelt.

Public Hearing  
EXHIBIT No: 1131  
Alida Vieira CLERK

enabling innovative and quality community services

AUDIT-IN-CONFIDENCE

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## FINDINGS

### 1. The Major Facilities Program grants management process

In Audit's opinion the grants administration process surrounding the 2009 Major Facilities Program funding was generally sound, except for the deficiencies identified with respect to the moderation process that occurs as part of Stage 1, but after the completion of the initial expression of interest assessment.

Of particular concern to Audit is the lack of documented procedure/methodology detailing the moderation process and the lack of an audit trail with respect to the documentation of the explanations for any changes to the initial assessment. This does not mean that changes should not occur, or that the changes made weren't justified, just that the reasons for those changes should be documented.

### 2. Allegation 1

Audit found there were eight instances where Stage 1 expressions of interest were assessed as high risk and allowed to proceed to Stage 2, however only three of these projects ended up being funded from the Major Facilities Program.

The Stage 1 assessments are an initial assessment and other factors such as location, sport type, projects of interest etc, are then considered post the initial assessment stage. Audit is unaware of any impediment to prevent projects assessed as high risk proceeding to Stage 2 and being funded.

### 3. Allegation 2

Audit found there were some expressions of interest assessed as low risk that were excluded through the moderation process. This was a possible outcome once the over subscription of the funding round and other factors, for example, geographical spread across the state, spread across the various sports, spread across organisations etc, were considered.

Audit found no evidence to suggest this was anything other than the effect resulting from a normal moderation exercise.

### 4. Allegation 3

Audit found that with regard to the three examples provided only one was recommended to the Minister for funding, another withdrew their stage 2 application and the third was deemed ineligible to be funded under the Major Facilities Program once their project costs were confirmed.

With respect to the organisation recommended for funding to the Minister, the question regarding their funding was raised when they initially failed to provide all the documentation at the Stage 2 application process. They were one of six organisations that additional information was requested from and when this information was provided, the funding shortfall issue was satisfied.

### 5. Allegation 4

Audit found that the four named applications were assessed as high risk by the development officer as part of the stage two assessment processes. However, this assessment was based on incomplete documentation that had been provided and was why approval was sought from the Minister to seek additional information.

City of Fraser Coast - Auditor of Major Facilities Program

Of the four applicants, one withdrew, one failed to respond, one had their risk rating amended by the moderator to medium once the documentation was provided and the other (YMCA) retained a high risk rating (Refer section 2.6 for further details). Audit is unaware of any impediment to prevent projects assessed as high risk from being funded.

#### 6. Allegation 5

Audit found no evidence to support the allegation.

The current process is that once the applicant schedule is prepared for approval by the Minister, the moderator goes into the G2 database and changes all unsuccessful applications to Not Recommended by the Moderator, prints the assessment and puts it on the corporate file.

As part of the standard process, the original assessment of the EOI by the Development Officer remains on the corporate file and remains unchanged in the G2 database. Once all successful applications have been approved by the Minister, the recommendations for unsuccessful applications are updated by the Moderator.

Audit found no evidence that material had been removed from files.

#### 7. Allegation 6

Audit found no substantive evidence to support the allegation as copies of the Development Officers assessments are on the corporate files and still showed the word recommended.

#### 8. Allegation 7

Audit found no evidence on the files that Mr Klaassen forwarded any correspondence to Fraser Coast Regional Council or any other applicant prior to the final assessment except for the request for additional information that had been approved by the Minister.

#### 9. Allegation 8

Audit found evidence that 15 late applications were received in the expressions of interest process. In 13 cases the application was received on the next working day and in the other 2 cases, on the second working day after closing. One other application had no date received stamp on it, but it was assessed on 7 November, which was earlier than many applications received on time suggesting it was received before the closing date.

With respect to the invitation to submit an application phase, three applications were received after the due date. In all cases these applications were received on the next working day.

Given that the applications in all instances were most likely to be in the post at the time the various rounds closed, it is Audits view that the acceptance of the applications in these circumstances was reasonable.

#### 10. Allegation 9

Audit found no substantive evidence to support this allegation. Successful Stage 1 EOI applicants were still required to submit applications and these applications were assessed as part of the Stage 2 process.

11. Allegation 10 – Queensland Rugby Union

Audit found that the QRU application was considered outside the normal funding round and the assessment tool was not used. Audit is unaware of any impediment to prevent the Minister from considering applications for funding at any time and the assessment tool is an administrative tool not a mandated one.

12. Allegation 11 - Toowoomba Sports Ground

Audit found that approval to fund at 100% and in advance, was recommended to the Minister and was approved by the Minister on 12/12/07. The payment represented the fulfilment of a 2006 election commitment. Audit is unaware of any impediment preventing the Minister approving funding at 100% or in advance.

13. Allegation 12 - Murray Sports Complex

Audit found that an advance on the approved grant funding, for the Murray Sports Complex, of \$5M was made to the Townsville City Council in late June 2007 and that an advance is permitted under the terms and conditions of their funding.

Townsville City Council has advised that \$2M of the advance had been spent as at 30 June 2009, with the balance being used to fund the construction of the Townsville International Sports Centre (TISC). Council advised that it is on track to issue the construction contract for TISC in September 2009.

14. Allegation 13 - Kowanyama development for multipurpose shelter facility

Audit found that the Major Facilities Program initial funding contribution of \$1.5M approved in 2005 has not been increased over the life of the project. The escalation in costs, have been funded from other government agencies, both State and Federal along with a contribution from the Council.

## Scope of Review

The scope of the review is limited to the request for information as detailed in the letter to the Director-General from the Crime and Misconduct Commission (CMC) dated 18 September 2009.

The CMC requested the following information:-

- Describe the decision making process in relation to applications from receipt to approval;
- What officer is responsible for decisions at each stage;
- On what basis are assessments changed;
- How are decisions at each stage documented; and
- Any other information which might inform the CMC about the above claims.

In addition, the CMC advised that it had received allegations in relation to decision making and provided nine separate allegations. The CMC also received allegations in relation to the administration of four separate projects. These allegations are included within the scope of the review.



# **1 Chronology of Events**

## **1.1 Referral of Complaint**

29/09/09

The Deputy Director General Corporate Services advised that given the nature of the review, that is, a systems review, the Director-General had requested that Internal Audit conduct the review.

## **1.2 Approval to Conduct Investigation**

The Internal Audit Charter, per section 6.2, enables Internal Audit to "undertake special audits and investigations at the request of or after consultation with the Director-General or as required in the course of general operations".

The Director-General requested Internal Audit to conduct the review.

## **1.3 Collection of Records and Evidence**

Sport and Recreation services provided copies of all documentation requested with respect to the review. This amounted to corporate files created for the Expression of Interest (EOI) and Application Phases and copies of spreadsheets for the moderation phase.

In addition the assessment tool and results for each EOI and Application are also recorded in the G2 database.

## **1.4 Examination of Records**

In examining the source documents, Audit sought advice from management and staff regarding the process undertaken and the role of staff at the various stages and the documentation used to evidence the process.

Audit also sought advice from Ben Klaassen, Director, Program Reform and Design, Sport and Recreational Services, Department of Communities regarding the moderation process that occurred after the Expression of Interest process was completed and any documentation to support that process.

## **1.5 Conduct of Interviews**

Interviews were conducted with appropriate officers, in particular Craig Matheson, former Deputy Director General, Sport and Recreation Services, Amanda Allen, Manager, Facilities Development Unit, and Ben Klaassen, Director, Program Reform and Design, to seek clarification around the respective roles of staff and the practice adopted with respect to the various stages of the process.

The information obtained from these interviews is incorporated into the detailed findings below.



## 2 Detailed Findings

### 2.1 Background

The Major Facilities Program funds the construction of new facilities and the improvement of existing facilities, in order to extend the life of the asset and to ensure that facilities meet the changing needs of the community. The scope of the 2009 Major Facilities Program focussed on facilities that met community, regional, state and national needs.

Up to 50% of eligible costs can be funded (33% where Councils are applying to develop a project on state school grounds) to a maximum of \$1.5M in any one year for an individual project. The Major Facilities Program is one off capital funding, provided in the year of Program, but bigger projects can be approved for funding over multiple years (life of the project) if they are for facilities that meet national standards and a plan is in place to host national events at the facility..

However, projects have to have a total value of at least \$200,000 (\$300,000 if funded at 33%) as the minimum amount of funding available under the Program is \$100,000. Projects requesting funding for less than this amount are required to apply under the Minor Facilities Program.

The Major Facilities Program was not offered in 2008 (although the previous round is called the 2008 round, it refers to funding provided in the 07/08 year) and the application process for 2009 round was significantly different from the process in previous years. In previous years the basic process had been

- Registrations were invited. A simple registration form was completed and no assessment was undertaken
- All organisations that had registered were sent application packs
- All applications received were then assessed.

In 2009 the Major Facilities Program changed significantly in that it had the following components

- Expressions of Interest (EOI) were called. This required the organisation to provide certain information and some documentation. An EOI assessment was completed and organisations were recommended to proceed to the invitation to submit an application phase.
- A moderation exercise was undertaken, as the program was oversubscribed and the number of recommended EOI's outstripped funds available.
- Selected organisations were invited to submit applications, which involved providing documented evidence of meeting the criteria. A further assessment process was then conducted.

Audit was advised that the main reason for the change in the process was that under the previous process, organisations would go to considerable effort and expense to put together an application. It was felt that if a preliminary assessment was completed, before organisations incurred any significant expense, then this would reduce the cost to organisations.

## **2.2 Describe the decision making process in relation to applications from receipt to approval**

The decision making processes are as follows

- Expressions of Interest are called.
- Receipt and assessment of an Expression of Interest (EOI).
  - All EOI's received are assessed using the assessment tool available on the G2 database. The assessment tool effectively provides for three possible results. The three possible results and Audit's understanding of them is as follows
    - Recommended – effectively means the Expression of Interest meets the eligibility criteria and the organisation is in a state of readiness and has capacity to complete the project within the timeframe required.
    - Not Recommended – effectively means the Expression of Interest meets the eligibility criteria however the organisation is not in a state of readiness and has not proven it has capacity to complete the project within the required timeframe. (From Audits observation this appeared to be due to deficiencies around the funding sources and sometimes the scope of works).
    - Ineligible – effectively means the Expression of Interest does not meet the Major Facilities Program eligibility criteria.
  - The assessment tool assesses against three criteria, need, program priorities and ability to deliver. It then provides an overall assessment of the risk associated with the proposed project and then recommends the EOI to proceed to the invitation to submit an application phase or does not recommend or deems the project ineligible. This task is completed by the Principal & Senior Development Officers within the Facilities Development Unit. These officers later monitor and manage the departmental relationship with the successful projects.
  - A review officer then confirms that the assessment process (undertaken by the Development Officers) complies with the assessment tool and program guidelines. While the review officer can disagree with the assessment completed, from Audits testing of the 2009 round, this rarely occurred. The review officer is independent of the Development Officers and for the 2009 funding round was the Senior Program Officer.

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The Manager, Facilities Development Unit, (the moderator) then completed the first level of moderation. There were some examples of the moderator disagreeing with the assessor, but the moderator has the capacity to provide their own ratings and change the recommendation, although both assessments, assessor and moderator, are retained in G2 and on the corporate file.

- Audit's observation of the receipt and assessment of EOI's is that it is a screening process to determine the project's eligibility under the program guidelines and the applicant organisation's state of readiness/capability to deliver the project.
- While the process does recommend particular projects, it does not mean that the project owner will be invited to submit an application. For example, from 139 Expressions of Interest received, 85 were recommended by the Development Officers, however only 44 were invited to submit an application, once the moderation processes were completed.
- Moderation – Following the EOI process a further moderation process occurs. The methodology applied is currently not documented in any policy, procedure or guideline. As this was a new process for this round it appears that this phase arose because of the level of over subscription to the funding round and the need to reduce the number of expressions of interest. However, while the methodology applied for this phase is not documented, the results are retained in spreadsheets and in hardcopy printouts of the spreadsheets. The process that occurred is outlined below
  - ~~for discussion~~ The Director, Program Reform and Design advised the Deputy Director General Sport and Recreation Services, that 139 EOI's had been received and 85, totalling around \$60M had been recommended as proceeding to the invitation to submit an application phase. Only \$30M was available for the funding round with \$1.4M having already been committed to fund the QRU Ballymore Redevelopment Project.
  - As the funding round was significantly over subscribed the Deputy Director-General instructed the Director to categorise/prioritise the EOI's as there was insufficient funds to fund all recommended EOI's.
  - The Director then completed a moderation exercise on the 85 recommended EOI's. In completing this exercise he considered factors such as geographical spread across the state, spread across the various sports, targeted areas, spread across organisations e.g. Police Citizens Youth Club (PCYC), which had nine applications across the state and election commitments, projects of interest, that is, projects that may be part of a broader plan.
  - The Director then split the EOI's into three categories, category one – generally those rated high in the three criteria (need, priority and ability to deliver), category two – generally those rated with two highs and a medium in the criteria and category three – all other recommended projects. The other factors e.g. geographical spread, detailed above also influenced the ratings given.
  - The result of this process was that the Director reduced the recommended list from 85 to 61. He then forwarded the list to the Deputy Director-General.
  - The Deputy Director-General, then reviewed the list and made some changes to the recommended categories provided by the Director. The reasons for the changes are not documented, although the changes are recorded on a hardcopy of the spreadsheet.

- The result of these changes was that six category ones were reclassified as category twos, two category two and six category three were reclassified as category ones. Warrigal Road State School, originally not recommended, was also included as a category one.
- This resulted in 62 EOI's recommended to proceed to the invitation to submit an application stage, 63 projects not recommended and 15 as ineligible.
- The spreadsheet was amended to reflect the changes and costings were added to the spreadsheet. This resulted in 35 category 1 projects, 16 category 2 projects and 11 category 3 projects recommended as being eligible to fund, totalling \$27.37M., \$9.66M and \$7.76M respectively
- This effectively gave a combined total value of \$44.79, for all recommended projects but only \$28.6M was available.
- The Deputy Director-General then met with the former Minister, who reviewed the list and recommended 30 category 1, 3 category 2, 3 category 3 and 5 not recommended to proceed to the invitation to submit an application phase.
- The Deputy Director-General advised that the reasons provided by the former Minister for the inclusion of the five not recommended projects was the Minister's desire to give some recreational sports, e.g Tingiri Boat Club and some smaller non mainstream sports e.g. Gold Coast Table Tennis Association, an opportunity participate in the program and submit an application.
- In completing the initial moderation process the Director, Program Reform and Design, had generally only allowed one project from each Council to proceed to the invitation to submit an application phase. This was to ensure that there was a good geographical spread and not all funding went to Councils.
- In reviewing the projects recommended to proceed to the submit an application phase, three additional Council projects were included on the basis they were projects of interest. This brought the total projects proceeding to the invitation to submit an application Phase to 44 projects at a value of \$30.75M.

• Invitation to submit an application

- The 44 organisations recommended from the above process were invited to submit applications. The application process required the organisations to provide evidence including substantive documentation to support their proposals, for example, evidence to confirm their other funding sources.
- Of the 44 invitations sent to organisations
  - 42 submitted applications
  - 2 did not submit applications, that is, Tingira Boat Club and Warrigal Road State School

and  
school

- Applications were then assessed on the G2 database on the application information and documentation provided. They were assessed against two criteria, program priorities and ability to deliver. The results from this assessment were as follows
  - 35 applications received were able to proceed to the Minister for approval after the assessment.
  - For one application, Cairns PCYC, the assessment process was fast tracked and forwarded to the Minister for early approval, due to the projects dependencies on other funding arrangements that were in place, but in jeopardy of being lost if funding approval was not forthcoming.
  - 6 applications had insufficient information, so approval was sought from the Minister to go back to the organisations and request the additional information.
  - Of the six organisations that were requested to provide additional information, two did not submit the additional information, they were Macgregor State High School who formally withdrew their application and Rockhampton Regional Council who did not respond to the request, so their application lapsed.
  - Subsequently, due to the four organisations not providing or proceeding with their applications, three other organisations were invited to submit applications. At the time of the review by Audit, two organisations had responded and were in the process of being moderated. The other organisation had sought an extension of time from the Minister to submit an application.
- QRU was considered and approved outside the EOI and application process. As a result the assessment tool was not used and the application comprised a formal letter from the QRU. Audit understands the formal application process is an administrative process and the Minister can accept applications at any time.

## **2.3 *What officer is responsible for decisions at each stage***

- At the Expression of Interest phase, the Moderator provides the initial recommendation for what was to be considered for proceeding to the submit an application phase
- Then the Director and Deputy Director General provided most input into the moderation process for determining what organisations were ultimately invited to submit an application. The Ministers office also reviewed the results of the process.
- The Minister approves the recommended applications.



## **2.4 On what basis are assessments changed**

- The EOI assessment can be changed by the moderator who may disagree with the Development Officers assessment. From the review of the files this was minimal and would normally be over eligibility or ability to deliver, usually funding arrangements.
- The Director and Deputy Director General can also change the recommendations after considering other factors e.g. spread across the state, spread across sports, spread across organisations, election commitments, projects of interest, targeted areas etc.
- The Minister always retains the capacity to change recommendations as the person holding the approval delegation. For this round the former Minister did request they include some recreational sports and smaller non mainstream sports.

## **2.5 How are decisions at each stage documented**

- Expressions of Interest Phase – Development Officer assessments are recorded on the G2 database as is the moderator's final assessment. Copies of these assessments and the EOI application are held on corporate files created for each Expression of Interest received. Note:- the current practice is that once the schedule is prepared for the Ministers approval, the moderator updates the G2 database to reflect the final outcome, that is, the moderator changes the moderator assessments for all unsuccessful submissions to not recommended and places the updated moderator assessment on the corporate file.
- Moderation by Director, DDG and Ministers Office – Spreadsheets are maintained by the Director and hardcopies of the spreadsheets, which detail the changes made but not the reasons why. No overarching policy or methodology document was in place, which outlined the process and the additional factors that may be considered, nor were the reasons for changes documented, although verbal explanations were provided where known.
- Invitation to submit an application phase – The Moderator's assessment is recorded on the G2 database. Copies of the Moderator's assessment and the Development Officers assessment from invitation to submit an application phase are held on the new corporate files created for each application received. The corporate file also retains any correspondence in relation to that applicant.

## **2.6 Any other information which might inform the CMC about the above claims**

- The Minister has the delegation to approve applications for funding. As such this gives the Minister capacity to decide which organisations should be funded and to accept or reject any advice received on who is to be funded.
- The Major Facilities Program guidelines are administrative and designed to provide a standardised process for funding under the program. Audit is unaware of any impediment that prevents the Minister from approving funding for projects outside the guidelines including
  - Accepting applications outside the official funding round
  - Funding projects at 100%
  - Approving funding payments in advance.

- YMCA was the only application forwarded to the Minister with a high risk rating. This application was a project of interest and considered a high priority. It was initially rated as a medium risk following the expression of interest stage 1 assessment process. However after the Stage 2 assessment process it had a high risk rating due to the timing of Brisbane City Council decisions with respect to the approval of the DA and the level of funding Council was providing to the project. Brisbane City Council was not in a position to confirm the DA approval or the level of funding as the appropriate Council governance processes had not been completed at the time the funding round closed.
- Minister Spence did not approve any projects for funding including the YMCA. By the time the schedule was prepared for the Ministers approval there had been a Machinery of Government change and the new Minister (Minister Reeves) approved the funding. There is no evidence that Minister Reeves or his office were involved in any deliberations other than approving the schedule presented.

## 2.7 Allegations in relation to decision making

### 2.7.1 Allegation 1

Several Stage 1 applications assessed as high risk allowed to proceed to Stage 2. Examples provided were Gold Coast Table Tennis Association, Tingira Boat Club and Warrigal Road State School.

Audit found there were eight instances where Stage 1 expressions of interest were assessed as high risk and allowed to proceed to Stage 2, however only three of these projects ended up being funded from the Major Facilities Program.

The Stage 1 assessment is an initial assessment and other factors such as locations, sport type, projects of interest etc, are then considered post the initial assessment stage. There is nothing to prevent projects assessed as high risk proceeding to Stage 2 and being funded.

With respect to the three examples provided above the following explanations were provided

- Tingira Boat Club – Accommodating the former Minister's request to give some recreational facilities applications the opportunity to apply for funding under the program. Although invited to submit an application the club failed to do so and was **not** funded.
- Gold Coast Table Tennis Association – Accommodating the former Minister's request to give some smaller non mainstream sports an opportunity to apply for funding under the program. The association submitted an application, which for this phase was assessed as a medium risk by both the development officer and the moderator and was **funded**.
- Warrigal Road State School – The Deputy Director General advised the inclusion of the school in this round was at the request (by phone) of Simon Tutt, Senior Project Officer, with the former Ministers office. No reason was provided to support the schools inclusion although it should be noted that schools were a targeted group per the 2009 guidelines. While invited to submit an application the school failed to do so and was **not** funded

The other five expressions of interest assessed as high risk, but allowed to proceed to stage 2 were



- Rockhampton Regional Council – Included because it was a project of interest. Initially rated as not recommended as the project was considered to be not ready (scope and funding). Although invited to submit an application the Council failed to do so and was **not** funded.
- Cooe Bay Progress and Sports Association – At the request of the former Minister for reasons unknown. The association submitted an application, which for Stage 2 was assessed as a medium risk by both the development officer and the moderator and was **funded**.
- Macgregor State High School - At the request of the former Minister for reasons unknown. The school submitted an application, but withdrew the application as other sources of funding (the Federal Government stimulus package) became available and was **not** funded.
- Morningside AFL – At the request of the former Minister for reasons unknown. Once quotes for project costs were confirmed as part of the Stage 2 application process, it became **ineligible** on basis that the dollars involved were below the Program minimum threshold and **not** funded under this program. Ultimately funded under the Minor Facilities Program.
- Mt Gravatt AFL – At the request of the former Minister for reasons unknown. The AFL submitted an application, which for this phase was assessed as a medium risk by both the development officer and the moderator and was **funded**.

## 2.7.2 Allegation 2

**Applications received during Stage 1 assessed as low risk but failed to progress to Stage 2. Example provided Kenmore District Junior AFL Application.**

Audit found there were some expressions of interest assessed as low risk that were excluded through the moderation process described in 3.2 above. This was a possible outcome once the over subscription of the funding round and other factors, for example, geographical spread across the state, spread across the various sports, spread across organisations etc were considered.

With respect to Kenmore District Junior AFL, the corporate file shows it was assessed at medium risk, not low risk as stated in the allegation. The EOI was excluded when the Director, Program Reform and Design completed the moderation exercise on the 85 initially recommended EOIs and reduced them to 61 after considering factors such as geographical spread across the state, spread across the various sports, spread across organisations.

Audit found no evidence to suggest this was anything other than the effect resulting from a normal moderation exercise

## 2.7.3 Allegation 3

**Reason recorded for Kenmore District Junior AFL Application not progressing to Stage 2 was a shortfall in funding, however three applications recommended to the Minister for funding also had funding shortfalls. The three were, Diggers Bowls Club, Macgregor State High School and Morningside AFL Club Ltd.**

Audit found that shortfall of funding was the predominant reason given to organisations for expressions of interest failing to proceed to Stage 2. However of the three examples provided only one was recommended to the Minister for funding,

another withdrew their stage 2 application and the third was deemed ineligible to be funded under the Major Facilities Program once their project costs were confirmed.

With respect to the examples provided:-

- Diggers Bowls Club – The EOI assessment rated the project as low risk with a high potential to deliver. There was no question at this stage regarding any shortfall of funding. When the stage 2 application was received the Club failed to confirm its funding sources and so it was one of the six organisations where additional information was requested and the Club then confirmed its funding source.
- Macgregor State High School – was not recommended to the Minister for funding. The school withdrew its application after being asked for additional information on the basis it was likely to obtain funding under the Federal Government stimulus package.
- Morningside AFL Club – Morningside AFL Expression of Interest indicated it was eligible under the program, however when their application was received as part of Stage 2 process and they had obtained firm quotes for their project, the total value of the project was below the minimum threshold limit for the Major Facilities Program. As a result the project was subsequently considered under the Minor Facilities Program, where it was funded. It was not funded through the Major Facilities Program.

#### 2.7.4 Allegation 4

**Of the six applicants requested to provide additional information, at least four were assessed as high risk. The four named are Diggers Bowls Club, Macgregor State High School, Rockhampton Regional Council and YMCA.**

Audit found that the four named applications were assessed as high risk by the development officer as part of the stage two assessment processes. However, this assessment was based on the incomplete documentation that had been provided and was why approval was sought from the Minister to seek additional information.

With respect to each of the applications named in the allegation the following should be noted:-

- Diggers Bowls Club – The Stage 1 EOI assessment was rated as low risk and the Stage 2 application assessment was rated as high risk. However the reason for the assessment of risk as high for stage 2 was that the club failed to provide a proper scope of works and had not provided sufficient evidence to support that their funding was confirmed. The scope of works and evidence that the funding was confirmed was provided when requested and the risk rating was amended to medium by the Moderator.
- Macgregor State High School – Withdrew its application and was not assessed by the moderator.
- Rockhampton Regional Council – Failed to respond to the request for additional information and was not assessed by the moderator. As a result its application lapsed and it was not funded.
- YMCA (Perry Park Development) – Both the development officer and the moderator agreed that the project was high risk, although both agreed it was a high priority, but had rated it low for ability to deliver. The project is considered a project of interest and was funded.

One reason for high risk assessment was that the YMCA was unable to confirm if the Brisbane City Council would approve the Development Application (DA). Brisbane City Council was due to consider the DA after the funding round closed, although they had indicated informally that the DA was supported.

Another reason for the high risk rating was that Brisbane City Council was a nominated source of funding for the project and had confirmed this in writing to the YMCA, but had not confirmed the amount of financial support it would provide as its annual budget was not finalised nor approved by Council. To counter this situation YMCA had advised that this was a priority national project for them and they were committed to funding any funding shortfall that may occur as a priority.

The project was approved by the Minister for funding under the Major Facilities Program over 3 years, which is the estimated duration of the project to completion.

### 2.7.5 Allegation 5

**Officers were advised to remove material from files documenting their initial risk recommendation. It is claimed documentation that records the Kenmore District Junior AFL as not recommended does not reflect the initial assessment.**

Audit found no evidence to support the allegation.

The current process is that once the applicant schedule is prepared for approval by the Minister, the moderator goes into the G2 database and changes all unsuccessful applications to Not Recommended by the Moderator, prints the assessment and puts it on the corporate file.

The original assessment of the EOI by the Development Officer is still on the corporate file and remains unchanged in the G2 database. The recommendation was changed by the Moderator as part of the above process. Audit found no evidence that material had been removed from files.

With respect to Kenmore District Junior AFL, the corporate file still holds the initial assessment made by the Development Officer, which shows the Development Officer recommending the proposal to proceed to the invitation to submit an application phase. It was culled early as part of the moderation process completed by the Director, Program Reform and Design.

### 2.7.6 Allegation 6

**Officers involved in assessing grant applications were directed to cease using the word recommended when conducting assessments of applications.**

Audit found no substantive evidence to support the allegation as copies of the Development Officers assessments are on the corporate files and still showed the word recommended.

Ben Klaassen, Director Program Reform and Design and Amanda Allen, Manager, Manager Facilities Development Unit both confirmed that they were reviewing the use of the term as it had proved misleading for this funding round and they had discussed that with the Development Officers.

In Audit's view the term needs to be clarified to reflect what the process is actually doing, that is, the assessment of the EOI is concluding that the expression of interest is eligible, the organisation is in a state of readiness and has capacity to complete the project within the timeframe required.

### 2.7.7 Allegation 7

**Assessors were instructed not to have any contact with applicants throughout the assessment process. However Ben Klaassen forwarded correspondence to Fraser Coast Regional Council prior to the final assessment.**

Audit found no evidence on the files that Mr Klaassen forwarded any correspondence to Fraser Coast Regional Council or any other applicant prior to the final assessment.

The only correspondence with applicants during the assessment process was the request to the six applicants to provide additional information, please note one of the six applicants was Fraser Coast Regional Council.

However approval was obtained from the Minister (Audit sighted signed approved brief) to seek this information prior to any contact with the organisations. Mr Klaassen was the departmental representative who wrote to all the six applicants seeking the additional information.

Ben Klaassen, Director Program Reform and Design, confirmed that staff were instructed not to have any contact with applicants throughout the assessment process.

### 2.7.8 Allegation 8

**Contrary to the guidelines late applications were received and considered.**

Audit found evidence that 15 late applications were received in the expressions of interest process. In 13 cases the application was received on the next working day and in the other 2 cases, on the second working day after closing. One other application had no date received stamp on it, but it was assessed on 7 November, which was earlier than many applications received on time suggesting it was received before the closing date.

With respect to the invitation to submit an application phase, three applications were received after the due date. In all cases the application was received on the next working day.

Given that the applications in all instances were most likely to be in the post at the time the various rounds closed, it is Audit view that the acceptance of the applications in these circumstances was reasonable.

### 2.7.9 Allegation 9

**Stage 1 was a defacto grant approval process, not a method of first review the guideline indicate it should be.**

Audit found no substantive evidence to support this allegation. Successful Stage 1 EOI applicants were still required to submit applications and these applications were assessed as part of the Stage 2 process.

This is supported and evidenced by the fact that four of the forty four organisations that were invited to apply did not receive funding. Of these two did not submit applications, one withdrew their application and another failed to respond to a request for additional information.

However, the process adopted through the EOI moderation phase does give the perception that those who are invited to submit an application are assured of funding.



In Audit's view there should have been a greater oversubscription of applicants for Stage 2, which would have given more validity to the Stage 2 process as a true assessment process.

## **2.8 Allegations in relation to the administration of four projects**

### **2.8.1 Queensland Rugby Union**

Audit found that the QRU application was considered outside the normal funding round and the assessment tool was not used. Audit is unaware of any impediment to prevent the Minister from considering applications for funding at any time and the assessment tool is an administrative tool not a mandated one.

In the case of the QRU, the former Howard Federal Government had announced in July 2007 a grant of \$25M to assist in the funding of the Ballymore Redevelopment Project, a project estimated to cost around \$60M.

The QRU, on the basis of this announcement and correspondence received from the Federal Government, had commenced the process of preparing a Development Application to go to Council to obtain the necessary Council approval to proceed with the development.

In early 2008 the Rudd Federal Government, in response to the Global Financial crisis, withdrew the \$25M grant. The QRU approached the State Government for assistance and it was agreed to fund the QRU for the amount of \$4.2M over three years. This funding was to be made available from the Major Facilities Program.

An application was received from QRU outside the normal round and the QRU was funded to complete two elements of the overall Ballymore Redevelopment Project, namely the construction of a swimming pool and a third rugby field on the Ballymore site. Both of these developments meet the criteria for funding under the Major Facilities Program.

### **2.8.2 Toowoomba Sports Ground**

Audit found that approval to fund at 100% and in advance was recommended to the Minister and was approved by the Minister on 12/12/07. The payment represented the fulfilment of a 2006 election commitment.

Audit is unaware of any impediment preventing the Minister approving funding at 100% or in advance. The Major Facilities Program guidelines are administrative and designed to manage the application process and distribute the funds as widely and equitably as practical, they do not limit the Minister capacity to make decisions outside the guidelines.

### **2.8.3 Murray Sports Complex**

Audit found that an advance on approved grant funding, for the Murray Sports Complex, of \$5M was made to the Townsville City Council in late June 2007. A note on file dated 25/6/07 states that the payment will be made in two days time.

The terms and conditions of the funding agreement are set out in a letter dated 19 April 2007 and signed by Council on 14 June 2007. The letter states, per section 7 of the Terms and Conditions of Funding that "The Department may advance, at its

discretion, a portion of the approved grant to Council. Council will be required to acquit the advanced grant prior to submitting expenditure claims. The Department will provide Council with 14 days notice of its intention to advance a grant payment."

Council advised by email on 18 June 2007 its agreement to waive the 14 to days notice for notification of the advance and the advance was paid nine to ten days later.

There were amendments to the terms and conditions of the funding agreement which were agreed with Council in March 2009. One of the amendments was that the Project must be completed by 30 June 2010.

The full value of the grant being made to fund the Murray Sports Complex is \$10M and arose from an election commitment from the government to fund the upgrade of the Murray Sports Complex over four years. This commitment is confirmed in a copy of a letter to the Townsville City Council, by the Treasurer, held on file. The letter is undated and unsigned and appears to have been prepared in December 2006.

An unsigned and undated memo is on file, apparently from the Townsville City Council Executive Manager, Community Planning and Services, which advises that \$2M was spent at 30 June 2009. Please note:- Audit is satisfied that the memo is genuine.

The memo also advised as follows:-

- Provided an update on the status of the project, which advised that elements of the project relating to Darts, Hockey, Horse Sports, Netball, Rugby League and Soccer have been completed;
- The majority of the departmental funds are directed towards the construction of the Townsville International Sports Centre (TISC);
- The design consultant for the TISC has been engaged and concept designs prepared;
- Preferred tenders have been invited to tender on the concept design for the TISC;
- Council is on track to issue the construction contract for TISC in September 2009;
- To date \$2M of the \$5M advance has been spent, with the total cost for the project to date standing at \$4.218M; and
- \$8.18M of the \$10M grant has been budgeted to fund the construction of the TISC.

#### **2.8.4 Kowanyama development for multipurpose shelter facility**

Audit found that the Major Facilities Program initial funding of contribution \$1.5 approved in 2005 has not been increased over the life of the project. The escalation in costs, have been funded from other government agencies both State and Federal.

In June 2005 Council was approved \$1.5M under the Major Facilities Program. At the time the total project cost was estimated at \$4.2M.

Subsequent to the approval there was an escalation in the of costs of construction between 2005 and 2007 of \$1.96M due to building redesign, escalation in materials and the expansion of the designation of the facility including compliance with the Design Guidelines for Qld Public Cyclone Shelters. The additional \$1.96M in 2007 was funded by the Federal and State Governments, the State Government contribution through the Department of Emergency Services.

Further delays in the project start up, escalations in project management, project design and other costs e.g. furniture and fit out resulted in an additional estimated cost overrun of \$1.5M. The reason for the escalation in costs is attributed to

- The need to redesign the building to comply with the new public cyclone shelter guidelines and
- The need to install the redesigned footings which took into account the high ground water and saturated sand layers, encountered at unforeseen levels after the contract had been let and construction had commenced.

The shortfall of funding was estimated at \$1.13M to enable the project to be completed.

On 12/2/09, the former Minister for Main Roads and Local Government approved additional funding of \$1.13M under the Local Governing Bodies Capital Works Subsidy Scheme (LGBCWSS).