

Treasurer's Instruction No	709
Title	Grant Management Framework
Effective date	1 July 2011
Objective and Background	To provide a framework for the management of grant payments
Last Reviewed Date	1 July 2011

Black letter (or bold) items within these Instructions are mandatory and other plain font items are instructional or for the purpose of providing guidance only.

Background

This Instruction sets out the minimum conditions which agencies need to meet when offering a one off grant or an ongoing grant program. When designing a grant scheme, legal advice should be obtained from the Crown Solicitor on how best to protect the interests of the Agency. The Funding Agreement will determine the legal remedies that are available. Useful references in relation to the Best Practice Administration of Grants are located on web sites of the Department of Treasury and Finance and the Australian National Audit Office.

Definitions

(1) For the purposes of this Treasurer's Instruction (TI):

“Grant” means any assistance by way of a sum of money or other resource provided to an organisation or individual by the Government on the condition that the assistance is used for a specified purpose, and where the grantor receives no direct economic benefits in return for the assistance provided.

A grant does not include a loan, whether repayable or not, nor payments by the Agency to a third party. The term “grant” also does not include funding of activities relating primarily to the provision of goods and services directly to a government agency.

A grant is assistance, which may or may not have conditions imposed, other than the condition that the grant be used for a specified purpose, by the agency and agreed to by the grantee. These conditions are set out in the Funding Agreement. If the conditions of a grant are breached, the only remedial action may be that the grant money is repaid or future payments withheld.

“Grant Program” determines the processes by which individual grants are allocated. It allocates responsibility to plan and manage grants, establishes and manages individual funding agreements and provides for effective review or evaluation of the allocation. The grant program will ensure that all grants are administered and expended in accordance with approved Government objectives and outcomes.

“Funding Agreement” is a legally enforceable Agreement in writing, setting out the terms and conditions regarding the establishment and administration of grants. These terms and conditions are determined by the grantor.

The form of agreement will vary depending on the intent of the grant and the degree of control required. It can be a deed, contract or exchange of letters.

“Grant Resources” is an interchangeable term along with, “grant funds”, “grant monies” and “grant money”, indicating the sum of money or other resources allocated by the agency as part of a grant or grant program.

Administration

- (2) The Head of Agency must ensure that grants are allocated in accordance with the purpose for which the grant funding was provided by the Government.**
- (3) The Head of Agency must develop and maintain appropriate documentation for each grant program and its administration in accordance with current Agency processes.**

The documentation and relevant records should be maintained in the same manner as other financial records. The Agency must comply with the Government’s anticipated outcomes and objectives from the grant or grant program. Grant allocation, where possible, should be linked to an Agency’s core business and goals. The outcomes and objectives should be clear and non-conflicting, based on meeting government priorities.

- (4) The Head of Agency must ensure that the National Standard Chart of Accounts is adopted and implemented for each grant or grant program.**

The National Standard Chart of Accounts and Data Dictionary is a tool designed to assist government grantors and not-for-profit organisations by providing consistency in accounting categories and terminology in relation to applications, acquittals and reporting on grants and grant programs. The National Standard Chart of Accounts provides a common approach to the capture of accounting information by not-for-profit organisations, and defines the way in which a government grantor asks for basic financial information from the grant recipient. This ensures that government grantors, at all levels of government, ask for basic financial information in the same way and that not-for-profit organisations can report in a consistent format.

The Council of Australian Governments agreed that the National Standard Chart of Accounts would be adopted and implemented by, and is mandatory for, all State and Territory governments and the Australian Government. The adoption of the National Standard Chart of Accounts is part of strategic reforms to develop a nationally consistent approach to fundraising regulation, and to reduce the regulatory burden on the not-for-profit sector. The National Standard Chart of Accounts is voluntary for not-for-profit organisations.

The National Standard Chart of Accounts is based on agreed accounting conventions and includes references to Accounting Standards issued by the Australian Accounting Standards Board. The definitions included in the National Standard Chart of Accounts are mandatory, however the number sequencing is suggestive only.

The National Standard Chart of Accounts is available through the following link.

[National Standard Chart of Accounts – PDF](#)

- (5) The Head of Agency is to ensure that an appropriate risk assessment and management plan is completed for each grant or grant program before its commencement.**

By identifying the risks associated with each grant program or significant one off grants, an Agency can take precautionary measures to mitigate the risks, and avoid adverse outcomes. In addition to minimising the financial risk of non-performance by the grantee, a robust risk

assessment will assist to reduce negative non-financial impacts, such as adverse publicity or a loss of public confidence in the agency's financial management. Some risks associated with grant management include funding inappropriate or lower priority community projects, inappropriate use of grant funds, projects not being completed or completed after agreed target dates and loss of Agency credibility.

Risk assessment will identify uncertainties that may impact on grant funds being utilised as intended. Once identified, each potential risk should be able to be addressed by a specific course of action to minimise the potential for damage. Varying degrees of risk require varying levels of required action.

(6) The Head of Agency must ensure that:

- (a) grants are properly differentiated from the acquisition of goods and services;**
- (b) all applications for grants are assessed in an open, transparent and consistent manner;**
- (c) the Agency meets all taxation obligations, including any Goods and Services Tax obligations, in accordance with [TI 1001 Taxation Management Framework](#);**
- (d) grant funds are allocated in accordance with publicly available eligibility and selection criteria, which align with relevant Government policies; and**
- (e) grantees are reasonably capable of meeting the objectives and outcomes of the grant program.**

Goods and services are defined in the Glossary at the Resources section of Buying for Government on the Procurement website www.purchasing.tas.gov.au.

(7) The Head of Agency must ensure that the terms and conditions of each grant provided by the Agency are set out in a legally enforceable written Funding Agreement.

The Funding Agreement must be between the grantee and the Agency and it must clearly state that grant funds are not to be paid to a third party. That is, a contractual arrangement should always be established between the grantor and grantee.

(8) The Head of Agency must ensure that the Funding Agreement includes conditions that address:

- (a) the Agency's risk management and monitoring requirements;**
- (b) the repayment or withholding of grant money in cases where the grantee fails to meet the terms and conditions of the contract; and**
- (c) the repayment of any unspent grant funds.**

Terms and conditions should utilise performance measures to indicate appropriateness, efficiency, effectiveness and economy of the grant. They can be both qualitative and quantitative.

The Funding Agreement agreed upon by all parties, must set out arrangements under which grants are provided, received, managed and acquitted. Accordingly, the contract should contain appropriate controls and accountability mechanisms to ensure that the grant funds

are utilised for the intended purpose. Actions that will be taken for breaches of the grant conditions should be clearly stated in the Funding Agreement.

Monitoring

- (9) The Head of Agency must ensure that an appropriate monitoring strategy is established for each grant or grant program to ensure compliance with grant conditions.**

Monitoring is the process of collecting, recording and analysing information on a regular basis to ensure that funds are being spent correctly and measured against identified outcomes and objectives. It is important that an appropriate level of monitoring is established. The following should be taken into account:

- the amount of the funding, nature of the funding and the nature of the funded organisation (or activity/individual);
- the administrative costs of monitoring, reporting and data collection for both the Agency and funded organisation; and
- the Agency's risk management policy.

The performance of the grantee in meeting the Funding Agreement conditions can be monitored in a number of ways, through the application of a combination of:

- written updates;
- site visits;
- performance information reports regarding the achievement of specified outcomes;
- the review of the grantee's audited financial statements; and/or
- other monitoring tools, as identified in the grant program's risk management plan and approved by the Head of Agency.

The amount and type of the grant, and the risk assessment completed at commencement of the grant, will determine the level of monitoring. For example, a small project may only require a report at the end of a Project, while a more complex project would have a more regular and rigorous review completed to measure performance against agreed measures.

For grants of more than \$50 000, or considered of high risk according to the agency's risk management assessment, audited financial statements should be obtained. Audited financial statements showing the receipt and manner of disbursement of each grant, together with an audit certificate, will provide the best assurance to an agency on the adherence to grant conditions. Where audited financial statements are obtained, and the grantee has received a qualified audit opinion, the Head of Agency shall, except where that opinion has been provided by the Auditor-General, advise the Auditor-General of the qualification as soon as possible.

- (10) The Head of Agency must ensure that any significant breaches in grant terms and conditions are appropriately and promptly dealt with to maximise the recovery of public monies. Any losses are to be dealt with in accordance with [TI 302 Recording of Losses](#). If the grant is partially completed, no further payments are to be made to the grantee where significant breaches have been identified.**

- (11) In accordance with [TI 206 *Presentation of Annual Financial Statements*](#), an Agency must provide details, including purpose and intended outcomes, of each significant grant or grant program in its Annual Report. All other grant or grant program details must be recorded and reported in accordance with prudent accounting practice and in accordance with the requirements of the initial risk management assessment.

Grant Program Review

- (12) The Head of Agency must ensure that each grant program is reviewed at least annually to ensure that intended outcomes are being realised. The review findings must be reported in the Agency's Annual Report.

Reviews are to be conducted to assess the success of grant programs as well as the efficiency and effectiveness of grant programs and processes. A review of a grants process is important to determine many factors, such as whether the grant program:

- should continue;
- is still achieving desired outcomes;
- being managed in the most efficient and effective manner;
- can be changed or improvements made; and
- the plan to implement these identified improvements.

Reviews should be completed by an objective and, where possible, an independent party from the allocation and decisions making regarding grant applicants. Performance measures should be utilised to monitor the grant throughout its lifecycle and to evaluate the grant program process as a whole. These measures should be clear and based on the identified outcomes of the grant. They should be comprehensive and tested from time to time.