



**PARLIAMENTARY STANDING COMMITTEE OF
PUBLIC ACCOUNTS**

**REVIEW OF AUDITOR-GENERAL'S REPORT
NO.4 OF 2016-17
*EVENT FUNDING***

MEMBERS OF THE COMMITTEE

LEGISLATIVE COUNCIL

Hon Ivan Dean MLC (Chair to 26 March 2021)

Hon Ruth Forrest MLC (Chair from 23 June 2021)

Hon Josh Willie MLC

Hon Meg Webb (from 22 June 2021)

HOUSE OF ASSEMBLY

Dr Shane Broad MP (from 24 August 2021)

Mr David O'Byrne MP (to 26 March 2021)

Mr Nic Street MP (Deputy Chair)

Mr John Tucker MP (to 26 March 2021)

Ms Madeleine Ogilvie MP (from 22 June 2021)

Ms Rebecca White MP (from 22 June to 7 July 2021)

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CHARTER OF THE COMMITTEE

The Public Accounts Committee (the Committee) is a Joint Standing Committee of the Tasmanian Parliament constituted under the *Public Accounts Committee Act 1970*.

The Committee comprises six Members of Parliament, three Members drawn from the Legislative Council and three Members from the House of Assembly.

Under section 6 of the *Public Accounts Committee Act 1970* the Committee:

- must inquire into, consider and report to the Parliament on any matter referred to the Committee by either House relating to the management, administration or use of public sector finances; or the accounts of any public authority or other organisation controlled by the State or in which the State has an interest; and
- may inquire into, consider and report to the Parliament on any matter arising in connection with public sector finances that the Committee considers appropriate; and any matter referred to the Committee by the Auditor-General.

FINDINGS

The Committee does not make any recommendations and notes the following findings:

1. Since the Auditor-General's review, the Department has established a whole of agency grants management system and a whole of agency grants management framework as recommended.
2. There is now a clearer link between Government policy and decisions being made at a Departmental level.
3. The Department has adopted a more rigorous process in evaluating the management of the event prior to funding, including the requirement for an 'establishment report'.
4. The Department assesses the financial return on investment of events, however, a greater focus is placed on policy objectives as articulated in the Events Strategy.
5. All events are required to provide annual reports and performance reports for multi-year funded events.
6. External evaluation of selected events is undertaken.
7. The exit reports completed by events were not previously collated in a format by Events Tasmania that could be assessed by the Auditor-General.
8. Processes have now been formalised to ensure that evaluation of previous contracts is considered prior to providing ongoing support.

1 INTRODUCTION AND CONDUCT OF REVIEW

1.1 The Auditor-General undertook a performance audit in order to express an opinion as to whether supported events were cost effective for Tasmania and were funded in accordance with applicable government policy.

1.2 The audit included a sample of events supported by government departmental funding in 2014. Departments included in the audit were:

- Department of Health (then Department of Health and Human Services);
- Department of Premier and Cabinet; and
- Department of State Growth.

1.3 The criteria used by the Auditor-General were:

- Was event funding properly approved?
- Was there evidence of adequate pre-funding evaluation?
 - Did business cases or other rationales indicate a significant quantitative net benefit for government and its clients?
 - Did business cases or other rationales indicate a significant qualitative benefit for government and its clients?
- Was the sponsorship cost effective?
 - Were risks identified and controls and mitigation strategies implemented?
- Were funding agreements effectively managed?
 - Was there a written agreement clearly outlining terms, conditions and responsibilities?
 - Did agencies seek advice from Crown Law regarding proposed sponsorship agreements (where appropriate)?
 - Were controls (e.g. monitoring) imposed to ensure compliance with agreements?
- Were post-event evaluations performed?

1.4 The detailed audit conclusions of the Auditor-General were:

Had funding agencies complied with reasonable processes?

Based on our testing, event funding was approved at appropriate levels.

Qualitative criteria (e.g. effective management of event) were used to assess eligibility for funding, for all but four of our sample of funded events. However,

quantitative pre-funding evaluations had not been performed for 14 of 17 funded events.

Despite substantial evidence of risk mitigation, risk management process had not been undertaken. Funding agreements existed, were considered by Crown Law and included adequate monitoring controls.

However, despite an exit report being required and obtained, no evidence was provided for 13 of 19 events that post-event evaluations had been performed.

Did funded events generate a net benefit to Tasmania?

Based on our own simplified cost-benefit model we concluded that funding of most individual events was justified by cost-benefit analysis.

We also concluded that total event funding generated a substantial net benefit for Tasmania.

1.5 The Auditor-General's Report also made the following statement:

Tasmanian Government departments contribute funding to more than 100 events annually, at an estimated annual cost of \$10.0 million. This often gives rise to questions as to whether this level of funding is required, or justified, and whether the benefits derived by the Tasmanian community exceed the funding provided.

There are often good economic and non-economic reasons why a government provided support for a special event. Special events increase the opportunities for new expenditure within a host region by attracting visitors to the region. They have the capacity to stimulate business activity, creating income and jobs in the short term and generate increased visitation and related investment in the longer term. Sponsorship by governments of special events, even when they are run at a financial loss, is often justified by the claim that the events produce economic benefits for the region in which they are hosted, or the state as a whole.

It is recognised that there may be other perceived benefits from events, such as enhancing the image of a city or region, facilitating business networking and civic pride. Events can also result in associated social and cultural benefits to a destination, providing forums for continuing education and training, facilitating technology transfer etc. On the other hand, events are recognised to generate adverse environmental impacts such as various forms of pollution and adverse social impacts such as disruption to local business and community backlash.

- 1.6 The audit concluded that total event funding generated a substantial net benefit for Tasmania. The audit resulted in four recommendations which are included in Section 2, together with Department responses.
- 1.7 On 24 March 2021, the Committee received a briefing from the Auditor-General and subsequently resolved of its own motion to undertake a follow-up review of the Report. The Committee's term of reference is to follow-up on the implementation of the recommendations of the Auditor-General's Report and report to both Houses of Parliament.
- 1.8 Parliament was prorogued on 26 March 2021. The Public Accounts Committee was re-established on 22 June 2021 and the Committee resolved to continue work on the review.
- 1.9 On 24 June 2021 a questionnaire was sent to the Minister for Tourism, Hospitality and Events. The purpose of the questionnaire was to determine the action taken by Events Tasmania to implement the Auditor-General's recommendations.
- 1.10 The questionnaire asked the Department to provide a response to the Committee detailing action(s) taken to implement recommendations including:
 1. Progress of implementation of each recommendation;
 2. Any explanation for delay in implementation;
 3. Rationale for not implementing/adopting recommendation if appropriate;
 4. Any other relevant detail.
- 1.11 The questionnaire response was received on 16 July 2021.
- 1.12 The Committee resolved to invite the Minister for Tourism, Hospitality and Events to provide additional verbal evidence at a public hearing. This was conducted on September 24, 2021.
- 1.13. This Report should be read in conjunction with the Auditor-General's full report, Hansard transcripts and the attached questionnaire responses.

2. DEPARTMENTAL RESPONSES

Auditor-General Recommendation 1

All documentation relating to event funding decisions be retained.

Department response to Recommendation 1

All documentation related to event funding decisions, including application, assessment outcomes and ministerial advice is stored on the Department of State Growth's Content Management system.

At the public hearing, the Minister for Tourism, Hospitality and Events, the Hon Sarah Courtney MP, made the following introductory remarks:

I am also conscious that the time this audit was done and the period it was looking at was at a time when there were changes in the structure of the department. Substantial structural changes were occurring. I am very confident in how they have been implemented and the recommendations and the way we embed those in decision-making, particularly the recording of decision-making.¹

Department of State Growth Deputy Secretary, Cultural and Tourism Development Jacqui Allen added:

The context to that, as the minister said, was the formation of the Department of State Growth and bringing together two separate records management systems. We were challenged in tracking down some of the supporting documentation. A number of things have happened, subsequent to that audit recommendation.

The first is that the Department of State Growth has instituted a common records management system, Content Manager, and we have also implemented a grants management system. Amongst other things, the purpose of the grants management system is to ensure that as we step through all the processes of receiving, considering, approving, awarding a funding agreement, that we are attaching the appropriate documentation at each of those stages.

Subsequent to implementing the whole-of-agency grants management system we have also adopted a whole-of-agency grants management framework to ensure that across all the different business units in State Growth we are adopting a similar approach in how we manage our grants and to ensure that we are dotting all the i's and crossing all the t's in relation to Treasury instructions and record keeping.

Where we have ongoing arrangements with organisations, we have formalised that documentation about previous performance to allow us to use that to validate the

¹ Transcript of evidence, 24 September 2021, Hon Sarah Courtney MP, p.27

prediction about previous performance and we also quite explicitly consider a return on investment. We are challenged in fully capturing that return on investment, as the Audit Office outlined in their calculations but, nonetheless, we do apply a formula against projected numbers of people attending events - the average length of stay and average expenditure which allows us to run that kind of base quantitative return on investment calculation.

One of the other things that is important to note is that one of the findings of the audit was they wanted to see a clearer correlation between government policy in relation to funding events and those funding decisions.²

Committee finding

1. Since the Auditor-General's review, the Department has established a whole of agency grants management system and a whole of agency grants management framework as recommended.

Auditor-General Recommendation 2

Qualitative criteria including at least alignment with government policy and effective management of the event be performed prior to agreeing to fund events.

Department's response to Recommendation 2

The key strategic objective of Events Tasmania criteria is now used to assess events align with the following government policy: [T21 Visitor Economy Action Plan 2020-2022](#).

Prior to this the [Events Strategy 2015-2020](#).

The primary objectives are to deliver a seasonally and regionally balanced events portfolio that enhances Tasmania's reputation as a tourism destination achieved through the following four aims:

1. To bring people to Tasmania;
2. To move people around the state;
3. To get people talking about Tasmania; and
4. To deliver a high quality and effective event. This final criterion includes analysing the events track record, the level of local support for the event (local government, industry associations, community etc), the level of financial planning and

² Transcript of evidence, 24 September 2021, Jacqui Allen, p.28

responsibility, the events ability to activate people, and the level of research analysing the benefits of the event.

Evaluation of events against qualitative criteria, including those above, routinely occurs as part of the assessment of events prior to the Department entering into funding agreements.

At the public hearing, Ms Allen stated:

At the time of the decisions about the events that were under audit, the Government didn't have a clearly articulated policy around events. Now we do. We have a range of simply explained criteria, which is an events' ability to get people to travel to Tasmania, to get people travelling around Tasmania, and to get people talking about Tasmania. Their assessment of that has both quantitative and qualitative aspects and those discussions are taken into account in the preparation of recommendations for the Major Events Group to consider event applications.³

And further

We take into account the funding history and the performance history of the event. We make assessments about the capacity of the event organisers to deliver the event as they have articulated it. Because the policy is primarily premised as a visitation attraction policy we do preference those visitation criteria. Nonetheless, we recognise that there is a range of other outcomes for the event and that is generally documented in the recommendation to the Major Events Group and it is part of that discussion.

One thing we do try to achieve across the Events portfolio is a broad distribution of events. We are also trying to manage the seasonality of events; obviously, events are very important in low and shoulder seasons in encouraging people to visit Tasmania. We also look at the make-up of the portfolio of events - the kinds of activities and the kinds of people that they are appealing to. Do we have a special calculation that can measure that? No, we do not, but they are very much a part of that discussion and that consideration by the Major Events Group.

CHAIR - *Are you able now to create a clear connection with government policy that was not possible previously?*

Ms ALLEN - *Yes, we are.*

Mr SPROULE - *At the commencement of every contract, we make every event do what is called an 'establishment report', which links the outcomes that they have*

³ Transcript of evidence, 24 September 2021, Jacqui Allen, p.27

committed to through the application process, and outline to us how that would extend over the course of the contract, whether it is one year, two, three, five. That is directly linked back to, from our perspective, whether it is the T21 framework - which is the visitation policy - or our own events strategy. So, there is a clear line of sight between the contract and government policy.⁴

Committee findings

2. There is now a clearer link between government policy and decisions being made at a departmental level.
3. The Department has adopted a more rigorous process in evaluating the management of the event prior to funding, including the requirement for an 'establishment report'.

Auditor-General Recommendation 3

Quantitative assessment, preferable cost benefits analysis, be performed wherever reasonably possible, prior to agreeing to fund events.

Department's response to Recommendation 3

Events Tasmania's internal assessment is based upon data, including financial reporting, which is provided by the event and/or independent research, where available.

Application process requires an internal assessment (at times including seeking external advice when needed), followed by Major Event Group endorsement and Secretary and Ministerial approval.

Events are required to provide detailed planning reports inclusive of budget information prior to each event.

Events Tasmania consider the cost-benefit analysis during the assessment of each event, aligning to the government policies mentioned above.

The return on investment of each event is calculated both before and after each event and examined when considering future funding.

Evaluation of events against these quantitative criteria, including those above, occurs whenever reasonably possible, prior to the Department entering into funding agreements.

At the public hearing, Ms Allen added:

⁴ Transcript of evidence, 24 September 2021, Jacqui Allen, Adam Sproule, pp. 29-30

... we are far more explicit in our calculations and our noting of the proposed financial return on investment. We do include, I guess, more qualitative criteria on some of the other impacts, but we are principally focused around the policy objectives, as we have articulated in our events strategy.

Minister Courtney provided some additional comments in relation to the impact of COVID-19:

... over the past 18 months I have worked really closely with the events that were either hit right at the beginning, or were occurring that year. We had a lot of contracted events, and for many of them a lot of expenditure had already happened and they had to cancel at quite late notice.

We worked proactively with them, but we also had a clear strategy for that. It was not an ad hoc approach, because we wanted these events to have longevity. We also understand that for events to happen successfully and into the future, they need to maintain the capacity that they have in their people.⁵

Ms Allen added:

We had an agreed approach for working with our events. As the Minister said, it was primarily premised on recognising the uncertainty of the environment they were working in, and wanting to maintain those ongoing relationships. Certainly, going through the last 12-month period, we would still prepare our return-on-investment thinking, but I think it is accepted that a number of factors outside the control of the event would impact on their attendance and their return.⁶

Committee finding

4. The Department assesses the financial return on investment of events, however, a greater focus is placed on policy objectives as articulated in the Events Strategy.

⁵ Transcript of Evidence, 24 September 2021, Minister for Tourism, Hospitality and Events, p.30

⁶ Transcript of evidence, 24 September 2021, Jacqui Allen, p.30

Auditor-General Recommendation 4

Exit reports for funded events be routinely compared with the information used to make funding decisions.

Department's response to Recommendation 4

Exit reporting is tied to instalments of funding for each event.

Upon submission of an exit report, an internal report is generated and approved by Director, Events Tasmania.

The internal report contains comparative information between the funding decision and event outcomes.

Also, there is an annual external audit of all Events Tasmania programs that analyses funding decisions and post-event reporting.

This information is routinely used to inform future funding decisions.

At the public hearing, Ms Allen provided the following clarification regarding the reporting and review process:

It speaks to the record-keeping challenge I mentioned at the beginning of the hearing. We were unable to provide those reports in the form the Audit Office required. Those processes are carried out, but we were not able to produce the documentation, which is why the finding has been written in that way.

All our events are required to provide us with annual reports. If there is a three-year event contract, part of the process - as the Audit Office noted about our risk management - is that there are milestone payments that are delivered during the contract. The trigger for those milestone payments is an annual performance report from those events. At the end of the three-year contract, there is an analysis of the whole contract.

We undertake external validations of some of that data for a selection of our events, and we have an ongoing contract with a market research firm that helps us do that. We have also formalised our process, in that a key part of the documentation, and the Major Events Group considering whether to support an event, is that reporting on their performance over the previous contract.

When we are talking of new events, that is a bit more challenging. Where they are events that have been delivered in other places, we are able to make reasonably

*good assumptions, but we then move to develop that body of information about the event, and work with those organisers over the long term.*⁷

Committee findings

5. All events are required to provide annual reports and performance reports for multi-year funded events.
6. External evaluation of selected events is undertaken.
7. The exit reports completed by events were not previously collated in a format by Events Tasmania that could be assessed by the Auditor-General.
8. Processes have now been formalised to ensure that evaluation of previous contracts is considered prior to providing ongoing support.

Risk management

The Auditor-General commented on risk management processes in his report, however did not make any recommendations. The Committee questioned the Minister and Departmental staff about current risk management processes.

Minister Courtney stated:

You flagged controversial content. As a government we do not want to be censoring artists. We've seen a range of art that has generated a lot of interest, and I don't think that is necessarily a bad thing at times. Also, we work very closely with organisations because we want them to be sustainable. We don't want them to have a misstep as what they do has ramifications for the reputation of that event in the future. We really back these events. I guess that what you are talking about in terms of content, but that broader relationship happens throughout all parts of the events. Because of the types of events that Events Tasmania supports and works with, from small community events to very large ones, the insight that they have into where the risks are within a festival are very high. So, they are very good at being able to work with Events and in being able to assist them.

Ms ALLEN - *...My recollection of the audit report is that it noted that there was an assessment of risks and in the many ways those risks were managed to the contract documentation. I guess what we did not have was all of that pulled together in one place, attached to the piece of paper that the Audit Office was looking for. So, again, as part of our process we formalised a way to bring all of that thinking together.*

⁷ Transcript of evidence, 24 September 2021, Jacqui Allen, pp.30-31

Our risk management, as the minister said, is carried out informally through the very close relationships that we have with events. We encourage them to talk to us about problems, before they become bigger problems. Also, they are formally managed through the contract documentation that we prepare, but again, formalising that documentation around the risk plan is now embedded into our process.

Mr Sproule - *In terms of our own internal risk assessment, we have quite a structured risk framework that looks at both operational and strategic risk across our programs. That is where we look at all the programs and that is where we cover things with strategic risk for instance, like you mentioned before about reputational risk and those sorts of things.*

On an individual basis every application that we see and send to the Major Events Group has an individual risk assessment done. That's where we might highlight things like this event by nature of being a public event in an unregulated area might require further controls and we recommend that this level of public liability insurance be obtained because we know that level of public liability insurance requires a high threshold of compliance.⁸



Hon Ruth Forrest MLC

Chair

8 November 2021

⁸ Transcript of evidence, 24 September 2021, pp.32-33

Minister for Education
Minister for Skills, Training and Workforce Growth
Minister for Disability Services
Minister for Children and Youth
Minister for Hospitality and Events



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Hon Ruth Forrest MLC
Chair
Parliamentary Standing Committee of Public Accounts
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Dear Chair

I refer to your letter of 24 June 2021, regarding the Public Accounts Committee review of the Department of State Growth's response to recommendations made by the Auditor General, in his performance audit *Report 4 of 2016-17: Event Funding*.

Please see attached a response to your questionnaire, prepared by the Department of State Growth. I trust the responses provided will assist the Committee in preparing the Inquiry Final Report.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Sarah Courtney".

Hon Sarah Courtney MP
Minister for Hospitality and Events

Cc Ms Natasha Excel, Committee Secretary

Date: 16/7/2021

| Recommendation | | Update |
|----------------|--|--|
| 1 | ... all documentation related to event funding decisions to be retained. | All documentation related to event funding decisions, including application, assessment outcomes, and ministerial advice is stored on the Department of State Growth's Content Management system. |
| 2 | ...qualitative criteria including at least alignment with government policy and effective management of the event be performed prior to agreeing to fund events. | <p>The key strategic objective of Events Tasmania criteria used to assess events aligns with the following government policy:</p> <p>T21 Visitor Economy Action Plan 2020-2022.</p> <p>Prior to this the Events Strategy 2015-2020.</p> <p>The primary objectives are to deliver a seasonally and regionally balanced events portfolio that enhances Tasmania's reputation as a tourism destination, achieved through the following four aims:</p> <ol style="list-style-type: none"> 1. To bring people to Tasmania; 2. To move people around the state; 3. To get people talking about Tasmania; and, 4. To deliver a high quality and effective event. This final criterion includes analysing the events track record, the level of local support for the event (local government, industry associations, community etc.), the level of financial planning and responsibility, the events ability to activate people, and the level of research analysing the benefits of the event. <p>Evaluation of events against qualitative criteria, including those above, routinely occurs as part of the assessment of events prior to the Department entering into funding agreements.</p> |
| 3 | Quantitative assessment, preferable cost benefits analysis, be performed wherever reasonably possible, prior to agreeing to fund events. | <p>Events Tasmania internal assessment is based upon data, including financial reporting, which is provided by the event and/or independent research, where available.</p> <p>Application process requires an internal assessment (at times including seeking external advice when needed), followed by Major Event Group endorsement and Secretary and Minister approval.</p> <p>Events are required to provide detailed planning reports inclusive of budget information prior to each event.</p> |

| | Recommendation | Update |
|---|---|---|
| | | <p>Events Tasmania consider the cost-benefit analysis during the assessment of each event, aligning to the government policies mentioned above.</p> <p>The return on investment of each event is calculated both before and after each event and examined when considering future funding.</p> <p>Evaluation of events against these quantitative criteria, including those above, occurs wherever reasonably possible, prior to the Department entering into funding agreements.</p> |
| 4 | <p>...exit reports for funded events be routinely compared with the information used to make funding decisions.</p> | <p>Exit reporting is tied to instalments of funding for each event.</p> <p>Upon submission of an exit report, an internal report is generated and approved by Director, Events Tas.</p> <p>The internal report contains comparative information between the funding decision and event outcomes.</p> <p>Also, there is an annual external audit of all Events Tasmania programs that analyses funding decisions and post-event reporting.</p> <p>This information is routinely used to inform future funding decisions.</p> |