Office of the Auditor General  
Western Australia

Audit team:
Aloha Morrissey  
Dr Andrew Pope  
Miriam Ritchie  
Rachel Wilkins  
Ben Travia  
Justin Fairhead

National Relay Service TTY: 133 677  
(to assist people with hearing and voice impairment)

We can deliver this report in an alternative format for those with visual impairment.

© 2020 Office of the Auditor General Western Australia.  
All rights reserved. This material may be reproduced in whole or in part provided the source is acknowledged.

ISSN: 2200-1913 (print)  
ISSN: 2200-1921 (online)

The Office of the Auditor General acknowledges the traditional custodians throughout Western Australia and their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal communities and their cultures, and to Elders both past and present.
COVID-19 Relief Fund
COVID-19 RELIEF FUND

This report has been prepared for submission to Parliament under the provisions of section 25 of the Auditor General Act 2006.

The objective of this audit was to assess whether the Lotteries Commission and the Department of Local Government, Sports and Cultural Industries implemented effective governance and assessment arrangements for Phase 1 of the COVID-19 Relief Fund.

I wish to acknowledge the entities’ staff for their cooperation with this audit.

CAROLINE SPENCER
AUDITOR GENERAL
21 December 2020
**Auditor General’s overview**

This report provides Parliament and the public with information on how Lotterywest and the Department of Local Government, Sport and Cultural Industries (DLGSC) managed Phase 1 of the COVID-19 Relief Fund from its announcement on 30 March 2020 until 30 June 2020. Phase 1 relates to the first $59 million of the total $159 million Fund.

Western Australia (WA) has been in a rolling State of Emergency and under public health directions due to the COVID-19 pandemic since mid-March 2020. Social distancing measures were put in place, which included restrictions on gatherings and movement of citizens across intrastate and interstate borders, and forced closures of business and community facilities. These measures had the potential to severely impact the ability of arts, sports and community organisations to operate and support the WA public during the pandemic and into the future. The COVID-19 Relief Fund was established by Lotterywest and the State Government to provide funds to support these organisations in recognition of the difficulties they faced.

During the audit I was pleased to see how quickly entities developed the Fund after its announcement, and the level of collaboration and responsiveness from Lotterywest and DLGSC in making funds available to affected organisations as quickly as possible. It was equally encouraging to see that decision making has been underpinned by appropriate attention to sound governance and oversight, especially by Commissioners and senior leaders of the lead entity Lotterywest. Using robust and well-managed decision making processes increases public confidence in government institutions, especially in a time of rapid response.

The easing of State restrictions has allowed some arts, sports and community organisations to open and learn how to operate under changed circumstances more quickly than anticipated. However, grant programs, like the Fund, are stated to continue as a mechanism for the State Government to support the community as it recovers from the effects of the pandemic.

Recent public scrutiny of grants in other Australian jurisdictions highlights the risk inherent in some grant programs, particularly approaching an election period. The main risk is that grants are awarded as a result of inappropriate government influence for the purpose of electoral favour, rather than basing approvals on impartial and consistent assessment against transparent selection criteria. An inexplicably high proportion of grants in marginal or government-held seats may indicate a need for further investigation to determine if inappropriate interference in the granting process occurred.

It is pleasing that the high level of risk awareness by the Lotterywest Board in this regard, and the resultant sound governance arrangements implemented for the Fund, meant this risk did not materialise in Phase 1. Maintaining constant vigilance over further phases of the Fund’s roll-out and other such grant programs, including impartial assessment in accordance with transparent criteria, will help ensure funds are received by those who need them most and programs achieve their stated outcomes.

I would like to thank the staff at Lotterywest and DLGSC for their cooperation and responsiveness to assist my Office during the audit.
Executive summary

Introduction

The objective of this audit was to assess whether the Lotteries Commission (Lotterywest) and the Department of Local Government, Sports and Cultural Industries (DLGSC) implemented effective governance and assessment arrangements for Phase 1 of the COVID-19 Relief Fund (the Fund). Phase 1 ran from 30 March to 30 June 2020. Subsequent phases of the Fund are not within the scope of this audit, but may be subject to future audit scrutiny.

The Fund was announced by the State Government on 30 March 2020 to offer financial assistance to Western Australian (WA) sports, arts and community organisations affected by the COVID-19 pandemic. The Government was concerned that these organisations would be unable to operate during the pandemic and may not remain viable to assist in a subsequent recovery. It was also concerned that community organisations providing relief services would see a significant increase in demand.

To address these concerns, the Government and the Lotterywest Board of Commissioners (Board) agreed to make available funding of up to $159 million through Lotterywest grants, $59 million of which was to be immediately available for distribution in Phase 1 of the Fund.

The initial $59 million was made available by re-allocating $55 million from Lotterywest and $4 million from DLGSC. Funding for later phases (up to $100 million) will come from Lotterywest’s anticipated profits from lottery sales in 2020-21.

Lotterywest was responsible for the overall design and implementation of the Fund and is managing grants to arts and community organisations. DLGSC contributed to the design of Phase 1, was involved in grant assessments for sports and arts organisations and is managing grants to sports organisations.

Background

The Lotteries Commission Act 1990 (the Act) gives Lotterywest the power to provide direct grants to support the Western Australian community. Grant decisions are approved by the Premier (as the responsible Minister), on recommendation from the Board. In 2018-19 Lotterywest reported that it assessed 823 grant applications and awarded 682 applications totalling $102 million.

Prior to the Fund’s creation, Lotterywest could only award direct grants for charitable or benevolent purposes to local government entities and not-for-profit organisations. Parliament passed amendments to the Act in April 2020, which allowed Lotterywest to also award funds to public authorities, such as DLGSC, to then distribute agreed grants. As a result, applications which did not have a charitable or benevolent purpose were able to be considered for funding. Sports organisations were awarded grants through the Fund in this way.

These powers were in place for an emergency period from 16 March to 15 September 2020. On 15 September 2020\(^1\), the Premier, as the Minister responsible for Lotterywest, subsequently extended this emergency period to March 2021.

Phase 1 funding was available across 3 programs:

\(^1\) Legislative Assembly Hansard, 15 September 2020
# Grant program

<table>
<thead>
<tr>
<th>Grant program</th>
<th>Crisis and emergency relief</th>
<th>Event cancellation</th>
<th>Sector support for resilient organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Funding available</strong></td>
<td>Up to $20 million</td>
<td>Up to $14 million</td>
<td>Up to $25 million</td>
</tr>
<tr>
<td><strong>Funding to be awarded by</strong></td>
<td>$10 million by 30 June 2020</td>
<td>30 June 2020</td>
<td>30 June 2020</td>
</tr>
<tr>
<td><strong>Total funding awarded</strong></td>
<td>$11.21 million</td>
<td>$7.33 million</td>
<td>$19.01 million</td>
</tr>
<tr>
<td><strong>Program purpose</strong></td>
<td>Not-for-profit, community sector organisations and local government authorities providing crisis and emergency relief for 3 specific purposes: meeting increased demand for services; working differently; supporting collaboration to address increased crisis demand</td>
<td>Arts, sports and community organisations experiencing hardship because of event cancellations between 16 March 2020 and 15 September 2020</td>
<td>For arts, sports and community organisations to pivot their operations and continue to operate in the community during the state of emergency and beyond</td>
</tr>
<tr>
<td><strong>Grant rounds</strong></td>
<td>Applications could be submitted on an ongoing basis</td>
<td>24 April 2020 - 13 May 2020</td>
<td>24 April 2020 - 13 May 2020</td>
</tr>
<tr>
<td><strong>Responsibility</strong></td>
<td>Lotterywest</td>
<td>Lotterywest and DLGSC*</td>
<td>Lotterywest and DLGSC*</td>
</tr>
</tbody>
</table>

*DLGSC is responsible for payment of grants to sports organisations.

**Figure 1: Phase 1 program summary**

## Conclusion

The governance arrangements established by Lotterywest and DLGSC for Phase 1 of the Fund were largely effective. The design of the Fund reflected the State Government’s stated intent to make funding available to a range of sports, arts and community organisations affected by the COVID-19 pandemic. Despite the Fund being implemented quickly, there was a strong focus on establishing sound governance and risk management arrangements. However, more attention could have been given by Lotterywest to defining the Phase 1 expected outcomes. For future phases of the Fund, Lotterywest could also improve how it manages conflicts of interest and both entities should ensure that all key decisions are recorded appropriately.

The application assessment, approval and payment arrangements were sound, and were followed by Lotterywest and DLGSC. Of the $59 million available for Phase 1, $37.5 million was awarded to over 50% of applicants. Many unsuccessful applicants were unable to demonstrate eligibility, including the financial impact of the COVID-19 restrictions or did not provide up to date or complete information.

Lotterywest paid almost all Phase 1 grants (345 of 367 totalling $25.3 million) to community and arts organisations by its target of 30 June 2020. It also paid DLGSC 2 grants totalling $6.8 million on 22 June 2020. Most of the grants to sports organisations (89 of 107 totalling $3.5 million) were paid by DLGSC by the end of July 2020.
It will be important for entities to maintain sound assessment, approval and payment arrangements for the remaining phases of the Fund, so that funds are targeted to areas of highest community need, performance reporting is improved and the Fund’s effectiveness overall as a response measure can be assessed.
Findings

Governance and risk management processes supported Phase 1 but performance reporting needs strengthening

Overall, governance arrangements supported sound management of Phase 1 of the Fund. The Fund’s design is more complex than Lotterywest’s usual grant activities. Redefined governance arrangements reflected this complexity, the involvement of multiple entities, and the short timeframe to implement the Fund. For example:

- grant applications, assessments and approvals were centralised through Lotterywest and a formal Memorandum of Understanding (MoU) was developed between implementing entities
- roles and responsibilities were documented for the different stages of pre-assessment, assessment and final approval of grants
- the Lotterywest Board endorsed revised governance arrangements and met more frequently than usual to consider and agree grant recommendations prior to seeking the Premier’s approval.

Lotterywest’s early consideration of risks and good governance requirements allowed it to implement arrangements that suited the urgency of Phase 1 and provided appropriate oversight.

Risk management processes were appropriate but Lotterywest can improve how it manages conflict of interests

Lotterywest managed the Fund with a clear awareness of risks. Risk awareness was actively demonstrated in documents examined and in discussions with Lotterywest Board and staff throughout the audit. Risk mitigation strategies were embedded in assessment and approval processes. For example, the risk of illegitimate organisations applying, and inconsistent grant assessments, were considered and addressed through eligibility checks, additional moderation processes, and the creation of an independent oversight position. The overall approach allowed Lotterywest to identify and manage risks to the Fund.

Conflict of interest processes were in place but require improvement. Conflict of interest policies required grant assessors, assessment panel members, senior staff and Board members to declare any conflicts of interest. Our review of 32 individuals involved in assessing and recommending grants identified:

- 5 instances where conflicts were declared in the panel assessment report, but were not recorded in Lotterywest’s conflicts of interest register
- 1 instance of a conflict recorded in Lotterywest’s conflicts of interest register, but not in panel assessment reports or submissions to the Board
- 1 instance where the agreed mitigation strategy was not followed.

Without consistency across these processes, Lotterywest cannot be certain that all conflicts of interest were appropriately identified and managed.

Performance reporting will only provide partial insight into whether Phase 1 of the Fund achieved its intended outcomes

Lotterywest has reviewed its implementation of Phase 1 of the Fund. This included an internal review of processes and seeking feedback from grantees. Early review of
implementation has provided Lotterywest with information to inform its future grant management and is generally considered good practice.

Comprehensive indicators to measure overall Fund performance were not established by Lotterywest. The Fund’s objectives included helping service delivery organisations respond to increased demand, helping organisations maintain viability, and build resilience. Lotterywest established indicators to measure performance of the 3 programs (Table 1). However, the indicators do not specify what number of, or impact on, organisations and beneficiaries supported would demonstrate successful performance of the Fund. The indicators selected and outlined in Table 1 will provide only limited insight into the Fund’s impact on the viability and resilience of organisations throughout the pandemic.

<table>
<thead>
<tr>
<th>Grant program</th>
<th>Crisis and emergency relief</th>
<th>Event cancellation</th>
<th>Sector support for resilient organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicators</td>
<td>Number of beneficiaries</td>
<td>Full expenditure of available funding</td>
<td>Number of organisations supported</td>
</tr>
<tr>
<td></td>
<td>Self-reported activities and outcomes</td>
<td></td>
<td>Self-reported activities and outcomes</td>
</tr>
</tbody>
</table>

Source: OAG analysis using Lotterywest information

Table 1: Indicators captured in the Lotterywest Board paper, 30 April 2020

Lotterywest’s independent assessment of Phase 1 is based on grantee self-reporting of outcomes. The MoU states Lotterywest is to report to its Board on the outcomes and impact of all grants 12 months after award. Lotterywest intends to rely on grantee self-reporting and audit a small number to verify the information provided, to inform its assessment. However, there are potential limitations on this approach that Lotterywest will need to consider in this and future phases of the Fund including:

- grantees are only required to report to Lotterywest as part of the acquittal process, typically 12 months after being awarded. This leaves little time for Lotterywest to undertake any further verification activities
- grantees may find it difficult to demonstrate they used the funds for the agreed purpose as funding purposes and acquittal requirements were not always clear in grant agreements
- assessment of the impact on sports organisations will be limited as DLGSC is only required to report to Lotterywest that it distributed the agreed grants. DLGSC does not plan to undertake additional assessment of the Fund’s impact on the sports sector.

Reporting arrangements developed to date may mean Lotterywest will be unable to fully assess and report on the impact across Phase 1 of the Fund as intended.

Lotterywest and DLGSC assessed grant applications consistently and in a short timeframe

Lotterywest and DLGSC assessed and approved applications under the Fund’s 3 programs. The entities agreed on new assessment and approval processes for the event cancellation and sector support programs to supplement Lotterywest’s usual processes. These included the use of assessment criteria, assessment panels with 4-5 State government entity staff on each, and formal involvement of DLGSC. Lotterywest used its ‘business as usual’ grant
processes to assess Crisis and Emergency Relief applications. The following diagram shows the assessment and approval processes for Phase 1 (Figure 2).

![Diagram showing assessment and approval process]

**Figure 2: Assessment and approval process as outlined in the MoU**

**Application processes were established and communicated**

Grant information and requirements were developed and made publicly available. Assessment criteria for each program and frequently asked questions outlining which activities could be funded were published on the Lotterywest website. The grant guidelines described the purpose of each program, the funding available, the possibility that partial funding may be awarded, and the closing dates for applications. Most organisations applied using a web-based form which prompted them to address the relevant criteria and provide information to support their application. This included financial statements, up-to-date constitution, annual general meeting records and their board information. While relatively complex, the application process was consistent and explained grant requirements.

**Assessments and approvals were largely consistent with the agreed approach, though documentation could be improved**

Crisis and emergency relief grant assessments we reviewed followed Lotterywest’s existing grant assessment framework. The 12 we reviewed in detail documented how the applications aligned to the Fund’s objective but were not explicit about how well they met the specific purposes of the program. As a result, decision makers had less information about the relative merits of each application.

For event cancellation and sector support grants:

- The 33 assessments we reviewed followed the agreed approach. Lotterywest and DLGSC developed clear processes for assessing grants, which were outlined in an assessment handbook and the MoU. Teams assessed applications by sector (sports, arts and community) and assessment panels reviewed the recommendations to reach consistency between teams. These processes supported Lotterywest and DLGSC to reach consistent recommendations on the award of grants.

- Approvals generally followed the process outlined in the MoU. Lotterywest followed the approval process as outlined in the MoU for grants to arts and community organisations. The MoU also required the Director General of DLGSC to approve the recommendations for sporting organisations prior to these being provided to the Lotterywest Board. We were told by Lotterywest and DLGSC that this approval was given verbally but no records were taken of the approval. Documenting key decisions improves transparency of the decision making process.
Recording of assessments and recommendations by Lotterywest and DLGSC across all 3 programs was generally good but could be improved. Assessment panel recommendations relating to a small number of applications in the community stream (11 of 474) were revised as part of Lotterywest’s review process. Changes included adding some applications to the recommended list or adjusting the level of funding recommended (within the requested amount). The reasons for these adjustments were not adequately documented. In addition, some other key meetings to discuss grant recommendations were not minuted, including briefing meetings attended by the Director General of DLGSC, the CEO of Lotterywest and the independent advisor. While grant decisions we reviewed and most of the requests for revisions and actions taken appear to be reasonable, consistent documentation would improve transparency.

Assessment outcomes reflected the use of a structured selection process

The Fund received 878 grant applications before 30 June 2020, of which 46% were not awarded funding (Table 2). The reasons why grants were not awarded were included in relevant assessment panel and Board reports. Reasons applications were not progressed included applicants’ constitutions not updated in line with the Associations Incorporation Act 2015, or incompleteness. Reasons for not meeting selection criteria included being unable to demonstrate financial impact of the restrictions, or not meeting the definition of a ‘one off event’ for the event cancellation program. While the proportion of unsuccessful applications was high, this reflects the consistent use of the approved approach.

<table>
<thead>
<tr>
<th>Event cancellation and sector support</th>
<th>Crisis and emergency relief (ongoing program)</th>
<th>Phase 1 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sports</td>
<td>Arts</td>
<td>Community</td>
</tr>
<tr>
<td>Received</td>
<td>259</td>
<td>125</td>
</tr>
<tr>
<td>Not progressed**</td>
<td>38</td>
<td>12</td>
</tr>
<tr>
<td>Assessed</td>
<td>221</td>
<td>113</td>
</tr>
<tr>
<td>Not awarded as selection criteria not met</td>
<td>114</td>
<td>15</td>
</tr>
<tr>
<td>Awarded</td>
<td>107</td>
<td>98</td>
</tr>
</tbody>
</table>

Source: OAG analysis using Lotterywest information

*Includes grants received prior to the Fund opening assessed by Lotterywest as relevant to the Fund’s objective.
**Not progressed includes not compliant/not eligible, or moved to be considered under Phase 2 (Crisis and Emergency Relief applications).

Table 2: OAG analysis of Lotterywest grant management system data

A quarter of successful applications had their funding requests reduced. As part of its assessments, Lotterywest considered whether to partially fund applications that met some but not all of the funding criteria. Of the 474 grants awarded, 117 received less funding than what was requested; an overall reduction of about $15 million. This approach was consistent with the Fund’s viability and resilience objectives and meant that some financial support could still be provided rather than declining entire applications.

Our analysis of awarded grants across the 59 electoral districts did not show a disproportionate awarding of grants in marginal or Government-held seats (Figure 3). 14% of grants were awarded to organisations in marginal seats\(^2\), which is lower than the proportion

---

\(^2\) Defined as less than 6 per cent, Parliamentary Library Western Australia, 2019 Redistribution Western Australia, Analysis of New Electoral Boundaries, p.11
of marginal seats in the Legislative Assembly (25% of electoral districts; Table 3). We did not undertake this analysis in response to any concern from our audit work or referrals for Phase 1 of the Fund, but rather we consider this a prudent additional audit check for a program of this nature.

**Figure 3: Distribution of awarded grants across the Legislative Assembly seats**

<table>
<thead>
<tr>
<th>No</th>
<th>Electoral district</th>
<th>No. of grants</th>
<th>Value of grants ($)</th>
<th>Margin (%)</th>
<th>Party</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Geraldton</td>
<td>8</td>
<td>343,476.00</td>
<td>1.3</td>
<td>NAT</td>
</tr>
<tr>
<td>2</td>
<td>Kalamunda</td>
<td>8</td>
<td>208,740.00</td>
<td>2.3</td>
<td>ALP</td>
</tr>
<tr>
<td>3</td>
<td>Mount Lawley</td>
<td>7</td>
<td>383,460.00</td>
<td>4</td>
<td>ALP</td>
</tr>
<tr>
<td>4</td>
<td>Murray-Wellington</td>
<td>7</td>
<td>163,635.00</td>
<td>1.7</td>
<td>ALP</td>
</tr>
<tr>
<td>5</td>
<td>Albany</td>
<td>6</td>
<td>677,696.00</td>
<td>5.9</td>
<td>ALP</td>
</tr>
<tr>
<td>6</td>
<td>Pilbara</td>
<td>6</td>
<td>814,876.00</td>
<td>2.2</td>
<td>ALP</td>
</tr>
<tr>
<td>7</td>
<td>Darling Range</td>
<td>5</td>
<td>84,565.00</td>
<td>3.5</td>
<td>LIB</td>
</tr>
<tr>
<td>8</td>
<td>Riverton</td>
<td>5</td>
<td>251,265.00</td>
<td>4.2</td>
<td>LIB</td>
</tr>
<tr>
<td>9</td>
<td>Joondalup</td>
<td>4</td>
<td>160,469.00</td>
<td>0.03</td>
<td>ALP</td>
</tr>
<tr>
<td>10</td>
<td>Scarborough</td>
<td>4</td>
<td>318,592.00</td>
<td>5.7</td>
<td>LIB</td>
</tr>
<tr>
<td>11</td>
<td>Jandakot</td>
<td>3</td>
<td>1,542,899.00</td>
<td>1.8</td>
<td>ALP</td>
</tr>
<tr>
<td>12</td>
<td>Dawesville</td>
<td>2</td>
<td>26,050.00</td>
<td>0.8</td>
<td>LIB</td>
</tr>
<tr>
<td>13</td>
<td>Hillarys</td>
<td>2</td>
<td>30,000.00</td>
<td>0.4</td>
<td>LIB</td>
</tr>
<tr>
<td>14</td>
<td>Bicton</td>
<td>1</td>
<td>12,000.00</td>
<td>3.6</td>
<td>ALP</td>
</tr>
<tr>
<td>15</td>
<td>Kingsley</td>
<td>1</td>
<td>50,000.00</td>
<td>1.2</td>
<td>ALP</td>
</tr>
<tr>
<td>16</td>
<td>Burns Beach</td>
<td>0</td>
<td>0</td>
<td>5.4</td>
<td>ALP</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>69</strong></td>
<td><strong>5,067,723.00</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: OAG analysis using Lotterywest and publicly available information

Table 3: Distribution of awarded grants across the 16 marginal seats
Most awarded grants were funded in a reasonable timeframe

Most grants to arts and community organisations were paid within 2 weeks of the grant being approved, but payments to sports organisations took longer:

- the Premier approved the event cancellation and sector support grants on 19 June 2020, with the crisis and emergency relief grants approved on a rolling monthly basis
- Lotterywest paid 95% of grants to arts and community organisations by its 30 June 2020 target
- to make funding available for sports organisations, Lotterywest provided 2 grants to DLGSC on 22 June 2020
- some sporting organisations were required to provide additional information to DLGSC as part of finalising the grant agreements and DLGSC paid the first sports organisation grant on 13 July 2020. It had paid 82% of grants by the end of July 2020 and 97% by the end of August 2020.

These payment timeframes enabled funding of about $37 million to be provided to WA sports, arts and community organisations within 4 months of the Fund being announced.
Recommendations

To strengthen its approach to managing future rounds of the Fund and other grants, Lotterywest should:

1. improve its conflict of interest processes to:
   a. provide consistent and up to date information to those involved in grant decision making
   b. manage all conflicts in line with approved mitigation strategies

   **Lotterywest response:** Lotterywest has undertaken work to review the conflict of interest process and work to ensure that all conflicts are accurately captured in the appropriate databases. This work identified a number of process improvements to clarify the roles and responsibilities between Grants Administration and Support and Legal Services. These process improvements have been implemented and Lotterywest staff have been asked to update their conflict of interest declarations.

2. enhance recordkeeping practices by appropriately documenting key decisions and making them available for review

   **Lotterywest response:** In July 2020 for the second phase of the COVID-19 Relief Fund, Lotterywest introduced a strengthened internal documentation process which included scoring and increased oversight for all grants. As a result, all key decisions are now clearly documented and made available for review.

3. review the effectiveness of Phase 1 performance reporting timeframes and processes.

   **Lotterywest response:** Lotterywest submits that setting comprehensive indicators including targets at the time of which the Fund was designed, would have been difficult and may have carried the risk of setting inappropriate targets that led to perverse incentives.

   Lotterywest is committed to working in a way that is rigorous and responsive and flexible to the needs of grant customers in the community. Adopting an approach that allows grant customers to report only once to Lotterywest to both acquit their grant on a financial basis and provide information on the outcomes achieved is supportive of an approach that does not impose an unreasonable administrative burden on the grant customer.

   Lotterywest continues to learn and seek to improve outcome measurement. Lotterywest will undertake a review of the performance reporting timeframes and processes as part of the overall evaluation of the COVID-19 Relief Fund.

**Implementation timeframe:** This review is to be undertaken in the 2021-22 financial year.
Response from Lotterywest

The Lotterywest COVID-19 Relief Fund was designed to respond to the significant impact that the COVID-19 pandemic and the associated social distancing restrictions had on the operations of sports, arts and community organisations. These organisations are a vital part of the social fabric of the Western Australian community. The grant support provided recognises the importance of ensuring that these organisations can continue to serve the interests of Western Australians.

The first phase of the Fund also sought to respond to the sudden and significant increase in need for Crisis and Emergency Relief services such as food, accommodation, clothing and other basic goods. People in Western Australia experiencing unemployment could not return to their usual places of residence due to travel restrictions and/or were returning to regional communities that were not equipped to support them.

The feedback and engagement that Lotterywest has had to date demonstrates that this response was welcomed by the Western Australian community. Lotterywest is proud of how quickly the organisation was able to change operations, stand-up the Fund, assess applications and to put grant support out to the community. This performance audit report demonstrates that the first phase of the Fund has been administered with a high level of governance, risk management and independent assessment.

As the needs of the community in Western Australia change, the Lotterywest COVID-19 Relief Fund evolves too. Lotterywest has adapted the Fund for Phase Two and welcomes the process improvements that are recommended in this report.

Work has already been completed that strengthens internal record keeping and the consistency of how conflicts of interests are managed. Lotterywest is committed to high standards in these areas.

Measuring outcomes and the impact of Lotterywest grants remains an organisational focus. Lotterywest is mindful that it is not the only funding contributor for many projects and does not always directly influence all outcomes. Proportionate reporting is therefore needed.

Response from DLGSC

The Department of Local Government, Sport and Cultural Industries notes that there are no specific recommendations relating to the department and that the final findings and conclusions of the report are noted for action should a similar undertaking occur in the future.
Audit focus and scope

This audit assessed whether the Lotteries Commission (Lotterywest) and the Department of Local Government, Sports and Cultural Industries (DLGSC) implemented effective governance and assessment arrangements for Phase 1 of the COVID-19 Relief Fund (Fund). We based our audit on the following criteria:

- Were the outcomes and key risks for the Fund identified?
- Was the Fund application and assessment process effectively managed?

This audit focussed on funding determined between 30 March and 30 June 2020 (Phase 1). Grants from Lotterywest’s usual direct grants program were not included in the audit, except where a grantee received a variation to an existing grant, or where Lotterywest assessed an existing application as being relevant to the Fund’s objectives. Subsequent phases of the Fund were not within the scope of this audit, but may be subject to future audit scrutiny.

VenuesWest was also a party to the MoU with Lotterywest and DLGSC, providing information and advice, and participating in the Sports Assessment Panel. VenuesWest was not included in the scope of the audit as it was not involved in managing any payments or grants.

We reviewed Lotterywest’s and DLGSC’s approaches to assessing and approving applications. This included non-awarded applications that did not meet eligibility or other assessment criteria.

During the audit we:

- reviewed Lotterywest and DLGSC policies and procedures
- interviewed key Lotterywest and DLGSC staff
- analysed data from Lotterywest and DLGSC grant management and payment systems
- reviewed 45 grant applications and assessments to determine if the grants were assessed and determined in line with the documented processes
- sought public feedback on the grant application process through social media and the OAG website
- analysed the distribution of approved grants across the State’s electoral districts.

This was a performance audit, conducted under Section 18 of the Auditor General Act 2006, in accordance with Australian Standard on Assurance Engagements ASAE 3500 Performance Engagements. We complied with the independence and other ethical requirements related to assurance engagements. Performance audits focus primarily on the effective management and operations of entity programs and activities. The approximate cost of undertaking the audit and reporting was $380,000.
<table>
<thead>
<tr>
<th>Number</th>
<th>Title</th>
<th>Date tabled</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Western Australian Registry System – Application Controls Audit</td>
<td>26 November 2020</td>
</tr>
<tr>
<td>8</td>
<td>Regulating Minor Pollutants</td>
<td>26 November 2020</td>
</tr>
<tr>
<td>7</td>
<td>Audit Results Report – Annual 2019-20 Financial Audits of State</td>
<td>11 November 2020</td>
</tr>
<tr>
<td></td>
<td>Government Entities</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Transparency Report: Major Projects</td>
<td>29 October 2020</td>
</tr>
<tr>
<td></td>
<td>Preparedness</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Managing the Impact of Plant and Animal Pests: Follow-up</td>
<td>31 August 2020</td>
</tr>
<tr>
<td>3</td>
<td>Waste Management – Service Delivery</td>
<td>20 August 2020</td>
</tr>
<tr>
<td>2</td>
<td>Opinion on Ministerial Notification – Agriculture Digital Connectivity</td>
<td>30 July 2020</td>
</tr>
<tr>
<td></td>
<td>Report</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Working with Children Checks – Managing Compliance</td>
<td>15 July 2020</td>
</tr>
</tbody>
</table>