

**Guidance Document for DOTARS Staff to Seek Information
on 2004 Election Commitments**

Pro-forma for Project/Organisation Information

This pro-forma should be used during discussions with organisations the subject of a 2004 Election Commitment. The information collected in this pro-forma will be used to facilitate Ministerial approval of funding for the election commitment and will also be used to assist in preparing a Funding Agreement. Each organisation should be made aware that we require a range of information to ensure proper accountability of tax payer’s funds and to identify and mitigate any risks.

Please ensure that you have spoken to the relevant Regional Office before contacting the organisation.

The items at Section 1- ‘The Summary’ must be obtained from each organisation to enable us to identify, before funding is formally approved, the purpose of the project, if GST is payable, any risks with the project or the organisation the Government should be aware of and how we intend to mitigate against these risks.

This information will be used to determine what due diligence needs to be undertaken (if any) before submitting the project for ministerial consideration. Please refer to the Regional Partnerships internal procedures manual to determine the level of due diligence required.

‘The Summary’ information will form the basis of the brief to the Minister.

The items at Section 2 – ‘The Funding Agreement’ will be required by the drafter (National Office or Regional Office) of the Funding Agreement. Although this information is not required for submitting the brief to the Minister, each organisation should be encouraged to submit this information as soon as it is available.

The items at Section 3 – ‘Final Checklist’ are a checklist to ensure that we have gathered all the information required to assist the ministerial decision (including relevant comments, expenditure profiles and verification of the due diligence process) and that the information is correct.

Each organisation should be referred to the standard Funding Agreement, which can be found on the Regional Partnerships website at <http://www.regionalpartnerships.gov.au/sfa.aspx> or a hard copy of the Agreement should be offered to them for consideration.

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Section 1 - The Summary

Item A. Organisation Details

i) Legal name of organisation

ii) Type of organisation

- Non-profit organisation
- Local Government
- Community Council
- Co-operative
- Association
- Registered Charity
- Private sector
- Other

iii) GST registered? Yes No

iv) Nominated contact for project/program

PRIMARY CONTACT	SECONDARY CONTACT
Contact:	Contact:
Position:	Position:
Telephone:	Telephone:
Street/PO Box:	Street/PO Box:
Suburb/Town	Suburb/Town
City:	City:
State/Territory:	State/Territory:
Postcode:	Postcode

Things we will obtain ourselves for the Brief to the Minister:

- ACC for that region
- Electorate the project is located in; and
- Points of interest about the location of the project.

Item B. Project Details

i) Project Title

ii) Project Location

Brief description of where the project is physically located.

iii) Project Summary and Outcomes

Q. What is the project, what will it achieve and how it will benefit the community/region?

iv) Feasibility and Business Planning

Q. Has the organisation undertaken or considered any feasibility studies and/or business planning in relation to the project? *(This information will assist the Department in assessing the need for due diligence. If the answer is 'yes', ask for details and copies of plans etc).*

v) Partnerships/Support

Q. Does your project have any cash or in-kind contributors and support from other sources? These sources will include you, Government (Commonwealth, State and local) and/or community/industry? *(This information will assist us to assess the viability of the project and the level of support for the project).*

vi) Licences and Approvals

Q. Does your project require any licences or approvals before it can commence?

No

Yes (please provide details and progress in obtaining)

Section 2 - The Funding Agreement

Explain to the organisation why this information is necessary i.e. it is a requirement that all organisations that receive Commonwealth funding enter into a Funding Agreement.

It is not expected that organisations will be able to provide this information straight away, but get them to start thinking about it. Encourage them to supply information at this point if available. If it is not available now ask when it is likely to be available.

Explain that the final milestones, outcomes, reports and payment schedules, etc will be negotiated in more detail during formal preparation of the Funding Agreement.

*The terms **Project, Activity, Outcome and Milestone**, within the context of the Funding Agreement, should be defined for the organisation when discussing each item. The following should be offered:*

- *The **Project** is the entire project that will be delivered by the organisation;*
- *The **Activity** is the component of the Project that will be delivered with Regional Partnerships funding;*
- *An **Outcome** is an achievement for or benefit to the community as a result of the delivery of the Project e.g. increased employment, industry/tourism benefits, social well-being. These Outcomes should be measurable. They will be used by the Department and Government to evaluate the success of the Regional Partnerships programme in meeting its objectives; and*
- *A **Milestone** is a key point of progress or achievement in the Activity. It can be a single event or an accumulation of events. Milestones require a specific commencement and completion date and the payment of funds will generally be linked to the successful delivery of them.*

Item A. Trading Name

Item B. Milestones

Q. What are the milestones of the Activity and anticipated timelines for their completion?

Item C. Outcomes

Q. What are the expected outcomes of the Project?

Item D. Budget

All organisations will be required to supply a budget in their Funding Agreement of how they intend to spend Regional Partnerships funding. They will be asked to acquit their funding against this Budget. The standard expenditure items for Regional Partnerships are:

- | | |
|--------------------------------------|---------------------------------|
| - Wages, Salaries and Superannuation | - Materials |
| - Labour on-costs | - Plant/Equipment Hire or Lease |
| - Consultants/Contractors | - Audit |
| - Legal/Accounting costs | - Evaluation |
| - Travel | - Vehicle costs (e.g. lease) |
| - Training | - Other costs |

Item E. Reporting

Organisations should be informed of the Department's reporting requirements. The Funding Agreement requires reports during, and on completion of, the Activity that acquits expenditure and details progress of milestones and outcomes. Reports are usually linked to milestone achievement.

Item F. Payments

Organisations should be asked to consider the likely timing for payment of funding. Under Regional Partnerships, funding is generally released to organisations in a manner that reflects their need, depending on the stage of the Activity they are up to. The payment schedule in the funding Agreement identifies the purpose of a payment and when it is due. Payments are also usually linked to milestones.

Section 3 - Final Checklist

Before finishing your discussion with the organisation please confirm the following:

- a) the amount (GST exclusive) requested from Regional Partnerships (***to ensure they receive the correct amount***);
- b) duration of the Activity i.e. the length of time they anticipate they will require payments from Regional Partnerships (***to determine if we will require multi-year grant approval from the Minister for Finance and Administration***);
- c) their anticipated requirement of Regional Partnerships funding by financial year (***to enable us to determine an expenditure profile to meet our budgeting requirements***);
- d) any agreed timeline for the organisation to supply you with information required as a result of this discussion (***to ensure the process proceeds in a timely manner***); and
- e) that you will send a copy of the summary to them for validation (***to ensure we are providing the correct information to the Minister***)

In the process of preparing a brief for Ministerial decision you will also need to:

1. Undertake a due diligence check of the organisation and project in line with the Regional Partnerships due diligence procedures; and
2. Provide a copy of the summary and any other important information to the relevant Regional Office for comment and discussion. In this discussion you should seek advice on your assessment of the level and type of due diligence checks you have decided on for the project.

Assessment Checklist - Regional Office	
<ul style="list-style-type: none">– Assess project sustainability and applicant viability• Complete the ‘Office use only’ section of TRAX<ul style="list-style-type: none">– Priority classification– Project type– Target group classification– Which is the relevant ACC for the project?– Primary / secondary electorates• Ensure all fields in TRAX completed• Advise the Regional Office Manager that the assessment is complete• Regional Office Manager completes a recommendation• Regional Office forwards assessment, application and recommendation to the National Office	

3.3 **Assessing Risk and Viability**

This documentation has been developed in consultation with Regional Offices and firms on the Departmental Accountancy Services panel to allow for an integrated and consistent approach to risk management in Regional Partnerships.

A due diligence check involves the review of organisation and project details, including financial records where necessary. These checks are carried out to minimise adverse impacts on the Regional Partnerships Programme by identifying, analysing, and mitigating potential risks.

Regional Partnerships has established three due diligence checks:

- **Eligibility Check:** To confirm the Australian Company Number (ACN), Australian Business Number (ABN), and Goods and Services Tax (GST) status of all applicant organisations. Mandatory for all applicants.
- **Applicant Credentials Verification:** (External consultants): To confirm the ownership and structure of private enterprise applicant organisations. Mandatory for all private enterprise applicants.
- **Financial Viability Assessment*:** (External consultants): To confirm whether the proposal is financially viable. Optional check for high risk projects.

*Please note that there will be several options available to assessors under the Financial Viability Assessment. These will range from the basic financial assessment of the applicant organisation to a very detailed assessment and report on the financial viability of the organisation and project.

Several tools have been developed to assist the assessor with assessing risk and viability:

- **Risk Criteria Checklist:** National Office has developed a set of criteria/questions (Risk Criteria Checklist – Attachment T) for the assessor, which will allow for a more considered decision to be taken when determining the need to carry out a Financial Viability Assessment.
- **Checklist of Required Information:** National Office has developed a list of additional information which should be sought from the applicant and considered prior to making a final decision on the carrying out of a Financial Viability Assessment (Checklist of Required Information for Independent Financial Viability Assessment - Attachment U).
- **Applicant Permission Letter Template:** There is also a template available (Standard Letter from RO to Applicant seeking permission and documentation – Attachment V) that should be used by the assessor when seeking permission to conduct an Applicant Credentials Verification or Financial Viability Assessment using an external consultant.
- **Due Diligence Flowchart:** There is a process flowchart available (Due Diligence Decision-making Flowchart – Attachment W) that outlines the key decisions/questions to be made when considering Due Diligence.

3.3.1 Eligibility Check

The Eligibility Check is to be carried out on **all*** Regional Partnerships applicant organisations prior to commencing an assessment of their application, to verify the Australian Company Number (ACN), Australian Business Number (ABN) and Goods and Services Tax (GST) status.

** Occasional exceptions to this may occur, for example if the applicant is a local government authority that has recently contracted with the Department.*

This check will include:

- Verification of trading/business name and ACN (use the Australian Securities and Investments Commission (ASIC) Free Company Name Search at www.asic.gov.au)
- Verification of ABN (visit the Australian Business Register (ABRpublic search) at www.abr.business.gov.au)

Note: If a company does not have an ABN DOTARS must enact withholding provisions (48.5c in the dollar) on payments to them. Refer www.ato.gov.au

- Verification of GST status (visit the Australian Business Register (ABRpublic search) at www.abr.business.gov.au)
Note: GST Legislation requires that entities carrying on enterprises must register for GST if their annual turnover is at or above the registration turnover threshold of \$50,000 (\$100,000 or more if they are a non-profit organisation).

3.3.2 Applicant Credentials Verification

Applicant Credentials Verification should be undertaken for **all** private enterprise applications which have passed the eligibility check to confirm the ownership and structure of the applicant organisation. The information obtained from this report should be considered when addressing the applicant viability criteria.

This check will include:

- Verification of the corporate status of the applicant (whether annual reports have been submitted, and/or a director has been bankrupted or ASIC-reprimanded).
- Searching the public record for any adverse information (any fraudulent or criminal activity) about the applicant and key people associated with the applicant.

Notes:

1. Checks on not-for-profit organisations only provide minimal information, however checks on their key personnel can provide details of their past involvement with for-profit organisations.
2. Where a Financial Viability Assessment will be undertaken for the project, it is not necessary to undertake a credentials check as this will be considered as part of the FVA

If you are passing on applicant information to an external consultant you must obtain permission from the applicant. To obtain this permission a standard letter has been developed (Standard Letter from RO to Applicant seeking permission and documentation - Attachment V).

There are two methods available to carry out the applicant credentials verification:

- The assessor can themselves undertake an on-line search through **Lawpoint**; or

- The assessor can arrange for **Lincoln Indicators** to carry out a search and produce a report through Baycorp Advantage.

3.3.2.1 Lawpoint

The assessor should be aware of the following information regarding Lawpoint:

- To use this system the assessor will require a user id and password.
- There is a manual available at (G:\Programmes\Regional\ProgrammePolicy\AllKeyDocs\Regional Partnerships\Lawpoint Training Manual) for assessors, describing the processes to undertake the check on-line.
- However, undertaking these searches can be time consuming, and also poor navigation and data entry of the system can result in costly mistakes made by the unwary.
- Unless you are a frequent user or can be assisted by a frequent user, it is recommended that you do not use Lawpoint.

3.3.2.2 Lincoln Indicators

Lincoln Indicators is a private firm which checks the ownerships, structure and financial performance and positions of the applicant organisation, (this may include credit ratings, company directors investigations and quantitative financial analysis) and rates the relative risk/health of the company based on financial records over the last 3 years (when provided).

Cost Associated with a Lincoln Indicators Report

Description of Project/Assignment	Price Quotation*
Investigations on key personnel using Baycorp Advantage reports(s)	\$65.00 per entity assessed
Baycorp Advantage Report(s)	\$57.60 per entity assessed
Investigations on key personnel using ASCI document(s)**	\$88.00 per entity assessed for up to half an hour of investigation time, \$165.00 per hour pro-rata for additional time required
ASIC documents**	\$66.00 (Large documents 10+ pages) per document \$55.00 (Small documents up to 9 pages per document)

**Prices current as at 10 December 2004*

***These items are required only when director's checks show adverse information which requires further clarification to provide further background as to the adverse information and to establish the level of severity of that adverse information.*

3.3.3 Financial Viability Assessment

Financial Viability Assessments (FVA) should be undertaken when the assessor considers the project viability to be a medium to high risk. The FVA will assist with determining whether the activity Regional Partnerships is being asked to fund is financially viable.

This step should be performed towards the end of the assessment process when it has been established that the project satisfies all other criteria.

There are a number of options available to the assessor to carry out the FVA ranging from identification of issues of concern to a full analysis and detailed written report:

Examination of applicant financial viability **\$1,000***
(calculate and analyse key financial indicators for applicant/related entities - report and make recommendations on key findings)

Identification of issues of concern relating to project **\$1,500***
(analyse historical and projected financial materials, market data, calculate and analyse key financial indicators for applicant /related entities - brief report key findings and recommendations)

Short report **\$2,500***
(analyse historical and projected financial materials, market data, calculate and analyse key financial indicators for applicant /related entities - report key findings and related recommendations including discussion of analysis performed)

Long report **\$5,000***
(analyse historical and projected financial materials, market data, calculate and analyse key financial indicators for applicant /related entities, contact the applicant to discuss findings and actions to be undertaken - detailed report of key findings and related recommendations including discussion of analysis performed)

**(these costs are approximate)*

3.3.3.1 Selection of a Service Provider to carry out a Financial Viability Assessment:

DOTARS has established a panel of firms (Accountancy Services Panel), which are able to provide a range of financial advisory and accounting services for all areas of the Department.

Lincoln Indicators also offer an applicant financial viability assessment. However, experience with these reports has shown that the level of information provided and analysis undertaken is limited. The assessor should discuss the options available with the National Office Due Diligence contact prior to undertaking a Lincoln Indicators applicant financial viability assessment.

There may be instances when the assessor believes that the FVA needs to be carried out either by a regional service provider or an industry expert. This would be in circumstances where an industry expert or regional service provider could provide a markedly better quality assessment than the Panel Members thereby reducing the risk and presenting better value for money for the Australian Government. Before making any arrangements with an alternative provider the assessor will need to present a case to National Office to justify this need including why a firm from the Accountancy Services Panel is unable to provide the service. If this method is adopted the assessor must follow the Chief Executive Instructions on procurement which can be found on the Department's ENTR site.

Note: This check cannot be progressed without permission from the applicant. To obtain this permission a standard letter template has been developed (Standard Letter from RO to Applicant seeking permission and documentation – Attachment V).

3.3.4 Arranging Due Diligence Checks

The Applicant Credentials Verification (ACV) and the Financial Viability Assessments (FVA) require the assessor to follow the procedures detailed below.

3.3.4.1 ACV Process

- The assessor sends an email to the RP Due Diligence mailbox advising that they are conducting an ACV including the applicant name, project name, and whether they are using Lawpoint or Lincoln Indicators.
- The assessor obtains permission from the applicant to conduct an ACV - only required for Lincoln Indicators. (Standard Letter from RO to Applicant seeking permission and documentation – Attachment V).
- The assessor obtains any extra documentation required (refer to Checklist of Required Information for Independent Financial Viability Assessment – Attachment U).
- Undertaking an AVC:
 - To undertake a **Lawpoint check**, you will need to access the database using an ID and password, each regional office should have an existing login that can be used.
 - To undertake a **Lincoln Indicators check**, once you have determined the type of report you require, contact Jack Truong from Lincoln Indicators to arrange for the check to be completed. His contact details are:

Jack Truong
03-9855 1100 - phone
03-9855 1133 - fax
jack@lincolnind.com.au

3.3.4.1.1 Payment Process

Lincoln Indicators sends an invoice to National Office then:

- The National Office Due Diligence contact will prepare a Claim for Payment Form - (using A,A & C Section Cost Centre 30595, and Cost Element - 45395) and send it to the Assessor
- The Assessor signs for goods/services received and sends the Claim for Payment Form to Applications, Approvals and Contracts section;
- National Office Delegate will sign the Claim for Payment Form; and
- National Office will forward the Invoice and form to the Finance Section for payment.

OR

- The assessor can make the payment using a Departmental credit card, however if using the AA & C Cost Centre code you will need an email from the National Office delegate to provide to the Departments Credit Card team to allow for the funds to be acquitted (no further process required).

Note: *Lincoln Indicators prefers option A.*

3.3.4.2 FVA Process

- The assessor should use the Risk Criteria Checklist - Attachment T to assist in making the decision of whether a FVA is required.
- The assessor should discuss their decision with the Regional Office Manager and National Office Due Diligence contact to get their agreement to conduct the FVA.
- The assessor should identify the reasons why they are recommending a financial viability assessment be undertaken and record those reasons on TRAX (if the decision is not to proceed then these reasons should also be recorded in TRAX).
- The assessor should obtain permission from the applicant to conduct an FVA (Standard Letter from RO to Applicant seeking permission and documentation – Attachment V).
- The assessor liaises with the National Office Due Diligence contact to provide the name of the applicant; discuss the type of report required; as well as nominate a service provider from the Departmental Accountancy Service Panel.
- The assessor obtains any extra documentation required (refer to Checklist of Required Information for Independent Financial Viability Assessment “ – Attachment U).
- The assessor sends a copy of the applicant’s permission and any additional documentation to the National Office Due Diligence contact (Applications, Approvals and Contracts Section).
- The National Office contact will organise for the assessment to be undertaken by the selected FVA service provider and prepare a Work Order.
- The FVA service provider is to directly liaise with the assessor, with National Office becoming involved as required during the assessment.
- The FVA service provider will contact the National Office Due Diligence contact once a draft report has been prepared. This will be followed by a telephone conference between the Regional Office, National Office and the FVA service provider to discuss the findings of the draft report and agree that the Report is ready to be finalised.
- National Office will finalise payment for the FVA after a final report has been received and an invoice sent by the FVA service provider.