

TREASURER'S INSTRUCTION 15

GRANT FUNDING

Reissued: 1 January 2019

Effective: 1 January 2019

Scope

- 15.1 This instruction applies to public authorities that are administrative units.
- 15.2 This instruction does not apply to the procurement of goods and services that meet the definition of "procurement operations" as defined in the *State Procurement Act 2004*.
- 15.3 This instruction does not apply to funding provided by an administrative unit to an entity where the administrative unit is effectively acting as an agent or administrator of funding provided by the Commonwealth Government and where the administrative unit has no discretion as to the recipient of the funds or the purpose/use of the funds by the entity.
- 15.4 With respect to public authorities that provide grant funding to a not-for-profit organisation clauses 15.9, 15.10 and 15.13 do not apply.

Objective

- 15.5 To establish appropriate accountability on the part of non-South Australian Government entities that receive a grant(s) from an administrative unit(s).

Interpretation and Definition

- 15.6 This instruction should be interpreted and applied in accordance with Treasurer's Instruction 1 *Interpretation and Application*.
- 15.7 For the purpose of this instruction:
 - 15.7.1 "Accounting records" mean formal and informal documents and working papers necessary to explain the methods and calculations by which the accounts of the entity are compiled.
 - 15.7.2 "Entity" includes a person and an incorporated and unincorporated non-South Australian Government organisation that receives a grant.
 - 15.7.3 "General Purpose Financial Statements" has the meaning given in the Australian Accounting Standards.
 - 15.7.4 "Grant": the provision of funding to a third party is classified as a grant if it falls within the ambit of subclause 15.7.8.

- 15.7.5 "Minister" means the Minister who is responsible for the administrative unit that administers the grant.
- 15.7.6 "Non-recourse grant" means a grant for a specified purpose, and with specified objectives that may or may not have a series of conditions attached. Failure to meet any or all of the conditions does not entitle the Government to recover the grant.
- 15.7.7 "not-for-profit organisation" means an organisation of that meaning under the Premier and Cabinet Circular 044 *South Australian Funding Policy for the Not for Profit Sector*.
- 15.7.8 Funding falls within the ambit of this clause if—
- (a) it constitutes expenditure by a public authority to assist or support a third party in the conduct of its undertaking; and
 - (b) the benefits on account of that expenditure do not flow, or do not predominantly flow, to the public authority.

Instruction

- 15.8 All approvals and authorisations required for South Australian Government employees to enter into contracts and/or incur expenditure, as set out in Treasurer's Instruction 8 *Financial Authorisations*, apply to the provision of grants.
- 15.9 Where it is proposed to make a one-off grant payment for \$10,000 (GST exclusive) or less, the administrative unit providing the grant will:
- 15.9.1 have written evidence of both the grant request and receipt from the entity;
 - 15.9.2 maintain records of the payment and the purpose of the grant made to the entity;
 - 15.9.3 require the entity to provide an acquittal for the grant received and expended at the end of the grant term. Schedule 1 of this Instruction provides a template which can be used for this purpose; and
 - 15.9.4 require the entity to repay to the administrative unit any grant moneys which are unexpended at the end of the grant period unless specific approval is given by the Chief Executive (or employee of the public authority nominated by the Chief Executive) for those moneys to be retained by the entity.
- 15.10 This clause applies to all grants with the exception of non-recourse grants and grants to which clause 15.9 applies. Where it is proposed to make a grant other than a non-recourse grant (other than a one-off grant payment for \$10,000 (GST exclusive) or less) to an entity, a written agreement setting out the terms and conditions of the grant

must be entered into between the responsible Minister¹ and the entity concerned (grant agreement). The Chief Executive of the administrative unit that is responsible for administering the grant will ensure that the grant agreement appropriately records the grant, associated financial arrangements and the administrative unit's control and monitoring requirements and that the grant agreement is legally enforceable. In this regard, the Chief Executive must ensure that the agreement incorporates the conditions set out in the following clauses, together with any additional requirements and conditions which may be specified by the Minister.

15.10.1 The grant agreement must record appropriate undertakings from the entity to ensure that:

- (a) the entity is only to apply the grant for its intended purpose;
- (b) as required by the administrative unit, the entity will provide appropriate and regular information, records and reports to enable the administrative unit to make an informed assessment of the ongoing financial position of the entity, monitor the entity's compliance with the terms on which the grant is made and form an assessment as to the overall effectiveness of the grant throughout the term of the grant;
- (c) at the end of the grant period, the entity will provide a report on the level of unexpended grant money and the entity will repay all unexpended grant moneys to the administrative unit unless specific approval is given by the Minister (or employee of the public authority nominated by the Minister) for those moneys to be retained; and
- (d) where the entity breaches the terms of the grant agreement, the entity will repay all or a portion of the grant moneys (whether expended or not) to the administrative unit where required by the Minister (or employee of the public authority nominated by the Minister).

15.10.2 In accordance with the above undertakings, and unless determined otherwise by the Chief Executive, the grant agreement must include a requirement for the entity to:

- where requested by the Minister (or employee of the public authority nominated by the Minister) provide management accounts, annual reports, financial statements and any other information or documents relevant to the entity's operations to the administrative unit;
- prepare financial statements at the end of each financial year, or if a grant period is for less than one year, at the end of the grant period. The financial statements must be prepared in accordance with Australian

¹Generally, a grant agreement may be entered into and executed by a Minister or alternatively an employee at a senior level of the administrative unit as agent of the Minister under a settled program or policy. This would require a written ministerial authorisation to the senior employee to execute this type of grant agreement.

Accounting Standards², signed by an appropriate senior office holder of the entity and submitted to the Minister;

- where a grant is in excess of \$1 million (GST exclusive) over the term of the grant agreement, prepare its financial statements in the nature of a General Purpose Financial Statements;
- where the sum of grants provided by the administrative unit to the entity is in excess of \$1 million (GST exclusive) in a financial year, prepare its financial statements in the nature of a General Purpose Financial Statements;
- provide regular progress reports on any project or program pertaining to the grant, including any change to the authorised scope of the project or program;
- provide timely advice to the administrative unit of any significant changes to the nature and/or scope of the activities conducted by the entity;
- comply with legislation, any constitution that governs the entity's operations and any conditions attaching to the grant;
- allow any officer authorised by the Minister to enter the entity's premises to inspect the operations of the entity including equipment, premises, accounting records, documents and information and interview employees of the entity on matters pertaining to its operation;
- accept that the Minister may direct that the entity's financial accounts be audited and that the Minister may also specify the minimum qualifications to be held by a person appointed to conduct such an audit; and
- provide regular reporting, with appropriate evidence in support, as to the application of grant moneys by the entity.

15.10.3 The Chief Executive of an administrative unit which is responsible for administering a grant in accordance with clause 15.10 must ensure that appropriate reporting requirements are in place by the entity concerned to enable it to satisfy the Minister that the grant is used effectively and efficiently and only for the purpose for which it was made.

15.11 Chief Executives need to be satisfied that any non-recourse grants are justified by the particular circumstances and are in the public interest.

15.12 Non-recourse grants exceeding \$10,000 require the approval of the Treasurer prior to being issued.

15.13 Non-recourse grants for \$10,000 or less must be treated in accordance with clauses 15.9.1 - 15.9.3.

² For the purposes of TI 15, this includes both Tiers of reporting requirements under the Australian Accounting Standards. Tier 1 Australian Accounting Standards and Tier 2 Australian Accounting Standards – Reduced Disclosure Requirements.

- 15.14 A grant agreement should not contain any provision which seeks to constrain the entity receiving funding from engaging in political or policy advocacy.
- 15.15 The administrative unit providing the grant will ensure that the correct GST treatment is applied to the grant in accordance with the *A New Tax System (Goods and Services Tax) Act 1999* and public rulings issued by the Australian Tax Office including GSTR 2012/2 *Financial Assistance Payments* (available from www.ato.gov.au).
- 15.16 In the case of a grant (including a non-recourse grant of less than \$10,000) to be made to a not-for-profit organisation, the Chief Executive must ensure that the grant agreement is in a form approved by the Department of Treasury and Finance (as varied, in a particular case, by the Crown Solicitor, or with the approval of the Department of Treasury and Finance).

For queries contact:
Department of Treasury and Finance
Financial Management Team
Telephone No. (08) 8226 9529

DEPARTMENT:

Recipient Body: Address:

Contact Person for enquiries

Name:

Office Held:

Contact phone:

Purpose of grant:

Nature of grant (one-off/ongoing):

INCOME AND EXPENDITURE STATEMENT

Grant Amount (a) Grant

Expenditure (b) Funds

Remaining (a-b)

(Funds remaining are to be repaid to the Department unless the Chief Executive of the Department has given specific approval for the funds to be retained by the recipient body.)

We certify that the grant was used for the purpose for which the grant was provided.

Finance Manager / Treasurer

Executive Officer / Secretary / President

Signature:

Signature: Name:

Name: Date:

Date: