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1. EXECUTIVE SUMMARY

1.1 Introduction

On 9 September 2007, the Minister for Agriculture, Fisheries and Forestry, the Honourable Peter McGauran, announced assistance measures for those horse dependent businesses, employees and employers affected by the equine influenza outbreak in Australia.

Commercial Horse Assistance Payments (CHAPs) were provided to primary carers of commercial horses who would otherwise be active and potentially earning an income if not for the equine influenza outbreak and resulting standstill. A per-horse, per-day payment was provided to eligible applicants for the welfare and ongoing training of horses to ensure they remained fit and healthy and could return to normal activity as soon as the standstill was lifted.

Acumen Alliance was engaged by the Department of Agriculture, Fisheries and Forestry to undertake an independent third-party financial and performance audit of each Commercial Horse Assistance Payments (CHAPs) delivery agency. This report has been compiled to provide an assessment of the project delivery by the Equestrian Federation of Australia (NSW) (EFA NSW) and make recommendations for future improvements.

1.2 Audit Scope

In conducting the third party audit, Acumen Alliance:

- reviewed the delivery agencies’ books, records (including project reports and invoices) and financial statements, including those relating to the receipt, holding, expenditure and commitment of the funding;

- reviewed whether the funding was spent in accordance with the Terms of the Funding Deed with the Department of Agriculture Fisheries and Forestry; and

- examined the efficiency and effectiveness of delivery agencies’ activities in administering CHAPs.
1.3 Conclusion

EFA NSW administered the CHAPS program on behalf of the Department of Agriculture, Fisheries and Forestry under the terms of the funding deed.

EFA NSW is a small organisation and administering the CHAPS program was a sufficient administrative burden on the organisation. EFA NSW delivered approximately $29 million in funding to over 1,200 applicants.

Overall the administration of this program was good. There was one area where improvement could be made, relating to the evidence obtained and the process to verify that a horse was in work during the CHAPS period. It should be noted that EFA-NSW did apply the guidelines as agreed with DAFF and therefore the weakness was in relation to the guidelines rather than a deficiency in the processes of EFA-NSW.
2. BACKGROUND

The Equestrian Federation of Australia (NSW) (EFA NSW) was established in 1951 and incorporated in 1990.

EFA NSW are the peak body for horse sports in NSW and are the state body for the Equestrian Federation of Australia, which is the controlling body for horse sport nationally. They in turn are affiliated with the Federation Equestre Internationale (FEI), the governing body for horse sports world wide. EFA NSW also maintains affiliations with relevant state government and non-government agencies such as the NSW department of Education, NSW Department of Sport and Recreation and the NSW Institute of Sport.

EFA NSW is a non-profit organisation. It comprises of individual members, affiliated clubs, constituents, coaches and officials. Membership throughout NSW exceeds 7000. There are over 3000 registered horses and over 100 affiliated clubs offering EFA competition. EFA NSW embraces the following six sports:

- Carriage Driving (an international sport)
- Dressage (an international and Olympic sport)
- Eventing (an international and Olympic sport)
- Saddlehorse (a national sport)
- Showjumping (an international and Olympic sport)
- Vaulting (an international sport)

CHAPs was administered by EFA-NSW for eligible primary carers whose non racing horses were unable to generate income, and could otherwise have generated an income if not for the quarantine restrictions in place.

EFA NSW had two full time staff and the EFA-NSW CEO dedicated to CHAPS. EFA-NSW also had six full time staff employed on a casual basis manning the call centre as well as a consultant to review applications and conduct spot checks. Other EFA NSW staff were also involved in the program as and when required. The Chief Executive had overall responsibility for management of the program. EFA NSW did receive an additional grant from an alternate programme to fund the administration of this program.

1 Information obtained from the EFA-NSW website.
### 3. Compliance with Funding Deed

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4. DISCUSSION POINTS

4.1 Application Process

Summary

- EFA-NSW had a thorough application and review process which included ensuring horses were registered (if applicable), had a registered applicable ABN and all applicable statutory declarations were obtained.
- EFA-NSW did not actively test to ensure the horses would have earned income during the lockdown period

Discussion

The application forms were made available to applicants in a number of ways including:

- On the EFA Website
- Copies in the EFA-NSW office as well as other associations offices
- Faxed, posted and emailed forms were sent to people who requested them

EFA-NSW processed applications for all non-racing commercial horses, which included a significant number of non-EFA registered horses. These included:

- Other non-equestrian competition horses
- Rodeo horses
- Mustering Horses
- Riding School horses

As a result, EFA-NSW received more applications than any of the 6 delivery agencies. Despite this, EFA-NSW were able to turn around an application in a short amount of time. EFA-NSW did have to follow up on further information on most applications, however once all relevant information was received, eligible recipients received their first payment within a week.

The assessment was undertaken by one of the EFA-NSW staff. If they believed the eligibility criteria had been met, it would go to the CEO for approval. The checking of EFA registered horses was very straightforward. Horses were checked against the EFA-NSW database to ensure they were registered. There was also a check against the ABN that the ABN supplied was legitimate and the business registered against the ABN was related to equine activities.

Other horses were less straightforward. Where the horse was registered with another organisation, the registration details were checked with them and then the same process was undertaken against the ABN. There were a number of horses that were applied for that
were not registered horses. In these instances, any information that could be obtained that the horse were real was obtained (generally horse sales documentation). A letter was also required from the accountant. In the sample reviewed, the letter from the accountant was always there but these letters were in most instances fairly non specific. They just stated that the person generates income from their horses.

EFA-NSW interpretation of the guidelines was that the horse had only had to be registered and an ABN be in place for income generated though horse activities which was approved by DAFF. A heavy reliance was placed on the statutory declarations from the applicant as evidence that the horse would have generated income in the lock down period. For non-registered horses a letter was required from the accountant to confirm that the applicant did receive income in relation to horse activities. Again there were no specific checks to determine that the horse would have earnt income in the lock down period.

For the horses reviewed, the required statutory declarations from the primary carer and the owner were obtained and on file. In the sample reviewed where CHAP’s 3 funding was paid all stable addresses where within the eligible zone. EFA-NSW did not require applicants to redo Statutory Declarations to receive CHAPS 3 as was the case in other agencies.

**Issues**

**Horses in Work or Going to Earn Income**

EFA-NSW made no effort to ascertain how the horses were going to generate income during the lock down period. The selection criteria was based on only approving horses who would have the potential to earn money in that period. The selection criteria were developed in close association with DAFF and DAFF did not request that EFA-NSW obtain information of this nature in any great detail. EFA-NSW complied with all criteria in terms of approvals as requested by DAFF.

In some instances, applicants provided details for competitions the horses were entered into or previous year’s competition results. This however was volunteered by those applicants and was not a requirement by EFA. It should be noted the registration details on file for some of the horses sampled indicated previous competition results. In some cases, the horse had never competed or had not competed for a significant period.

**Ongoing Applications**

Ongoing applications were required for subsequent periods but they could apply for more than one period within the one follow on application.
4.2 Payment Process

Summary

 Payments were paid after applications were received and approved and monies were received from DAFF
 Payments calculations were correct

Discussion

EFA-NSW had an uncomplicated method for calculations. Horses were paid a flat rate of $20 a day during the eligibility period. Unlike racing horses that come in out of work during the stand down period, non-racing horses were treated as eligible for the entire stand down period. Each CHAPS phase was broken up into a number of periods which were generally 14 days to align with the requirement to re-apply every 14 days. Therefore, once an application or re-application was approved the formula to calculate payments was:

Number of Eligible horses * Number of days in period * $20

EFA-NSW would then send an invoice to DAFF for the eligible payments, whilst waiting for the money EFA-NSW would prepare the EFT file. As soon as the money was received by EFA-NSW, payments were made. In the sample reviewed, Acumen did not identify any applicants that were paid the incorrect amount based on the approved application (or re-application).

There were minimal events held during the lock down period so therefore prize money was rarely paid to recipients. EFA-NSW indicated that where prize money was received for an EFA event this was taken off the CHAPs payment. EFA-NSW also liaised with other associations in regards to their competitions and prize money. However in the sample reviewed, there was no prize money received for the horses and there was no evidence that prize money had been checked.

In the case of non-competition horses there was evidence that EFA-NSW did actively pursue the recipients to determine if income had been received. This was generally a phone call, email or letter to the recipient to ask them why their horse was still not generating income. These were mostly riding schools and generally the explanation received was that they were not receiving bookings from the public because of health fears associated with the EI outbreak.
4.3 Unsuccessful Applications

Summary

- Unsuccessful applicants were notified.
- Unsuccessful applicants were rejected based on the guidelines.

Discussion

All unsuccessful applicants received a letter from EFA-NSW outlining to them that they were ineligible and why. The letter also detailed the appeals process. There were 85 applicants notified that they had been unsuccessful. A sample of unsuccessful applications were reviewed and it was determined that the decision to reject the application was consistent with the guidelines.
4.4 Site Visits

Summary

- Site visits were done on an ad-hoc basis.
- One site visit resulted in the CHAPs funding being suspended.

Discussion

A small number of site visits were conducted by EFA-NSW on recipients to ensure money was being received for eligible horses. These site visits were selected based on a tip off or a suspicion of EFA-NSW. There were no random site visits conducted. One site visit was conducted because the recipient received a significant amount of funding and EFA-NSW wanted to provide an extra level of assurance over the application.

EFA-NSW engaged a consultant with an investigations background to conduct the site visits on their behalf. He was employed to check every single CHAPs application for accuracy and validity and he was also asked to carry out spot checks. One person did have their CHAPs payments suspended as a result of a site visit because they were not with the horse.
4.5 Appeals Process

Summary

- An appeals process was established with an appeals board
- Rejected applicants had four weeks to appeal
- The appeals board comprised of four members, one of which was also responsible for approving applicants

Discussion

An appeals board was established that comprised the CEO, EFA Chairperson, CEO of Equine Veterinarians Association and the Manager of the Sydney International Equestrian Centre. Rejected applicants were given four weeks to appeal which was set out in the rejection letter. There was no set template or appeals application and appeals were received as a letter. Eleven appeals were received. For each appeal, the appeal board would sit and consider the appeal. Most appeals were rejected because the original reason for rejection was consistent with the guidelines. Two appeals were successful. In these situations, further information was supplied as part of the appeal that was not provided with the original application.
4.6 Reporting

Summary

- Invoices were provided as required to DAFF.
- Reports were sent to DAFF with the reports containing the required information.
- At the time of review EFA-NSW had not prepared the final report.

Discussion

Invoices were sent to DAFF for all approved applications (re-applications) that had been approved since the last invoice. The required reports were also sent to DAFF with the invoice. This included the following information:

- Number of applications received
- Number of applications approved and rejected (including eligible and ineligible horses)
- Reasons for application rejection or ineligibility
- Number of payments made
- Number of applications withdrawn
- Expenditure by location and controlling interest

The actual amounts paid corresponded to invoiced amounts.

Issue

**FINAL REPORT**

The final report as required in the Deed had not been submitted to DAFF at the time of the review.
4.7 Quality Assurance

Summary

- EFA-NSW engaged a consultant with an investigations background to review the accuracy and validity and applications.
- A Quality Assurance of all applications was provided by the Chief Executive Officer.

Discussion

EFA-NSW did not engage an external party to undertake a review of the processes followed by EFA-NSW. Limited resources were available to undertake this.

Some internal quality assurance was provided by the Chief Executive Officer. Applications were assessed by one EFA-NSW staff member and were then provided for approval to the CEO. The CEO would review all applications. She would ensure that those who were successful, met eligibility requirements and those rejected, were ineligible.

EFA-NSW also engaged a consultant with an investigations background to review the accuracy and validity and applications.
4.8 Retained Fees

Summary

- EFA-NSW did not retain fees.