CONTENTS

1. EXECUTIVE SUMMARY ..............................................................2
   1.1 INTRODUCTION ........................................................................ 2
   1.2 AUDIT SCOPE ........................................................................ 2
   1.3 CONCLUSION ......................................................................... 2

2. BACKGROUND ...........................................................................3

3. COMPLIANCE WITH FUNDING DEED .........................................5

4. DISCUSSION ............................................................................7
   4.1 APPLICATION PROCESS .......................................................... 7
   4.2 PAYMENT PROCESS ............................................................... 10
   4.3 UNSUCCESSFUL APPLICATIONS ............................................. 12
   4.4 SITE VISITS ............................................................................ 13
   4.5 APPEALS PROCESS ............................................................... 14
   4.6 REPORTING / INVOICING ...................................................... 15
   4.7 QUALITY ASSURANCE .......................................................... 16
   4.8 RETAINED FEES .................................................................... 17
   4.9 ISSUE – CONFLICT OF INTEREST ........................................... 18
1. EXECUTIVE SUMMARY

1.1 Introduction

On 9 September 2007, Minister for Agriculture, Fisheries and Forestry, Hon 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) was 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 Equestrian Queensland and make recommendations for future process or project management improvement.

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

Overall, Equestrian Queensland successfully implemented the CHAPs programme on behalf of the Commonwealth. Given the size of Equestrian Queensland, the management of CHAPs had a significant impact on the organisation. Opportunities for improvement were identified if Equestrian Queensland were to undertake a similar programme in the future. These are discussed within the body of the report.
2. BACKGROUND

Equestrian Queensland is a non-profit organisation incorporated under the Associations Incorporations Act of Queensland. It comprises of individual members, affiliated clubs, life members, coaches and Officials. Equestrian Queensland covers horse sports including:

- Carriage Driving;
- Dressage;
- Eventing;
- Show Horse;
- Showjumping; and
- Vaulting.

Equestrian Queensland’s primary objectives are:

- Encourage, develop, promote and control horse sports throughout the State of Queensland.
- Establish and maintain, throughout Queensland, a uniform code of rules and regulations to govern horse sports under its jurisdiction.
- Provide services and support, to members, clubs, coaches, judges and administrators, which is second to none.
- Encourage community health, welfare, physical education and research through horse sports.
- Regulate, supervise, coordinate and promote Horse Sports activities, programs, competitions and events.
- Facilitate cooperation between members of the Association and external organisations, bodies and individuals.
- Promote membership of the Association and foster the interests of its members.
- Affiliate with organisations and any other bodies to further the purposes of the Association.
- Provide a means by which Clubs in Queensland can become affiliated to further these purposes.

CHAPs was administered by Equestrian Queensland for eligible primary carers whose professional equestrian competition horses have been unable to undertake their normal
activities, and could otherwise have generated an income, if not for the quarantine restrictions in place.

Equestrian Queensland had one full time employee (Office Manager) devoted to CHAPs over the entire life of the programme. The Office Manager was responsible for all aspects of the programme including application processing, decision making and payment processing. Equestrian Queensland did not receive any funding from the CHAPs programme to assist in the management of the programme.
## 3. Compliance with Funding Deed

<table>
<thead>
<tr>
<th>Deed Section</th>
<th>Compliant</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Defined Terms &amp; Interpretation</td>
<td>Not Assessed or Information Only</td>
<td></td>
</tr>
<tr>
<td>2. Project Performance</td>
<td>Compliant</td>
<td></td>
</tr>
<tr>
<td>3. Grantee’s Warranties</td>
<td>Compliant</td>
<td></td>
</tr>
<tr>
<td>4. Funding Payment</td>
<td>Compliant</td>
<td></td>
</tr>
<tr>
<td>5. Use and Banking of Funding Money</td>
<td>Not Compliant</td>
<td>A donation of $100 was paid to the bank account prior to receipt of funding in a once-off donation from a third party. All other activities with the bank account were consistent with the Funding Deed.</td>
</tr>
<tr>
<td>6. Goods and Services Tax</td>
<td>Not Assessed or Information Only</td>
<td></td>
</tr>
<tr>
<td>7. Accounts and Records</td>
<td>Compliant</td>
<td></td>
</tr>
<tr>
<td>8. Reports</td>
<td>Not Compliant</td>
<td>A final report has not been provided</td>
</tr>
<tr>
<td>9. Assets</td>
<td>Compliant</td>
<td></td>
</tr>
<tr>
<td>10. Commonwealth Material</td>
<td>Compliant</td>
<td></td>
</tr>
<tr>
<td>11. Confidential Information</td>
<td>Partially compliant</td>
<td>Application forms are not securely stored</td>
</tr>
<tr>
<td>12. Personal Information – Grantee to Comply with Privacy Obligations</td>
<td>Not Assessed or Information Only</td>
<td></td>
</tr>
<tr>
<td>13. Personal Information – Grantee to Comply with Privacy Obligations</td>
<td>Not Assessed or Information Only</td>
<td></td>
</tr>
<tr>
<td>14. Indemnity and Insurance</td>
<td>Compliant</td>
<td></td>
</tr>
<tr>
<td>15. Conflict of Interest</td>
<td>Not compliant</td>
<td>Two conflicts of interest. See details in report</td>
</tr>
<tr>
<td>16. Dispute Resolution</td>
<td>Compliant</td>
<td></td>
</tr>
<tr>
<td>Deed Section</td>
<td>Compliant</td>
<td>Comment</td>
</tr>
<tr>
<td>----------------------------</td>
<td>-------------------------</td>
<td>------------------------------------------</td>
</tr>
<tr>
<td>17. Termination</td>
<td>Compliant</td>
<td></td>
</tr>
<tr>
<td>18. Assignment</td>
<td>Not Assessed or Information Only</td>
<td></td>
</tr>
<tr>
<td>19. No Partnership or Employment</td>
<td>Not Assessed or Information Only</td>
<td></td>
</tr>
<tr>
<td>20. Compliance with Law</td>
<td>Not Assessed or Information Only</td>
<td></td>
</tr>
<tr>
<td>21. Notices</td>
<td>Not Assessed or Information Only</td>
<td></td>
</tr>
<tr>
<td>22. Miscellaneous</td>
<td>Not Assessed or Information Only</td>
<td></td>
</tr>
</tbody>
</table>
4.1 Application Process

Summary
Equestrian Queensland developed a strong framework for assessment of applications. Rules were applied consistently and with strong adherence to guidelines. Primary control of the application process rested with the Office Manager, with an independent committee reviewing recommendations made by the Office Manager. Statutory declarations were used as the primary form of evidence to satisfy eligibility requirements.

Discussion
Equestrian Queensland undertook administration of the CHAPs programme for a wide range of equestrian activities. Horses that were eligible, if working, included:

- equestrian horses
- rodeo horses
- breeding stallions
- riding school horses
- other working horses.

CHAP application forms were made available by Equestrian Queensland on the Equestrian Queensland website and the Queensland Department of Primary Industries and Fisheries website. A bulk mailout was not undertaken to registered members of the Equestrian Federation of Australia. Where requested, Equestrian Queensland would mail-out or fax applications to individuals.

Applicants were required to indicate on the application form the category of horse they were claiming for and provide a schedule of horses they were claiming for. The categories of horse were:

- EFA sport horses registered with the EFA on or before 20 November 2007
- other competition horses registered with a relevant sporting or breed society on or before 20 November 2007
- stallions used for breeding purposes registered with a breed society on or before 20 November 2007, and had been booked to service mares but are unable to because of the movement standstill
- horses belonging to riding schools, or other eligible commercial horses.
In addition to providing the application form and schedule, applicants were required to provide two statutory declarations. One statutory declaration was to be signed by the primary carer of the horse, while the other was for the controlling interest of the horse, attesting that the individual had liquid assets less than $300,000. The primary carer and controlling interest were often the same person. As the statutory declarations are legal documents, there was a high reliance placed on them as the primary form of evidence of the primary carer and liquid assets thresholds.

On receipt of an application, the Office Manager would review the application for completeness, ensuring all documents were provided and filled in. If not, contact would be made with the applicant requesting further information. For non-EFA registered horses, applicants would be required to provide additional information. This included:

- for horses registered with other bodies, copies of the registration
- for stallions, details of mares booked to be serviced by the stallion
- for non-registered horses, the date of birth of the horse and any income received for that horse.

These procedures evolved over the initial stages of CHAPs. As the Office Manager became more accustomed to the programme, increased scrutiny was placed on applications.

Once the application had been checked for completeness, details were entered by the Office Manager onto a spreadsheet, with a recommendation for accepting or rejecting the application. If an application was recommended for rejection, an explanation was entered onto the spreadsheet. Applications were then provided by the Office Manager to an approvals committee for endorsement. This approvals committee consisted of two Equestrian Queensland Board members. They would review the recommendations and either endorse or seek further information prior to endorsement.

Applications were rejected for a range of reasons, including:

- applications did not include ABNs
- applications did not have the required statutory declarations
- insufficient evidence was provided for those horses that were not registered with EFA.

If applications were received after the specified cut-off dates for each of the funding rounds, they were not accepted.

**Issues**

**Application assessment**

Due to the rapid implementation of the programme, the process for assessing applications evolved. The effect of this was greater scrutiny was undertaken of applications as the programme progressed. The result was that applications early in the process were accepted.
that would not have been accepted later in the process. There was no review undertaken of early applications to reassess those applications.

Of the 35 applications assessed:

- 1 had incomplete details
- 4 did not have the breeding Statutory Declaration when required
- 3 did not have the Liquid Assets Statutory Declaration
- 7 breeding stallions did not have a list of mares to be serviced.

**ABN**

As part of the application process, ABNs were required for all applicants. If no ABN was supplied, the application was rejected. Equestrian Queensland advised that a limited number of ABNs were checked, however of the 35 applications reviewed, only 1 had been notated as checked. During the review, each of the 35 ABNs was checked for validity, with the following identified:

- one was found to be invalid
- two were registered to different individuals than the applicant
- two were registered under company names that may not have valid links with eligible horses eg fencing contractors.

**Mailout**

Equestrian Queensland was not able to notify EFA members of CHAPs via mail. In not undertaking a bulk mailout to EFA members, there is the chance that some eligible applicants may not have applied, or may have applied too late.
4.2 Payment Process

Summary
Equestrian Queensland undertook a manual intensive process for paying CHAPs recipients. However, no incorrect payments were identified.

Discussion
Equestrian Queensland had a simple calculation process. As Equestrian Queensland only dealt with non-racing horses, they were just required to use the equation of $20 per day per horse during the period the horse was eligible. All horses were entered onto a spreadsheet, where the eligibility start date was included. The spreadsheet was then able to calculate the entitlement. Applicants were able to apply up to specified dates for each funding round. Where an applicant was deemed eligible, the payment calculation was backdated to the start of the funding round. For subsequent payments for CHAPs 1 and CHAPs 2, applicants were required to apply fortnightly.

Invoices to the Department of Agriculture Fisheries and Forestry were prepared based on the spreadsheets. Payments to applicants were made by cheque only. In anticipation of the payment, cheques were prepared for applicants. These required two signatures. In the sample reviewed, all payment calculations were correct.

There were few events held during the lock-down that resulted in prize money or income. Where income was declared by applicants, it was taken off the following payment for the applicant. In the sample reviewed by Acumen Alliance, we can confirm this was undertaken.

Issues

Payments to Recipients
Equestrian Queensland would anticipate payment from the Commonwealth for funds and would write and send cheques to applicants on the day that Equestrian Queensland expected to receive the funding into their bank account. However, twice, the payment was received after the anticipated date. This resulted in the bank account being overdrawn and fees being incurred. The payments were within the terms of the Funding Agreement.

Cheques
Payment to applicants was made by cheque. This was a particularly manual process. In reviewing the cheque books, it was noted that some of the blank cheques had already been signed by the dual signatories. This creates a risk that the cheques may be misused. Additionally, it was also noted that there were some minor discrepancies between the cheque butt, MYOB file and bank statement.
**FORTNIGHTLY APPLICATION**

The Funding Agreement required that after the initial application, applicants were required to apply fortnightly for further payments. If the follow-up application was not received by the cut-off date, they did not receive payment for that period. They would be able to apply for further fortnightly payments, but did not receive the payment for that period. If an applicant made their initial application on the last day of the CHAPs round, their payment was backdated to the start date for that round. These policies are inconsistent with each other.

**PRIZE MONEY / INCOME**

Equestrian Queensland relied on applicants to declare their income or prize money received during the funding period. This was then used to reduce the CHAP payment to the applicant. Equestrian Queensland did not undertake any checks of events for prize money. We were advised that historically, it has been difficult to obtain details of prize money received from Agricultural shows (where events are held).
4.3 Unsuccessful Applications

Summary
Equestrian Queensland had a good process in place for the handling of unsuccessful applicants. Applicants were advised in writing and offered the opportunity to appeal the decision.

Discussion
Based on a spreadsheet provided by Equestrian Queensland, at least 110 applications for funding were unsuccessful from 870 applications received. The primary reason for not being successful was applicants not providing an ABN. Other reasons for lack of success varied and included:

- applications were received after specific claim periods had ended
- funding for race horses was applied for
- proof of income from the horses could not be provided
- horses were too young
- registration details for horses were not provided.

On rejection by the evaluation committee of an application, a letter was sent to the unsuccessful applicant. The letter stated the reason for rejection and advised that the applicant could appeal. Letters were sent in a timely manner.

Issues

Consistency of application of rules
It was noted during the review that some applicants were unsuccessful, while others with the same level of detail were successful. As discussed previously, this was often due to the learning process undertaken in the early stages of the programme.

Reason on spreadsheet
Reasons for applications not being successful were entered onto the spreadsheet. While it was good practice to record the reason, the language used in recording the reason was informal. For example “3 all ok 2 did nto hold SJ p/C for 2007, This family generally a dodgey lot always trying to pull strings”. If an unsuccessful respondent undertook a Freedom of Information request, they may have access to these notes. Better practice is to ensure that all recording of decisions is formal.
4.4 Site Visits

Summary
There were limited site visits undertaken by Equestrian Queensland. Some informal, ad-hoc site visits were undertaken, but there was no formal process in place.

Discussion
Equestrian Queensland had limited resources available to undertake audits of CHAPs funding recipients to confirm eligibility. There was no formal process in place for undertaking reviews of recipients. During the time of the programme, limited informal site visits were undertaken. These took the form of drive-bys of properties to determine if the number of eligible horses were present. All drive-bys were on properties that were located close to Brisbane. Equestrian Queensland advised that a formal review programme was not implemented due to a range of factors, including:

- limited available resources
- concern regarding spreading of equine influenza
- the geographically dispersed range of CHAPs recipients.
4.5 Appeals Process

Summary
Equestrian Queensland implemented a strong process for managing appeals. An appeals board was put in place to manage appeals.

Discussion
Equestrian Queensland put in place an Appeals Board for those unsuccessful applicants who appealed the decision. The Board comprised of one member of the evaluation committee and a person who was independent of the original application decision. The independent person was the General Manager of Equestrian Queensland.

At least 20 appeals were received by Equestrian Queensland. All documentation provided with the appeal, the original application and the reason for rejection were provided to the Appeals Board. The Appeals Board assessed the documents and reasoning and made a decision on whether to accept or reject the appeal. The outcome was then notified to the appealing applicant. Some appeals were accepted while others were not. On the information provided by Equestrian Queensland, it is not easy to determine the number of accepted appeals to rejected appeals.
4.6 Reporting / invoicing

Summary
Equestrian Queensland met its reporting and invoicing obligations as required in the Funding Deed. The spreadsheet maintained by Equestrian Queensland was the primary source of information for preparing the reports and invoices.

Discussion
Equestrian Queensland maintained a spreadsheet that was used to record all applicant information, including payments. This was provided electronically to Department of Agriculture, Fisheries and Forestry with the invoice. This was used as the primary source of information for preparation of invoices and reports to the Department.

Schedule 2 of the Funding Deed outlined what details were required in the reports to be provided Equestrian Queensland to the Department. This included details to be provided in the Eligible Horse Report and Grantee Payment Report. Equestrian Queensland adhered to these requirements and provided them within the required timeframes. Details provided by Equestrian Queensland included:

- number of applications received
- number of applications approved and rejected
- reasons for rejection
- applications processed and amount paid
- number of eligible horses
- days horses eligible for assistance
- income earned for the period.

Schedule 2 of the Funding Deed also outlined timeframes for payments by the Commonwealth to Equestrian Queensland. Payments were to be made within 10 working days of the Commonwealth receiving an invoice, with the Commonwealth endeavouring to make payments within two working days. The Commonwealth always paid within 10 working days.

Issue

Final Report
Equestrian Queensland has not provided a final report to the Commonwealth at the time of the site visit.
4.7 Quality Assurance

Summary
Limited quality assurance was undertaken.
An independent approvals committee was in place to accept or reject applications.

Discussion
There was no independent review undertaken of the administration of CHAPs by Equestrian Queensland. Equestrian Queensland did not have resources available to engage an independent person to review the process.

Some quality assurance was provided through an independent approvals committee. They would review the spreadsheet prior to endorsing recommendations from the Office Manager. In particular, they would closely review those applications that had been rejected.
4.8 Retained Fees

Summary

Equestrian Queensland did not have any retained fees.
4.9 Issue – Conflict of Interest

Summary
Two staff of Equestrian Queensland received CHAPs payments.

Discussion
The Office Manager, responsible for assessing applications, indirectly received CHAPs payments. Her partner was the applicant for the CHAPs payments and included the Office Manager’s horses on his application. The application was assessed by a person independent of the Office Manager. For this application:

- the application form was undated and not date-stamped
- the statutory declarations did not have the applicant’s name, address, phone number and occupation listed
- no details of events competed in or planned to compete in were included
- on the Horse Record, the primary owner for two horses was listed as the Office Manager, however she did not sign the statutory declarations
- registration details were not sought for non-EFA listed horses.

Where a conflict of interest exists, the application process should be applied more rigorously and ensure that all components of the application are completed. Equestrian Queensland should have ensured that the application for the Office Manager’s partner was fully completed and thoroughly assessed.

The other Equestrian Queensland employee who received CHAPs was not involved in the application assessment or payment process.