Grants administration for disaster relief

NEW SOUTH WALES AUDITOR-GENERAL'S REPORT

audit office
OF NEW SOUTH WALES

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In accordance with 38E of the *Public Finance and Audit Act 1983,* I present a report titled **'Grants administration for disaster relief'**.

Margaret Crawford
Auditor-General
24 June 2021

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Grants administration for disaster relief

Section one

Grants administration for disaster relief

Executive summary

The NSW Government responded to the partial shutdown of the NSW economy caused by the COVID-19 pandemic in 2020 by, among other measures, announcing on 3 April 2020 that it would place $750 million into the Small Business Support Fund (the Fund).

Under the Fund, the NSW Government would pay one-off grants of up to $10,000 to small business impacted by the shutdown. The objectives of the $10,000 Small Business Support Grant ($10,000 Support Grant) were to:

- ease the pressure on small businesses that have been affected by the COVID-19 pandemic
- support the ongoing operations of small businesses highly impacted by the COVID-19 restrictions
- deliver cash-flow into small businesses as soon as possible so that small businesses could meet pressing financial needs.

Grant applications were assessed against eligibility criteria that were determined by the NSW Government. The eligibility criteria for the $10,000 Support Grant required an employing small business to demonstrate it was significantly impacted by the COVID-19 pandemic by self-declaring or demonstrating a significant decline of 75 per cent or more in turnover compared to 2019. Documentation requirements were relaxed for small businesses within highly impacted industries.

In June 2020, the NSW Government announced a second round of one-off grants of up to $3,000 to small businesses that were highly impacted by the COVID-19 pandemic ($3,000 Recovery Grant). The objective of the $3,000 Recovery Grant was to help small businesses in 'highly impacted industries' — those directly impacted by the restrictions and closures put in place under the Public Health Orders — to meet the costs of safely reopening or scaling up operations.

The eligibility criteria for the $3,000 Recovery Grant required that a small business be in a highly impacted industry, demonstrate that it was significantly impacted by the COVID-19 pandemic by declaring a significant decline in turnover, and had costs associated with reopening under the 'COVID-Safe' requirements.

NSW Treasury and Service NSW implemented both grants on behalf of the NSW Government. The process of applying for a grant was intended to be quick and easy, with Service NSW using automated assessments and simple online application forms to process applications. Applicants applied for the $10,000 Support Grant through the Service NSW website between 14 April 2020 to 30 June 2020 and applied for the $3,000 Small Business Recovery Grant between 1 July 2020 and 31 August 2020.

At May 2021, around $520 million has been paid to over 52,500 grant applicants under the $10,000 Support Grant and around $109 million had been paid to around 36,700 grant applicants under the $3,000 Recovery Grant.

The Audit Office plans to undertake a performance audit into grants administration for disaster relief focussing on bushfire grants in 2021–22.

This audit assessed whether the grants funded under the $750 million Small Business Support Fund were effectively administered and implemented to provide disaster relief. It addressed the following questions:

- Were funded grants programs planned, designed and targeted effectively?
- Were funded grants programs implemented in line with the objectives and criteria and delivery requirements?
- Have agencies established measures to monitor intended benefits and outcomes?

This audit did not seek to assess the effectiveness of any other grant programs or stimulus measures. It also did not seek to assess the impact of the funding on applicants, or the future prospects of small businesses that received support.

Conclusion

NSW Treasury and Service NSW effectively implemented two grants within required timeframes reflecting the NSW Government's decision to deliver urgent financial support to small businesses impacted by the COVID-19 pandemic in 2020. The $10,000 Support Grant and the $3,000 Recovery Grant have provided around $630 million in one-off grant payments to eligible small businesses.

NSW Treasury met urgent timeframes to design the grants and Service NSW made timely payments in line with the grants' objectives and eligibility criteria.

NSW Treasury met urgent timeframes to provide advice to the NSW Government on the grant design, proposed delivery partner, expected numbers of eligible businesses and the suitability of the proposed grant payment amount within the required timeframes. This was achieved within one day for the $10,000 Support Grant and within four days for the $3,000 Support Grant. In the context of the complex and changing pandemic and economic conditions between March and July 2020, NSW Treasury's advice to government outlined the risk, feasibility, expected demand estimates and assumptions for the grants.

NSW Treasury's demand projections were limited by uncertainty as to the pandemic's economic impact. Estimated demand for the grants was not met, resulting in around $120 million from the Small Business Support Fund remaining unspent.

Service NSW met urgent timeframes to stand-up both grants: 11 days for the $10,000 Support Grant and 26 days for the $3,000 Recovery Grant. It met agreed delivery requirements and made timely payments to small businesses in line with the grants' objectives and eligibility criteria. Over 65,000 businesses have received a payment under either grant, and over 23,000 businesses received both grants.

Gaps in project and risk management processes were expected given the tight timeframe to implement the grants.

The tight timeframe in which the agencies had to implement the grants contributed to gaps in project and risk management. The agencies advised that compromises were understood by both parties and were a necessary trade-off to ensure payments were made quickly.

Service NSW and the Department of Customer Service have acted to strengthen their processes to detect and minimise fraud in response to identified external fraud risks and to investigate suspected fraudulent applications since the grants commenced. Service NSW intends to further enhance fraud controls for grants applications and payments for future grants by implementing a fraud control framework by December 2021.

The agencies regularly monitored and reported on the timeliness of payments to small business applicants but have not yet measured all benefits of the grants programs.

Service NSW and NSW Treasury established processes to monitor and report on the timeliness of payments to grant applicants.

NSW Treasury has not yet measured all intended impacts of the grants, nor undertaken processes to obtain detailed feedback from grant recipients. Without these measures, there is limited insight into the extent to which the grants helped to support small businesses or ability to capture lessons which could be applied in future grants programs. NSW Treasury advises that an evaluation will commence from mid-2021.

1.   Key findings

Around $630 million in timely one-off grant payments have been made to small businesses

Service NSW and NSW Treasury have paid around $630 million in one-off grant payments to small businesses via two grants administered under the $750 million Small Business Support Fund. At May 2021:

- around $520 million has been paid to over 52,500 grant applications received for the $10,000 Small Business Support Grant ($10,000 Support Grant)
- around $109 million has been paid to 36,700 grant applications received for the $3,000 Small Business Recovery Grant ($3,000 Recovery Grant).

Across both grants, over 65,000 small businesses received a payment across either grant, and over 23,000 businesses received payments under both grants.

NSW Treasury advise that, while no data was collected on the time to pay applicants for the $10,000 Support Grant, from its monitoring of the grants' outputs it was satisfied that payment timeframes met its expectations. Service NSW met its targeted time to pay applicants with payments made within ten days for the $3,000 Recovery Grant.

Funds for both grants were not fully spent due to limitations in data and uncertainty of the COVID-19 pandemic's impact. At May 2021, the final demand for the $10,000 Support Grant was around 30 per cent less than initially anticipated and the final demand for the $3,000 Recovery Grant was around 40 per cent less than initially anticipated.

NSW Treasury developed proposals establishing high-level design and delivery expectations within rapid timeframes

NSW Treasury put forward proposals to the NSW Government for the two grants administered under the $750 million Small Business Support Fund. It met rapid timeframes for producing this advice: within one day for the $10,000 Support Grant and within four days for the $3,000 Recovery Grant. NSW Treasury's advice to the NSW Government on how to best target the total funding, eligibility criteria and the feasibility of delivering the grants through Service NSW was based on comparable grants programs – including the $10,000 Small Business Bushfire Support Grant – which at that time were ongoing.

The proposals established, at a high-level, the rationale for the grants, expected financial costs, risks and analysis on budget impacts, and confirmation that Service NSW could deliver the grants applications platform. NSW Treasury's demand projections were uncertain due to limited data in the early stages of the pandemic regarding potential economic impact.

Given the tight timeframes, the proposals did not fully consider all planning and design aspects for both grants. For example, there was minimal identification of the costs and benefits of the programs, and a lack of detailed design and delivery requirements. The proposals outlined that arrangements to finalise the risk management, controls, and auditing plan would be agreed by Service NSW and NSW Treasury before implementation.

In future circumstances where urgent advice on program design is required, NSW Treasury could set clearer expectations for the delivery agency, including fully considering costs, benefits and delivery requirements that could be carried through to project governance and implementation.

Service NSW implemented both grants in line with delivery expectations

Service NSW met urgent timeframes to stand-up both grants: 11 days for the $10,000 Support Grant and 26 days for the $3,000 Recovery Grant. Delivery expectations for each grant were established under a grant project agreement (grant agreement). Service NSW delivered the online application platform, assessment of applications, payments and reporting of the grants' uptake as per the grant agreements.

The urgent timeframes to deliver the grants contributed to gaps in Service NSW's project and risk management processes throughout the lifecycle of both grants. For example, the requirement to meet pressing timeframes for the $10,000 Support Grant launch meant agencies had reduced time to achieve sign-off on key documentation. As a result, important documents and processes – including the grant agreement, risk documentation and key business process and quality assurance processes – were not finalised ahead of launch.

Quality assurance and compliance processes for detecting fraud were not settled until after the conclusion of the applications for the $10,000 Support Grant, and were not completed until late 2020. Some project documents, including risk registers, communication plans and project briefs are still not finalised.

The longer timeframe to develop the $3,000 Recovery Grant meant that agencies were able to build on their understanding of the implementation requirements from the $10,000 Support Grant, and better document these expectations and understanding while ensuring that key documents and sign-offs were in place prior to launch.

Service NSW tightened its risk management and controls in response to evidence of fraudulent applications

In May 2020, Service NSW and the Department of Customer Service (DCS) were alerted to suspected fraudulent activity within grants administered by Service NSW. Initially, Service NSW anticipated that up to $8.8 million of the $10,000 Support Grant was at risk of exposure to fraudulent applications. However, Service NSW reported that, at April 2021, $1.9 million for the $10,000 Support Grant and $254,000 for the $3,000 Recovery Grant from paid applications were at risk of fraud exposure.

Following an internal review of the potential exposure to fraudulent or ineligible applications, Service NSW implemented additional automated security checks on applications, increased manual assessments of grant applications, established a dedicated taskforce for grants administration and engaged a unit within DCS to manage high-risk investigations.

Service NSW and DCS's increased governance and oversight has resulted in an established case management function, increased referrals to law enforcement, prioritised investigations of suspicious applications and the development of a 'Fraud Control Framework' aimed at addressing external fraud risks. Given Service NSW had limited experience in these processes in context of administering grant payments, such actions were an appropriate response.

Security checks and investigations of suspicious applications are ongoing. Service NSW will not know the full extent of fraud across the grants until these processes have been fully completed.

Service NSW and Department of Customer Service can improve how conflicts of interest are managed for future programs

Compliance with agency policies and processes to manage conflicts of interest and financial subdelegations demonstrates that investment decisions are being made by appropriately skilled and experienced staff, allowing agencies to operate efficiently, and reducing the risk of internal fraud.

DCS was unable to produce employee conflicts of interest declarations for the $10,000 Support Grant. Therefore, it is not known how many employees had completed conflicts of interest declarations for this round.

DCS provided information on conflicts of interest declarations for the $3,000 Recovery Grant. Twenty-nine per cent of declarations provided for employees undertaking grant assessments for the $3,000 Recovery Grant were incomplete at March 2021, and a further nine per cent were not finalised even though they indicated a real, potential or perceived conflict.

For future grants programs, ensuring compliance with conflicts of interest policies would help DCS and Service NSW to have greater confidence that conflicts of interest are appropriately identified and managed.

NSW Treasury has not yet measured all benefits or outcomes of the grants

In April 2021, NSW Treasury updated its evaluation plan for the $10,000 Support Grant and $3,000 Recovery Grant in support of an economic evaluation to commence from mid-2021. The updated evaluation plan outlines inputs, activities, and outputs as well as immediate, short term and medium term outcomes for both grants.

The evaluation will consider the extent to which both grants achieved their intended outcomes, and whether the economic benefits exceeded the costs to help inform decisions about the nature and design of any future small business support programs. This will complement, and feed into a broader review of all NSW Government COVID-19 stimulus measures.

Service NSW rapidly developed an approach to administer the grants

Over recent disasters, such as the 2019–20 bushfires and the COVID-19 pandemic, Service NSW has been responsible for administering grant programs on behalf of other government agencies.

Service NSW implemented both grants under its Project Management Framework and under each grant agreement with NSW Treasury as it does not have its own grants administration framework. To address the risks that emerged during delivery, Service NSW developed an approach to standardise and monitor the administration of the grants while they were being implemented.

Service NSW now has an opportunity to establish a grants administration framework, based on the processes, lessons and outcomes captured under the grants administration taskforce and in developing its fraud control framework. Embedding these processes into business as usual for grants administration will enable Service NSW to have a consistent set of expectations for controls, business processes and governance and probity requirements for future grants it implements.

2.   Recommendations

By December 2021, NSW Treasury should:

1.   finalise and implement an evaluation of the $10,000 Support Grant and $3,000 Recovery Grant, including obtaining direct feedback from businesses on how grant funds achieved the grant objectives.

By December 2021, Service NSW should:

2.   develop a grants administration framework, which documents expected controls – including fraud controls – business processes and governance and probity requirements

3.   publish information on all grants programs, including grants distribution and uptake.

By December 2021, the Department of Customer Service should:

4.   ensure its process for managing conflicts of interest meets policy requirements by:

   •   ensuring employees promptly declare any real, potential or perceived conflicts of interest

   •   annually producing a list of conflicts of interest for records retention purposes

   •   requiring a separate register of conflicts of interest declarations where a grant program is deemed as high risk.

3.   Lessons for grants administered within urgent timeframes

The two grants this audit examined were administered within a context of urgent timeframes, and increased complexity and uncertainty about the impact of the COVID-19 pandemic. The following lessons are shared to assist sponsor and delivery agencies in administering future grants where rapid implementation is required.

Sponsor agencies should consider the following lessons:

1.   develop an approach to define and measure benefits for rapidly developed programs and projects where a full business case and cost-benefit analysis is not feasible

2.   establish common processes and expectations for co-administered grants:

   •   periodically assure agencies' capability to deliver grants programs

   •   agree and establish risk appetite statements with administering agencies

   •   clearly establish expected performance levels and targets under any agreement

3.   review the processes and outcomes of rapidly developed programs, capture lessons learned, and apply these in planning and delivering future programs.

Delivery agencies should consider the following lessons:

1.   risk management and risk appetite:

   •   perform robust assessment procedures to ensure risks associated with delivery of the project are identified

   •   ensure the controls implemented adequately address identified risks

   •   agree and document the acceptable risk appetite at the outset

   •   review risk management processes after the grants are issued when unable to finalise risk management processes ahead of launch

2.   grant agreements between NSW public sector agencies:

   •   ensure agreements are finalised in a timely manner

   •   ensure agreements clearly outline:

      –   roles and responsibilities of both parties,

      –   changes in scope of services provided

      –   fees and charges applicable

3.   frameworks for grants administration:

   •   ensure that there is a common set of expectations in place to guide grants administration including standard controls and processes for managing risk, capturing lessons learned and reporting on outcomes.

1. Introduction

1.1　Responses to the COVID-19 pandemic

Emergence of the pandemic and its impact on businesses

In early 2020, the Novel Coronavirus (COVID-19) brought health and safety risks to the public. Businesses were impacted by the NSW Government's public health measures aimed at reducing the spread of COVID-19, such as social distancing requirements, closures of certain industries and restrictions on gatherings.

In New South Wales, Public Health Orders directed the closure or restricted trading for deemed non-essential industries including pubs and clubs, food and beverage premises, casinos, entertainment facilities and amusement centres, recreational facilities, beauty salons, massage parlours, auction houses and information and education facilities (Appendix three).

Quantifying the economic impacts of the COVID-19 response measures, including how long measures would be in place or the extent of the impact on businesses, was difficult in such a complex and rapidly changing environment. However, by April 2020, data from the Australian Bureau of Statistics showed that 70 per cent of Australian businesses reported that they expected reduced cash flow and reduced demand for goods and services would have an adverse impact over the next two months.

Small Business Support Fund

On 3 April 2020 the NSW Premier announced the establishment of the $750 million Small Business Support Fund (the Fund) to deliver a temporary grants program for small businesses and not for profits whose operations were significantly impacted by COVID-19. Under the Fund, small businesses could apply for grants of up to $10,000 ($10,000 Support Grant). The Premier stated that the $10,000 Support Grant was aimed at 'getting cash into small businesses when they are struggling' and an '(easy) application…to ensure small businesses can receive cashflow as soon as possible to meet pressing needs (Exhibit 1). Applications were accepted from 14 April 2020 to 30 June 2020.

The $10,000 Support Grant program was based on the $10,000 Small Business Bushfire Support Grant (Bushfire Support Grant) rolled out in response to the 2019–20 bushfires in New South Wales. At that time, the Bushfire Support Grant had provided $42.0 million to 4,200 businesses within the first ten days since its launch.

Following the $10,000 Support Grant, the Treasurer and the Minister for Customer Service announced a second round of grants – the $3,000 Recovery Grant – would commence from 1 July 2020 to support small businesses to reopen or up-scale operations as the economic response to COVID-19 moved into the recovery phase and restrictions eased (Exhibit 1). The Minister announced that 'support for small businesses will help create jobs and keep more businesses in business'. Applications were accepted from 1 July 2020 to 31 August 2020.

Exhibit 1: Grant objectives

Grant	Objectives
Small Business Support Grant ($10,000)	• Ease the pressure on small businesses that have been affected by the COVID-19 pandemic. • Support the ongoing operations of small businesses highly impacted by the COVID 19 restrictions. • Deliver cash-flow into small businesses as soon as possible so that small businesses could meet pressing financial needs.
Small Business Recovery Grant ($3,000)	• Help small businesses within a highly impacted industry meet the costs of safely reopening or up-scaling operations.

Source: Service NSW, 2020.

The Minister for Customer Service directed that the Chief Executive Officer of Service NSW administer the following grant functions:

- receipt of applications
- provision of information or advice about the grants or related matters
- making payments under the grants program, subject to the terms and conditions applicable to the grant.

Service NSW published information about grant application processes, guidelines for the respective grants, eligibility criteria and terms and conditions on its website.

Other economic and stimulus measures for businesses in response to COVID-19

In March and April 2020, the NSW Government announced several other stimulus measures in response to the impact of COVID-19 on businesses (Appendix two). Among these measures, key responses included relief for businesses through the payroll tax system; accelerated maintenance on public assets and capital works; and a $1.0 billion 'Working for NSW' Fund. The NSW Government's economic response to the pandemic considered three key phases: response, recovery and reform.

The Australian Government also provided support measures to businesses impacted by COVID-19, including through the JobKeeper Payment Scheme, Apprentice Wage Subsidy, Boosting Cash Flow for Employers, an increase in instant asset write-offs, accelerated depreciation and government loan guarantees for small and medium businesses by eligible lenders (Appendix two).

Service NSW has been responsible for administering several NSW Government stimulus responses, including grants, since the start of the pandemic. For example, since the conclusion of the $10,000 Support Grant and $3,000 Recovery Grant, Service NSW has also delivered the Southern Border Support Grant, the Northern Beaches Small Business Hardship Grant and is the agency responsible for administering the Dine and Discover Vouchers rolled out in early 2021.

1.2   Administration of the Grants

Agency roles and responsibilities

NSW Treasury and Service NSW implemented the $10,000 Support Grant and the $3,000 Recovery Grant on behalf of the NSW Government (Exhibit 2). During the period of review, the Department of Customer Service (DCS) provided shared services arrangements to Service NSW, including internal audit, legal and risk and governance functions.

Exhibit 2: Roles and reponsibilities of audited agencies

Agency	Scope of responsibility	Detail
NSW Treasury	Program sponsor	Responsible for establishing grants objectives, eligibility criteria and overall policy direction and program-level benefits management.
Service NSW	Delivery agency	Responsible for implementing the grants in line with the grants program objectives, eligibility criteria, and any other expectations under the grants program agreement.
Department of Customer Service	Cluster lead and assisting the delivery agency	Responsible for providing shared services to Service NSW, and specialised services and advice to the fraud control taskforce established in response to suspected fraudulent grant applications.

Source: Audit Office, 2021.

These roles and responsibilities were documented under the grant agreements.

1.3   About the audit

The objective of this audit was to assess whether the Small Business Support COVID-19 Grant and the Small Business Recovery Grant administered under the $750 million Small Business Support Fund were effectively designed and implemented to provide disaster relief.

The audit focussed on:

- the planning, design and targeting of the grant programs
- the implementation of the programs in line with grant program objectives and criteria
- the established measures to monitor intended benefits and outcomes.

2. Targeting, planning and designing the grants programs

2.1 Designing and targeting the grants

NSW Treasury's advice to the NSW Government for the $10,000 Support Grant was delivered within required urgent timeframes

In late March 2020, the NSW Government advised NSW Treasury that it intended to implement a grants program to provide support to small businesses impacted by COVID-19. NSW Treasury produced macro-economic analysis of 'pain points' to the economy and businesses, high-level options analysis, internal briefing notes and advice to support the NSW Government's proposal to deliver targeted support through grants programs to small businesses impacted by COVID-19.

NSW Treasury initially advised the NSW Government that there were risks in implementing a grants program to support businesses, including potential overlap with other stimulus and support initiatives from both the NSW and Australian Governments. However, it identified that existing measures may not support all small or medium sized businesses. Consequently, NSW Treasury advised that funding would be best targeted toward those small businesses that did not meet requirements for other support measures, such as payroll tax relief.

In early April 2020, the NSW Government directed NSW Treasury to develop a formal proposal for a grants program to deliver urgent economic relief to small businesses affected by COVID-19. NSW Treasury had 24 hours to provide detailed advice to the NSW Government on how the model for the $10,000 Small Business Bushfire Support Grant could be used in the design and delivery of a $10,000 Small Business Support Grant to support COVID-19 affected small businesses.

NSW Treasury's advice focussed on how to best target the funding envelope, eligibility criteria for the grants rounds, and the feasibility of operating models through Service NSW. NSW Treasury based its advice on costing, eligibility and applicants' evidentiary requirements for the $10,000 Support Grant through benchmarking comparable COVID-19 grants, stimulus, and support initiatives from other states. As these grants programs were in progress, no formal evaluations were available to be referenced in NSW Treasury's advice.

NSW Treasury advised it considered its own capability to deliver the grants programs, and decided to engage Service NSW based on its experience delivering the Small Business Bushfire Support Grant. There may have been opportunity to consider other delivery partners but Service NSW had advised NSW Treasury and the Treasurer that it had the capability to deliver the program. At this time, no formal evaluation had been completed for the administration of the Small Business Bushfire Support Grant.

Limitations in data and uncertainty of the impacts of COVID-19 impacted NSW Treasury's assumptions of the number of eligible businesses for the $10,000 Support Grant

NSW Treasury advised the NSW Government that its initial assumptions about the size and scope of the economic impacts of COVID-19 restrictions on businesses were uncertain, due to a lack of available data and general uncertainty about the impacts of the COVID-19 pandemic. Consequently, NSW Treasury was unable to determine the overall number of businesses who would experience a decline in turnover.

The eligibility criteria determined by the NSW Government established that businesses were eligible for the $10,000 Support Grant if they could demonstrate that they were an employing small business that was highly impacted by the restrictions implemented to respond to COVID-19. It also required that businesses had unavoidable business costs not covered by other NSW Government or Australian Government assistance measures (Exhibit 3).

Exhibit 3: Eligibility Criteria for the $10,000 Support Grant

A business was considered eligible to receive the $10,000 Support Grant if they:

- had between 1–19 employees and an annual turnover of more than $75,000
- had total Australian wages below the NSW Government 2019–20 payroll tax threshold of $900,000
- had an Australian Business Number as at 1 March 2020, were based in NSW and employed staff as at 1 March 2020
- were highly impacted by the NSW Government COVID-19 (Restrictions on Gathering and Movement) Order 2020 issued on 30 March 2020, defined as a decline in turnover of 75 per cent compared to the equivalent period (of at least two weeks) in 2019
- had unavoidable business costs not otherwise the subject of other NSW and Commonwealth Government financial assistance measures.

Source: Service NSW and NSW Treasury, 2020.

NSW Treasury developed costing and assumptions for the estimated total number of eligible businesses, and overall projected demand for the $10,000 Support Grant, based on the number of industries that were 'highly impacted' by the shutdown. These assumptions were derived from the Australian Bureau of Statistics (ABS) Australian and New Zealand Standard Industrial Classification (ANZSIC) codes. While all businesses that met the eligibility criteria could apply for the $10,000 Support Grant, businesses that were not in a 'highly impacted industry', per a listed ANZSIC code, were required to provide more evidence in support of their application.

NSW Treasury estimated a 90 per cent uptake rate for the $10,000 Support Grant, based on the uptake of the $10,000 Small Business Bushfire Support Grant – which had been launched 20 days earlier. Together with its internal calculations of eligible businesses, NSW Treasury's initial demand estimate in its advice to government was 74,000 businesses. NSW Treasury assumed that a proportion of those businesses would be likely to exceed the payroll threshold eligibility criteria, but that it was unable to quantify that amount. NSW Treasury's advice to the NSW Government also considered modelling from Revenue NSW on data for businesses that do not pay payroll tax, which indicated that the total number of eligible businesses may be lower – around 49,000 businesses.

The number of estimated businesses between these two sources varied significantly, impacting the accuracy of the assumptions. Subsequently, but ahead of the grant launch, NSW Treasury revised its estimates down to approximately 64,000 eligible small businesses and a total estimated cost of $630 million. NSW Treasury advise that the initial forecast was deliberately conservative to ensure all businesses could benefit within the context of uncertainty of the pandemic's impact.

NSW Treasury acknowledged that due to the uncertainty of the demand estimates, as calculated against the eligibility criteria, monitoring and reporting on the uptake was required. NSW Treasury regularly reported and monitored on the uptake of both grants programs.

Eligibility for the $10,000 Support Grant was expanded but the number of grants issued remained below anticipated demand

The approval conditions of the $10,000 Support Grant provided the Treasurer with discretion to amend the program as necessary based on policy, financial, technical or other advice. While the $10,000 Support Grant was open for applications, NSW Treasury provided advice to the Treasurer in response to external requests from non-highly impacted industries and the NSW Government to expand the list of highly impacted industries. Under the $10,000 Support Grant, the list of highly impacted industries served to expedite assessment and payments to businesses within a nominated industry (Appendix four). NSW Treasury consistently recommended against the expansion of the eligible industries where there was no clearly demonstrated COVID-19 impact for an industry, or where other support was available.

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In late May 2020, NSW Treasury provided advice to the Treasurer that there was likely to be a $250–300 million underspend in the $750 million Small Business Support Fund. NSW Treasury provided options to use the unspent funds. These options included extending the deadline for applications from 31 May 2020 until 30 June 2020 and allocating unspent funds to a COVID-19 'recovery' phase. On 30 May 2020, the NSW Government extended the application deadline for the $10,000 Support Grant, and the list of 'highly impacted industries'.

While NSW Treasury acted to extend the eligibility criteria and the time in which small businesses could apply for the grant, the $10,000 Support Grant did not meet its anticipated demand.

At May 2021, the final demand for the grant was around 30 per cent less than expected with around 52,600 businesses paid a grant compared with to the 74,000 businesses initially anticipated. NSW Treasury advises that this is due to Australian Government and NSW Government economic and health responses contributing to fewer businesses than anticipated meeting the decline in turnover eligibility requirement.

NSW Treasury met urgent timeframes to provide advice on the $3,000 Recovery Grant

On 21 May 2020, the NSW Government determined that a proposal to implement a second round of grants would be taken forward for consideration. NSW Treasury had four days to prepare the proposal to government regarding the design, feasibility, and delivery partner for the grant.

NSW Treasury recommended that the NSW Government establish a $3,000 Grant for small businesses to assist them to recover from the COVID-19 pandemic as restrictions were eased. NSW Treasury identified the risks of relying on a grants program to meet broader economic relief objectives but also provided advice on how to best to deliver such a program. On 4 June 2020 the NSW Government approved the $3,000 Recovery Grant to commence from 1 July 2020.

In line with the $10,000 Support Grant, NSW Treasury's estimates for the total cost and eligibility criteria (Exhibit 4) for the proposed $3,000 Recovery Grant were based on evidence from ABS and Revenue NSW data about the potential number of eligible businesses in New South Wales in 'highly impacted industries'. NSW Treasury advised that its costing was uncertain. Consequently, the risks of relying on uncertain data and benchmarks against ongoing programs that were evident in the $10,000 Support Grant proposal continued under the $3,000 Recovery Grant.

Exhibit 4: Eligibility Criteria for the $3,000 Recovery Grant

A business was considered eligible to receive the $3,000 Support Grant if they:
- had an Australian Business Number (ABN) as at 1 March 2020 registered in NSW
- had total Australian wages below the NSW Government 2019–20 payroll tax threshold of $900,000 as at 1 March 2020
- had fewer than 20 Full Time Equivalent (FTE) staff (including non-employing businesses) as at 1 March 2020
- had an annual turnover of more than $75,000 as at 1 March 2020
- had experienced a decline in turnover of at least 30 per cent from March to July 2020 compared to the equivalent period (of at least two weeks) in 2019
- were in a highly impacted industry (See Attachment A) as at 1 March 2020. These industries were impacted by the COVID-19 Restrictions on Gathering and Movement Order 2020
- had costs from 1 July 2020 associated with safely re-opening or scaling up their business.

Source: Service NSW and NSW Treasury, 2020.

To be eligible under the $3,000 Recovery Grant, a small business was required to have an Australian Business Number registered within an industry on the 'Highly Impacted Industries List', which was verified by Service NSW through an automated process.

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The $3,000 Recovery Grant was expanded to best use allocated funds and reduce possible underspend

While the $3,000 Recovery Grant was open for applications, NSW Treasury provided advice to the Treasurer in response to requests to expand the list of highly impacted industries.

The approval conditions of the $3,000 Recovery Grant provided the Treasurer with discretion to amend the program as necessary based on policy, financial, technical or other advice. As the grant neared closure, the Treasurer requested that NSW Treasury consider expanding the list of highly impacted industries to best use the funds allocated and reduce the possible underspend. In response, NSW Treasury developed a methodology to prioritise the potential industries into tiers, to ensure expansion was directed to industries most affected. That said, the Treasurer determined that some industries that NSW Treasury had assessed as lowly impacted would be included in an expanded list of highly impacted industries announced in August 2020.

NSW Treasury advised the Treasurer on 28 July 2020 that there was an expected underspend of $120 million from the Small Business Support Fund and $50.0 million from the $3,000 Recovery Grant. NSW Treasury recommended a delay on decisions regarding the unspent funds so that they could be repurposed to support highly impacted businesses, sectors, or households if restrictions were re-instated.

At May 2021, the final demand for the $3,000 Recovery Grant was around 40 per cent less than initially expected with around 36,700 businesses paid a grant compared with an anticipated 64,000 businesses. NSW Treasury advises that this is due to Australian Government and NSW Government economic and health responses contributing to fewer businesses than anticipated meeting the decline in turnover eligibility requirement.

2.2 Establishing delivery requirements

NSW Treasury developed proposals establishing high-level design and delivery expectations within rapid timeframes

In the absence of a business case for the Small Business Support Fund, the $10,000 Support Grant and the $3,000 Recovery Grant, NSW Treasury put forward formal proposals to the NSW Government for the grants administered under the Fund. The proposals established, at a high-level, the rationale for the grants, expected financial costs, risks and analysis on budget impacts, and confirmation that Service NSW could deliver the grants applications platform. The proposals outlined that arrangements to finalise the risk management, controls, and auditing plan would be agreed by Service NSW and NSW Treasury before implementation.

However, given the tight timeframes in which the advice had to be provided, the proposals did not fully consider all planning and design aspects. For example, there was minimal identification of the costs and benefits of the grants programs, and a lack of detailed design and delivery requirements for a program of such financial significance. The proposals also did not clearly establish a plan to evaluate the grants. NSW Treasury advise that potential costs were considered within the constraints of limited data and uncertainty about how the pandemic would progress and consequently how many businesses would need support.

In future circumstances where urgent advice on program design is required, NSW Treasury could set clearer expectations for the delivery agency, including fully considering costs, benefits and delivery requirements that could be carried through to project governance and implementation.

NSW Treasury and Service NSW established clear objectives and guidelines to inform administration of the grants in compliance with the grant proposals

Across both grants, program guidelines established the objectives and eligibility criteria, the evidence businesses needed to provide in support of eligibility, a list of eligible industries and definitions of key terms. Project steering committees and NSW Treasury endorsed Service NSW's interpretation of the eligibility criteria requirements as would be applied by Service NSW's systems and processes for administering the grants.

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NSW Treasury engaged in ongoing consultation with industry bodies throughout the COVID-19 pandemic response and recovery phases to understand the impacts of the NSW Government's public health and economic responses. NSW Treasury also monitored data from a consultant appointed by the Small Business Commission to conduct surveys of a sample of small businesses about their experience with COVID-19 conditions from April 2020 to November 2020.

Agencies understood and accepted risks in light of the limited notice to deliver the grants, but in future could improve how they formally articulate risk appetite for grants programs

The grant agreements established that, in light of the limited notice provided to deliver the grants, both parties understood and accepted the associated shared risks. However, no risk appetite was articulated in these agreements.

Without an agreed risk appetite statement for the grants, it is unclear whether the actions and any compromises taken, controls, and the amount of fraudulent applications received are within expected limits for customer experience, external fraud, reputational and program and project management risks.

NSW Treasury documentation demonstrates that Service NSW had identified a need to agree this risk appetite up front for the $3,000 Recovery Grant.

Service NSW developed a risk appetite statement for COVID-19 stimulus programs in November 2020, three months after the conclusion of the grant applications for the $3,000 Recovery Grant and five months after the conclusion of the $10,000 Support Grant. This statement outlines the objectives, guiding principles, appetite and target residual risk rating for COVID-19 Financial Stimulus and has been endorsed by Service NSW's Executive Leadership Committee.

NSW Treasury could improve how it establishes expected key performance levels for future grants

Across both grants, NSW Treasury did not formally establish expected performance levels for time to pay applicants. In the absence of this, Service NSW established internally that payments were to be made within five to ten working days after applications were approved. NSW Treasury advise that while no set targets for time-to-pay were established under the agreements, it closely tracked Service NSW's payment timeframes.

Project agreements between NSW Treasury and Service NSW did outline service levels and metrics to be tracked for time to serve customers, time to respond to customers, time to assess applications, and maintenance of the Service NSW website.

In future grants it designs and sponsors, NSW Treasury could improve how it establishes performance levels for delivery agencies by clearly setting targets for key deliverables, such as expected time to pay, and documenting these under grant project agreements. This would assist NSW Treasury to confirm whether the delivery agencies' grant administration processes met expectations and to identify and address any possible underperformance.

Documentation of expected grant administration costs improved between the $10,000 Support Grant and $3,000 Recovery Grant rounds

NSW Treasury did not initially inform Service NSW of the amount of funding that had been provisionally allocated for administration costs. – one per cent of total program costs ($7.5 million) – to Service NSW for the $10,000 Support Grant. It did acknowledge under the grant project agreement that Service NSW would be reimbursed for costs relating to administration with funding coming from a broader stimulus package. Key performance indicators for costs to be incurred were not established.

Documentation of expected costs to administer the grants improved between the $10,000 Support Grant and $3,000 Recovery Grant. Service NSW's anticipated costs for implementation, manual assessments and compliance activities were established for the $3,000 Recovery Grant at between $1.5 million to over $2.0 million.

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Service NSW could improve how its financial reporting indicates whether this budget has been met, as costs for the individual grants are unable to be disaggregated. It is not clear whether and how expected costs of administration were reported to NSW Treasury and were regularly monitored.

In designing and developing future grants, NSW Treasury and delivery agencies could improve how expected costs are established and monitored. This would assure that the grants are administered efficiently and in line with delivery expectations.

2.3   Program governance

Clear governance arrangements were agreed between NSW Treasury and Service NSW

Clear governance arrangements for grant administration for both grants were established under each grant agreement. The agreements assigned roles and responsibilities for NSW Treasury as sponsor and Service NSW to deliver the programs on behalf of NSW Treasury. Further detail of the expected roles and responsibilities was included for the $3,000 Recovery Grant Agreement, which built on the $10,000 Support Grant Agreement by better reflecting the parties improved understanding of the requirements of grants administration in this context.

For both grants, a steering committee was established within Service NSW to provide oversight and guidance on implementation. NSW Treasury representatives attended the steering committee meetings and held other regular discussions with Service NSW as the grants were implemented. These steering committees effectively enabled decisions to be made efficiently to deliver the grants under urgent timeframes.

NSW Treasury appropriately established avenues of support and oversight in compliance with expectations for decision making and monitoring

All key grant design and targeting decisions went to the Treasurer and key decisions regarding funding were approved by the NSW Government. NSW Treasury set delegations for expenditure to facilitate large transfers of appropriation to Service NSW to deliver the payment function to successful applicants.

The NSW Government agreed that decisions on the implementation, eligibility criteria and terms and conditions would be determined by NSW Treasury and Service NSW. In compliance with this decision, NSW Treasury and Service NSW had ongoing communication about the program's design, controls and identified potential issues.

NSW Treasury provided formal and informal support for Service NSW. Under the grant agreements, a relationship manager was nominated for both parties as the first point of contact to resolve any issues or disputes. Under the $3,000 Recovery Grant Agreement, Service NSW established that it depended on NSW Treasury for responses to program related escalations, and expected timeframes are established for responses. Both Service NSW and NSW Treasury advise that they had an effective collaborative relationship throughout the administration of the grants. Evidence demonstrates there has been early and frequent disclosure of matters for resolution and endorsement from Service NSW to NSW Treasury.

NSW Treasury provided weekly briefs to its Secretary regarding progress of the grants in support of the release of funds to Service NSW. Weekly delivery and implementation reporting were also provided to the NSW Treasury Leadership Team, the Treasurer, and other key stakeholders in compliance with expectations to monitor the grants uptake and implementation progress established under the initial proposal to the NSW Government.

3. Implementing the grants

3.1   Delivering the grants

Service NSW met rapid timeframes to deliver the grants

Service NSW delivered the online application platform, assessments (manual and automated), security, payments and supplied reporting to support financial reconciliation for the program as required under the grant agreements. In doing so, it met urgent timeframes to stand-up the program: 11 days for the $10,000 Support Grant and 26 days for the $3,000 Recovery Grant (Exhibit 5).

Exhibit 5: Timeline of milestones to develop and launch the grants programs

Milestone	$10,000 Small Business Support Grant	$3,000 Small Business Recovery Grant
Announcement/Kick-off	3 April 2020	4 June 2020
Go/No Go for pilot	11 April 2020	22 June 2020
Pilot	11 April 2020	23 June 2020
Check-in go/No-go	13 April 2020	30 June 2020
Go live	14 April 2020	1 July 2020
Total time elapsed	**11 days**	**26 days**

Source: Service NSW, 2020.

Project governance to guide implementation was appropriate for both grant rounds

Service NSW established appropriate governance for the launch and implementation of both grants. It convened a steering committee for both grants and effectively documented the proceedings. Clear ownership and executive support for the grants was established under the grant agreements and confirmed in steering committee documentation. An 'operational readiness checklist' was produced and guided day-to-day project implementation and meetings.

Project governance improved between the $10,000 Support Grant and the $3,000 Recovery Grant, with documentation more clearly identifying roles and responsibilities and allocating of implementation risks within Service NSW.

Tight timeframes to stand up the grants program impacted the agencies' ability to achieve timely sign-offs for key documents for the $10,000 Support Grant

The requirement to meet urgent timeframes for the $10,000 Support Grant launch meant agencies had reduced time to achieve sign-off on key documentation. For example:

- initial countersignature on the $10,000 Support Grant Project Agreement by NSW Treasury was obtained five days after project launch, with final countersignature of the agreement by Service NSW not occurring until 25 June 2020, five days ahead of the grant's closure
- the Customer Service Minister Letter of Direction to Service NSW was dated after launch
- the Instrument of Subdelegation was signed on 20 April 2020, six days after launch
- the Privacy Impact Assessment was finalised following grant launch
- endorsement of process maps and quality assurance templates were confirmed after launch.

The longer timeframe to develop the $3,000 Recovery Grant meant that agencies were able to build on their understanding of implementation requirements from the $10,000 Support Grant, and better document these expectations and understanding while also ensuring that key documents and sign-offs were in place prior to launching the $3,000 Recovery Grant.

Urgent timeframes contributed to gaps in Service NSW's project and risk management processes

Service NSW implemented the grants programs under its Project Management Framework (the Framework), and under the conditions of the grant agreements with NSW Treasury. The Framework requires that key deliverables – for example, a project business case, financial forecast, project mandate – are produced for planning, delivery and at the closure of the project. Such requirements form and inform 'go/no-go criteria' which in turn inform the decision to launch a project.

Urgent timeframes to deliver the grants contributed to gaps in Service NSW's project and risk management processes throughout the lifecycle of both grants. For both grants programs, some key deliverables of the Framework were absent, including an opportunity impact assessment, financial forecasts, and a project management plan. Communications plans were provided in draft and, while incomplete, they served to provide guidance.

Service NSW produced a draft project brief for the $10,000 Support Grant, and a high-level project requirements document for the $3,000 Recovery Grant. These documents served to address the minimum elements of the Framework by combining some of the expected deliverables.

In future grants programs, where expected processes were incomplete, not followed, or combined due to tight timelines, Service NSW could document an acknowledgement or approval that the full requirements did not need to be met or could be combined. This would help Service NSW to assess and accept the risk of not fulfilling the Framework's requirements.

Service NSW did not finalise its risk assessment for the $10,000 Support Grant, and draft documentation provided to the audit had incomplete actions and risks and controls were not always assigned owners. Risk ratings and mitigating actions under the grant agreements were not finalised ahead of launch, but were finalised ahead of the close of applications. Service NSW improved its documentation of risk management processes under the $3,000 Recovery Grant. In future grants processes, finalising risk assessments may help to ensure risks associated with rapid delivery are being mitigated within agreed tolerances.

Service NSW rapidly developed an approach to grants administration

Over recent disasters, such as the 2019–20 bushfires and COVID-19, Service NSW has been responsible for administering grants on behalf of other government agencies. It considered grant risks, expectations and controls, including fraud controls, each time a new grant was directed to it to implement.

In implementing these grants, Service NSW developed an approach to respond to the identification of fraudulent applications and assess the controls in place for its programs. For example, Service NSW:

- established a 'Grants Administration Taskforce' to review all Service NSW processes and controls across administered grants in light of the risk of fraudulent applications
- scaled up its staffing numbers to meet increased manual assessments requirements it considered necessary to reduce the risk of fraudulent applications.

Service NSW advises that the controls and outcomes of the Grants Administration Taskforce have informed a common set of expectations for future grants it implements. Going forward, formalising this common set of expectations for administering grants, including by expenditure size and scope, will assist Service NSW to quickly and effectively tailor controls to the accepted risk appetite for the grant, and ensure they are fit for purpose.

Service NSW identified lessons from previously administered grants and applied these for the $3,000 Recovery Grant

During the course of administering the $10,000 Support Grant, Service NSW identified common lessons learnt from grants it has administered. These lessons outlined that:

- the urgency required to build grant application platform and processes did not provide enough time to fully assess risk or establish an operational structure to provide support
- the balance between providing a 'seamless' customer experience with rigorous controls and the quantum of manual assessments to address risk required enhancing
- there is a need to agree risk tolerance with sponsor agencies as part of planning
- where it is acting as a delivery agency on behalf of another entity, Service NSW should have input on the guidelines and expected controls
- there is a need to establish standard controls for all grants administered by Service NSW
- there is a need to confirm approach to fraud risks, investigations, case management for suspected fraudulent transactions.

Service NSW applied lessons relating to the speed to build the application platform, and associated products, strength of controls and input on guidelines and approach in the development and delivery of the $3,000 Recovery Grant.

3.2   Supporting grant applicants

Service NSW successfully developed a simple application process in line with the grant objective to facilitate fast payments to applicants

Service NSW's website application process for both grants provided a simple application process that, together with the eligibility criteria, relied on minimal up-front documentation and self-declarations. This helped to enable a fast, clear and transparent grantee application. Service NSW conducted a 'User Acceptance Testing' pilot for both grants rounds and obtained positive feedback. The results were presented to and endorsed by the project steering committees.

Across both grants, Service NSW published the eligibility criteria, program guidelines and terms and conditions on its website. It also produced a list of frequently asked questions, and 'knowledge articles' for its staff to support applicants to complete their applications efficiently. Grant guidelines and terms and conditions clearly stated documentation and audit requirements for applicants. Applicants were advised that 'if information in the application was found to be untrue or misleading, the matter may be referred to NSW Police and criminal penalties may apply'.

Service NSW effectively obtained applicant feedback to inform measures to support grantees through application challenges

Service NSW established a 'thumbs up – thumbs down' metric system to measure and report on end-user reception and offered a longer-form response template for applicants to provide feedback once they had completed the grant application process. Results indicated that applicants were supportive of the grants (Exhibit 6).

Exhibit 6: Summary of 'thumbs up – thumbs down' applicant feedback

Thumbs up – thumbs down rating		
Grant	Rating	Sample size
$10,000 Support Grant	99 per cent positive	7,216 responses (12.7 per cent response rate)
$3,000 Recovery Grant	99 per cent positive	3,026 responses (7.9 per cent response rate)

Source: Audit Office 2021, from Service NSW data, 2020.

Service NSW advises that the longer form responses assisted to address common user input issues. For example, a small number of users reported that their ability to complete a grant application was affected due to the inability to pause and resume the application. Service NSW documented this and other considerations for frontline staff to assist any customer queries.

In instances where a customer had difficulty in completing an application, Service NSW grant program knowledge articles note that staff could guide them through the process or complete the application on their behalf with the applicant in attendance. Unsuccessful applicants were notified by email of the result of their application and referred to Service NSW for Business Concierge and advised of other support on offer.

3.3 Paying grants to applicants

Around $630 million in one-off grant payments have been paid to small businesses

Service NSW and NSW Treasury have paid around $630 million in one-off grant payments to small businesses under two grants administered the $750 million Small Business Support Fund. At May 2021:

- around $520 million has been paid to over 52,500 grant applications received for the $10,000 Support Grant
- around $109 million has been paid to 36,700 grant applications received for the $3,000 Recovery Grant.

Across both grants, over 65,000 businesses received a grant payment across either grant and, of those businesses, around 23,000 businesses received payments under both grants (Exhibit 7).

Exhibit 7: Number of businesses paid

Description	Number
Number of businesses paid both $10,000 Support Grant and $3,000 Recovery Grant	23,125
Number of businesses paid under $10,000 Support Grant only	28,912
Number of businesses paid under $3,000 Recovery Grant only	13,081
Total businesses paid	**65,118**

Source: Audit Office, 2021.

Note: Numbers within this exhibit reflect the total number of businesses paid and do not reflect any duplicate payments made to businesses.

Service NSW met its target for expected time to pay grant applicants

Service NSW committed to completing applications and delivering payments within five to ten days of assessment. The average application completion time is eight days for the $3,000 Recovery Grant, which indicates that this timeframe has been met for that grant. While no average application completion time was reported on the progress monitoring dashboard for the $10,000 Support Grant, NSW Treasury advises that, from its close monitoring of program outputs, it was satisfied that Service NSW met the expected timeframes to pay applicants.

Going forward, NSW Treasury and Service NSW could formally establish an agreed timeframe for Service NSW to pay applicants, to provide continued assurance that payments are delivered within expected timeframes.

Grants were paid to most applicants in line with the eligibility criteria

Compliance checks and quality assurance procedures undertaken by Service NSW indicate that grants were paid to most applicants in line with the eligibility criteria. Across both grants, just under half of the grant applications were automatically assessed, and five per cent of these automated assessments for each grant were subject to compliance checks. The compliance checks of the automatically assessed grants indicate that there are opportunities to tighten applicants' self-declarations and the submission process across both grants:

- 15 per cent of checked cases (around $1.5 million) for the $10,000 Support Grant failed the compliance check
- ten per cent of checked cases (around $361,000) for the $3,000 Recovery Grant failed the compliance check.

Across both grants, Service NSW report that a lack of documentation supplied by applicants was the main reason for applications failing automated assessment procedures.

Service NSW quality assurance reporting demonstrates that, from a sample of manually assessed grant applications, over 99 per cent of applications passed quality assurance compliance checks at August 2020 which indicates that manual assessments were passed appropriately.

Our independent testing of whether a sample of 100 grant applications across both grants were paid in line with the eligibility criteria (56.5 per cent manual, 43.5 per cent automated) found that applicants were paid on satisfying the eligibility criteria, and that rejected applications were appropriately declined based on failing to satisfy the eligibility criteria.

The number of manual assessments of applications exceeded the anticipated proportion needed to provide improved assurance over the grants programs

Under the $10,000 Support Grant agreement, Service NSW and NSW Treasury established that Service NSW would implement automated checks to identify suspicious applications which would be referred for manual assessment. Under this approach, Service NSW expected it would manually assess between 30–40 per cent of applications.

Following the identification of fraud risks across several grants programs administered by Service NSW in May 2020, Service NSW proposed several responses and controls to reduce the risk of paying fraudulent or ineligible applications.

One such approach was to implement analytics over payments that escalated suspicious applications to manual assessment and security review. Consequently, the total amount of manual assessments of $10,000 Support Grant applications has significantly exceeded the expected amount under the agreement with over 60 per cent of applications for the $10,000 Support Grant manually assessed. Forty-two per cent of applications for the $3,000 Recovery Grant were manually assessed.

To improve assurance over the grants programs, Service NSW increased the number of staff to perform manual assessments. This increase in assurance came with increased staffing requirements, administrative costs and different risks relating to probity and governance. The increased need for staff to assist with manual assessment and processing of grants resulted in over 480 staff members being involved in the grants administration process.

Service NSW and the Department of Customer Service can improve how conflicts of interest are managed

The increased number of manual assessments across both grants means more employees were using discretion or making decisions relating to awarding grants. The Department of Customer Service and Service NSW did not comply with internal policy requirements for managing conflicts of interest. The policies require that all staff declare, at least annually, any real, perceived or potential conflicts of interest.

DCS and Service NSW can improve their management of conflicts of interest by ensuring that onboarded employees promptly declare any conflicts of interest in DCS' system for retaining conflicts of interest. For example, DCS was unable to produce employee conflicts of interest declarations for the $10,000 Support Grant. DCS advise this is due to a system limitation. Therefore, it is not known how many employees had completed conflicts of interest declarations for this round.

DCS provided information on conflicts of interest declarations for the $3,000 Recovery Grant. Declarations provided for the $3,000 Recovery Grant were incomplete, with 129 employees (29 per cent) responsible for eligibility assessment or security assessments of applications unable to be matched in the register.

At March 2021, a further 39 declarations were yet to have been approved and 11 of these related to an actual, perceived or potential conflict. Management and team members of the Grants Administration Taskforce and other key positions such as legal, strategic investigations unit did not have conflicts of interests to declare.

DCS advises that it plans to implement a procedure to provide greater assurance over any perceived, future or actual conflicts of interest within grants administration. This process will align with broader assurance practices for procurement and internal audit projects.

Service NSW and the Department of Customer Service can improve how financial subdelegations are implemented

While DCS established an Instrument of Subdelegation for the $10,000 Support Grant, it was not approved until six days after the commencement of the grant. Service NSW data demonstrates that approximately $6.0 million in grants had been paid within that time. In the absence of such a subdelegation instrument signed ahead of the grant launch, there is a risk that staff were not appropriately authorised to make the payments.

3.4   Responding to fraud and ineligibility risks

Agencies established a range of controls to detect fraud while balancing the need to make timely payments

NSW Treasury and Service NSW established a range of controls to detect fraud and ineligibility risks under the grant agreements, including automated assessment of applicants' eligibility criteria, evidentiary requirements, manual assessments, and quality assurance checks over the manual assessments.

In the absence of defined acceptable risk tolerance, agencies agreed that grants administration processes needed to balance the risk of fraud with the time to pay applicants. To enable rapid payments while managing fraud and ineligibility control risks, NSW Treasury and Service NSW implemented a process where applicants could self-declare that they met eligibility criteria. While it enabled simple and quick applications for grant applicants, this process heightened the grant program's exposure to risks of fraud and ineligibility.

This control design was deemed acceptable by NSW Treasury and Service NSW and the NSW Government under the circumstances as the grants were deliberately designed to require minimal upfront evidence and provide rapid financial support.

Compliance check requirements were not settled in until after the conclusion of applications for the $10,000 Support Grant. While this supported the requirement to deliver the funds quickly, it reduced certainty that an effective system of internal control was in place.

Service NSW and the Department of Customer Service tightened risk management and controls in response to evidence of external fraud

In May 2020, Service NSW was alerted to suspected fraudulent applications across grants it administers. In response, the Chief Executive Officer of Service NSW engaged the Department of Customer Service to establish a 'Strategic Investigations Unit' (SIU) to manage identified fraud risks and suspected fraudulent transactions across grants. Service NSW conducted internal analysis regarding potential exposure to fraud and or ineligible applications awarded. Initially, the possible risk exposure for the $10,000 Support Grant was between $0.3 to $8.8 million in June. Since that time, the estimates have been amended to $1.9 million based on grants already paid.

Under the $3,000 Recovery Grant, an additional fraud risk emerged regarding applicants potentially changing their industry codes which were used to identify eligibility for the grant and fail applicants not within a prescribed highly impacted industry.

In response, Service NSW carried out interim mitigation actions, including removing suspicious applications from the payment queue and contacting applicants that had changed their industry code. It also applied interim controls requiring applicants to provide additional documentation and implemented additional manual assessments. Ultimately, Service NSW did not consider that a change in the industry code was a strong indicator of intention to deceive. Service NSW estimated that a maximum of 1,603 applications could be fraudulent according to this risk. The estimated risk exposure for the $3,000 Recovery Grant at April 2021 was around $254,000 based on paid grants.

Service NSW documentation notes that the level of fraud exposure the grants have been subject to, for paid applications – 0.37 per cent for the $10,000 Support Grant and 0.23 per cent for the $3,000 Recovery Grant – is within international benchmarks[1] of expected fraud and loss for major programs.

Without a defined risk appetite statement, it is unclear whether the suspected amount of fraud sits within agencies' expected limits.

Delivery agencies appropriately responded to reduce the risk of fraud within the grants

Service NSW commissioned an internal review in response to the evidence of fraud which found that there were extreme risks in outgoing payments, and high risks regarding identity fraud. Additional front-end controls, manual assessments were implemented in response to these fraud risks.

Service NSW also established a taskforce to provide oversight of the grants administration process and input into strengthening key controls. All internal controls, eligibility criteria and responses were discussed with NSW Treasury. These additional front-end controls, including immediate rejections of applicants that did not satisfy the eligibility criteria, were carried through to the $3,000 Recovery Grant.

Under the arrangement with DCS, when Service NSW identifies potentially fraudulent activity, those cases are referred to the SIU for investigation and, where appropriate, referred to NSW Police. Security checks and investigations of suspicious applications are ongoing. Service NSW will not know the full extent of fraud across the grants until these processes have been fully completed.

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[1] Service NSW reports that the amount of suspected fraud sits within the Association of Certified Fraud Examiners 2020 benchmark of 5 per cent and UK Government Counter Fraud Centre of Expertise benchmark of 0.5–5 per cent.

Increased governance and oversight of fraud controls and investigations has resulted in a case management function, increased referrals to law enforcement, prioritisation of investigations of suspicious applications through risk ratings, and a recognised need to establish capability in fraud investigations and fraud controls within Service NSW. Given Service NSW was inexperienced in these processes, such actions were an appropriate response.

Service NSW actions to address the risk of fraud were reported to and endorsed by NSW Treasury

Service NSW provided detailed briefings to NSW Treasury and senior decision-makers on the emergence of fraud risks within the grants. The Secretary, NSW Treasury and the Treasurer's Office were briefed on the risks and actions taken in response frequently through weekly reporting. For example, Service NSW appropriately reported the risk exposure for the $3,000 Recovery Grant potential fraud, and its proposed actions to respond to the risk to the Minister for Customer Service and NSW Treasury. NSW Treasury advised the Treasurer that they were comfortable with the fraud controls Service NSW put in place as well as the level of residual fraud risk.

NSW Treasury reviewed the end-to-end process in place to administer the grants and actions implemented by Service NSW to address the fraud risks in June 2020. Following this review, NSW Treasury noted it was comfortable with the design of the controls, but called out that some key processes, including compliance check arrangements and risk registers, had not been finalised at the time of that review. NSW Treasury advise that it reviewed the operating effectiveness of the revised controls through monitoring and consultation with Service NSW.

Increased numbers of manual assessments impacted increased the time taken to pay applicants

The increased numbers of applications required to be manually assessed by Service NSW has resulted in an increase in the time required to process applications. This is due to a need to onboard additional staff, and to progress through a backlog of applications required to be subject to security review.

NSW Treasury noted that while Service NSW's actions brought down projected risk exposure, it consequently slowed down processing for applications flagged as a fraud risk.

As at May 2021, a small number of applications had not yet been paid:

- For the $10,000 Support Grant, 72 applications are in progress, and a further 886 are 'approved – not yet paid'.
- For the $3,000 Recovery Grant, 89 applications are in progress and 563 applications are 'approved – not yet paid'.

Service NSW aims to further enhance fraud controls for future grants programs

Service NSW has developed a proposal to implement a 'Fraud Control Framework' in response to the identified fraud risks and potential exposure, its internal review and the work performed by the grants administration taskforce. The Fraud Control Framework aims to ensure Service NSW can act with agility, an acceptable risk level, and deliver at the pace expected by both government and consumers.

The Fraud Control Framework has been endorsed and approved but will not be fully implemented until December 2021. Service NSW advises that the key systems, tools and improved processes under the Fraud Control Framework is being delivered progressively and it is able to take advantage of improvements already in place, with most enhancements implemented by 30 June 2021.

Service NSW and the Department of Customer Service have also established project-based risk advisory committees. For example, In November 2020, the agencies established a 'Risk Advisory Committee' for the Dine and Discover Program which includes NSW Treasury in its non-voting members. Going forward, the agencies could consider whether such a committee is appropriate to provide assurance and risk mitigation over high-risk programs they administer.

4. Measuring and monitoring benefits and outcomes

4.1   Plans to evaluate the grants

With $630 million paid to applicants, both grants represent a significant financial investment from the NSW Government. The process of providing economic stimulus through grants programs has continued under subsequent grants programs administered by Service NSW, such as the Southern Border Support Grant, and may be repeated in the future in response to emerging events. It is therefore important to capture lessons learned from these grants – particularly those relating to how effective the grants programs were in helping businesses persevere through difficult times.

Agencies put in place measures to capture applicant feedback on the applications process and the number of recipients

Evaluation, monitoring and reporting of the impacts of the grants programs to date have focussed on the application process, and the number of grant recipients, and the industries in which small businesses received payments.

Service NSW also collected data on the category of unavoidable expenses that businesses reported they would use the expenditure for example payment of utility bills.

NSW Treasury identified a number of other anticipated impacts such as improved cashflow, ability to reopen or scale up operations and maintenance of staffing levels which were intended to be measured through an applicant survey. NSW Treasury planned to undertake a customer insights survey in August 2020, but this did not progress due to privacy concerns from Service NSW.

NSW Treasury held consultations with industry peak bodies

NSW Treasury conducted ongoing communication with the Council of Small Businesses Organisations Australian (COSBOA) and industry groups to obtain high-level feedback on the utility of the grants, and other COVID-19 support requirements.

This feedback indicated broad support for the grants programs, as well as opportunities to refine the application process and align with other support initiatives.

NSW Treasury has not yet evaluated all impacts of the grants programs

NSW Treasury has not yet evaluated all the intended impacts of the grants programs. Until a finalised evaluation and measurement is undertaken, there is limited understanding of the extent to which the scheme achieved the intended outcome to support the unavoidable costs of businesses highly impacted by COVID-19, and costs associated with reopening in a COVID-safe manner.

In April 2021, NSW Treasury updated its plan to evaluate the grants programs in support of an economic evaluation to commence from mid-2021. The updated evaluation plan outlines inputs, activities, and outputs as well as immediate, short term and medium-term outcomes for both the $10,000 Support Grant and $3,000 Recovery Grant.

The evaluation will consider the extent to which both grants achieved their intended outcomes, and whether the economic benefits exceeded the costs to help inform decisions about the nature and design of any future small business support programs. This will complement, and feed into a broader review of all NSW Government COVID-19 stimulus measures.

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4.2 Monitoring intended benefits and outcomes

Interactive dashboards and delivery reporting enabled effective monitoring of grant outputs

NSW Treasury provided delivery reporting in compliance with monitoring expectations set out in the initial grant proposal to the NSW Government, and the conditions of the approval by the NSW Government. Weekly delivery and implementation reporting to the NSW Treasury Leadership Team, the Treasurer, and relevant key stakeholders noted the number of grant applications received and number of grant applications approved, and the number of 'small businesses supported'.

Service NSW obtained high-level user feedback through:

- a 'thumbs-up – thumbs-down' process that measured applicants' sentiment toward the grants and how they were delivered
- user acceptance testing of the end-to-end application process for the grants, including payments
- qualitative short form response forms.

Service NSW produced an interactive dashboard to monitor and report on this feedback, and broader outputs such as the number of grants paid, number of applications received, whether applications were manually or automatically assessed, and where grants had been paid by LGA and by electorate. The requirements for each dashboard were listed in the grant agreements.

Dashboard functionality improved between the $10,000 Support Grant and $3,000 Recovery Grant. For example, under the $3,000 Recovery Grant dashboard, 'time to complete applications' and 'reasons for declined applications' are recorded in addition to 'thumbs-up – thumbs-down' and other analysis on distribution statistics across LGA, Electorate and ANZSIC codes.

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NSW Auditor-General's Report to Parliament | Grants administration for disaster relief | Measuring and monitoring benefits and outcomes

Section two

Appendices

Appendix one – Response from agencies

Response from NSW Treasury

NSW GOVERNMENT | Treasury

Our Reference: TA21/1213
Your Reference:
D2108940/PA6676

Ms Margaret Crawford
NSW Auditor-General
GPO Box 12
SYDNEY NSW 2001

Dear Ms Crawford

Performance Audit – Grants administration for disaster relief

Thank you for your letter of 21 May 2021 inviting a response from NSW Treasury to the final NSW Auditor-General's Report, *Performance Audit – Grants administration for disaster Relief* (the Report).

I welcome the Report and agree with the findings and recommendations relevant to NSW Treasury.

I note the recommendation that NSW Treasury should, by December 2021, finalise and implement an evaluation of the $10,000 Support Grant and $3,000 Recovery Grant. This evaluation will commence shortly. The evaluation findings will measure the economic outcomes and capture lessons learnt to help inform the design of future stimulus measures.

I would like to thank the Audit Office's review team for working collaboratively with officers from NSW Treasury and Service NSW to make this audit a constructive and valuable report.

Should the Audit Office require additional information from NSW Treasury, please contact Mr Joshua Greenwood on 9228 3561 or via email at Joshua.Greenwood@treasury.nsw.gov.au.

Yours sincerely

Michael Pratt AM
Secretary

7 June 2021

CC Emma Hogan
Amon Rees.

GPO Box 5469, Sydney NSW 2001 ■ Telephone: (02) 9228 4567 ■ www.treasury.nsw.gov.au

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NSW Auditor-General's Report to Parliament | Grants administration for disaster relief | Appendix one – Response from agencies

Response from Department of Customer Service

NSW GOVERNMENT | **Customer Service**

McKell Building – 2-24 Rawson Place, Sydney NSW 2000
Tel 02 9372 8877 | TTY 1300 301 181
www.nsw.gov.au

Office of the Secretary

Our reference: COR-03415-2021

Ms Margaret Crawford
Auditor-General
NSW
By email: mail@audit.nsw.gov.au

Dear Auditor-General

Thank you for the opportunity to respond to the Performance Audit *Grants Administration for Disaster Relief* report, which assessed whether two different one-off grants to small business impacted by the shutdown of the NSW economy were effectively administered.

We are pleased that the report concludes that both grants were administered effectively and largely fulfilled their objectives and complied with regulatory requirements. We accept the recommendations in full.

The Department of Customer Service (DCS) and Service NSW are proud to be supporting our customers experiencing hardship throughout the COVID-19 pandemic. Service NSW was tasked by the NSW Government to administer grants to assist customers impacted by hardship events, including the COVID-19 pandemic. In carrying out this work, Service NSW's priority has been to ensure that it administers these programs efficiently to allow financial support to be available quickly to communities in need following a hardship event, whilst ensuring that risks are identified and mitigated.

Since January 2020 when Service NSW first began administering these grants, Service NSW has worked to significantly improve its grant administration systems, including incorporating stronger eligibility assessments and compliance checks, fraud controls and funds recovery processes into new grants and outward payments programs, implementing stronger fraud detection and mitigation systems and bolstering its internal capability in this area. Service NSW has also implemented stronger risk management into the administration of grants and outward payments programs, guided by our low appetite for fraud and compliance risk. This work is ongoing.

Everything that Service NSW does is in partnership with other agencies, to deliver services on their behalf, and Service NSW is committed to working with our partner agencies to continue to embed the learnings outlined in this report into our business operations.

All staff across the Customer Service Cluster must abide by various ethical policies including the Code of Ethics and Conduct, Gift Benefits and Bribes and Fraud and Corruption Awareness Policies. As part of this every staff member must complete a conflict of interest declaration annually or when conflicts change or arise, which must be approved by their manager. While a register of all conflicts can be accessed at any time by authorised officers, DCS will work to ensure the register can show both current and past declarations made by staff. DCS will also work to ensure conflict of interest declarations or similar mechanisms are made by staff involved in higher risk grant programs.

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NSW Auditor-General's Report to Parliament | Grants administration for disaster relief | Appendix one – Response from agencies

Thank you to you and your team for your work on this audit and the insights it has provided.

Yours sincerely

Emma Hogan
Secretary

Damon Rees
CEO, Service NSW

Date: 15/06/21

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NSW Auditor-General's Report to Parliament | Grants administration for disaster relief | Appendix one – Response from agencies

Appendix two – Summary of other COVID-19 Stimulus and Support for small businesses in NSW in April 2020

Exhibit 8 below outlines support programs for small businesses in NSW as at April 2020.

Exhibit 8: Summary of support programs for NSW businesses in April 2020

Program	Agency	Description	Support Small Businesses
Job creation			
$1.0 billion Working for NSW fund (announced 27 March 2020)	NSW Government	$1.0 billion fund to sustain business, create new jobs and retrain employees, including 1000 new staff for Service NSW. The fund included $250 million for additional cleaning services.	✓
Cashflow support			
Apprentice Wage Subsidy	Australian Government	Eligible employers could apply for a wage subsidy of 50 per cent of an apprentice's or trainee's wage for up to nine months from 1 January 2020 to 30 September 2020.	❗
Boosting Cash Flow for Employers (announced 12 March 2020)	Australian Government	Eligible employing businesses and not-for-profits with a turnover of less than $50.0 million were eligible for up to $100,000 to be brought forward in cashflow via the Australian Tax Office. Cash flow boosts were delivered as credits in the activity statement system and were generally equivalent to the amount withheld from wages paid to employees for each monthly or quarterly period form March to June 2020. Eligible entities could also receive an additional payment equal to the total of Boosting Cash Flow for Employers from 28 July.	✓
Temporary relief for financial distressed businesses (announced 22 March 2020)	Australian Government	The threshold at which creditors could issue a statutory demand on a company was temporarily increased, and the time companies have to respond to statutory demands they receive was also temporarily increased. The package included temporary relief for directors for any personal liability while trading insolvent.	✓

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NSW Auditor-General's Report to Parliament | Grants administration for disaster relief | Appendix two – Summary of other COVID-19 Stimulus and Support for small businesses in NSW in April 2020

Program	Agency	Description	Support Small Businesses
Access to funding (announced 19 March 2020)	Australian Government	The Australian Office of Financial Management (AOFM) was provided with an investment capacity of $15.0 billion to invest in wholesale funding markets, used by both small authorised deposit-taking institutions (ADIs) and non-bank lenders to enable smaller lenders to continue supporting Australian consumers and small businesses.	✓
Access to funding (announced 19 March 2020)	RBA	Reserve Bank of Australia (RBA) provided a $90.0 billion term funding facility for ADIs which will also provide support for SMEs through protecting their access to cheap funding and includes incentives to lend to SMEs.	✓
Faster payments scheme (announced 31 March 2020)	NSW Government	Immediate payment of all current suppliers and contractors ahead of contracted terms to release $750 million of working capital into the NSW economy by early April. NSW Government anticipated this would flow through to businesses, making it easier to retain staff.	✓
Business investments			
Instant Asset Write Off Increase (announced 12 March 2020)	Australian Government	Instant asset write off increased from $30,000 to $150,000 for businesses with a turnover of up to $500 million.	✓
Accelerated Depreciation (announced 12 March 2020)	Australian Government	Businesses with a turnover of less than $500 million could deduct 50 per cent of the cost of an eligible asset on installation, with existing depreciation rules applying to the balance of the asset's cost.	✓
Government loan guarantees for capital (announced 22 March 2020)	Australian Government	The Australian Government would guarantee 50 per cent of new loans issued to small and medium businesses by eligible lenders.	✓
Tourism, waiving of fees, deferring tax obligations			
Regional Community Support Fund	Australian Government	Targeted to areas most affected by Covid-19, including: • waiver of fees for Tourism businesses operating in Commonwealth National Parks • additional assistance through Austrade for businesses to diversify their supply chain • tourism Advertising targeting the domestic market.	❗
Tax Relief	Australian Tax Office	Deferral of tax obligations for affected businesses.	✓
Aviation industry support (announced 18 March 2020)	Australian Government	$715 million to support Australian airlines and airports.	❗

Program	Agency	Description	Support Small Businesses
Financial assistance			
Payroll Tax Relief (announced 17-27 March 2020)	Revenue NSW	Deferral of payroll tax for businesses with payrolls over $10.0 million for six months (up to $4.0 billion deferred).	✓
	Revenue NSW	$450 million to waive payroll tax for businesses with payrolls of up to $10.0 million for three months.	✓
	Revenue NSW	$56.0 million to bring forward the next round of payroll tax cuts by raising the threshold limit to $1.0 million in 2020–21.	✓
Wage Subsidy (JobKeeper Payment) (announced 30 March 2020)	Australian Government	$130 billion for Australian employers that experienced a decrease in turnover of at least 30 per cent, were eligible for a flat rate $1,500 per fortnight per employee wage subsidy to retain employees for six months. Full-time, part-time, sole traders, and casuals (employed for at least 12 months) were eligible.	✓
Fee relief (announced 15 April 2020)	Service NSW	$80 million to waive a range of fees and charges for small businesses including bars, cafes, restaurants and trades.	✓
Loan repayment relief (announced 20 March 2020)	Private sector – banking	Six-month deferral of all loan repayments (interest capitalised) for any small business affected by COVID-19, regardless of industry. Businesses with loan facilities up to $10.0 million were eligible, which covers 98 per cent of Australian businesses and up to $250 billion worth of loans. Small businesses will directly benefit from deferral of their own loans, and indirectly benefit through commercial property owners being eligible if they do not evict small business tenants.	✓
Deferral of gaming tax	NSW Government	Deferral of gaming tax for clubs, pubs and hotels, and lotteries tax for six months, conditional on these funds being used to retain staff.	✓
Deferral of the parking space levy (announced 27 March 2020)	NSW Government	Deferral of the parking space levy for six months.	✓
Deferral of rents in government-owned premises (announced 27 March 2020)	NSW Government	Deferral of rents for six months for commercial tenants with less than 20 employees in all government-owned properties.	✓
Moratorium on rental evictions (announced 15 April 2020)	Australian and NSW Government	Landlords were unable to evict commercial and residential tenants for six months if they are affected by COVID-19 and are unable to pay rent as a result.	✓

Program	Agency	Description	Support Small Businesses
General stimulus			
Maintenance and Infrastructure (announced 17 March 2020)	NSW Government	$250 million to employ additional cleaners to clean public infrastructure such as transport assets, schools and other public buildings.	❗
	NSW Government	Over $250 million to bring forward maintenance of public assets including social housing and crown land fencing.	✔
	NSW Government	$500 million to bring forward capital works and maintenance.	✔
Health system boost			
Building capacity of health system (announced 17 March 2020)	NSW Government	$700 million in additional funding for NSW Health to assist in doubling ICU capacity, preparing for additional COVID-19 testing, purchasing additional ventilators and medical equipment, establishing acute respiratory clinics and bringing forward elective surgeries to private hospitals.	❗
Local manufacturers filling gaps in medical supply chains (announced 1 April 2020)	NSW Government	A portal on the eTendering website allowed NSW manufacturing companies to register their interest in manufacturing medical supplies or suppling the required raw materials. This initiative aimed to address the global shortage of medical supplies and provide businesses with the opportunity to retain staff where their primary production has seen a decrease in demand or has experienced supply chain disruptions (example – alcohol distillers pivoting to produce hand sanitiser).	✔
Business continuity			
Australian Business Continuity (announced 24 March 2020)	Australian Government & Australian Information Industry Association	Website created to provide access to free business services during COVID-19, including for Australians on teleworking technologies.	✔
Amending licencing and regulation requirements			
Relaxing liquor licensing compliance (announced 23 March 2020)	Liquor and Gaming NSW	Relaxed liquor licensing compliance requirements to allow licensed venues that are not authorised to sell alcohol for off-site consumption to sell alcohol for off-site consumption.	✔

Program	Agency	Description	Support Small Businesses
Increased access to leave			
Greater access to long service leave for employees (announced 24 March 2020)	NSW Government	Amendments to the *Long Services Leave Act 1955* to create greater flexibility for employers and employees to access leave. Changes allow employees to take leave in shorter blocks, and without the traditional one-month notice period, by agreement with their employer.	✓
Business advice			
24-hour COVID-19 Hotline (announced 26 March 2020)	Service NSW	A 24-hour hotline, run by Service NSW, to provide workers and businesses with greater access to advice and support on non-health related COVID-19 matters.	✓
Extended operating hours			
24-hour operation of supermarkets and pharmacies (announced 25 March 2020)	NSW Government	Changes to the Environmental Planning and *Assessment Act 1979* to permit supermarkets and pharmacies to operate 24-hours a day to ensure communities have access to essential goods at all times during the COVID-19 pandemic.	✓
Home business operating hours			
24-hour operation of home businesses and employee more than two people (announced 25 March 2020)	NSW Government	Changes to the *Environmental Planning and Assessment Act 1979* to permit home businesses to operate 24 hours per day and to employ more than two people other than the permanent residents of the dwelling, but not more than five people, providing they can abide by social distancing rules.	✓

Key	✓ Fully addressed	➖ Partially addressed	❗ Not addressed

Source: NSW Treasury, 2020.

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NSW Auditor-General's Report to Parliament | Grants administration for disaster relief | Appendix two – Summary of other COVID-19 Stimulus and Support for small businesses in NSW in April 2020

Appendix three – Public Health Orders

Exhibit 9: Public Health Orders timeline

Public Health Order	Date	Direction of the minister
Public Health (COVID-19 Public Events Order 2020)	15 March 2020	• Restriction on public events of over 500 persons, excluding courts, educational institutions, transport services and workplaces.
Public Health (COVID-19 Mass Gatherings) Order 2020	18 March 2020	• Restriction on allowing, organising and attending mass gatherings of over 100 persons for indoor venues or over 500 for outdoor venues, excluding transport, hospitals and health care facilities, emergency services, justice facilities, supermarkets and retail stores, educational institutions, offices and other workplaces, hotels and accommodation.
Public Health (COVID-19 Gatherings) Order 2020	21 March 2020	• Restriction on allowing, organising, attending mass gathering on premises in NSW unless there is four square metres of space for each person on the premises, excluding transport, hospitals and health care facilities, emergency services, justice facilities, supermarkets and retail stores, educational institutions, offices and other workplaces, hotels and accommodation.
Public Health (COVID-19 Places of Social Gathering) Order 2020	23 March 2020	• Closure of pubs and clubs (except for selling takeaway food), food and drink premises, entertainment facilities, amusement centres, casinos, microbreweries or small distilleries, indoor recreation facilities, places of public worship.
Public Health (COVID-19 Gatherings) Order (No 2) 2020	25 March 2020	• Restrictions on allowing, organising or attending a mass gathering unless the size of the premises is sufficient to ensure there is four square metres for each person. • Closure of pubs and clubs, food and drink premises, entertainment facilities, amusement centres, casinos, microbreweries or small distilleries, indoor recreation facilities, places of worship, beauty salons, hairdressers, auction houses, markets, information/education facilities, caravan parks/camping grounds, community facilities.

Public Health (COVID-19 Gatherings) Order (No 3) 2020	27 March 2020	• Until 23 June 2020:
		  – restrictions on allowing, organising or attending a mass gathering unless the size of the premises is sufficient to ensure there is four square metres for each person. Also introduced limited exceptions for 'essential gatherings'
		  – closure of pubs and clubs, food and drink premises, entertainment facilities, amusement centres, casinos, microbreweries or small distilleries, indoor recreation facilities, places of worship, beauty salons, hairdressers, auction houses, markets, information/education facilities, caravan parks/camping grounds, community facilities.

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NSW Auditor-General's Report to Parliament | Grants administration for disaster relief | Appendix three – Public Health Orders

Public Health Order	Date	Direction of the minister
Public Health (COVID-19 Restrictions on Gathering and Movement) Order 2020	30 March 2020	• Restrictions on movement without a reasonable excuse. • Restrictions on gathering of over two persons. • Closure of pubs and clubs, food and drink premises, entertainment facilities, amusement centres, casinos, microbreweries or small distilleries, indoor and outdoor recreation facilities, places of worship, beauty salons, hairdressers, auction houses, markets, information/education facilities, caravan parks/camping grounds, community facilities.
Public Health (COVID-19 Restrictions on Gathering and Movement) Order (No 2) 2020	14 May 2020	• Employers must allow employees to work at home where reasonably practicable. • Restrictions on gatherings of over five people at a primary residence, and over ten people in a public place. • Continued closure of pubs and clubs, food and drink premises, entertainment facilities, amusement centres, casinos, microbreweries or small distilleries, indoor and outdoor recreation facilities, places of worship, beauty salons, hairdressers, auction houses, markets, information/education facilities, caravan parks/camping grounds, community facilities.
Public Health (COVID-19 Restrictions on Gathering and Movement) Order (No 3) 2020	1 June 2020	• Revocation of the previous Public Health Order. • Specified limitations on numbers of persons allowed on certain premises (including recreational facilities, camping grounds, casinos, food and drink premises, pubs and clubs, community centres, accommodation, beauty salons, retail stores) as part of an individual group of more than ten persons, applying the four square metre rule. • Restrictions on gatherings of over five persons at a primary residence and ten persons at a public gathering. • Restrictions on gatherings of over 500 persons at a non-residential outdoor place, or 100 persons at a non-residential indoor place, applying the four square metre rule. • Continued work from home requirements, and closure of amusement centres, entertainment facilities, indoor recreational facilities.
Public Health (COVID-19 Restrictions on Gathering and Movement) Amendment Order (No 3) 2020	12 June 2020	• Amendments to the above order No 3 of 2020, including increasing the gathering limits at residential premises and public gatherings to 20 persons.

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NSW Auditor-General's Report to Parliament | Grants administration for disaster relief | Appendix three – Public Health Orders

Public Health Order	Date	Direction of the minister
Public Health (COVID-19 Restrictions on Gathering and Movement) Order (No 4) 2020	1 July 2020	• Occupiers of previously closed industries including amusement centres, aquariums, auction houses, beauty salons, caravan parks/camping grounds, food and drink premises, education facilities, pubs and clubs, indoor and outdoor recreation, community facilities must develop and comply with a COVID safety plan that addressed the COVID safety checklist developed by the Chief Health Officer. • Restrictions on gatherings at residential premises and in public restricted to 20 visitors. • Gatherings at residential premises and in public restricted to 20 visitors.

Source: Audit Office, 2021 from NSW Legislation.

Appendix four – Highly impacted industries

Exhibit 10: List of highly impacted industries

Industry	Industry category	
Accommodation and food services	Accommodation	Cafés and restaurants
	Catering services	Clubs (hospitality)
	Pubs, taverns and bars	
Administrative and support services	Other administrative services	Travel agency and tour arrangement services
Arts and recreation services	Amusement and other recreational activities not elsewhere classified	Amusement parks and centres operation
	Casino operation	Health and fitness centres and gymnasia operation
	Horse and dog racing administration and track operation	Museum operation
	Nature reserves and conservation parks operation	Other gambling activities
	Other horse and dog racing activities	Performing arts operation
	Performing arts venue operation	Sports and physical recreation administrative service
	Sports and physical recreation clubs and sports professionals	Sports and physical recreation instruction
	Zoological and botanical gardens operation	Sports and physical recreation venues, grounds and facilities operation
Information media and telecommunications	Libraries and archives	Motion picture exhibition
Manufacturing	Beer manufacturing	Spirit manufacturing
	Wine and other alcoholic beverage manufacturing	
Rental, hiring and real estate services	Real estate services	
Other services	Brothel keeping and prostitution services	Hairdressing and beauty services
	Laundry and dry-cleaning services	Other personal services not elsewhere classified
Retail (excluding food retailing)	Antique and used goods retailing	Car retailing
	Clothing retailing	Computer and computer peripheral retailing
	Department stores	Electrical, electronic and gas appliance retailing
	Entertainment media retailing	
	Flower retailing	Floor coverings retailing
	Furniture retailing	Footwear retailing
	Hardware and building supplies	

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NSW Auditor-General's Report to Parliament | Grants administration for disaster relief | Appendix four – Highly impacted industries

Industry	Industry category	
	Retailing	Garden supplies retailing
	Manchester and other textile goods retailing	Houseware retailing
	Motor cycle retailing	Marine equipment retailing
	Newspaper and book retailing	Motor vehicle parts retailing
	Other electrical and electronic goods retailing	Non-store retailing
	Other store-based retailing not elsewhere classified	Other personal accessory retailing
	Retail commission-based buying and/or selling	Pharmaceutical, cosmetic and toiletry goods retailing
	Stationery goods retailing	Sport and camping equipment retailing
	Watch and jewellery retailing	Toy and game retailing
		Tyre retailing
		Trailer and other motor vehicle retailing
Transport	Air and space transport	Scenic and sightseeing transport
	Water passenger transport	
Education and Training	Adult, community and other education not elsewhere classified	Arts education
	Combined primary and secondary education	Educational support services
	Higher education	Preschool education
	Primary education	Secondary education
	Special school education	Sports and physical recreation instruction
		Technical and vocational education and training
Wholesale trade	Book and magazine wholesaling	Clothing and footwear wholesaling
	Commission-based wholesaling	Furniture and floor covering wholesaling
	Jewellery and watch wholesaling	Kitchen and dining ware wholesaling
	Other goods wholesaling not elsewhere classified	Paper product wholesaling
	Pharmaceutical and toiletry goods wholesaling	Textile product wholesaling
		Toy and sporting goods wholesaling
Professional, Scientific and Technical Services	Professional photographic services	

Source: Service NSW and NSW Treasury, 2020.

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NSW Auditor-General's Report to Parliament | Grants administration for disaster relief | Appendix four – Highly impacted industries

Appendix five – About the audit

Audit objective

This audit assessed whether grants programs administered under the Small Business support Fund were effectively designed and implemented to provide disaster relief.

Audit criteria

We addressed the audit objective by examining the following criteria:

1.   Were funded programs planned, designed and targeted effectively?
2.   Were funded programs implemented in line with grant program objectives and criteria?
3.   Have entities established measures to monitor intended benefits and outcomes?

Audit scope and focus

In assessing the criteria, we checked the following aspects:

1.   Were funded programs planned, designed and targeted effectively?
     a)   sound methodologies and assumptions were used to design and target grants programs to meet program objectives
     b)   sponsor agencies established clear program objectives, eligibility criteria, risk management and other delivery requirements for delivery agencies
     c)   sponsor agencies established governance arrangements, roles and responsibilities and support for delivery agencies
2.   Were funded programs implemented in line with grant program objectives and criteria
     a)   delivery agencies implemented the grants program in line with objectives, criteria and guidance
     b)   the eligibility, guidelines, application process and entity systems enabled clear, transparent and efficient grantee applications
     c)   funds to approved recipients were distributed in line with the grant objectives and guidance, including rapid disbursement
3.   Have entities established measures to monitor intended benefits and outcomes?
     a)   an evaluation plan was established to evaluate impacts, and obtain feedback from grantees
     b)   intended benefits and outcomes were monitored to assess achievement of program objectives
     c)   controls were in place to identify fraud, reduce waste and remediate inefficiencies.

Audit exclusions

The audit did not:

- examine any other grant programs not administered under the Small Business Support Fund such as the:
  - bushfire recovery grants
  - drought assistance loan schemes
- examine schemes administered on behalf of the Commonwealth
- comment on government policy objectives.

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NSW Auditor-General's Report to Parliament | Grants administration for disaster relief | Appendix five – About the audit

Audit approach

Our procedures included:

1. interviews[2] with relevant staff from NSW Treasury, Service NSW and the Department of Customer Service responsible for:
    -   advising senior decision makers on the design and implementation of the grants programs
    -   implementing the grants program and administrative processes
    -   benefits management and evaluation.
2. examining and analysing relevant documents and data used to:
    -   establish objectives, eligibility criteria and guidelines and intended outcomes for the grants programs
    -   develop assumptions for the grants programs design
    -   establish implementation plans and governance
    -   determine and measure benefits and outcomes
    -   monitor and report on delivery progress and risk management
3. understanding and evaluating relevant internal controls
4. performing independent testing and data analytics over paid grants for the selected programs.

The audit approach was complemented by quality assurance processes within the Audit Office to ensure compliance with professional standards.

Audit methodology

Our performance audit methodology is designed to satisfy Australian Audit Standard ASAE 3500 Performance Engagements and other professional standards. The standards require the audit team to comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance and draw a conclusion on the audit objective. Our processes have also been designed to comply with requirements specified in the *Public Finance and Audit Act 1983* and the *Local Government Act 1993*.

Acknowledgements

We gratefully acknowledge the co-operation and assistance provided by staff from NSW Treasury, Service NSW and the Department of Customer Service, recognising in particular the challenges associated with COVID-19 restrictions. We also gratefully acknowledge the representatives from stakeholder organisations who participated in the audit.

Audit cost

The audit cost is $360,000 including expenses.

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[2] Interviews were conducted online due to the COVID-19 restrictions in place at the time of the audit.

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NSW Auditor-General's Report to Parliament | Grants administration for disaster relief | Appendix five – About the audit

Appendix six – Performance auditing

What are performance audits?

Performance audits determine whether state or local government entities carry out their activities effectively, and do so economically and efficiently and in compliance with all relevant laws.

The activities examined by a performance audit may include a government program, all or part of an audited entity, or more than one entity. They can also consider particular issues which affect the whole public sector and/or the whole local government sector. They cannot question the merits of government policy objectives.

The Auditor-General's mandate to undertake performance audits is set out in section 38B of the *Public Finance and Audit Act 1983* for state government entities, and in section 421B of the *Local Government Act 1993* for local government entities.

Why do we conduct performance audits?

Performance audits provide independent assurance to the NSW Parliament and the public.

Through their recommendations, performance audits seek to improve the value for money the community receives from government services.

Performance audits are selected at the discretion of the Auditor-General who seeks input from parliamentarians, state and local government entities, other interested stakeholders and Audit Office research.

How are performance audits selected?

When selecting and scoping topics, we aim to choose topics that reflect the interests of parliament in holding the government to account. Performance audits are selected at the discretion of the Auditor-General based on our own research, suggestions from the public, and consultation with parliamentarians, agency heads and key government stakeholders. Our three-year performance audit program is published on the website and is reviewed annually to ensure it continues to address significant issues of interest to parliament, aligns with government priorities, and reflects contemporary thinking on public sector management. Our program is sufficiently flexible to allow us to respond readily to any emerging issues.

What happens during the phases of a performance audit?

Performance audits have three key phases: planning, fieldwork and report writing.

During the planning phase, the audit team develops an understanding of the audit topic and responsible entities and defines the objective and scope of the audit.

The planning phase also identifies the audit criteria. These are standards of performance against which the audited entity, program or activities are assessed. Criteria may be based on relevant legislation, internal policies and procedures, industry standards, best practice, government targets, benchmarks or published guidelines.

At the completion of fieldwork, the audit team meets with management representatives to discuss all significant matters arising out of the audit. Following this, a draft performance audit report is prepared.

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NSW Auditor-General's Report to Parliament | Grants administration for disaster relief | Appendix six – Performance auditing

The audit team then meets with management representatives to check that facts presented in the draft report are accurate and to seek input in developing practical recommendations on areas of improvement.

A final report is then provided to the head of the audited entity who is invited to formally respond to the report. The report presented to the NSW Parliament includes any response from the head of the audited entity. The relevant minister and the Treasurer are also provided with a copy of the final report. In performance audits that involve multiple entities, there may be responses from more than one audited entity or from a nominated coordinating entity.

Who checks to see if recommendations have been implemented?

After the report is presented to the NSW Parliament, it is usual for the entity's audit committee to monitor progress with the implementation of recommendations.

In addition, it is the practice of Parliament's Public Accounts Committee to conduct reviews or hold inquiries into matters raised in performance audit reports. The reviews and inquiries are usually held 12 months after the report received by the NSW Parliament. These reports are available on the NSW Parliament website.

Who audits the auditors?

Our performance audits are subject to internal and external quality reviews against relevant Australian and international standards.

The Public Accounts Committee appoints an independent reviewer to report on compliance with auditing practices and standards every four years. The reviewer's report is presented to the NSW Parliament and available on its website.

Periodic peer reviews by other Audit Offices test our activities against relevant standards and better practice.

Each audit is subject to internal review prior to its release.

Who pays for performance audits?

No fee is charged for performance audits. Our performance audit services are funded by the NSW Parliament.

Further information and copies of reports

For further information, including copies of performance audit reports and a list of audits currently in-progress, please see our website www.audit.nsw.gov.au or contact us on 9275 7100.

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NSW Auditor-General's Report to Parliament | Grants administration for disaster relief | Appendix six – Performance auditing

OUR VISION

Our insights inform and challenge
government to improve outcomes
for citizens.

OUR PURPOSE

To help parliament hold government
accountable for its use of
public resources.

OUR VALUES

Pride in purpose

Curious and open-minded

Valuing people

Contagious integrity

Courage (even when it's uncomfortable)

audit office
OF NEW SOUTH WALES

audit.nsw.gov.au

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