Bushfire recovery grants

audit
office
OF NEW SOUTH WALES

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We conduct financial or 'attest' audits of state public sector and local government entities' financial statements. We also audit the Consolidated State Financial Statements, a consolidation of all state public sector agencies' financial statements.

Financial audits are designed to add credibility to financial statements, enhancing their value to end-users. Also, the existence of such audits provides a constant stimulus to entities to ensure sound financial management.

Following a financial audit the Audit Office issues a variety of reports to entities and reports periodically to Parliament. In combination, these reports give opinions on the truth and fairness of financial statements, and comment on entity internal controls and governance, and compliance with certain laws, regulations and government directives. They may comment on financial prudence, probity and waste, and recommend operational improvements.

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As well as financial and performance audits, the Auditor-General carries out special reviews, compliance engagements and audits requested under section 27B(3) of the *Government Sector Audit Act 1983*, and section 421E of the *Local Goverment Act 1993*.

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In accordance with section 38EC of the *Government Sector Audit Act 1983,* I present a report titled **'Bushfire recovery grants'.**

Margaret Crawford
Auditor-General for New South Wales
2 February 2023

audit.nsw.gov.au

RECONCILIATION COMMITMENT STATEMENT

The Audit Office of New South Wales pay our respect and recognise Aboriginal people as the traditional custodians of the land in NSW.

We recognise that Aboriginal people, as custodians, have a spiritual, social and cultural connection with their lands and waters, and have made and continue to make a rich, unique and lasting contribution to the State. We are committed to continue learning about Aboriginal and Torres Strait Islander peoples' history and culture.

We honour and thank the traditional owners of the land on which our office is located, the Gadigal people of the Eora nation, and the traditional owners of the lands on which our staff live and work. We pay our respects to their Elders past and present, and to the next generation of leaders.

audit office
OF NEW SOUTH WALES

contents

Bushfire recovery grants

Auditor-General's foreword

This audit assessed how effectively the Department of Regional NSW and Resilience NSW administered rounds one and two of the Bushfire Local Economic Recovery (BLER) program.

As noted in this report, Resilience NSW was involved in the set-up and ongoing administration and monitoring of the BLER program. During the audited period, Resilience NSW was tasked with working with the Department of Regional NSW to create program objectives, guidelines and criteria. Their role also involved liaising with the Commonwealth Government, which provided co-funding for the program. Resilience NSW also had an ongoing role in quality assurance and compliance to ensure agencies administering disaster assistance did so in accordance with relevant guidelines. On 16 December 2022, the NSW Government abolished Resilience NSW.

Our work for this performance audit was completed on 3 November 2022, when we issued the final report to the two audited agencies. The audit report does not make specific recommendations to Resilience NSW. On 24 November 2022, the then Commissioner of Resilience NSW provided a response to the final report, which we include as it is the formal response from the audited entity at the time the audit was conducted.

Section one

Bushfire recovery grants

Executive summary

During the 2019–20 bushfire season, New South Wales experienced 11,774 fire incidents, burning 5.5 million hectares of the state. There were 26 fatalities and 2,476 homes destroyed. The agriculture sector was heavily impacted with 601,858 hectares of pasture damaged.

Due to the widespread impacts of these fires on the state, the NSW and Commonwealth governments committed $4.4 billion toward bushfire response, recovery, and preparedness. This included the establishment of the Bushfire Local Economic Recovery (BLER) program, with $541.8 million committed to support job retention and creation in areas impacted by bushfires. The program also aims to strengthen community resilience and reduce the impact of future natural disasters. The BLER program is co-funded, with the Commonwealth and NSW governments funding 50% each.

The BLER program is comprised of three funding rounds:

- round one early co-funding, split between
  - Fast-Tracked projects
  - Sector Development Grants (SDG)
- round two: open round
- round three: final projects and initiatives.

Resilience NSW was involved in setting up the BLER program and the Department of Regional NSW (the department) is responsible for administering it. The Commonwealth National Recovery and Resilience Agency must also endorse any projects proposed by the NSW Government for funding as part of the funding agreement between the State and Commonwealth governments.

Successful projects under the SDG stream were announced in September 2020 and projects funded through the Fast-Tracked stream were announced in October 2020. Round two (the open round) was administered after these two streams and successful projects were announced in June 2021.

The Department of Premier and Cabinet established the 'Good Practice Guide to Grants Administration' (the Good Practice Guide) in 2010 to assist the NSW Government in ensuring grants administration was performed consistently across all NSW Government grants programs. Compliance with the Good Practice Guide was not compulsory, but provided an outline of best practice covering the entire lifecycle of a grants program. This guide was in place at the time these grants were designed and administered.

The design and delivery of round one of the program occurred quickly, as part of the response to the 2019–20 bushfires, and was responding to a request from the Commonwealth Government for rapid project identification.

The objective of this audit was to assess how effectively the Department of Regional NSW and Resilience NSW administered rounds one and two of the BLER program. Round three was excluded from this audit because it had not been announced at the time of the audit.

We addressed this objective by examining whether the audited agencies:

- effectively planned administration of the BLER program and established appropriate guidelines
- implemented an effective assessment process for the BLER program
- are effectively monitoring implementation of projects and program outcomes.

Conclusion

The Department of Regional NSW did not effectively administer the Fast-Tracked stream of the Bushfire Local Economic Recovery program. The administration process lacked integrity, given it did not have sufficiently detailed guidelines, and the assessment process for projects lacked transparency and consistency.

There were significant gaps in the documentation of decision-making throughout this funding stream. At the request of the Deputy Premier's office, a $1 million threshold was applied, below which projects were not approved for funding. This threshold was applied without a documented reason and was not part of the program guidelines. The department advises that some of the projects excluded through application of the threshold were subsequently funded from other programs.

The department's administration of the Sector Development Grants stream had a detailed and transparent assessment process. That said, conflicts of interest were not effectively managed, and the department did not effectively engage with stakeholders during the grants process.

The department's administration of the open round included a clearly documented, detailed and transparent assessment framework that it followed throughout. The department also implemented probity arrangements in the open round, although some weaknesses in the department's approach to conflicts of interest remained.

Fast-Tracked stream

Following requests from the Commonwealth Government in May and June 2020 to identify projects rapidly and as soon as practical, the department used an expedited process to identify relevant projects that had applied for other grants programs but had not received funding or which were identified as local priority projects. The department developed a set of guidelines for the Fast-Tracked stream based on draft Commonwealth funding criteria, but the department's guidelines lacked sufficient detail to ensure transparent and consistent decision-making. The guidelines also did not contain detailed information on how the assessment and approval processes would work. The department did not implement conflict of interest declarations for staff involved in the assessment process.

The assessment process implemented for the Fast-Tracked stream deviated from the guidelines. For example, the guidelines did not set out a role for the then Deputy Premier or his office in the assessment process, but the Deputy Premier's office played a key role in project selection. At the direction of the Deputy Premier's office, a $1 million minimum threshold, not mentioned in the guidelines, was applied to projects, below which, projects would not be funded. This resulted in a number of shortlisted projects in areas highly impacted by the bushfires, including all shortlisted projects located in Labor Party-held electorates, being excluded without a rationale being documented at the time. The department advised that some of these projects were subsequently funded through other funding streams.

The department's assessment process was inconsistent, poorly documented and lacked transparency. The department initially identified 445 potential projects through consultation with councils and through identifying projects that had been unsuccessful for other grant programs. The department only assessed 164 of these 445 projects for funding against the criteria in the guidelines. The department did not document the rationale for not assessing the remaining 281 projects against the criteria. The department also sought advice from Public Works Advisory (PWA) on whether projects could commence within six months, which was an eligibility criterion for the Fast-Tracked stream. PWA were only asked to assess 25 of the 445 projects, of which 19 were funded through the Fast-Tracked stream. The department also did not consistently follow PWA's advice and funded projects which PWA had advised were unable to commence within six months, which was not in line with the guidelines.

The department monitors 21 of the 22 Fast-Tracked projects on a quarterly basis to ensure projects are on track. Resilience NSW is responsible for the remaining project and does not monitor this on a quarterly basis but has established a project control group that performs a similar function. The agencies advised that this project is being transitioned to the department's management.

Sector Development Grants (SDG)

The department designed and published guidelines for the SDG stream. The guidelines largely align with the Department of Premier and Cabinet's 'Good Practice Guide to Grants Administration', although they could have been strengthened by including more detail on the eligibility of projects and the role of cost benefit analyses in the assessment process. The guidelines included a detailed and transparent assessment process which the department largely followed.

There were gaps in the administration of the SDG stream assessment process. The department did not effectively manage conflicts of interest as it did not ensure all required conflict of interest forms were completed and some forms were completed after the assessment process was finalised. The department also advised that the final version of the conflict of interest register, which contained the declarations for the SDG stream, was lost during a record management system change. The department did not develop guidance for communicating with stakeholders for the SDG stream. Feedback was received from industries which had been excluded from the SDG stream, relaying their concerns, and requesting a broader range of agribusiness sectors be considered for eligibility. A communications plan or strategy could have incorporated guidance on engaging agribusiness stakeholders during the planning stages of the stream, ensuring they were aware of the rationale for the eligible industries selected.

The majority of SDG funding went to areas highly impacted by the bushfires, although some highly impacted areas received less funding than lower impacted areas, and there is no clear reason for this.

The department does not monitor SDG projects on a quarterly basis to ensure that they remain on track but it ensures it has sufficient evidence that milestones have been completed before making funding payments.

Open round

The department designed and implemented a clearly documented and detailed assessment process for the open round. There were some areas where the process could have been improved, for example, the published guidelines did not set out the role of the former Deputy Premier or include reference to consultation with members of Parliament (MP) as part of the process, despite the fact that MPs were consulted as part of this round.

The department improved its management of conflicts of interest compared to the Fast-Tracked and SDG streams by maintaining a conflict of interest register, though not all conflict of interest declarations were collected. The department also developed a communications plan which led to improvements in stakeholder engagement.

One of the purposes of the open round was to distribute funding to local government areas (LGA) which did not receive funding through the Fast-Tracked stream. This intention was not outlined in the guidelines for this funding stream. The majority of funding from the open round went to LGAs which had been highly impacted by the bushfires.

The department monitors the open round projects on a quarterly basis to ensure that they are on track.

1. Recommendations

To promote integrity and transparency, the Department of Regional NSW should ensure that for all future grant programs it:

1. establishes and follows guidelines that align with relevant good practice guidance including accountabilities, key assessment steps and clear assessment criteria

2. ensures a communications plan is in place, including the communication of guidelines to potential applicants

3. ensures staff declare conflicts of interest prior to the commencement of a grants stream, and that these conflicts of interest are recorded and managed

4. ensures regular monitoring is in place as part of funding deeds

5. documents all key decisions and approvals in line with record keeping obligations.
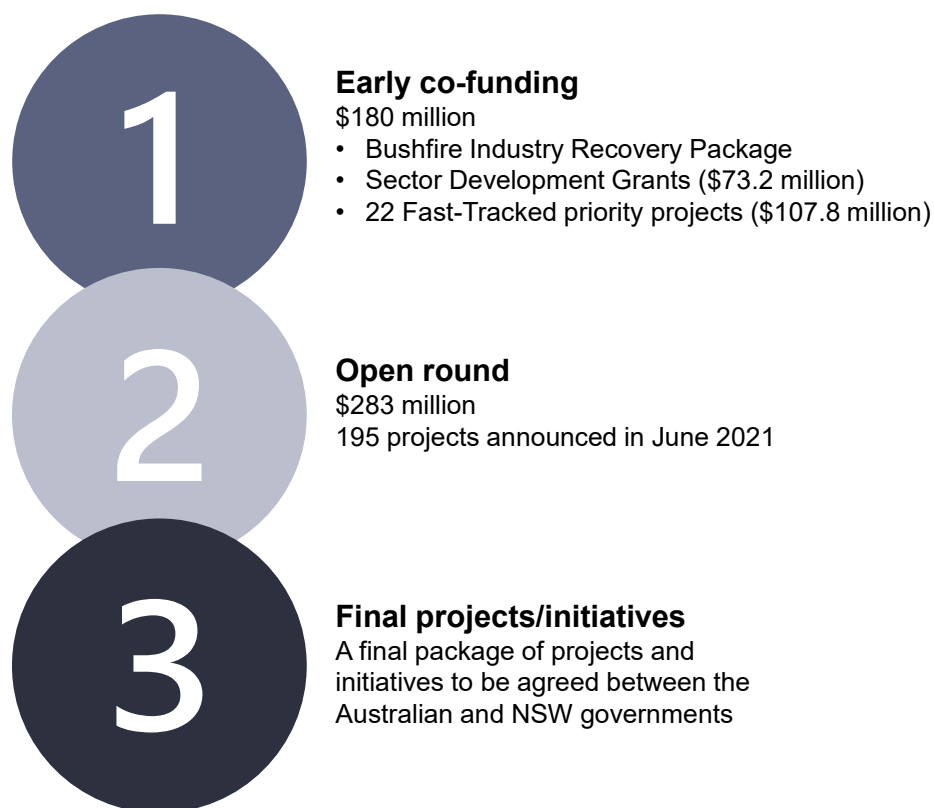
1. Introduction

1.1 Background

During the 2019–20 bushfire season, New South Wales experienced 11,774 fire incidents, burning 5.5 million hectares of the state. There were 26 fatalities and 2,476 homes destroyed. The agriculture sector was heavily impacted with 601,858 hectares of pasture damaged.

Due to the widespread impacts of these fires on the state, the NSW and Commonwealth governments committed $4.4 billion toward bushfire response, recovery, and preparedness. This included the establishment of the Bushfire Local Economic Recovery (BLER) program, with over $541.8 million committed to support job retention and creation in areas impacted by bushfires. The program also aims to strengthen community resilience and reduce the impact of future natural disasters. The BLER program is made up of three funding rounds:

- round one early co-funding, split between:[1]
    – Fast-Tracked projects
    – Sector Development Grants (SDG)
- round two (open round)
- round three final projects and initiatives (not yet announced and out of scope for this audit).

Exhibit 1: Breakdown of the BLER program

1

Early co-funding
$180 million
- Bushfire Industry Recovery Package
- Sector Development Grants ($73.2 million)
- 22 Fast-Tracked priority projects ($107.8 million)

2

Open round
$283 million
195 projects announced in June 2021

3

Final projects/initiatives
A final package of projects and initiatives to be agreed between the Australian and NSW governments

Source: Department of Regional NSW.

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[1] One additional project under the NSW Government's 'Food and Fibre' program and an additional project in response to the NSW Bushfire Inquiry were also funded as part of round one of the BLER program. These projects were not considered in detail as part of this audit.

Resilience NSW (RNSW) and the Department of Regional NSW (the department) have been involved in the set-up and ongoing administration and monitoring of the BLER program. RNSW was mostly involved in its establishment, working with the department to create program objectives, guidelines, and criteria. Their role also involved liaising with the Commonwealth Government, which provided co-funding for the program through its Local Economic Recovery Fund (LER). RNSW also had an ongoing role in quality assurance and compliance to ensure agencies administering disaster assistance are doing so in accordance with relevant guidelines.

In addition to working with RNSW on the establishment of the program, the department is primarily responsible for administering the BLER program. It facilitated the application and assessment processes, and communication with applicants and potential applicants across the first two rounds of the BLER program. The department is also primarily responsible for monitoring the implementation of projects and program outcomes, excluding one project where RNSW is the responsible party set out in the funding deed.

1.2   Local Economic Recovery Fund

On 11 May 2020, the Commonwealth Government announced $448.5 million in funding for bushfire recovery, including $350 million for a Local Economic Recovery Fund (LER). On 25 May 2020, the Coordinator of the then National Bushfire Recovery Agency (NBRA)[2] wrote to the Commissioner of RNSW stating that the Commonwealth Government would work with the NSW Government to agree on an overarching inter-jurisdictional agreement. RNSW was responsible for liaising with the Commonwealth when establishing the LER, including discussing draft criteria and representing the NSW Government on national committees.

Of this $350 million, New South Wales was due to receive $270.9 million. As co-funding was a precondition for receiving the Commonwealth funding, the NSW Government committed to matching the Commonwealth's investment. On 13 October 2020, the then Acting Deputy Premier wrote to the Commonwealth Minister for Agriculture, Drought and Emergency Management advising that New South Wales had agreed to match the Commonwealth's funding.

The agreed purpose of the LER was to provide joint Commonwealth and State funding for projects that support local and regional economic and social recovery in areas most severely impacted by the 2019–20 bushfires. A set of draft criteria for LER projects was first circulated on 29 May 2020, and the overarching framework for the LER was finalised on 21 September 2020. The following criteria were agreed for the LER:

- Balance and need – Diverse local and regional recovery needs are balanced, effort and funding duplication is avoided, vulnerable groups and diverse populations are supported, and unintended consequences are minimised.
- Alignment – Projects align to and support medium to long-term economic recovery needs identified in state, local and regional recovery plans and are consistent with relevant national policy frameworks.
- Enduring benefit – Local and regional recovery is tangible, sustainable, builds future resilience, and reduces future disaster risk.
- Funding stream suitability – Funding stream is suitable and preferable to other possible funding streams.
- Local participation, support and delivery – Communities participate in planning and development processes, and support proposed projects.
- Evidence base – There is an evidence base for project need and benefit.
- Feasibility – Projects are feasible, risks and consequences are acceptable, and appropriate mitigation strategies are identified.

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[2] On 5 May 2021, the National Bushfire Recovery Agency was merged into the newly-formed National Recovery and Resilience Agency.

In April 2020, prior to the Commonwealth announcing the LER fund, the NSW Government developed the Bushfire Industry Recovery Package (BIRP) to provide assistance to industries most affected by the bushfires. The package was split into two streams, the BIRP Supply Chain Support Grants (stream one), and the BIRP Sector Development Grants (stream two). After the Commonwealth announcement in May 2020, the decision was made to fund the SDG stream from the BLER program.

1.3   Fast-Tracked stream

Stage one of the BLER program consisted of early co-funded projects valued at a total of $180 million. This included 22 Fast-Tracked priority projects valued at a total of $107.8 million. The purpose of these projects was to deliver immediate and significant economic impacts to high and moderate bushfire-impacted areas. These priority projects were identified throughout May to August 2020. Eligible projects included those which had previously applied for but had been unsuccessful for other NSW Government grant funding or had been identified as a local priority project and were 'shovel ready' (able to start within six months).

A timeline of key dates may be found at Exhibit 2.

Exhibit 2: Timeline of the Fast-Tracked stream

Commonwealth Government funding announcement 11 May 2020	Projects collated and assessed May-August 2020	Projects submitted to government for approval September 2020	Projects endorsed or rejected by NBRA October 2020	Successful projects announced 12 October 2020

Source: Audit Office analysis of Department of Regional NSW documentation.

1.4   Sector Development Grants (SDG)

The SDG stream was focused on supporting the medium to long-term resilience of the forestry, horticulture and agriculture sectors that were impacted by the bushfires. The objective of this funding stream was to assist with medium to long-term job retention, support supply chain efficiencies, build industry sustainability, and increase job creation, product diversification and market expansion into select industry sectors. These sectors were identified as the most critical industries to support economic recovery in fire-impacted regions. The type of projects eligible for funding included:

- capital equipment
- remediation
- replacement of existing plant and equipment or energy efficient upgrades
- natural asset regeneration
- feasibility studies
- education and training initiatives
- business development.

To be considered eligible, the projects needed to have a primary focus on the retention and creation of jobs.

The department received 178 applications through an open application phase that commenced in May 2020 and closed in July 2020. Fifty-two projects worth a total of $73.2 million were funded through the SDG stream.

A timeline of key dates may be found at Exhibit 3.

Exhibit 3: Timeline of the SDG

| Applications open 19 May 2020 | Applications close 26 July 2020 | Assessments and approvals August 2020 | Successful projects announced September 2020 |

Source: Department of Regional NSW.

1.5 Open round

The second stage of the BLER program consisted of the open round. This round of funding was designed to support job retention and creation in regions impacted by the bushfires, strengthen community resilience and reduce the impact of future natural disasters. The objective of this funding stream was to support economic and social recovery at a local and regional level. One purpose of this round was to distribute funding to LGAs which did not receive funding through round one. The types of projects eligible for funding included enabling infrastructure, industry and business development, social development, natural environment, resource development and built environment adaption. To be considered eligible, projects had to be able to commence within six months of the execution of the funding deed and be completed by 30 June 2023.

The open round had an open application process, with applications and supporting documentation (such as a project plan or business case) submitted online.

The department received 652 applications through an application phase that opened in October 2020 and closed in January 2021. The department distributed $283 million to 195 successful projects.

A timeline of key dates may be found at Exhibit 4.

Exhibit 4: Timeline of the open round

| Applications open 27 October 2020 | Applications close 28 January 2021 | Assessments and approvals February-May 2021 | Successful projects announced June 2021 | Final project completion by June 2023 |

Source: Department of Regional NSW.

1.6 Grants Administration

The Department of Premier and Cabinet (DPC) established the 'Good Practice Guide to Grants Administration' (the Good Practice Guide) in 2010 to assist the NSW Government in ensuring grants administration was performed consistently across all NSW Government grants programs. Compliance with the Good Practice Guide was not compulsory, but provided an outline of best practice covering the entire lifecycle of a grants program. This guide was in place at the time these grants were designed and administered.

In November 2021, DPC and the NSW Productivity Commission began a review of grants administration in New South Wales. The review aimed to ensure the administration, assessment, and assurance of grants in New South Wales was in line with best practice. The report was released in April 2022 and made 19 recommendations, including to replace the Good Practice Guide with a revised Grants Administration Guide that contains mandatory requirements for agency staff, ministers and ministerial staff. The NSW Government released a new Grants Administration Guide in September 2022. This was not in effect at the time of the BLER, and as such it was not compulsory for the department to comply with its requirements.

The Commonwealth Government also provides guidance in this space, with the Department of Finance publishing the Commonwealth Grants Rules and Guidelines (CGRG) in 2017. The CCRGs establish the overarching Commonwealth grants policy framework. Non-corporate Commonwealth entities must undertake grants administration based on the mandatory requirements and key principles outlined in the CGRGs. Although the NSW Government is not required to comply with these requirements, they do outline good practice and can be considered for grant programs run by the NSW Government.

1.7   About this audit

The objective of this audit was to assess how effectively the Department of Regional NSW and Resilience NSW administered rounds one and two of the BLER program. We addressed this objective with the following criteria:

- The agencies effectively planned administration of the BLER program and established appropriate guidelines.
- The agencies implemented an effective assessment process for the BLER program.
- The agencies are effectively monitoring implementation of projects and program outcomes.

2. Fast-Tracked stream

Stage one of the BLER program consisted of early co-funded projects valued at a total of $180 million. This included 22 Fast-Tracked priority projects valued at a total of $107.8 million. The purpose of these projects was to deliver immediate and significant economic impacts to high and moderate bushfire-impacted areas.

A timeline of key dates may be found at Exhibit 5.

Exhibit 5: Timeline of the Fast-Tracked stream

Commonwealth Government funding announcement 11 May 2020	Projects collated and assessed May-August 2020	Projects submitted to government for approval September 2020	Projects endorsed or rejected by NBRA October 2020	Successful projects announced 12 October 2020

Source: Audit Office analysis of Department of Regional NSW documentation.

2.1 Design of the Fast-Tracked stream

The department used an expedited process to target funding in accordance with a request from the Commonwealth

The Commonwealth Government announced the Local Economic Recovery Fund (LER) funding package on 11 May 2020. On 25 May 2020, the Coordinator of the then NBRA wrote to the Commissioner of RNSW outlining the funding that was available. As part of this letter, the NBRA stated that it would like to utilise work that NSW already had underway to 'agree to co-fund some early projects'. In addition, the NBRA sought NSW's support in the 'rapid' identification of projects, 'while ensuring mutual due diligence'. The then Commonwealth Minister for Agriculture, Drought and Emergency Management wrote to the then Premier on 14 July 2020 reiterating the request to rapidly identify LER projects as soon as practical.

In response to this request, the department decided to use a department-led rapid identification process rather than an open application process.

The department categorised each LGA according to the impact of the bushfires to assist in targeting the funding

To ensure that funding was targeted to the areas of New South Wales most heavily impacted by the bushfires, the department categorised the impact of the bushfires on each LGA. The ratings were developed prior to the decision about which projects would be funded and were consistently applied across LGAs. The two types of ratings used were the Functional Economic Region (FER) rating, and the damaged and destroyed buildings rating.

An FER is one or more LGAs in regional New South Wales that work together to create smaller economies with economic links. There are 38 FERs across regional New South Wales. The NSW Government had previously developed a Regional Economic Development Strategy (REDS) for each of these FERs. Following the 2019–20 bushfires, in May 2020 the department developed Bushfire Addenda for each of the 22 bushfire-impacted FERs to supplement the REDS. These Bushfire Addenda set out the impact of the bushfires on the FER both physically (in terms of burn scar) and economically. The department categorised each FER according to the impact of the bushfires as either 'Low', 'Medium', or 'High'.

The department also categorised each LGA as 'low', 'medium', or 'high' according to the number of damaged and destroyed buildings. For this purpose, the department used work from the NBRA which outlined the number of buildings damaged in each LGA. LGAs with under 15 buildings burned are categorised as low, LGAs with under 100 are categorised as medium, and LGAs with over 100 are categorised as high. This demonstrates that the rating was consistently applied.

The department developed assessment criteria but provided insufficient guidance to ensure they were applied consistently

RNSW worked with the NBRA to develop a framework for the administration of the Commonwealth LER program, including criteria which would be applied to the BLER program. While these LER criteria were being drafted, the department developed a brief set of guidelines for the Fast-Tracked stream. The seven criteria used by the department for the Fast-Tracked stream aligned with the final LER criteria, which are:

- Balance and need
- Alignment
- Enduring benefit
- Funding stream suitability
- Local participation, support and delivery
- Evidence base
- Feasibility.

In addition to these criteria, the department also included the following two eligibility criteria as part of its guidelines. To be considered eligible for the Fast-Tracked stream, the guidelines stated that a project must:

- have been submitted for funding through NSW Government funding programs or otherwise identified as a local priority project
- be 'shovel-ready', meaning work can commence within six months.

While the department adopted the LER criteria and these eligibility criteria, it did not develop any other guidance for staff to ensure that they were applied consistently and objectively to assess potential projects. Each criterion had only a one sentence description to guide staff. The department maintained a record of project assessments undertaken for the Fast-Tracked stream. Staff were provided with one example of how they should complete assessments for a hypothetical project but did not receive additional guidance for conducting assessments. This would have assisted in ensuring that the criteria were applied consistently. The department did not rank or score each project that they assessed against the criteria.

The department's guidelines did not set out a sufficiently detailed assessment and approvals process

The Good Practice Guide sets out items that should be included in grant guidelines. While some of these were included in the department's guidelines, there were some aspects missing. In particular, the guidelines did not contain sufficient detail about the assessment and approvals process. The guidelines set out the following process:

- Identification: The department develops a package of suitable Fast-Tracked projects.
- Review: NSW Expenditure Review Committee (ERC) reviews the package of suitable projects against the criteria set by the Commonwealth.
- Approval: ERC approves projects for funding.
- Endorsement: Commonwealth Government reviews and endorses NSW funding decision.

However, this is not a sufficiently detailed explanation for how these functions should be undertaken. The guidelines did not include detail about how the department would develop the package of projects or how the projects would be assessed against the Commonwealth criteria. The guidelines contained no detail about the assessment and approval process within the department, including the approvals required at each stage of the process.

The Fast-Tracked guidelines were also insufficient as they did not set out the role of all parties involved in the assessment and approval process. The Deputy Premier's office had a significant role in the creation of the package of successful projects, as discussed below. However, the guidelines did not mention the role of the former Deputy Premier or his office. The role of Public Works Advisory (PWA) was also not included in the Fast-Tracked guidelines.

In addition to an insufficiently detailed assessment process, there were other deficiencies in the guidelines. For example, the guidelines did not set out the objectives of the program or how the criteria would address these objectives.

The department did not implement conflict of interest declarations or put in place other probity arrangements

The department did not collect conflict of interest declarations from employees who worked on the identification and assessment of projects for the Fast-Tracked stream. The Independent Commission Against Corruption (ICAC) has advised that it is good practice during a grant process to encourage relevant officials to disclose in writing any conflicts they may have, or to confirm that they do not have any conflicts to ensure a fair and objective process. Similarly, the Good Practice Guide advises that a personal statement of conflict of interest should be collected from any person involved in the assessment of applications. Not identifying these conflicts of interest increases the risk that there will not be an objective and unbiased process.

The department did not create a probity plan for the Fast-Tracked stream or engage a probity advisor who could advise the department on the grants administration process where there was a need to do so. A probity plan may have set out the proposed approach to managing conflicts of interest or other probity risks that could have arisen during administration of the Fast-Tracked stream.

2.2   Administration of the Fast-Tracked stream

The process used by the department to identify potential projects for funding lacked transparency and consistency

The department initially identified 445 potential projects for the Fast-Tracked stream through reviewing projects submitted for funding through other NSW Government funding programs or otherwise identified as a local priority project. This was in line with the guidelines. However, there was inconsistency in this approach.

The majority of potential projects were identified through consultation with councils. It was important for the department to consistently identify potential projects from councils, otherwise those councils which had a greater opportunity to provide input would have a greater chance of projects being identified on the list. The department did not develop a communications plan for the Fast-Tracked stream, including a way to consistently collect information across all impacted councils. As a result of this, employees had no formally documented guidance on how to ensure communication with all potential stakeholders was consistent and did not favour certain applicants. In some LGAs the projects were all identified through consultation with councils and in other LGAs no projects were identified in this manner.

Just under a fifth of other potential projects had previously been considered for funding through other NSW funding programs, such as the 'Stronger Country Communities Fund' and the 'Regional Cultural Fund'. The department did not document its process for identifying these projects and it did not set out how the assessment of the suitability of these projects in other grant rounds should be considered when being identified for the Fast-Tracked stream. As a result, the department cannot demonstrate that these projects were the most suitable to be funded. In some LGAs the projects were all identified from previous grant rounds, while in other LGAs no projects were identified in this manner.

The agencies identified the remaining projects through a range of other sources. This included local planning documents, such as local economic recovery plans, projects identified by the community, and projects identified by various NSW government agencies.

The department advised that the process of working with councils to identify projects occurred simultaneously with compiling potential projects from other grants programs. The department worked with its Regional Development Offices (RDO) to identify projects in regional and rural LGAs through engagement with local councils and communities. The department has established seven RDOs in regional and rural New South Wales, each of which works with local governments in their region, as well as local community organisations. This work is primarily conducted by Business Development Managers (BDM), who maintain contacts in communities and can assist local communities to liaise with government. The department also directly contacted three councils: Blue Mountains, Wollondilly and Hawkesbury. All three of these councils are in Greater Sydney, which means that they are not covered by an RDO.

RNSW also played a role in communication at this point in the BLER program. RNSW held regular regional elected representative discussion groups where it could provide updates on the status of the BLER program to local MPs.

The department advised that key information, such as assessment criteria and the types of projects that might be considered, had not been finalised at the time it was contacting councils to identify potential projects, and therefore it believed that it could not be explicit about the selection criteria. Finalising guidelines prior to consulting would have allowed the department to provide consistent information to stakeholders and helped to ensure a more consistent collection of information.

As discussed above, the department categorised LGAs as high, medium or low bushfire impact, based on both the impact to the LGA's FER and the impact on buildings in the LGA. Most identified projects were in LGAs that scored either a high rating against one of these categories, or which scored a medium across both categories. However, a variable number of projects were identified across the bushfire-impacted LGAs. The department only identified one or two projects in some highly impacted regions, while other councils had more than 20. While it is not realistic to expect an even distribution, a better-defined process may have led to a more consistent and transparent distribution of Council-identified projects.

The department did not assess all identified projects against the established criteria and did not always follow Public Works Advisory's advice on whether projects could commence within six months

The department only assessed 164 of the 445 initially identified projects against the assessment criteria. This included the 22 projects that eventually received funding from the Fast-Tracked stream. The other 281 projects were not assessed at any point in the process. It is not clear why only 164 projects were assessed against the criteria and there is no documentation to explain this decision. As the assessment of 445 projects was incomplete, the department cannot demonstrate that the 22 projects ultimately funded would deliver the best outcome against the program objectives.

The department was also inconsistent in the way it assessed projects for their potential to commence within six months, which was an eligibility criterion in the guidelines. The department only requested PWA to provide advice on 25 of the 445 identified projects to determine, among other things, whether they could commence within six months and be completed by June 2022. It is not clear why this criterion was only applied to these 25 projects. The department advised that it did not believe it was feasible or necessary for PWA to review all projects due to the need to deliver the Fast-Tracked projects rapidly.

Having asked for its assessment, the department did not always follow the advice of PWA. Of the 25 projects assessed by PWA, 19 were eventually funded through the Fast-Tracked stream. PWA assessed five of these 19 projects as unable to commence within six months. Despite PWA's advice, these five projects received funding.

The department did not document how it developed the first package of suitable projects

After conducting its assessment process, the department created an initial package of 35 projects that it deemed suitable for funding, of which 23 had been assessed by PWA. Two of the projects reviewed by PWA were not among the 35 projects. There is no documentation of the decisions and approvals that led to the development of the package of 35 projects. There is no evidence that there was a panel assessment or a similar process to evaluate the projects against the criteria.

The department advised that the decisions on which 35 projects to include occurred in undocumented meetings. Not documenting key decisions results in a process that lacks transparency and integrity, and is in breach of the department's record keeping responsibilities.

A $1 million minimum threshold was applied late in the assessment process without reasonable justification

The department sent the package of 35 projects to the Deputy Premier's office. This step of the assessment and approval process was not included in the guidelines. The Deputy Premier's office responded to the department with a reduced package of 27 projects, with nine projects excluded and one added. The Deputy Premier's office applied a $1 million minimum threshold for projects, which had not previously been part of the department's guidelines for the Fast-Tracked stream. The Good Practice Guide states that grant decisions must be made on the basis of the criteria. Introducing this additional criterion late in the process compromised the integrity of the program and led to an inconsistent grants administration process. The department adopted the $1 million minimum threshold. No records of discussions or approvals in relation to this threshold were maintained by the department.

The department advised that the $1 million minimum threshold was introduced as there were a range of other funding programs available that were targeted towards smaller bushfire recovery projects. The department did not document that this was a consideration at the time.

The Deputy Premier's office also added one additional project in its response to the department. The department retrospectively assessed this project against the criteria. The Deputy Premier's office also proposed doubling the funding to be provided to one project from $5 million to $10 million. This project had a total cost of $20 million, of which the remainder was a co-contribution from the grantee. There is no documentation explaining the rationale for these changes. The department adopted these changes and these two projects were included in the package of 26 projects that was submitted for final approval, but neither of these projects received funding through the Fast-Tracked stream. These projects have both been subsequently funded through other NSW Government programs. Later changes to the package are discussed further below.

The application of the $1 million minimum threshold resulted in the exclusion of nine projects, including all projects in Labor Party-held electorates

The information that the department provided about the 35 projects to the Deputy Premier's office included the electorate for each of the projects. It is not clear why the department provided this advice given that electorates were not intended to be relevant to the assessment process. The decision to apply the $1 million minimum threshold resulted in the exclusion of all projects in electorates held by the Labor Party and resulted in 26 out of the remaining 27 projects being in Coalition-held electorates. This was not the same distribution as the final 22 funded projects, discussed below.

It is important to note that most of the highest impacted LGAs were either wholly or primarily in electorates represented by Coalition members. However, there were three highly impacted LGAs in Labor-held electorates, including Blue Mountains City Council and Tenterfield Shire Council. Projects in these two areas were excluded from the Fast-Tracked stream due to the $1 million threshold. The other LGA was Cessnock City Council, which did not have a project in the package of 35 projects.

In addition to one project located across multiple LGAs, eight of the projects excluded by the application of the $1 million threshold were located across four LGAs. Three of these four LGAs did not receive any funding through the Fast-Tracked stream, despite being categorised as medium FER bushfire impact areas with a high LGA building impact rating. The nine projects excluded were from the following LGAs:

- Blue Mountains City Council
- Tenterfield Shire Council
- Wingecaribee Shire Council
- Wollondilly Shire Council
- Multiple councils.

Components of the project in multiple LGAs were later added back into the funding package and secured funding in the final Fast-Tracked decision.

The department advised that some projects were subsequently funded through the open round of the BLER and other NSW and Commonwealth funding sources but could not supply further information about whether the projects were funded to the same value or scope. The projects excluded in each of the above LGAs that went on to receive funding at a later date are shown in Exhibit 6.

Exhibit 6: Fast-Tracked projects funded through other sources

Project	LGA	Subsequently funded?	Funding source
1	Wollondilly	Yes	NSW Government as part of the open round of the BLER
2	Wollondilly	No	--
3	Tenterfield Shire	No	--
4	Tenterfield Shire	No	--
5	Blue Mountains	Yes	Components of project funded by NSW Government as part of the open round of the BLER, and as part of stream two of the Bushfire Community Resilience and Recovery Fund
6	Blue Mountains	No	--
7	Blue Mountains	Yes	Commonwealth Government as part of the Roads to Recovery program
8	Multiple LGAs	Yes	Components of this project funded through the Fast-Tracked stream of the BLER
9	Wingecarribee Shire	Yes	Commonwealth Government

Source: Department of Regional NSW.

There are significant gaps in the documentation of decision-making including changes made by the department before submitting the package of projects for final approval

Under section 12 of the *State Records Act 1998*, government agencies must keep full and accurate records of the activities of the office. Despite this obligation, there are gaps in the documentation around the way that changes were made to the package of projects. Some of these have been discussed above, for example how the initial 35 projects were decided and how the decision was made to apply a $1 million minimum threshold. In addition to these gaps, the department has not maintained records explaining how the package was changed from the 27 projects returned by the Deputy Premier's office to the package that was submitted for final approval.

As noted above, 27 projects were decided upon following consultation with the Deputy Premier's office. Following this, the department produced a revised package of 26 projects. Three projects had been excluded and two were added. The department has not maintained records documenting the rationale for these changes, nor who approved the changes. The department submitted this package of 26 projects for final approval.

Twenty-one of the 22 Fast-Tracked projects that were funded were for projects in areas with medium or high fire impact

The final package of 26 projects the department submitted was approved for funding. These projects were then submitted to the Commonwealth, though the department removed one project from consideration before the Commonwealth provided its decision. The Commonwealth endorsed 24 of the 25 projects submitted. Following the Commonwealth decision, the department also removed two projects as they were funded through COVID-19 stimulus funding, leaving a total of 22 funded Fast-Tracked projects. There is no evidence that the department considered replacing removed projects with other projects that it had assessed as suitable.

Twenty-one of the 22 funded projects were in LGAs that scored at least a medium on both the FER rating and the building impact rating. The exception was Goulburn Mulwaree Council, which was rated as a low FER impact area and having a medium LGA building impact but received one grant with a value of $2 million. This demonstrates that Fast-Tracked funding was largely targeted at areas of highest bushfire impact. While funding was targeted at highly impacted areas, there were a number of highly impacted LGAs that did not receive funding through the Fast-Tracked stream.

Exhibit 7 shows the final funding allocation by LGA for the Fast-Tracked stream. It also includes the bushfire impact of each of these LGAs. All but one LGA listed in Exhibit 7 ranked at least a medium on both the FER impact rating and the LGA building impact. The project that spans across multiple councils is within Snowy Valleys Council and Bega Valley Shire Council.

Exhibit 7: LGA breakdown of final funding allocation

LGA	FER impact	Building impact	Projects funded	Fast-Tracked funding ($)
Armidale	Medium	Medium	2	8,887,131
Clarence	High	High	1	2,780,000
Eurobodalla	High	High	1	5,250,000
Goulburn Mulwaree	Low	Medium	1	2,000,000
Hawkesbury	Medium	High	1	1,680,000
Kempsey	High	High	1	11,283,000
Lithgow	Medium	High	1	1,000,000
MidCoast	High	High	1	8,251,100
Multiple councils	--	--	1	3,000,000
Nambucca	Medium	High	1	3,600,000
Port Macquarie-Hastings	High	High	1	3,050,000
Queanbeyan-Palerang	Medium	High	1	2,500,000
Richmond Valley	Medium	High	3	21,169,000
Shoalhaven	High	High	3	11,750,000
Snowy Valleys	High	High	1	12,500,000
Walcha	Medium	Medium	1	1,100,000
Wingecarribee	Medium	High	1	8,000,000
Total			**22**	**107,800,231**

Source: Audit Office analysis of Department of Regional NSW documentation.

Twenty-one of 22 funded projects were in Coalition-held electorates

As discussed above, the application of the $1 million minimum threshold resulted in a package of 27 projects, with no projects in Labor-held electorates receiving funding. Exhibit 8 demonstrates that 21 of the 22 final funded projects were in Coalition-held electorates, amounting to 88.4% of funding. Note that one of the projects is across two electorates, however both of these were won by the Coalition at the 2019 election and as such they are incorporated into the Coalition total in Exhibit 8.

Exhibit 8: Funding by party holding electorate containing Fast-Tracked projects

Party (2019 election)	Projects	Funding received ($)	Percentage of funding (%)
Coalition	21	95,300,231	88.4
Independent	1	12,500,000	11.6

Source: Audit Office analysis of Department of Regional NSW documentation.

3. Sector Development Grants (SDG)

Fifty-two projects worth a total of $73.2 million were funded through the SDG stream. One grantee withdrew their project from the stream in early 2021, leaving a total of 51 projects (of which 49 are co-funded with the Commonwealth Government).

A timeline of key dates may be found at Exhibit 9.

Exhibit 9: Timeline of the SDG

| Applications open 19 May 2020 | Applications close 26 July 2020 | Assessments and approvals August 2020 | Successful projects announced September 2020 |

Source: Department of Regional NSW.

3.1 Design of the SDG stream

The department originally developed the SDG stream as part of the Bushfire Industry Recovery Package

The department developed the BIRP following the 2019–20 bushfires to enable the recovery and resilience of key driver industries of forestry, horticulture, and agriculture through the support of:

- the immediate recovery needs of producers to enable a functional supply chain
- the creation and retention of jobs
- strengthening local supply chains
- increasing value adding production and diversification.

The SDG was originally designed as part of the BIRP. The department developed the BIRP prior to the creation of the BLER program, with the applications for the SDG stream opening a week after the Commonwealth announced its LER funding. Due to the need to immediately support these primary industries, the NSW Government designed the BIRP to ensure funding could be provided to bushfire-impacted regions without relying on Commonwealth support. After the Commonwealth Government announced the LER, the decision was made to fund the SDG stream from the BLER program. This enabled the stream to use the BLER program to increase the funding provided to the primary industries.

The department designed and published guidelines for the SDG stream, however further detail could have been included

The department designed and published guidelines for the SDG stream. During their design, the department engaged with industry representatives and subject matter experts, with a focus on the impact of the bushfires in various sectors. The guidelines contained general program information, eligibility and selection criteria, and the application and assessment processes. The inclusion of this information meant that the guidelines aligned with the Good Practice Guide.

There were some areas in which the guidelines could have provided additional information to improve clarity around the SDG stream. The guidelines could have provided further detail regarding the eligibility of projects. They stated that applicants must have been impacted by the bushfires, but did not specify the threshold for this impact.

In addition to this, the guidelines noted that a cost-benefit analysis (CBA) would be developed for all projects by the department. There was no further explanation included in the guidelines about the purpose of the CBA or how it would be used as part of the assessment process. Further detail relating to this process was included in the assessment methodology which the department developed to provide detailed procedures for assessing applications in line with the process outlined in the guidelines.

The guidelines also did not include information regarding the involvement of the former Deputy Premier, ministers and MPs in the assessment process. The department engaged these stakeholders to provide feedback on applications and advised that this was due to the local knowledge of their electorates. However, the assessment methodology and process documented in the guidelines did not include this as part of the process.

The department derived the objectives of the BLER program from the LER draft criteria which were first provided in May 2020. The objectives were to support job retention and creation in bushfire-impacted regions, strengthen community resilience, and reduce the impact of future natural disasters. Whilst the Commonwealth was finalising the LER criteria, the NSW Government developed separate objectives for the SDG stream. The department published these objectives as part of the stream's finalised guidelines. As the department published the guidelines prior to the LER criteria being finalised, there was a risk that the objectives would not accurately reflect what the LER framework and criteria was set up to achieve. As a result, the objectives do not consider strengthening community resilience and reducing the impact of future natural disasters as part of the SDG's purpose.

The department developed an effective assessment process for the SDG stream

The department developed a two-stage assessment process. First, department staff performed an initial assessment of project eligibility, viability and strategic alignment, and then a panel was convened to assess the projects against the assessment criteria. Department staff assisted the panel through the provision of advice and recommendations regarding applications when required. The department was also responsible for coordinating a CBA for all applications. The Investment Appraisal Unit within DPC provided functional support through the development of a CBA tool which was used for all projects. The assessment panel were instructed to consider information and outcomes of the CBA process as part of its deliberations, although there was no requirement for projects to demonstrate a benefit-cost ratio (BCR) of greater than one.

The assessment panel consisted of representatives from the following:

- Department of Regional NSW
- Department of Primary Industries
- NSW Treasury
- Resilience NSW.

A minimum of one industry representative from each of the sectors (forestry, horticulture, dairy, aquaculture, viticulture, and apiculture) also joined the panel as a non-voting member. An independent probity advisor also attended the panel meetings.

After conducting its deliberations, the assessment panel then provided advice to the former Deputy Premier for his consideration. The former Deputy Premier made his final recommendation to the ERC for its approval. As the Commonwealth Government contributed 50% of the funding for the SDG projects, the Commonwealth reviewed applications for final approval.

The department implemented suitable probity processes for the SDG stream, but did not manage conflicts of interest effectively

The department engaged a probity advisor, as set out in its probity plan for the SDG stream. The advisor produced a report providing advice and guidance in relation to probity issues identified. The advisor concluded that the department actively engaged the advisor whenever any probity concerns arose. The advisor did not identify any areas which would indicate probity processes were not followed or any other areas for concern relating to the probity of the process.

The department established a probity plan for the SDG stream which required staff involved in the assessment or approval of funding to make a full declaration of any direct or indirect interest either real or perceived which may have impinged their capacity to conduct their duty. In line with this, the department requested conflict of interest declarations from staff who worked on the assessment and approval processes on the SDG stream. Despite this requirement, eight staff did not submit a declaration.

One conflict of interest was declared for the stream. There is no evidence recorded in the conflict of interest register or the panel meeting minutes which explain how this conflict was managed. This individual was engaged in a scoping, advisory and consultative capacity for four of the SDG applications as an industry representative on the assessment panel.

The department did not maintain a complete register of the conflict of interest declarations collected as required in the probity plan. A conflict of interest register provides a central location for all conflict of interest information, which the department can use to ensure that conflicts are being managed in a consistent, acceptable manner. Seventy-two staff members involved in the SDG stream provided their conflict of interest declarations to the department. The department advised that these staff members are not listed on the conflict of interest register, as the completed version of the register was lost.

The department advised that the completed version was likely lost due to the machinery of government changes which involved the movement of the program team from DPC to the Department of Planning, Industry and Environment, and subsequently to the department. As part of these changes, the department advised that the record management system was changed, which resulted in the loss of several documents including the latest conflict of interest register during the transfer. The conflict of interest register should have been maintained as a state record.

There were nine instances of conflict of interest forms collected after the announcement of successful SDG projects. There is evidence to suggest that some of these staff members worked on the assessment process. It is important for the department to identify, consider, and mitigate declared conflicts of interest early in the process.

The department did not develop guidance for communicating with stakeholders for the SDG stream

The SDG stream was widely communicated to potential applicants using social media, industry mailouts, factsheets, newspaper advertisements and ministerial press releases. However, the department did not develop a communications plan or strategy for the stream. Employees therefore had no formally documented guidance on how to communicate with successful or unsuccessful applicants, or how to ensure communication with all potential or actual applicants was consistent and did not favour certain applicants.

The lack of communication guidance may have impacted the engagement with agribusiness stakeholders located in bushfire-affected regions. The department received correspondence and feedback from various stakeholders relating to the types of industries eligible for funding. Feedback was received from industries which had been excluded, relaying their concerns, and requesting a broader range of agribusiness sectors be considered for eligibility. A communications plan or strategy could have incorporated guidance on engaging agribusiness stakeholders during the planning stages of the stream, ensuring they were aware of the rationale for the eligible industries selected.

The department conducted webinars prior to the launch of the program to help develop a list of frequently asked questions. The department published these questions on the BIRP information page on its website and covered a broad range of questions relating to the application process and eligibility.

The department developed a feedback script to be used when informing applicants that their application had been unsuccessful. The script provided some basic information relating to the BIRP, the assessment process for the SDG stream, other funding opportunities and support services available for applicants. It also outlined the general approach the department's staff should take when speaking to the applicant. Department staff used the same script for all calls and did not include any information specific to the applicant being contacted. This resulted in the department providing feedback to applicants which was brief and generic.

3.2 Administration of the SDG stream

The department implemented a detailed and transparent process for assessing SDG applications

The department's assessment process followed the guidelines. The eligibility, viability, and strategic alignment reviews were performed prior to the assessment panel review. Once the initial reviews were complete, the department provided the assessment panel with a detailed pack containing information on each of the applications for its review. The pack included the following information for each project:

- project costs
- jobs created/retained
- project description
- bushfire impacts narrative
- outcomes of the eligibility, viability, and strategic assessments
- key risks
- other benefits
- financial analysis
- economic assessment which provided the BCR of the projects.

The panel used this information to assess each application against the program criteria. These criteria were the number of jobs created or retained, how the project will support the industry supply chain, how the project aligns with industry recovery, and the viability and affordability of the project.

The panel considered each project in the context of the other applications, and how a package of projects could be implemented to best support overall industry recovery. The panel also considered other broader factors such as the variety of project size, scale, type, and focus area. After the panel made its assessment, it then provided advice to the former Deputy Premier for his consideration and sought endorsement from the Commonwealth, which was provided.

As outlined above, the department invited the Deputy Premier, ministers and MPs to provide advice and commentary on the applications submitted. They were engaged in the context of representing their electorate and providing local knowledge on these projects and applicants. The department managed the process of engaging the former Deputy Premier, ministers and MPs for feedback through its grants management software. MPs provided feedback relating to the priority of various projects, as well as specific local issues such as zoning and precinct plans. The department documented this feedback which was provided to the assessment panel as part of the pack of information outlined above. There is no evidence that this process led to any projects being removed before the assessment panel could consider them.

Although a CBA was performed for each project by the department, it was not necessary for projects to attain a BCR of one (or greater) to be granted funds. The BCR for each project is noted in the assessment panel spreadsheet, but is only referenced in the panel's commentary in relation to one project. There is no evidence the BCR was used to inform decisions about any of the other applications.

The NSW Government fully funded two SDG applications because they did not meet the Commonwealth criteria

As part of its review of the applications, the Commonwealth checked the eligibility of projects, including whether projects were in the priority LGAs defined as part of the LER. The department submitted two applications to the Commonwealth which were located outside of the eligible LGAs. As a result, the Commonwealth did not support funding for these two projects, despite these businesses being impacted by the bushfires.

Despite this, the NSW Government chose to fund the projects itself, outside of the BLER program. This was due to the applications meeting the SDG guidelines. The department did not document decisions or publish reasons to award these grants outside of normal procedures. There is also no evidence of approvals made in relation to this decision.

The department retained documentation relating to decision-making for the SDG stream

The department mostly documented the rationale behind decision-making made in relation to the assessment of projects. The department's grant management software was used to record application information. It also was used to record comments related to the eligibility, viability, and strategic alignment reviews, and whether the project was recommended for consideration by the assessment panel. Once the assessment panel reviewed the projects, their comments and recommendations were recorded in a spreadsheet which also categorised suitable projects into three categories: strong, medium, and low. This spreadsheet contained commentary from the panel on each project relating to its economic potential and benefits.

By fully documenting the recommendations and rationale behind the majority of decisions made, the department has a record which explains why certain projects were successful. The recorded decisions demonstrate how each project aligns with the criteria for the stream.

The majority of SDG funding went to areas highly impacted by the bushfires, although some highly impacted areas received no funding

The SDG guidelines do not specify which LGAs were eligible for funding, or if specific areas would be prioritised over others. However, the objective of the LER funding was to support local and regional economic and social recovery in areas most severely impacted by the 2019–20 bushfires.

Exhibit 10 outlines the number of projects funded and their total funding for the highest impacted LGAs. The department awarded most of the funding to LGAs with both a high FER and building impact rating. Despite this, two of the highest impacted LGAs received no funding through the SDG stream, with several other LGAs only receiving funding for one project, despite having multiple applications submitted.

Exhibit 10: Projects funded for the highest impacted LGAs

Council	FER impact	Building impact	SDG projects	SDG funding ($)
Bega Valley	High	High	9	5,192,144
Clarence Valley	High	High	2	12,500,000
Eurobodalla	High	High	1	225,000
Kempsey	High	High	3	555,469
MidCoast	High	High	--	--
Port Macquarie-Hastings	High	High	1	455,500
Shoalhaven	High	High	1	137,808
Snowy Monaro	High	High	--	--
Snowy Valleys	High	High	13	35,300,643
Blue Mountains	Medium	High	--	--
Lithgow	Medium	High	--	--
Glen Innes Severn	Medium	High	--	--
Hawkesbury	Medium	High	2	2,348,699
Nambucca	Medium	High	--	--
Queanbeyan-Palerang	Medium	High	--	--
Richmond Valley	Medium	High	1	742,090
Tenterfield	Medium	High	--	--
Wingecarribee	Medium	High	4	780,000
Wollondilly	Medium	High	--	--

Note: Snowy Valleys was distributed 13 projects initially, but one grantee withdrew their project from the stream in early 2021.
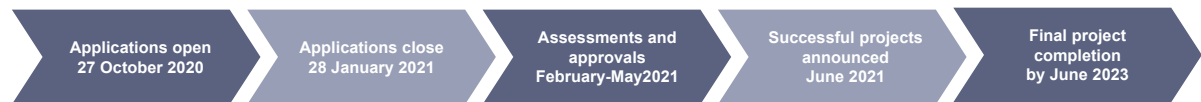Source: Audit Office analysis.

4. Open round

The department distributed $283 million to 195 successful projects as part of the open round of the BLER program.

A timeline of key dates may be found at Exhibit 11.

Exhibit 11: Timeline of the open round

Applications open 27 October 2020	Applications close 28 January 2021	Assessments and approvals February-May2021	Successful projects announced June 2021	Final project completion by June 2023

Source: Department of Regional NSW.

4.1 Design of the open round

The department designed and published guidelines for the open round, however the guidelines were deficient in some areas

The department developed and published guidelines for the open round and these guidelines were approved by the NSW Government. The guidelines aligned with the BLER program's objectives and largely adhered to the requirements in the Good Practice Guide. The department also created additional documentation to assist the assessment process. This included training for staff undertaking assessments, and a detailed, internal framework document to guide the administration of the open round. However, there were several areas in which the guidelines were deficient.

One of the department's considerations when assessing projects for the open round was the amount of funding and types of projects awarded under the Fast-Tracked stream. This was done to ensure an equitable and targeted distribution of funding for projects in the most bushfire-impacted areas and to ensure that those areas which did not receive funding through round one did receive funding through the open round. This intention is not stated in the guidelines, nor is it stated in the framework document. Assessing projects using criteria not stated in the guidelines reduces the transparency of the grant program.

The guidelines were also deficient as they did not adequately describe the role of the former Deputy Premier in the assessment and approval process. The framework document sets out the role of the former Deputy Premier as making the final recommendation to the ERC and Commonwealth on projects to fund through the open round. This is not mentioned in the published guidelines. Transparency could have been improved if this had been included.

The guidelines also do not refer to the role of the former Deputy Premier, ministers and MPs in providing feedback on applications before they were reviewed by the assessment panel. The guidelines only note that an eligibility review was performed prior to applications being assessed by the panel. The framework document provides detail regarding the involvement of MPs in providing advice based on their understanding of their communities' recovery needs. Where the MP did not provide advice, non-voting assessment panel members, such as local RNSW staff, were available to provide input regarding local priorities for the assessment panel.

The department developed a clear assessment and approval process for the open round

The department developed a detailed and clear assessment and approval process for the open round. This is set out in detail in the framework document, with additional roles and responsibilities set out in the open round probity plan. A summary of the open round assessment process is at Exhibit 12. As mentioned above, the published guidelines did not include the step of the former Deputy Premier recommending projects to the ERC for approval.

Exhibit 12: Open round assessment and approval process
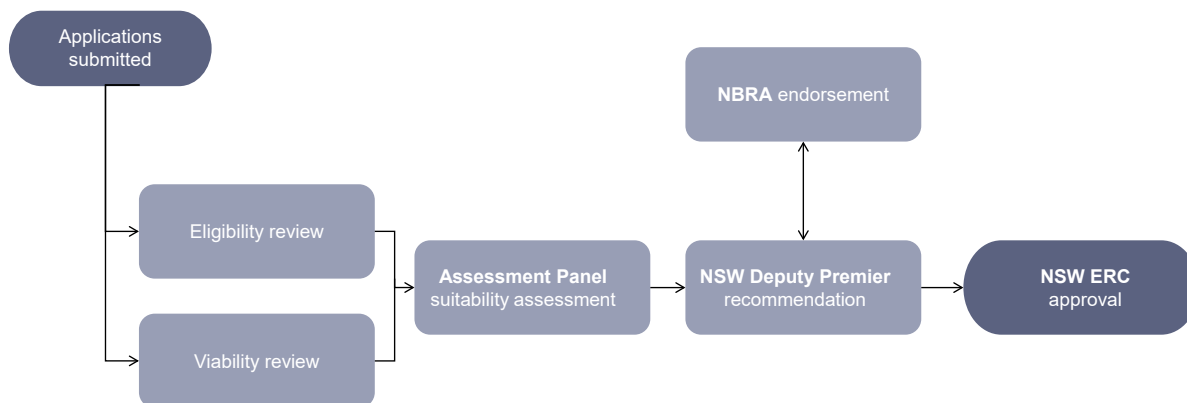
Source: Department of Regional NSW.

The department established criteria for eligibility and viability assessments and, after applications were submitted, reviewed them for eligibility and viability. The department also sought advice from key external organisations to provide subject matter advice as part of the viability review. This included consulting with PWA for infrastructure projects.

After completing the assessment and viability reviews, the department convened an assessment panel. This panel played a number of roles, including reviewing eligibility assessments and endorsing or modifying the advice, reviewing all eligible applications to determine if they were suitable for funding, and developing a package of suitable projects for funding to recommend to the former Deputy Premier. To assist this process, the department developed an assessment matrix and some additional guidance for the panel. The panel consisted of three voting members, one from the department, one from RNSW and an independent representative from the Office of Local Government.

The assessment panel then developed an outcome report which recommended projects for most of the bushfire-impacted FERs in regional areas and Greater Sydney LGAs which were eligible for the BLER program funding. These reports were sent to the former Deputy Premier, who then made the final recommendation to the NBRA for endorsement. If the NBRA identified projects as unsuitable under the LER framework, the former Deputy Premier could review the list prior to ERC submission and make further changes if required. The NBRA found one project to be unsuitable for co-funding, though the former Deputy Premier did not review the list as a result of this decision. The project was removed from the list which was then submitted to the ERC.

The department implemented probity arrangements, but there were some deficiencies in the identification of conflicts of interest

The department developed a detailed probity plan setting out how probity would be managed in the open round. This included engaging a probity advisor who provided advice on conflict of interest issues and attended assessment panel meetings. The probity advisor was satisfied that the probity plan had been effectively implemented and the assessment process was conducted in accordance with the program guidelines and assessment framework.

In addition to putting in place appropriate probity arrangements, the department maintained a conflict of interest register which tracked whether conflict of interest forms had been completed and whether conflicts had been declared. Conflicts of interest were collected from staff involved in the assessment process, as well as from Federal MPs who were asked to provide comments on projects within their electorate. State MP conflicts of interest are declared through a separate process managed by Parliament.

There were some deficiencies in the identification of conflicts of interest. At least 17 staff were involved in the assessment process but did not submit a conflict of interest declaration. Thirty-one staff also completed conflict of interest declarations after the announcement of the successful grants. At least some of these staff were involved in the assessment. It is important for the department to identify conflicts of interest early in the process so that mitigations can be designed and implemented if required.

The department developed a communications plan which led to improvements in stakeholder engagement

The department developed a communications plan for the open round which included key stakeholders, audiences and messages. The communications plan also included planned communications activities and the status of these activities. In line with the assessment framework, part of this communications plan was engagement with State and Federal MPs to allow them to comment on project applications within their electorate. The department collected these comments and provided them to the assessment panel along with guidance on how to use this information. The assessment panel was instructed to review MP comments to gain an understanding of any additional local context which needed to be considered as part of the assessment process.

The department effectively communicated with unsuccessful applicants. The department prepared detailed feedback for unsuccessful applicants who requested a phone call. This included information on where the application did not meet the assessment criteria, and information on other grant programs that might be suitable for the applicant.

The department received initial feedback from the community regarding the original timelines for the open round and how they would be challenging for many organisations to meet. The department considered this feedback and received approval from the Commonwealth to extend the application and delivery timeframe. A joint announcement was then made by the State and Commonwealth governments, and templates were provided to MPs to communicate these changes.

4.2　Administration of the open round

The department followed assessment processes as documented in the guidelines and assessment framework

The assessment process followed by the department aligned with the guidelines. There is evidence that the eligibility and viability reviews were performed first, and that this information was passed on to the panel for their consideration. As noted in the guidelines, the panel then assessed each project against the criteria and determined if it was suitable to support overall regional recovery.

The information that the department provided to the panel included a clear outline of the criteria, the process they were required to follow, and detailed information on each project to make the assessment. The assessment framework included an assessment matrix outlining five key criteria for consideration:

- Alignment with regional objectives
- Local support and participation
- Evidence base
- Feasibility
- Enduring benefit.

The assessment panel were asked to determine to what extent each project aligned with these criteria. The assessment panel was also provided with a package of other documentation to assist with its deliberations and assessment. This included a summary of each application and the result of the eligibility and viability reviews.

Feedback from the former Deputy Premier, ministers and MPs was provided through the department's grant management software. MPs were given two weeks to provide feedback on the applications for their electorate through this software. This feedback was well-documented, and there is no evidence that this process led to any projects being removed before the assessment panel could consider them.

Once the assessment panel had completed its review, the former Deputy Premier was provided with the package of suitable projects proposed. He signed the brief including this list of projects which was issued to the NBRA. The NBRA conducted its own assessment process and a final recommendation of 195 projects was then provided to the ERC for its final approval.

The rationale behind decision-making was clearly documented for the open round

The department kept adequate records of the decisions made during the assessment of the open round applications. Application information was recorded in the department's grants management software, and department staff conducting the eligibility, viability and strategic alignment reviews also documented their comments and recommendations on this platform. Detailed meeting minutes were recorded for the assessment panel meetings, documenting the deliberations about the applications. The panel recommendations and comments, along with the initial reviews in the department's grants management software, were compiled into a spreadsheet which clearly outlined decision-making and rationale for each step in the assessment process.

The detailed record keeping maintained by the department ensured the assessment process remained transparent, and that justification was available for all decisions made.

The majority of funding was allocated to the highest impacted LGAs

The allocation of funding under the open round was targeted primarily at highly impacted LGAs which met the intention of the program.

Forty-seven LGAs were eligible for open round funding, which aligned with the LER framework's list of LGAs. As discussed in Chapter 2, the department assigned each LGA a rating of bushfire impact based on the impact on its FER and the impact of buildings in that LGA. Exhibit 13 outlines the total funding by the FER and building impact ratings. Just over half of the open round funding was awarded to LGAs that were rated a high under both measures of impact. LGAs rated at least a medium under both measures accounted for another quarter of total funding. Eleven per cent of funding went to LGAs where one or more of the impact ratings was a low.

Exhibit 13: Open round funding by FER and building impact ratings

Total funding by impact ratings (FER/Building)
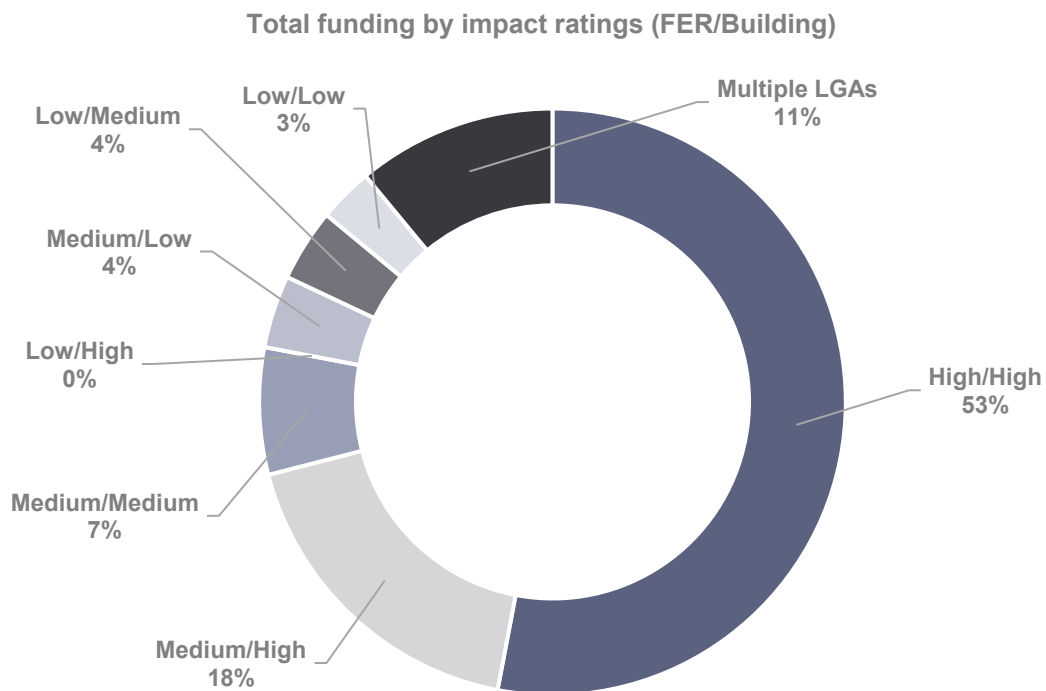
Source: Audit Office analysis of Department of Regional NSW documentation.

A complete breakdown of the number of funded projects per LGA is included in Appendix two.

The open round tended to fund LGAs which did not receive funding through the Fast-Tracked stream

As discussed above, one of the purposes of the open round was to distribute funding to high impacted LGAs which did not receive funding through the Fast-Tracked stream. This intention was not outlined in the guidelines for this funding stream, nor was it documented in any decision-making records. The open round achieved this purpose, as many of the areas without a Fast-Tracked project received support through the open round.

Exhibit 14 compares the number of Fast-Tracked and open round projects received by each of the highest impacted LGAs. It demonstrates that all of the highest impacted LGAs received projects through the open round. It also shows that a number of the LGAs which did not receive Fast-Tracked funding did receive a significant number of projects through the open round. For example, Bega Valley Shire Council and Snowy Monaro Regional Council did not receive funding through the Fast-Tracked stream, but received funding for more than ten projects through the open round. Blue Mountains City Council also received funding for eight projects under the open round after receiving no Fast-Tracked funding. A key exception to this is Shoalhaven City Council, which received funding for 15 open round projects after having received funding for three Fast-Tracked projects.

Exhibit 14: Number of Fast-Tracked and open round projects for highest impacted LGAs

Council	FER impact	Building impact	Fast-Tracked projects	Open round projects
Bega Valley	High	High	--	14
Clarence Valley	High	High	1	8
Eurobodalla	High	High	1	8
Kempsey	High	High	1	2
MidCoast	High	High	1	8
Port Macquarie--Hastings	High	High	1	6
Shoalhaven	High	High	3	13
Snowy Monaro	High	High	--	11
Snowy Valleys	High	High	1	9
Blue Mountains	Medium	High	--	8
Lithgow	Medium	High	1	8
Glen Innes Severn	Medium	High	--	2
Hawkesbury	Medium	High	1	4
Nambucca	Medium	High	1	6
Queanbeyan-Palerang	Medium	High	1	4
Richmond Valley	Medium	High	3	2
Tenterfield	Medium	High	--	3
Wingecarribee	Medium	High	1	3
Wollondilly	Medium	High	--	4

Source: Audit Office analysis.

A complete list of the projects each LGA received in each round of the BLER program, and the total funding received across rounds one and two of the program, can be found in Appendix two.

5. Monitoring and evaluation

The department entered into funding deeds with successful applicants

The Good Practice Guide advises that the agency administering a grant should enter into a formal agreement with each grant recipient which sets out the arrangements under which a grant is provided, received, managed and acquitted. Across all three streams, the department sent out a letter of offer to successful project managers to let them know that they had been successful in receiving funding, and then entered into funding deeds with grantees. The one exception was the project that RNSW managed, discussed below.

The reviewed funding deeds were signed by department staff with the appropriate level of delegation. They contained an appropriate level of information and key clauses that would allow the department to monitor the progress of the grant to ensure its completion as agreed with the grantee. The reviewed funding deeds contained key information, including:

- total value of the grant
- key deliverables at each milestone
- expected completion date of both the overall project and each milestone
- reporting requirements, including provisions to allow the department to request relevant information
- variation procedures.

The department only makes payments after confirming that milestones have been reached

The department has provided payments to grantees only after they could demonstrate that they had completed the agreed milestone. To ensure each milestone has been completed, the department requires grantees to provide evidence that they have fulfilled the milestone. Types of evidence provided includes photographs and invoices. Where the grantee provides insufficient evidence to the department, the department follows-up with the grantee to ensure that enough information is provided to justify the milestone payment.

The department also plans to undertake site visits of projects at select milestones and at the completion of most projects. The department has undertaken a risk assessment of each SDG and open round project, and uses this risk assessment to determine the number of milestones for the project, as well as the number of site visits that the department will undertake. Fast-Tracked projects all had PWA providing either project management or assurance and as such oversight is being provided through that mechanism. The milestones and site visits at each level of risk can be seen in Exhibit 15 for SDG and Exhibit 16 for open round.

Exhibit 15: Milestones and site visits for each level of risk - SDG

Risk rating	Milestones	Site visits
Low	Two	Zero
Medium	Three	One
High	Four	Two

Source: Department of Regional NSW.

Exhibit 16: Milestones and site visits for each level of risk - open round

Risk rating	Milestones	Site visits
Low	Three	One
Medium	Four	Two
High	Five	Three

Source: Department of Regional NSW.

The department does not monitor quarterly progress for SDG grants

As part of the LER framework, the department reports to the Commonwealth every quarter on the status and financials of each project, including whether there are any risks to project delivery and the mitigations in place for those risks. For projects funded through the Fast-Tracked stream and the open round, the department collects quarterly progress reports from the grantees. These progress reports allow the department to determine if there are project risks, which can then be reported to the Commonwealth. The progress reports also allow the department to determine if a milestone is likely to be met within the next quarter or whether a project variation may be needed.

While the department monitors projects funded through the Fast-Tracked stream and the open round on a quarterly basis, there is no quarterly monitoring of progress for projects funded through the SDG stream. The SDG funding deeds do not include a provision to require quarterly reporting to the department. The department only collects progress reports from grantees when the grantee reports that it has completed a milestone. Quarterly monitoring of the SDG stream would allow the department to determine if projects require corrective action.

Resilience NSW is not collecting quarterly reports for the Fast-Tracked grant it is responsible for administering

One of the projects funded through the Fast-Tracked stream was the rebuilding of three local halls across two LGAs, for a total value of $3 million. RNSW is responsible for managing this grant and entered into funding deeds with the relevant councils. It is not documented why RNSW is responsible for these funding deeds rather than the department, which is the signatory for all of the other Fast-Tracked stream funding deeds. RNSW advised it was due to the responsible RNSW Director having a strong working relationship with the relevant councils.

The funding deeds which RNSW signed with the relevant councils set out a requirement that the councils would report on this project to RNSW every quarter. The second milestone of each of these projects involved the submission of a quarterly report. However, RNSW was unable to provide evidence that it carried out this monitoring of the project. At the time of the audit, no second milestone payment had been made. Undertaking quarterly monitoring would provide RNSW with assurance that the money is being expended for the proper purpose and whether the projects will be completed by the target date.

RNSW and the relevant councils developed project control groups for each project, which allows it to monitor the implementation of the projects. PWA is also represented on these project control groups and provides an advisory role in the implementation of the projects.

RNSW and the department advised that responsibility for this project will be transitioned to the department and it will be monitored on a quarterly basis, in line with the other Fast-Tracked projects.

The department has a consistent approach to validating variations

The department's funding deeds with grantees allow for the variation of contracts at the department's discretion after the grantee has written to the department. It is important for the department to consider the impact of any project variation request on the overall program objectives, because a project which costs more than was originally planned or which takes additional time may put at risk the objectives of the BLER program. To ensure that requests for variation are handled consistently and appropriately, the department's Grants Management Office (GMO) has developed a process document which applies to variation requests across the BLER program.

For the grants reviewed as part of this audit, the GMO applied this variation process consistently and has documented the outcomes. Larger variations are reviewed at a higher level of delegation and sign-off. To determine whether a variation is accepted, the GMO considers the following factors:

- consistency with BLER program objectives
- delivery within the timeframes of the BLER program
- eligibility under the BLER program guidelines
- financial viability to deliver within the requested budget.

The department is preparing multiple evaluations, but it has delayed its process evaluation

When developing round one of the BLER program, the department developed an evaluation plan. A total of $1.1 million has been reserved for conducting process, outcome, and economic evaluations of the BLER program and two other bushfire recovery grant programs.

To assist with evaluating program outcomes and economic impact, the department is planning a post-completion survey in 2023–24. This timeline will allow most projects to be completed and enough time for project outcomes to be realised. The department advised that the data collected through this survey would allow the department to determine whether the BLER program has achieved its objectives, as it includes information such as the number of jobs created through each project.

The process evaluation was initially planned for March to June 2021. This would have aligned with the announcement of the open round funding and would have allowed for the learnings from rounds one and two of the BLER program to be applied to the development of round three. However, the department did not conduct this evaluation in a timely way. The department advised that this was because funding deed negotiations were still ongoing, and the department was waiting for 50% of funding deeds to be signed. Given this, the department was not in a position to commence its process evaluation. In December 2021, the department revised its evaluation plan and advised that it commenced its process evaluation in April 2022. It is unlikely that this will allow time for the department to apply learnings to round three, which is currently underway.

Section two

Appendices

Appendix one – Responses from agencies

Responses from Department of Regional NSW

Department of Regional NSW

BN22/7113
5 December 2022

Margaret Crawford
Auditor-General
Audit Office of NSW
GPO Box 12
SYDNEY NSW 2001

Re: Response to final report of the bushfire recovery grants performance audit

Dear Ms Crawford,

Thank you for providing the Department of Regional NSW (DRNSW) with the final performance audit report on bushfire recovery grants, received on 3 November 2022.

I am pleased that our efforts to administer a robust assessment process for the Sector Development Grants and Stage 2 under the Bushfire Local Economic Recovery (BLER) Fund, and the effectiveness of our monitoring and implementation of the projects and program outcomes, have been recognised by the Audit Office of NSW.

In terms of the findings relating to the fast-track round, it is important to consider this in the context of the circumstances at the time. The Black Summer bushfires had a devastating impact across vast areas of NSW, and it was critical that much needed support was provided to impacted communities as soon as possible. Communities were deeply traumatised and needed rapid investment in projects to help them recover. This urgency was reflected in the timelines imposed by the Commonwealth Government, writing to the Premier and Deputy Premier on two separate occasions (14 July 2020 and 5 October 2020), requesting rapid project selection.

Importantly, the Commonwealth Government did not formally finalise/approve BLER program guidelines until 21 September 2020, which meant DRNSW was required to identify projects and engage stakeholders prior to guideline finalisation. In addition, the program design, delivery and project selection was occurring during a period of both bushfire recovery and early COVID-19 response (including concurrent program design and approval).

In terms of the projects that were not funded in the fast-track round (including some excluded due to the $1 million threshold), many of these were subsequently funded in other programs that were in simultaneous development with the fast-tracked process and were better suited to those types of projects. It is also noted that the overwhelming majority of bushfire impact was in Government held electorates and therefore the majority of funding in early fast-tracked rounds would flow to those communities - as required by the national Local Economic Recovery Fund criteria of "balance and need".

Additionally, each of the approved fast-tracked projects were assessed by the Commonwealth Government as meeting the national Local Economic Recovery Fund criteria and subsequently endorsed for funding.

Recommendations

DRNSW acknowledges the recommendations and notes that since the administration of the BLER program, the NSW Government has introduced a number of reforms in relation to grants administration which have directly addressed the findings and the recommendations of the report. In particular, the Grants Administration Guide came into force on 19 September 2022.

Following the initial release of the draft Grants Administration Guide in May 2022 DRNSW, through the Regional Development and Programs Group (RDP), took immediate steps to ensure all programs under our administration would be compliant with the mandatory requirements prior to its Gazettal. This included:

- the development of a procedures document to guide staff in administering grant programs, which clearly articulates all mandatory requirements from the Grants Administration Guide and provides additional guidance on actions that should be undertaken to ensure best practice grants administration

- the development of a suite of accompanying templates that embed these requirements in any new grant program or recommendations for funding

- the development of checklists required to accompany approval briefs at each stage of the grant lifecycle, to provide assurance to decision makers that all mandatory requirements have been complied with.

These processes are now in place across all programs administered by RDP and are being adapted by the rest of the Department to ensure consistency in grant program administration across the Cluster.

Yours sincerely,

Rebecca Fox
Secretary

Responses from Resilience NSW

Resilience NSW

Our Ref: D22/11859.01

Margaret Crawford
Auditor-General for New South Wales
Audit Office of New South Wales
GPO Box 12
SYDNEY NSW 2001

Performance Audit – Bushfire recovery grants

Dear Ms Crawford, *Margaret*

I refer to your letter of 3 November 2022 enclosing your final report for the performance audit on bushfire recovery grants. Thank you for considering our comments on the draft report. As invited by you, our formal response to the report is set out below.

I understand you have also provided your final report to the Department of Regional NSW, the agency responsible for the administration of the Bushfire Local Economic Recovery program. I note that the final report recommendations relate to the Department of Regional NSW.

Resilience NSW accepts the finding in relation to monitoring of the single Fast-Tracked grant under its administration. As noted in your final report Resilience NSW and the Department of Regional NSW have advised that the responsibility for this project will be transitioned to the Department of Regional NSW and monitored on a quarterly basis, in line with the other Fast-Tracked projects.

Yours sincerely,

Shane Fitzsimmons AO AFSM
Commissioner
Resilience NSW

22/11/2022

Appendix two – BLER program distribution

LGA	Fast-Tracked projects	SDG projects	Open round projects	Total BLER funding ($)
Armidale Regional Council	2	--	2	10,258,391
Ballina Shire Council	--	--	1	670,000
Bega Valley Shire Council	--	9	14	39,567,501
Bellingen Shire Council	--	--	2	5,279,347
Blue Mountains City Council	--	--	8	9,877,467
Byron Shire Council	--	--	1	401,500
Cabonne Shire	--	1	--	425,522
Central Coast Council	--	1	6	5,345,933
Cessnock City Council	--	1	2	1,967,825
City of Lithgow Council	1	--	8	7,675,922
City of Sydney	--	2	--	7,942,629
Clarence Valley Council	1	2	8	37,436,514
Coffs Harbour City Council	--	--	3	6,368,568
Cootamundra-Gundagai Regional Council	--	1	1	500,712
Dungog Shire Council	--	--	1	836,126
Eurobodalla Shire Council	1	1	8	28,674,665
Glen Innes Severn Council	--	--	2	9,337,956
Goulburn Mulwaree Council	1	--	2	3,143,620
Greater Hume Shire Council	--	--	1	451,054
Gwydir Shire Council	--	--	--	--
Hawkesbury City Council	1	2	4	5,551,886
Inverell Shire Council	--	--	2	840,887
Kempsey Shire Council	1	3	2	18,893,660
Ku-ring-gai Council	--	1	--	331,300
Kyogle Council	--	2	2	7,523,173
Lake Macquarie City Council	--	--	1	2,419,000
Lane Cove Municipal Council	--	2	--	1,222,870
Lismore City Council	--	--	2	3,206,793
MidCoast Council	1	--	8	12,828,741
Mid-Western Regional Council	--	--	3	2,209,302
Multiple LGAs	1	--	29	35,683,086
Muswellbrook Shire	--	1	--	456,000
Nambucca Shire Council	1	--	6	9,182,869
Narrabri Shire Council	--	--	1	264,460

LGA	Fast-Tracked projects	SDG projects	Open round projects	Total BLER funding ($)
Oberon Council	--	--	2	5,730,314
Port Macquarie-Hastings Council	1	1	6	10,692,499
Port Stephens Council	--	1	--	514,400
Queanbeyan-Palerang Regional Council	1	--	4	5,037,530
Richmond Valley Council	3	1	2	23,801,473
Shoalhaven City Council	3	1	13	29,206,657
Singleton City Council	--	--	1	487,000
Snowy Monaro Regional Council	--	--	11	8,181,927
Snowy Valleys Council	1	12	9	71,530,242
Tamworth Regional Council	--	1	1	643,963
Tenterfield Shire Council	--	--	3	6,926,545
Tweed Shire Council	--	--	--	--
Upper Hunter Shire Council	--	--	1	922,674
Upper Lachlan Shire Council	--	--	2	3,048,447
Uralla Shire Council	--	--	1	925,000
Wagga Wagga City Council	--	--	--	--
Walcha Council	1	--	2	2,377,518
Wingecarribee Shire Council	1	4	3	13,161,119
Wollondilly Shire Council	--	--	4	3,488,417
Yass Valley Council	--	1	--	421,000
Total	**22**	**51**	**195**	**463,872,004**

Note: Snowy Valleys was distributed 13 SDG projects initially, but one grantee withdrew their project from the stream in early 2021. This project has been removed from the SDG projects column and the total BLER funding distribution in the above table.

Source: Audit Office analysis

Appendix three – About the audit

Audit objective

This audit assessed how effectively the Department of Regional NSW and Resilience NSW administered rounds one and two of the Bushfire Local Economic Recovery Fund (BLER).

Audit criteria

We addressed the audit objective with the following criteria:

- The agencies effectively planned administration of the BLER and established appropriate guidelines
    - The agencies established effective plans for administration at the outset of the BLER.
    - The agencies clearly defined program objectives for the BLER.
    - The agencies established effective guidelines for the BLER at the outset of each stream of the program, and these aligned with program objectives.
    - The agencies communicated effectively with potential proponents.
- Criterion 2: The agencies implemented an effective assessment process for the BLER
    - Conflicts of interest were declared and managed.
    - Established guidelines and procedures were followed in assessing proposals.
    - Successful proposals were approved in line with delegations.
    - The agencies entered into agreements with successful candidates.
- Criterion 3: The agencies are effectively monitoring implementation of projects and program outcomes
    - The agencies are monitoring implementation against funding agreements, including the ability for those projects to meet target completion rates.
    - The agencies are monitoring program level outcomes and have planned an evaluation.

Audit scope and focus

The audit focused on the department's design of the BLER program, the effectiveness of its assessment process and monitoring activities performed.

The audit scope included:

- governance arrangements and risk management activities performed
- program set up including design of guidelines, criteria, and communications strategy
- assessment processes conducted
- monitoring and reporting at both a project and program level

Audit exclusions

The audit did not seek to:

- examine round three of the BLER
- examine the Supply Chain Support Grants stream of the Bushfire Industry Recovery Package
- examine the role of the Commonwealth in the administration of these grants, except to the extent that the decisions of the Commonwealth had a bearing on the audited agencies
- question the merits of government policy objectives.

Audit approach

The audit team conducted the audit in accordance with ASAE 3500 'Performance Engagements' and ASAE 3000 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information'. The standards require the audit team comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance and draw a conclusion on the audit objective.

Our procedures included:

1. interviewing key staff at the Department of Regional NSW and Resilience NSW, including:
    *   staff responsible for setting up each stream of the BLER
    *   senior staff with responsibility for the BLER.
2. examining key sources of documentation including:
    *   program risk register and risk reporting
    *   briefings to senior executives and ministers
    *   program guidelines and guidance to staff
    *   assessment process documentation, including assessment outcomes
    *   decision-making documentation, including ministerial correspondence
    *   conflict of interest declarations
    *   a sample of funding deeds
    *   a sample of payments under the program
    *   a sample of reports on project status.
3. analysing data, including data relevant to grant distribution.

To evaluate the funding deeds and monitoring arrangements in place for the funded projects, the audit checked the relevant documentation for all Fast-Tracked grants and a sample of SDG and open round grants.

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 *Government Sector Audit Act 1983* and the *Local Government Act 1993*.

Acknowledgements

We gratefully acknowledge the co-operation and assistance provided by staff of the Department of Regional NSW and Resilience NSW.

Audit cost

The estimated cost of this audit is $547,000.

Appendix four – 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 38EA of the *Government Sector 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.

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 and Risk Committee / Audit Risk and Improvement Committee to monitor progress with the implementation of recommendations.

In addition, it is the practice of NSW 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 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 to entities 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.

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)

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