

**INQUIRY INTO INTEGRITY, EFFICACY, AND VALUE FOR
MONEY OF THE LOCAL SMALL COMMITMENTS
ALLOCATION PROCESS**

Organisation: Auditor-General for New South Wales

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Ms Abigail Boyd MLC
Chair, Public Accountability and Works Committee
Parliament House
Macquarie Street
SYDNEY NSW 2000

Contact: Bola Oyetunji
Our ref: R014-1198018347-4374

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Dear Ms Boyd

Inquiry into integrity, efficacy, and value for money of the Local Small Commitments Allocation process

Thank you for the invitation to contribute to this inquiry.

As the Committee would be aware, the Audit Office's financial and performance audits consider whether public funds are used efficiently, effectively, economically and in compliance with relevant laws. Our Annual Work Program continues to have a focus on the integrity of grants administration. Some of the relevant audits in recent years include:

Audit of the Local Small Commitments Allocation program (tabling in 2025)

This year, my Office will undertake an audit of aspects of the Local Small Commitment Allocation program (LSCA) under Section 38EA(1) of the *Government Sector Audit Act 1983*. The audit will assess whether the LSCA has been implemented by the NSW Premier's Department in line with the principles and mandatory requirements of the Grants Administration Guide, and in line with the program's own guidelines. The report is expected to be tabled later in 2025.

Recurring audit of emergency relief grants (tabling in 2025)

Under Section 27B(3) (c) of the *Government Sector Audit Act 1983*, the Special Minister of State requested my Office to perform a recurring performance audit of emergency relief grants. The first audit will table in 2025, and assesses whether the Rural Assistance Authority and NSW Reconstruction Authority have implemented the 'Special Disaster Assistance - storms and floods AGRN 1030 and AGRN 1034 program' in line with the principles and mandatory requirements outlined in the Grants Administration Guide, and in line with the program's own guidelines.

Design and administration of the WestInvest program (tabled February 2024)

This audit assessed \$2 billion of grant allocations. It found that the grant rounds were mostly administered effectively and in line with the NSW Grants Administration Guide. However, the audit found that the design of the grant rounds was not informed by robust research or analysis and was not transparent. This meant the government could not demonstrate that the use of competitive grants was the best way to achieve the program's purpose.

Integrity of grant program administration (tabled February 2022)

This audit assessed two grant programs – the Stronger Communities Fund (\$252 million) and the Regional Cultural Fund (\$100 million). The audit found the assessment and approval process for the Stronger Communities Fund lacked integrity because it lacked transparency, did not include a merit assessment process, and did not document the reasons for funding allocations. For the Regional Cultural Fund, the audit found the

assessment process was robust and transparent, but that the rationale for final decisions made by Ministers was not documented.

Bushfire Recovery Grants (tabled February 2023)

This audit assessed the administration of rounds one and two of the Bushfire Local Economic Recovery program. Round one (\$180 million) was split into the Fast-Tracked stream and the Sector Development Grants (SDG) stream. The audit found that the then Department of Regional NSW did not effectively administer the Fast-Tracked stream. The administration process lacked integrity, given it did not have sufficiently detailed guidelines, and the assessment process for projects lacked transparency and consistency. The audit found that the SDG stream had a detailed and transparent assessment process, but conflicts of interest were not effectively managed. Round two (\$283 million) was an open application round. The open round included a clearly documented, detailed and transparent assessment framework, but some weaknesses in the approach to conflicts of interest remained.

My Office maintains a watching brief on grants administration through our annual strategic audit planning processes, and in considering the outcomes of financial audits. Issues that are identified may result in changes and/or additions to our audit program.

Further information on the above audits can be found on our [website](#). Please contact me if you would like further information or to discuss this submission.

Yours sincerely

Bola Oyetunji
Auditor-General for New South Wales