
Appendix 2 – About the audit

Audit objective

This audit assessed whether TfNSW is effectively administering the Regional Roads Fund (RRF) in compliance with key principles of the administration of public expenditure, requirements for major infrastructure projects or the Grants Administration Guide (the Guide), and relevant legislative requirements.

Audit criteria

The Audit Office addressed the audit objective with the following questions and criteria:

1. Did TfNSW develop the RRF grants program in compliance with the Guide and relevant legislative requirements?
 - a) TfNSW developed the grants program and its objectives in compliance with the Guide, the *Snowy Hydro Legacy Fund Act 2018* (the SHLF Act), and the key principles of public expenditure in the *Government Sector Finance Act 2018* (the GSF Act) and the *Fiscal Responsibility Act 2012* (the FR Act).
 - b) TfNSW identified and managed risks to the grants program.
2. Did TfNSW assess project proposals and provide advice in accordance with the Guide and any program guidelines?
 - a) TfNSW assessed applications compliant with the Guide and any program guidelines, including by considering value for money, and selection criteria.
 - b) TfNSW provided advice to the NSW Government in accordance with the Guide and any program guidelines.
 - c) TfNSW maintained records for the program, including the application, assessment and decision-making processes.
3. Is TfNSW effectively managing the prioritisation, development and delivery of TfNSW-led projects, in compliance with policy, procedural and legislative requirements for major infrastructure projects?
 - a) TfNSW is managing the projects in compliance with TfNSW project and program management processes, NSW Treasury and Infrastructure NSW (INSW) requirements, as well as the key principles of public expenditure in the GSF Act and the FR Act.
4. Has TfNSW established effective program governance and approval processes to manage the prioritisation, development and delivery of TfNSW-led projects?
 - a) Existing and emerging risks are being identified and managed, including probity and delivery risks.
 - b) Approval processes are transparent, documented and evidence-based, and supported by business cases, where required.
 - c) Decision-making is aligned with delegations and has regard to any perceived or real conflicts of interest.

Audit scope and focus

This audit focused on 10 TfNSW-led projects and 19 council-led projects delivered under the RRF.

In assessing the criteria, we checked the following aspects:

- compliance with relevant legislative requirements, including the GSF Act, the SHLF Act, the FR Act and the *State Records Act 1998* (the SR Act) for public expenditure
- compliance with internal and whole-of-government policy, guidance and frameworks for business case production and assurance
- advice provided to internal decision-makers and government regarding funding allocations
- risk identification and management
- compliance with the Guide including:
 - identification and classification of financial arrangements to external parties as grants
 - identification and management of grant-related risks
- engagement with local councils
- budget and project-related advice, including:
 - consideration of project delivery risks
 - how value for money was evaluated
 - consideration of GSF Act, SHLF Act and FR Act requirements
- preparation of grant funding agreements, including:
 - the format of agreements
 - the requirements of agreements
 - project governance, including monitoring and acquittal of grant requirements
 - publication of grant information
 - record-keeping of decisions.

Audit exclusions

The audit did not:

- question the merits of government policy objectives
- question the decision to establish the RRF or select specific projects for funding
- examine project- and grant-related activities prior to TfNSW's involvement in the election commitment approval process, including the decision to establish the RRF
- examine the merits of any individual grants or projects
- examine whether on the ground outputs or outcomes of grants were being realised.

Audit approach

The Audit Office's procedures included:

1. identifying compliance requirements in the GSF Act, the FR Act, the SHLF Act and the SR Act, the Guide and relevant business case and assurance guidance
2. interviewing key personnel including:
 - a) TfNSW personnel involved in program development and implementation
 - b) TfNSW personnel responsible for the design and planning of infrastructure and assurance processes
 - c) NSW Treasury
 - d) INSW
 - e) a sample of council grant recipients
3. examining documentation, including:
 - a) documentation related to the approval of election commitments

- b) documentation related to approving funding for the RRF program
 - c) briefings/advice to senior executives and the responsible Minister
 - d) internal communications within TfNSW relating to the approval and classification of grants
 - e) TfNSW's communications with councils
 - f) governance materials
 - g) records of meetings and decisions
 - h) grant funding agreements
 - i) website materials
4. analysing data, including data relevant to funding allocation
 5. examining Cabinet information.

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

Audit methodology

The Audit Office's performance audit methodology is designed to satisfy Australian Auditing 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. The Audit Office's processes have also been designed to comply with requirements specified in the GSA Act.

Acknowledgements

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Audit cost

Including staff costs and overheads, the estimated cost of the audit is \$795,000.