
Appendix 3 – About the audit

Audit objective

This audit assessed whether the OLG administered grant funding under the Local Government Recovery Grant program (AGRN 1030 and AGRN 1034) in line with the Grants Administration Guide (GAG), and the program guidelines.

Audit criteria

We addressed the audit objective with the following audit criteria:

1. the OLG administered grant funding in compliance with the GAG and program guidelines
2. the OLG monitored and reported on progress and outcomes under the program.

Audit scope and focus

In assessing the criteria, we checked the following aspects:

1. the OLG administered grant funding in compliance with the GAG and program guidelines
 - a) the OLG developed and implemented operational procedures for consistent administration of grant funding
 - b) the OLG assessed eligibility in line with program guidelines and documented all decisions
 - c) the OLG effectively identified and managed risks, including conflicts of interest and fraud risks
 - d) the OLG ensured all grant recipients were subject to specific written terms and conditions
2. The OLG monitored and reported on progress and outcomes under the program
 - a) the OLG ensured grant recipients established appropriate performance measures
 - b) the OLG ensured grant recipients monitored and reported the progress of grant related activities and outcomes in line with program guidelines
 - c) the OLG ensured funds have been used for eligible expenditure, or repurposed or returned
 - d) the OLG published information in compliance with the GAG.

Audit exclusions

The audit did not:

- examine whether the design of the grant program and the development of program guidelines were consistent with the GAG
- examine overall Program evaluation
- examine the role of the Commonwealth in administering these grants, except to the extent that its decisions have a bearing on the OLG
- examine the NSW Reconstruction Authority's activities related to Disaster Recovery Funding Arrangements with the Commonwealth.
- question the merits of Government policy objectives and grant decisions.

Audit approach

Our procedures included:

1. interviewing key staff, including:
 - staff responsible for establishing the Program
 - senior staff responsible for the Program
 - staff responsible for assessing applications
2. examining key sources of documentation, including:
 - program risk register and risk reporting
 - briefings to senior executives and Ministers
 - program guidelines and the Grants Administration Guide
 - a sample of key documents submitted to the OLG by councils
 - operational procedures
 - records of assessments and decision-making
 - conflicts of interest declarations
 - funding agreements
 - evidence relating to transfer of grant funding
 - correspondence between the OLG and the NSW Reconstruction Authority, including reports on Program progress
3. analysing data, including data relevant to grant payments.

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 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. 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

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Audit Cost

The cost of the audit was approximately \$400,000.