



NEW SOUTH WALES AUDITOR-GENERAL'S REPORT

# Emergency Relief Grants – Local Government Recovery Grants program

PERFORMANCE AUDIT | 31 MARCH 2026

## THE ROLE OF THE AUDITOR-GENERAL

The roles and responsibilities of the Auditor-General and the Audit Office, are set out in the *Government Sector Audit Act 1983* and the *Local Government Act 1993*.

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 give reasonable assurance that financial statements are true and fair, 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.

We also conduct performance audits. These assess whether the activities of government entities are being carried out effectively, economically, efficiently and in compliance with relevant laws. Audits may cover all or parts of an entity's operations, or consider particular issues across a number of entities. Our performance audits may also extend to activities of non-government entities that receive money or resources, whether directly or indirectly, from or on behalf of government entities for a particular purpose.

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 Government Act 1993*.



GPO Box 12  
Sydney NSW 2001

The Legislative Assembly  
Parliament House  
Sydney NSW 2000

The Legislative Council  
Parliament House  
Sydney NSW 2000

In accordance with section 38EC of the *Government Sector Audit Act 1983*, I present a report titled '**Emergency Relief Grants – Local Government Recovery Grants program**'.

A handwritten signature in black ink, which appears to read 'Bola Oyetunji'.

**Bola Oyetunji**

Auditor-General for New South Wales  
31 March 2026

## RECONCILIATION STATEMENT

We pay our respect and recognise Aboriginal peoples as the traditional custodians of the land in NSW who have cared for and protected the environment, waterways, and sacred sites over many millennia. We honour and thank the traditional custodians of the land on which our office is located, the Gadigal people of the Eora Nation, and the traditional custodians of all the lands on which our employees live and work. We pay our respects to their Elders past and present, and to the next generation of leaders.

We also acknowledge that our long history is shared with the histories of colonisation in New South Wales. We acknowledge the impacts of colonisation, and the resulting marginalisation and disadvantage of Aboriginal and Torres Strait Islander peoples in this state.

We embrace our role in holding government agencies to account for the delivery of effective services for Aboriginal and Torres Strait Islander peoples. We are committed to ensuring that our audits are culturally responsive, respectful and inclusive, and that we engage with Aboriginal and Torres Strait Islander peoples and communities in a meaningful and collaborative way.

We recognise the ancestral tie of Aboriginal and Torres Strait Islander peoples to this land, and we acknowledge that we have much to learn from their wisdom, rich and diverse culture, languages, knowledge and practices.

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# 1. Report snapshot

## Objective

This audit assessed whether the Office of Local Government (OLG) administered the Local Government Recovery Grants program in line with the Grants Administration Guide and the Program Guideline.

The Local Government Recovery Grants program provided grant funding to local councils following the August and September 2022 flood events.

## Key findings

### Funding was administered in line with the Grants Administration Guide and the Program Guideline

The OLG administered grant funding in line with the mandatory requirements of the Grants Administration Guide, however it did not document:

- the reasons for all eligibility decisions as part of the assessment process
- fraud controls
- processes to manage conflicts of interest.

### Some of the monitoring and reporting requirements were not implemented

The OLG collects quarterly financial progress reports from councils. However, the OLG has not implemented Program Guideline requirements relating to the establishment of performance measures and monitoring of project outcomes by local councils.

### There is no clear plan to finalise the program

The OLG has approved a detailed program of works for 37 councils. This is yet to occur for 9 councils.

The OLG has not yet confirmed final reporting and acquittal processes for the program.

### Roles and responsibilities have not been defined

The OLG and the NSW Reconstruction Authority have not documented their respective roles for the program. This has limited the accountability for some aspects of program administration and has impacted timely delivery.

## Recommendations

Three recommendations were made for the OLG to improve practices in line with the Grants Administration Guide. One recommendation was made for the OLG and the NSW Reconstruction Authority to improve clarity of roles and responsibilities.

## Fast facts

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\$46m

total grant funding paid

80%

had an approved program of works at  
31 December 2025

~30%

reported all projects as complete at  
31 October 2025

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## 2. Executive summary

### Context

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Following significant flood events in 2022, the NSW and Commonwealth governments announced a series of Local Government Recovery Grants programs to support recovery in local government areas affected by flooding. This includes the establishment of the Local Government Recovery Grants program (the Program) for flooding that occurred in Southern and Central West NSW from 4 August 2022, and across NSW from 14 September 2022. The Program is the subject of this audit.

The NSW Local Government Recovery Grant Program Guideline (AGRN 1030 and AGRN 1034) (the Program Guideline) provides information about Program requirements and administration. Under the Program Guideline, 45 local councils and the Unincorporated Far West Area of NSW were eligible to apply for a grant of up to \$1 million to fund relief, recovery and resilience projects and activities.

The Program is intended to ensure streamlined, flexible and immediate funding to support local economic and social recovery. It was considered urgent to support emergency relief and enable immediate recovery efforts to proceed. In 2023 and 2024, 45 councils and the Unincorporated Far West Area of NSW received an upfront payment of \$1 million following an initial eligibility assessment.

The Office of Local Government (OLG) within the Department of Planning, Housing and Infrastructure (DPHI) is responsible for administering grant funding under the Program. The NSW Reconstruction Authority (Reconstruction Authority) is responsible for overseeing the Program funding and seeking reimbursement from the Commonwealth Government under the Disaster Recovery Funding Arrangements (2018) (DRFA). The DRFA sets out the arrangements for co-funding disaster relief and recovery activities between the NSW and Commonwealth governments.

Grant programs in NSW must be administered in accordance with the NSW Government's Grants Administration Guide (GAG). The GAG contains mandatory requirements for agency staff, ministers and ministerial staff, as well as a range of non-mandatory good practice guidance. Unless specified, this audit examined compliance with the mandatory requirements of the GAG relevant to the scope of the audit.

This audit was conducted in response to a request from the Special Minister of State that the Auditor-General conduct a recurring performance audit of emergency relief grants under section 27B(3)(c) of the *Government Sector Audit Act 1983*.

### Audit objective

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This audit assessed whether the OLG administered grant funding under the Local Government Recovery Grants program (AGRN 1030 and AGRN 1034) in line with the GAG, and the Program Guideline. The audit included the following lines of inquiry:

- the OLG administered grant funding in compliance with the GAG and Program Guideline
- the OLG monitored and reported on progress and outcomes under the Program.

This audit report refers to the Reconstruction Authority to the extent that its decisions have a bearing on the OLG's administration of the Program.

## Conclusion

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The Office of Local Government (OLG) administered funding for the Local Government Recovery Grants program (the Program) in line with the mandatory requirements in the Grants Administration Guide (GAG) and most of the requirements in the NSW Local Government Recovery Grant Program Guideline (Program Guideline).

The OLG did not document the reasons for all eligibility decisions as part of the assessment process and did not document fraud controls nor processes to manage conflicts of interest for the Program. The OLG is regularly monitoring councils' grant expenditure consistent with the Program Guideline, but processes are not well defined and the OLG has not implemented requirements for midterm reporting by councils to monitor project outcomes.

The OLG and the Reconstruction Authority have not defined their respective roles and responsibilities for the Program in line with best practice guidance in the GAG. This has limited accountability for some aspects of grants administration and impacted timely Program delivery.

## Key findings

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### **The OLG administered funding in line with the mandatory requirements in the GAG, except in relation to publishing grants information**

While the OLG administered funding in line with the mandatory requirements of the GAG, the audit identified areas for improvement. Specifically, the OLG did not document the reasons for all decisions on eligibility as part of the assessment process. Nor did the OLG document fraud controls or processes to manage conflicts of interest for the Program.

### **The OLG administered grant funding in line with application and assessment processes in the Program Guideline, but has not implemented all monitoring and reporting requirements**

Consistent with the Program Guideline, the OLG required councils to provide a project overview to assess councils' initial eligibility before grant payment, required councils to submit a detailed project plan (a 'Program of Works') to address the eligibility requirements in the Program Guideline, and is implementing a process to assess and determine project eligibility.

The OLG collects quarterly financial progress reports from councils consistent with the Program Guideline. However, the OLG processes for acquitting and reporting on council expenditure are not well defined.

The OLG has not implemented Program Guideline requirements for councils to establish performance measures and to monitor and report on project outcomes, including through midterm reporting. In the absence of these processes, the OLG has not been able to demonstrate whether the funded activities are achieving the objectives of the Program.

### **The OLG did not document reasons for its initial eligibility decisions in relation to approval of grant payments**

The GAG states officials must ensure all decisions in the assessment process are documented.

The OLG did not document its processes for completing initial eligibility assessments of each council's project overview before grant payment was made. The OLG used a spreadsheet to record whether grant payments were approved but did not document its reasons for decisions.

### **The OLG has a consistent approach to assessing and documenting project eligibility, but it has not established processes for documenting stakeholder input**

After grant payment, councils submitted a detailed 'Program of Works' for the OLG to assess whether the proposed projects meet the eligibility requirements of the Program Guideline. The OLG has processes that support a consistent approach to assessing and documenting this stage of the assessment process.

The OLG seeks advice from the Reconstruction Authority on some eligibility assessments, but templates used for documenting recommendations and decisions do not require staff to record whether the Reconstruction Authority's advice was required or how their advice informed eligibility assessments. This creates a risk that the Reconstruction Authority's advice is not consistently recorded.

### **Long timeframes for assessing project eligibility have impacted timely Program completion**

Based on sample documentation, the OLG project eligibility assessment processing times are long, with most taking more than 6 months. Long processing times increase the risk of ineligible expenditure and councils being unable to complete projects by the Program completion date.

The OLG has advised that factors contributing to the timeliness of its eligibility assessments include resourcing, the volume of projects needing to be assessed, the time taken to interpret eligibility requirements in consultation with the Reconstruction Authority, and council engagement.

### **The OLG did not document processes to manage conflicts of interest**

The GAG requires that officials must consider and develop a plan for managing any conflicts of interest that might arise when designing the assessment process.

The OLG required assessment staff to declare conflicts of interest on assessment forms at the detailed project eligibility assessment stage but did not require staff to make declarations specific to the Program before grant payment. The OLG did not document how conflicts of interest are identified and managed in its Procedures Manual or Program risk register.

OLG staff are required to comply with the department's Code of Conduct and Ethics, which requires all employees to make an annual conflicts of interest declaration. The OLG assessment staff completed annual conflicts of interest declarations in line with departmental policies and did not declare any conflicts relevant to the Program.

### **The OLG has not documented its reasons for assessing the Program as low risk or its fraud controls**

The GAG requires agencies to develop and implement fraud controls that are proportionate to the value and risk level of each grant. The OLG has not documented its controls for managing fraud risks relating to its administration of Program funding. The OLG has advised that the Program is low risk but has not documented its rationale for this assessment.

The OLG is implementing some fraud controls. These include requiring regular financial progress reporting from councils, and the OLG reporting to the Reconstruction Authority on whether it has identified any instances of fraud. However, the lack of documented fraud controls and documented rationale for assessing the Program as low risk limits the effectiveness in ensuring the appropriate use of, and accountability for, public finances and assets.

DPHI's Fraud and Corruption Control Policy requires all staff to comply with the requirements of the department's policy, framework and program on fraud and corruption control. The OLG has not set out in its Procedures Manual or Program risk register how the department's fraud requirements have been applied to the Program.

### **The OLG has not planned activities to finalise funding administration by the Program completion date**

The timeframe for councils to complete expenditure of funding under the Program has been extended by a year to 30 June 2026. In September 2025, the Reconstruction Authority submitted a request to the Commonwealth Government to extend the Program completion date to 30 June 2027. The Commonwealth Government's decision on this request is pending. The OLG has not defined how it plans to finalise its administration of funding under the Program. As of December 2025, the OLG has approved the 'Program of Works' for 37 councils to confirm project eligibility. The OLG is still assessing or awaiting further information from councils for the 'Program of Works' for the other 9 councils. The OLG advises that the last reporting period for completed projects was on 31 October 2025. At this time, 13 (28%) councils had reported completing all projects.

The Program Guideline allows councils to find substitute projects or expenditure if their 'Program of Works' is found to be ineligible, and to request variations to their 'Program of Works' in limited circumstances. The OLG has not adequately defined its processes for approving the repurposing of expenditure to ensure the timely completion of projects and expenditure under the Program.

The OLG has not yet confirmed final reporting and acquittal processes for the Program, including processes to recover unspent funding or ineligible expenditure if necessary. This creates uncertainty for councils and could further delay the completion of the Program.

### **There is no clarity of roles and responsibilities between the OLG and the Reconstruction Authority**

The GAG notes the importance of collaboration and partnership where policy responsibility or grants administration involves different agencies. The OLG and the Reconstruction Authority attempted to document roles and responsibilities in 2023, but this was not finalised because agreement on responsibilities and resourcing could not be reached. As a result, the agencies' respective roles and responsibilities are not well defined and this has impacted the timely delivery of the Program, including finalisation of the Program Guideline, transfer of grant payments to some councils, and grant acquittal processes.

The OLG and the Reconstruction Authority have not defined which agency is responsible for activities related to Program acquittals and risk management. This limits accountability for these aspects of Program administration.

## **Recommendations**

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### **By June 2026, the Office of Local Government within the Department of Planning, Housing and Infrastructure should:**

1. review conflicts of interest and fraud management processes for this and other grant programs to ensure that they are in line with the requirements of the Grants Administration Guide and departmental policies
2. develop and implement a plan to finalise the administration of funding under the Program, including monitoring and acquitting grants, in line with requirements of the Grants Administration Guide and the Program Guideline
3. apply lessons learned from evaluations of this Program to future grants programs.

### **By June 2026, the NSW Reconstruction Authority and the Office of Local Government within the Department of Planning, Housing and Infrastructure should:**

4. agree and document respective roles and responsibilities for administering the Program, including responsibilities for monitoring and acquitting the Program.

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## 3. Introduction

New South Wales (NSW) experienced multiple rain events between February and November 2022 which resulted in flooding across the state. In response, the NSW and Commonwealth governments announced a series of grant programs to support recovery in local government areas affected by the flooding. This included the establishment of the Local Government Recovery Grant program to support the recovery of communities impacted by flooding events in Southern and Central West NSW from 4 August 2022, and across NSW from 14 September 2022 (the Program). The Program is the subject of this audit.<sup>1</sup>

The Program is the third in a series of Local Government Recovery Grants programs supporting recovery in local government areas affected by flooding events in 2022.<sup>2</sup> The Program was considered urgent to support emergency relief and enable immediate recovery efforts to proceed.

### 3.1. Disaster Recovery Funding Arrangements

Under the Disaster Recovery Funding Arrangements (2018) (DRFA), the Commonwealth and NSW governments can jointly assist communities to recover from eligible disasters. The NSW Reconstruction Authority (Reconstruction Authority) coordinates disaster recovery funding in NSW under the DRFA.

The National Emergency Management Agency (NEMA) coordinates grant programs on behalf of the Commonwealth Government.

In November 2022, the NSW Government received ‘in principle’ agreement from the Commonwealth Government that the Program will be jointly funded, with the Commonwealth and NSW governments each funding 50%. The Commonwealth Government noted that its ‘in principle’ agreement was conditional upon the NSW Government providing further information, including the use or effectiveness of previous grants of this nature.

In February 2026, the Reconstruction Authority advised that formal agreement from the Commonwealth Government to co-fund the Program is pending.

### 3.2. About the Program

The Program entitled 45 disaster-declared councils to apply for a grant of up to \$1 million to:

- support the emerging relief and recovery needs within impacted communities
- contribute to building disaster resilience
- reduce the impact of future disaster events.

These councils were eligible to apply on the basis that they were disaster-declared as a result of the August and September 2022 flooding events, and had not already received a grant under other Local Government Recovery Grants programs for events earlier in 2022.

The Crown Lands division of the former Department of Planning and Environment was also eligible to apply for the Program on behalf of the Unincorporated Far West Area of NSW, an area of around 9 million hectares (29% of the Western Division) that is not managed by a council. The Crown Lands division is now within the Department of Planning, Housing and Infrastructure (DPHI).

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<sup>1</sup> AGRN 1030 and AGRN 1034.

<sup>2</sup> The 2 other programs related to AGRN 1012 (NSW Severe Weather and Flooding: 22 February 2022 onwards) and AGRN 1025 (NSW Severe Weather and Flooding: 27 June 2022 onwards).

The Office of Local Government (OLG) within DPHI is responsible for administering grant funding under the Program.

The Reconstruction Authority oversees Program funding and advises on DRFA requirements, including liaising with the Commonwealth Government.

The Program was established and administered at a time when the OLG and the Reconstruction Authority were impacted by machinery of government changes. The OLG was a business unit within the former Department of Planning and Environment in 2022 when it received funding to administer the Program. The OLG became part of DPHI on 1 January 2024.

The Reconstruction Authority was established in December 2022. The former Resilience NSW had held responsibilities over the Program prior to this date.

[Appendix 2](#) lists the local government areas eligible to apply for the grant.

### 3.3. Program Guideline

The Reconstruction Authority (formerly Resilience NSW) developed the NSW Local Government Recovery Grant Program Guideline (AGRN 1030 and AGRN 1034) (the Program Guideline) to provide information about Program requirements and administration.

The Program Guideline includes information about:

- the grants administration process, including for the OLG to make up front grant payments to councils after an initial eligibility assessment, followed by a detailed eligibility assessment to confirm proposed projects meet Program requirements (see Exhibit 1 of this report)
- monitoring and reporting requirements for councils
- project and expenditure eligibility requirements to be met by councils.

Further information is provided in Eligible Expenditure Guidelines for the Program dated 1 July 2023.

### 3.4. Grants administration in NSW

The NSW Government's Grants Administration Guide (GAG) contains mandatory requirements for agency staff, ministers and ministerial staff, as well as a range of good practice guidance. The GAG states that 'Officials must put in place practices and procedures to ensure that grants are administered consistently with the key principles and requirements in the Guide'.

The GAG was issued under Premier's Memorandum M2022-07 and applied to all grant activities undertaken from 19 September 2022, including grants activities that were already underway before that date. Compliance with the GAG is a legislative requirement under the *Government Sector Finance Act 2018*.

The Program was first announced in November 2022 and the OLG began administering it from January 2023, after the publication of the GAG in September 2022. The mandatory requirements of the GAG therefore applied to the Program.

The GAG includes exceptions to certain requirements for grants administered in an emergency context. This audit has considered these exceptions when assessing whether the OLG administered grant funding under the Program in compliance with the GAG.

The Cabinet Office issued an updated version of the GAG in March 2024. This updated version applies to all grant activities undertaken from 18 March 2024. Grant programs that were already underway before that date are required to adhere to the updated requirements for the remainder of the grants administration process.

The mandatory requirements of the GAG that are the focus of this audit are listed in [Appendix 3](#).

### 3.5. Request for audit from the Special Minister of State

This audit is being conducted in response to a request from the Special Minister of State that the Auditor-General conduct a recurring performance audit of emergency relief grants under section 27B(3)(c) of the *Government Sector Audit Act 1983*.

The Cabinet Office has released a protocol for auditing emergency relief grants, which sets out the process for undertaking this audit and providing emergency grant information to the Auditor-General.

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## 4. Governance and risk management

### **There is no clarity of roles and responsibilities between the OLG and the Reconstruction Authority**

The Grants Administration Guide (GAG) notes the importance of collaboration and partnership where policy responsibility or grants administration is shared between different agencies, or where an agency is responsible for the grants administration of another agency. Since March 2024, the GAG has included expectations for how multiple agencies involved in grants administration should define responsibilities, including recommending that responsibilities for applicable mandatory requirements are captured in a memorandum of understanding at the planning and design phase of a grant program, particularly if funds are transferred between the agencies to deliver the grants. The March 2024 update is applicable to the management of the Program as the updated GAG applies to all grant programs including those underway before that date.

The Office of Local Government (OLG) within the Department of Planning, Housing and Infrastructure (DPHI) is the administering agency for the Program under the NSW Local Government Recovery Grant Program Guideline (AGRN 1030 and AGRN 1034) (the Program Guideline). The Program Guideline sets out the requirements and processes for the Program. It states that the OLG's role includes supporting councils to make grant applications, assessing eligibility under the Program Guideline, making grant payments, and receiving financial progress reporting from councils.

The NSW Reconstruction Authority's (Reconstruction Authority) role in the Program is not described in the Program Guideline. In practice, the Reconstruction Authority's activities include ensuring that the Program meets Disaster Recovery Funding Arrangements (DRFA) requirements and reporting to the Commonwealth Government on Program delivery to seek reimbursement under the DRFA. It also oversees Program funding, including transferring funds to the OLG for grant administration costs and grant payments.

However, the roles and responsibilities around the extent to which the Reconstruction Authority supports the OLG in administering the Program are not defined in a memorandum of understanding or policies and procedures. This limits accountability for key aspects of grants administration. For example, the OLG and the Reconstruction Authority have not defined which agency is responsible for undertaking activities related to Program acquittals, risk management, or oversight of Program outcomes. The Reconstruction Authority's role in supporting the OLG to assess and determine project eligibility, including expectations around timeframes for the Reconstruction Authority in providing this advice, is also not defined.

The Reconstruction Authority developed a 'deed of funding agreement' setting out roles and responsibilities for the Program in 2023 and shared this with the OLG. The OLG and the Reconstruction Authority discussed the draft deed during 2023 and 2024, but it was not finalised due to lack of agreement on responsibilities and resourcing for the Program. The lack of defined roles and responsibilities has impacted the timely delivery of the Program, including finalisation of the Program Guideline, transfer of grant payments to some councils and grant acquittal processes.

The Program completion date was initially 30 June 2025 but was extended to 30 June 2026. In September 2025, the Reconstruction Authority submitted a request to the Commonwealth Government to extend the Program completion date by an additional year to 30 June 2027. The Commonwealth Government's decision on this request is pending. Defining roles and responsibilities for administering the remainder of the Program will improve accountability and timeliness for delivering the final stages of the Program, including monitoring and acquitting grants, and recouping funds if needed.

### **The OLG has identified some Program administration risks and has implemented mitigation strategies**

The GAG requires officials to identify and manage risks for all grants. OLG documents some Program administration risks and mitigation strategies in a risks and issues log, assigning the OLG staff responsibility, and tracking outcomes for each risk.

The OLG has identified some key risks to the Program and associated mitigation strategies, including risks relating to:

- the time taken for the OLG to assess projects leading to delays in councils commencing projects, or councils spending funds on ineligible activities; mitigation strategies include eligibility form improvements and additional OLG resources to assess projects.
- the Program not being extended leading to incomplete projects and the need for councils to return grant funding; mitigation strategies include the OLG requesting updates for its program extension submission in discussions with the Reconstruction Authority, and the OLG regularly updating departmental executives on progress.
- reporting errors from councils, including councils reporting ineligible expenditure and incorrect reporting from previous financial years; mitigation strategies include emailing instructions to councils on how to report, holding webinars informing councils on reporting requirements, and the OLG reviewing council transactions from 2023/24 to identify incorrect or ineligible transactions.

The OLG has implemented the identified mitigation strategies, including holding a webinar with councils, escalating risks relating to Program administration delays to the Deputy Secretary, Office of Local Government, and regularly seeking updates from the Reconstruction Authority on its request for a time limit extension.

However, the OLG has not documented all key risks and associated mitigation strategies related to Program funding administration and completion. These include risks relating to grant payments being made in advance of deliverables, payment for works not completed to approved scope, and risks relating to multiple Program extensions.

The OLG is required to report monthly to the Reconstruction Authority on overall program progress. The OLG has provided 2 examples of reporting that include some Program administration risks and council-specific risks identified above, but do not detail the OLG's mitigation strategies.

### **The OLG did not document processes to manage conflicts of interest**

The GAG requires that officials must consider and develop a plan for managing any conflicts of interest that might arise when designing the assessment process.

The Program is subject to 2 assessment stages – an initial eligibility assessment stage where councils are required to provide an initial overview of projects before grant funding is paid, and a detailed eligibility stage where councils are required to provide a 'Program of Works' to address the eligibility requirements in the Program Guideline. The OLG did not have a process for declaring conflicts of interest at the initial eligibility assessment stage of the Program, before grant payment. The OLG advised that its procedures are being reviewed to address this oversight.

The OLG assessors were required to declare any conflicts of interests in assessment forms at the detailed assessment stage before they could proceed with conducting project eligibility assessments. The assessment forms detail what is considered a conflict of interest and instruct the assessor not to proceed with the assessment if a conflict is declared.

While OLG assessors made conflicts of interest declarations, the OLG did not document its process for identifying and managing conflicts of interest in its Procedures Manual or its Program risk register.

The OLG provided completed assessment forms for a sample of councils. These forms show that each assessor declared no conflicts of interest in all forms provided. The OLG has advised that, to date, its staff have not declared any instances of conflicts of interests under the Program.

OLG staff are required to comply with the department's Code of Conduct and Ethics, which requires all employees to make an annual declaration of any conflicts of interest. Relevant OLG assessment staff completed annual conflicts of interest declarations in line with the requirements of departmental policies and did not declare any conflicts relevant to this Program.

**The OLG has some fraud controls in place, but it has not documented its reasons for assessing the Program as low risk**

The GAG requires officials to develop and implement fraud controls that are proportionate to the value and risk of the grant and consistent with NSW public sector risk management requirements.

The OLG has not documented its controls for managing fraud risks relating to its administration of Program funding. The OLG has advised that the risk of fraud in the Program is considered low, primarily because the value of the grants is relatively small and the grant recipients are government entities.

However, it has not documented its rationale for assessing the Program as low risk. The lack of documented fraud controls and the absence of a rationale for assessing the Program as low risk limits the effectiveness of ensuring the appropriate use of and accountability for public finances and assets.

In practice, the OLG is implementing some fraud controls. The OLG has:

- advised that, since April 2023, it has provided monthly fraud reports to the Reconstruction Authority and provided examples of these monthly fraud reports for this audit. The examples provided indicate that the OLG has not identified any instances of applications that are deemed to be fraudulent
- required regular financial progress reporting from councils that are required to be certified by the chief financial officer or equivalent.

The OLG also provides information to the Reconstruction Authority for audits to meet DRFA compliance requirements.

**The OLG has not documented how DPHI's fraud policy applies to the Program**

Separately, the OLG is subject to the DPHI Fraud and Corruption Control Policy which applies to all employees and states that the department has zero tolerance for fraud and corruption. The policy outlines responsibilities for the development, coordination and execution of the department's fraud and corruption control plan.

The policy states that it should be read in conjunction with the department's fraud and corruption control framework, and the department's fraud and corruption control program.

The policy and program require agency risk registers and risk management plans to include identified fraud and corruption risks and appropriate internal control measures. The framework also requires frontline and risk managers to work together to identify corruption risks and control measures for vulnerable business areas and functions.

The OLG has not set out in its Procedures Manual or its Program risk register how the department's fraud requirements have been applied to the Program.

## 5. Administration of grant funding

### OLG has administered grant funding in line with the application and assessment stages in the Program Guideline

Under the Grants Administration Guide (GAG), officials must administer a grant in accordance with grant program guidelines. For this audit, the NSW Local Government Recovery Grant Program Guideline (AGRN 1030 and AGRN 1034) (the Program Guideline) are the relevant grant program guidelines.

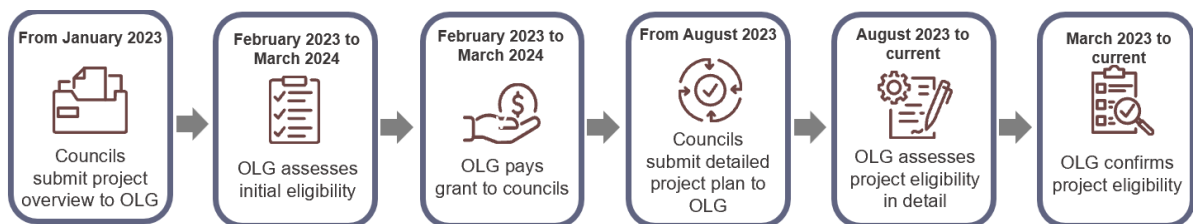
The Office of Local Government (OLG) has operational procedures for administering the Local Government Recovery Grants Program (AGRN 1030 and AGRN 1034) (the Program). These procedures also relate to the 2 similar programs for flooding events that occurred earlier in 2022. This includes a Procedures Manual which was developed in June 2022 and updated in July 2025.

The Program Guideline provides information about Program requirements and administration, which differ from the previous flood grant programs. The OLG has not provided evidence of when its operational procedures were updated to reflect the specific requirements of this Program.

The OLG administered the grant in accordance with the application and assessment process set out in the Program Guideline (see Exhibit 1). In particular, the OLG:

- provided councils with a template to submit to the OLG an overview of the projects proposed for funding under the grant to the OLG
- made grant payments to councils after receipt of project overviews from councils
- provided councils with a detailed project plan ('Program of Works') template to address the eligibility requirements in the Program Guideline
- is implementing processes to confirm whether the proposed projects in each council's detailed project plan meet Program eligibility requirements.

#### Exhibit 1: Grant application and assessment process



Source: Audit Office of NSW based on NSW Local Government Recovery Grants Program Guideline (AGRN 1030 and AGRN 1034) and OLG data.

### The OLG required councils to agree to terms and conditions for the grant but there were significant delays in obtaining agreement from some councils

The GAG requires officials to administer a grant in accordance with the grant guidelines and to ensure that grantees are subject to clear and specific written terms and conditions for the grant as a condition of receiving the grant.

Under the Program Guideline, councils are required to sign a grant acknowledgment schedule agreeing to complete and submit a detailed project plan, using the template, within 3 months of receiving funds; complete quarterly financial reporting to show how funds are being spent and how projects are being implemented; and return any unused funds as of 30 June 2025. Councils are permitted to spend grant funding before and after the OLG has confirmed project eligibility.

The OLG developed a grant acknowledgment schedule which includes conditions consistent with the Program Guideline. However, the OLG did not consistently communicate when councils were required to return the signed schedule to the OLG. The draft Program Guideline required councils to provide the signed schedule before grant payment, and the final Program Guideline required councils to provide it within 14 days of grant payment.

According to the OLG data, all councils and DPHI have returned the signed schedule to the OLG. Five councils took more than 6 months to return the signed schedule following grant payment.

The OLG is planning to ask councils that have not yet completed expenditure under the Program to sign an updated grant acknowledgment schedule to reflect the new Program completion date of 30 June 2026.

### **The OLG did not document reasons for its initial decisions on eligibility in relation to approval of grant payments**

The GAG states officials must ensure all decisions in the assessment process are documented.

The Program Guideline states that the OLG would complete a high-level assessment of project overviews submitted by councils to confirm that basic funding eligibility was met before grant payment. Neither the Program Guideline nor the OLG's operational procedures define how the initial eligibility assessment process should be undertaken.

In practice, the OLG used a spreadsheet to document whether it approved project overviews, but it did not document the reasons for its initial decisions on eligibility. For 36 councils, the spreadsheet includes some notes relevant to eligibility assessments, but these do not explain how the OLG assessed and determined eligibility. For 10 councils, the notes section of the spreadsheet was not completed. This limits transparency around the reasoning and decision-making for the initial eligibility assessments.

### **The OLG approved initial eligibility assessments for 30 councils based on draft Program Guideline, increasing the risk of ineligible grant expenditure**

The OLG approved initial eligibility assessments and made grant payments to 30 councils in February and March 2023 based on the draft Program Guideline. The OLG sought approval from the former Minister for Local Government to allocate grant funding to councils upon the OLG confirming initial eligibility.

However, the OLG did not formally advise the former Minister for Local Government or eligible councils that grant payments would be made based on draft guidelines or document the associated risks, including the risk of changes to Program Guideline requirements leading to councils using grant funding for ineligible expenditure.

The OLG issued the draft Program Guideline to eligible councils in January 2023. The Program guideline was finalised in June 2023, and the Eligible Expenditure Guidelines were finalised in July 2023. The OLG shared the final Program Guideline and Eligible Expenditure Program Guideline with councils shortly after they were finalised and noted key changes. Key changes between the draft and final Program Guideline include:

- a requirement that funding be used specifically for works required due to the impacts of the August and September 2022 floods, and not for compounding impacts from previous disasters or future natural disasters
- updates to eligibility criteria relating to new infrastructure.

While OLG has advised that there were no projects determined as ineligible due to changes between the draft and final approved guidelines, this audit found OLG identified ineligible council expenditure over the course of the Program. The OLG advises that it does not quantify the total council expenditure found to be ineligible under the Program.

### **The OLG has processes that support a consistent approach to assessing project eligibility and documents decisions for detailed eligibility assessments**

The GAG states that officials must provide written advice to the decision-maker that includes, at a minimum, records of assessment against assessment criteria, recommendations, decisions, and outcomes.

The Program Guideline requires the OLG to undertake a detailed assessment of project eligibility based on councils' detailed project plans ('Program of Works').

For a project to be eligible for funding, councils must demonstrate that projects fall within listed project categories and types, and that they aim to contribute to recovery and resilience outcomes.

In addition, councils must demonstrate the project:

- supports community recovery needs
- aligns with Program objectives
- includes community support, and participation where possible, and aims to optimise local and Indigenous employment and procurement opportunities
- is feasible with regard to risks and consequences including in relation to costs, delivery capacity and infrastructure maintenance (if relevant).

The OLG established and implements a process to review each 'Program of Works' and related evidence, involving:

- a 2-stage assessment process, where 2 separate assessment officers review each project in a 'Program of Works', requests further information from the council where necessary, and recommends to the Principal Program Officer whether it meets requirements
- the Principal Program Officer reviewing recommendations from the assessment officers and making a final decision on whether the 'Program of Works' meets requirements.

This process is supported by the OLG operational procedures including a manual, workflow and templates. The template the OLG uses to document its assessments mostly addresses the eligibility requirements in the Program Guideline. However, the assessment template does not include:

- consideration of whether the project is aligned with relevant NSW Government policies and strategies
- guidance on how assessors are to determine whether the project contributes to Program outcomes.

This audit reviewed a sample of documents relevant to the detailed assessment process. Based on the sample reviewed, the OLG completed most mandatory fields in the detailed eligibility assessment templates and documented recommendations and decisions.

The OLG has advised that there have been no waivers of eligibility requirements for the Program.

### **The OLG seeks advice from the Reconstruction Authority on some eligibility assessments, but it has not established processes for documenting stakeholder input**

The Program Guideline states that final determinations about project eligibility requirements may consider advice and recommendations from relevant government agencies. Under the GAG, all stakeholder input must be documented as part of the assessment process.

The OLG requests advice from the Reconstruction Authority on DRFA and Program Guideline requirements to inform some project eligibility assessments. The OLG operational procedures do not include guidance on how and when to seek advice from the Reconstruction Authority, nor on how that advice should be considered and documented in assessments.

The OLG uses email correspondence and meeting notes to record engagement with the Reconstruction Authority on eligibility assessment queries.

The OLG templates used to document eligibility recommendations and decisions do not require staff to record whether or how advice from the Reconstruction Authority has informed eligibility assessments, including whether a council has withdrawn or amended a project following advice from the Reconstruction Authority that the project is deemed ineligible. This creates a risk that Reconstruction Authority's advice is not consistently recorded.

Recording this input from the Reconstruction Authority in OLG recommendation and decision templates would improve transparency of the matters considered in determining the eligibility of a project or expenditure and accountability for decision-making.

### **Delays in grant payments and long processing timeframes for eligibility assessments have impacted timely Program completion**

The Program is intended to ensure streamlined, flexible and immediate funding to support local economic and social recovery.

The Program Guideline included a timeframe for the OLG to transfer grant payments to councils within 10 working days of receipt of eligible project overviews.

There were 12 (26%) councils impacted by a delay in transferring grant funding from the Reconstruction Authority to the OLG between March and November 2023. Of these 12 councils, 7 (15%) waited more than 6 months for grant payment after submitting their project overview.

The Program Guideline includes a timeframe for councils to submit their 'Program of Works' to the OLG for assessment within 3 months of receipt of grant payment. Due to delays in the OLG and the Reconstruction Authority finalising the Program Guideline, 30 councils were unable to meet this timeframe.

The Program Guideline does not include a timeframe for the OLG to complete detailed project eligibility assessments. The Program Guideline states the timeframe will depend on submissions received on a case-by-case basis.

Based on the sampled documentation, the OLG project eligibility assessment processing times are long, with most taking more than 6 months. Long assessment times increase the risk of:

- ineligible expenditure because councils are provided with upfront funding and are able to use this funding before receiving confirmation of project eligibility from the OLG
- councils not being able to complete projects by the Program completion date because of them choosing to delay works until they receive project eligibility confirmation from the OLG.

At 31 December, the OLG has advised that 9 councils have not yet received confirmation of project eligibility from the OLG.

The OLG has advised that factors contributing to the timeliness of its eligibility assessments include resourcing, the volume of projects to be assessed (over 200 projects across all councils), time taken to interpret eligibility requirements and seek related advice from the Reconstruction Authority, and council engagement.

### **The OLG implements processes to consider requests from councils to make variations to projects, but processes do not support timely project and Program completion**

The Program Guideline states that the OLG will work with councils to minimise their need to return funds at the end of the Program by supporting them in finding substitute works or projects if required, and where ineligible expenditure has occurred. It also states councils can make changes to their projects if required to address emerging recovery needs. The OLG has not planned how to balance this role with ensuring the timely completion of expenditure under the Program.

The OLG's Procedures Manual explains that where ineligible transactions are identified, grant funding may be reallocated to existing or new projects. The Procedures Manual does not set out a process or expectations for how the OLG should work with councils to repurpose expenditure.

The OLG has advised that most councils have made updates to change the scope or type of projects in their detailed project plan. Reasons for updates include changing council priorities, other funding becoming available before the OLG has approved eligibility, and reallocation of unspent funding to new projects.

The Procedures Manual defines a variation as any change to a 'Program of Works', apart from funds moving around projects. Variations would include any changes to planned total cost, scope and timeframe. The Program Guideline states variations will only be considered and approved by the OLG in limited circumstances. At 31 December 2025, the OLG had approved 37 'Program of Works' to confirm project eligibility.

The OLG's Procedures Manual includes some guidance on processing variation requests, but the OLG has not defined and communicated to councils in what limited circumstances variations will be considered to ensure expenditure by the completion date in the Program Guideline. The absence of limitations on variation requests mean councils can request multiple amendments and updates to their detailed project plans that require further review and approval by the OLG.

The OLG uses a spreadsheet and emails to record engagement with councils about requested variations and repurposing expenditure. Once approved in principle, the OLG requests the council to update their detailed project plan and the OLG updates its assessment forms to document its recommendation and decision to approve the updated project plan. The assessment forms do not identify which aspects of the project plan have been updated, making it difficult to identify which variations have been approved. The OLG does not document or report on variation data, including the number and type of variation requests or their impact on project delivery and Program completion.

The Reconstruction Authority has made a second request to extend the Program completion date to 30 June 2027. If approved, the OLG should ensure that it clearly defines and communicates how this impacts expectations for councils to complete expenditure under the Program, and in what circumstances variations or updates to detailed project plans will be considered. A robust and documented approach to variation requests would support timely delivery of the projects and completion of the Program to achieve intended objectives.

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## 6. Monitoring and acquittal

### **The OLG received quarterly financial progress reports from councils consistent with Program requirements**

Under the NSW Local Government Recovery Grant Program Guideline (AGRN 1030 and AGRN 1034) (the Program Guideline), councils are required to provide quarterly financial progress reports to the Office of Local Government (OLG) showing how funds are being spent and how projects are being implemented.

The OLG received quarterly financial progress reports from councils by asking councils to complete templates with relevant financial information that must be certified by the council's Chief Financial Officer or equivalent as being true and correct. The OLG also requires councils to submit a transaction listing showing grant expenditure for each project being funded by the Program. In line with the Program Guideline, the OLG informs councils that, for assurance purposes under the Disaster Recovery Funding Arrangements (DRFA), they may be requested at any time to provide further information or supporting evidence for any items included in transaction listings.

The OLG receives advice from the NSW Reconstruction Authority (Reconstruction Authority) on reporting requirements. The OLG has also updated quarterly reporting forms to require additional information from councils, such as information about previous years' expenditure and project-level reporting rather than program-level reporting.

The OLG provides written instructions to councils on how to complete the reporting and provided a webinar to councils to explain reporting requirements in July 2024.

### **The OLG checks the accuracy of quarterly financial progress reports from councils, but it has not defined processes and responsibilities for acquitting reported information**

The Program Guideline does not define the OLG's role in reviewing and acquitting quarterly financial progress reporting received from councils, and this has not been clearly defined in the OLG policies and procedures.

The OLG's Procedures Manual includes some general guidance for Program delivery staff to review quarterly reporting, such as checking that transactions match grant allocations and that reporting is correct. However, the OLG has not defined the specific steps that should be undertaken to verify and report on the accuracy and completeness of the reporting.

The OLG advises it is undertaking a review of its procedures for this Program to clearly document the quarterly expenditure reporting process.

The OLG provides information about councils' financial progress reporting to the NSW Reconstruction Authority (the Reconstruction Authority). Since the end of financial year 2022-23, the OLG has also been required to acquit the information reported by councils.

Based on a review of examples of the OLG reporting to the Reconstruction Authority in 2025, the OLG included comments about whether it had identified inaccuracies and stated these were being checked with the relevant council. This is consistent with the OLG's Procedures Manual which states that quarterly reporting data is checked for accuracy after submission to the Reconstruction Authority.

### **The OLG supports the Reconstruction Authority to undertake audits for the Program**

In addition to quarterly progress reporting, the OLG responds to requests for information from the Reconstruction Authority to support assurance activities undertaken for the Program to meet DRFA compliance requirements.

The Reconstruction Authority engages an external auditor to conduct assurance activities at the end of each financial year. These audits cover the whole scope of the State's claim to the Commonwealth under the DRFA and are not limited to the Program.

The Reconstruction Authority advises it has commenced assurance activities for the 2025 financial year for the Program and other emergency grant programs under the DRFA. The Reconstruction Authority plans to submit its audit report for the 2025 financial year to the Commonwealth Government by March 2026.

Assurance activities undertaken for the Program have involved the OLG obtaining evidence from a sample of councils that supports claimed expenditure under the Program, such as invoices, purchase orders and images of pre-construction and post-construction of assets.

### **The OLG has not implemented requirements relating to councils monitoring and evaluating their projects over the course of the Program**

The Program Guideline includes requirements for councils to undertake monitoring and evaluation of their project over the course of the delivery of the Program. In summary, the Program Guideline states:

- councils must outline the correlation between the nominated project, related outcome(s) and measurement approaches in their Program of Works
- the OLG will provide council with a midterm progress report and a final progress report for council to complete
- councils will be required to provide evidence of how their projects have resulted in a measurable benefit to their community that is consistent with the objectives of the Program.

The Program Guideline does not specify when councils must submit midterm or final progress reports. The reporting is intended to support monitoring and evaluation requirements under the DRFA.

The OLG has not implemented the Program Guideline requirement relating to midterm reporting. The OLG has advised that this was due to considerations relating to the varied progress across the Program, the reporting burden on councils, and the OLG resourcing to manage reporting requirements.

The OLG's detailed project plan template provided to councils includes a question about how the project/initiative aligns to one or more of the identified Program outcomes, including the planned approaches to measure outcomes. The OLG also requests information from councils on delivery against milestones and outcomes in quarterly progress report templates.

However, the OLG does not assess the quality and completeness of the information provided by councils. The OLG has not obtained performance measures from councils or assessed whether council reporting informs progress towards achieving Program objectives. In the absence of these processes, the OLG cannot demonstrate whether the funded activities have resulted in a measurable benefit that is consistent with the objectives of the Program.

The OLG has advised performance on project outcomes will be required from councils as part of the final acquittal and evaluation processes.

### **The OLG has provided limited evidence of reporting to the Reconstruction Authority on Program status**

As the administering agency for the grant, the OLG is required to report regularly to the Reconstruction Authority on Program status. This reporting was required on a fortnightly basis up to November 2024, and monthly thereafter.

The OLG has provided 2 examples of this reporting which include reporting about the number of councils that have received the grants, the number of eligibility assessments completed and the number of councils that have completed projects under the Program.

The Reconstruction Authority is planning a process, outcome and economic evaluation of the Program, as part of a broader evaluation of the Local Government Recovery Grants programs administered by the OLG. The terms of reference for the evaluation state that it intends to:

- fulfil evaluation requirements under the TPG 22-22 Treasury Evaluation Guidelines, the Grants Administration Guide, and requirements under the DRFA
- gather and consolidate evidence regarding the program's effectiveness, contribution to intended changes and unintended outcomes, and delivery of benefits against costs
- extract learnings to inform future decision-making on similar programs.

The Reconstruction Authority plans to engage a consultant to complete the evaluation by November 2026.

### **The OLG has not yet confirmed final reporting and acquittal processes for the Program**

The Program Guideline states that councils need to submit a 'Final Project acquittal report' that captures information on the project, outcomes and outcome measures for the purposes of supporting monitoring and evaluation requirements.

The OLG has not yet confirmed final reporting and acquittal processes for the Program to ensure councils understand what is required to support Program evaluation and final acquittal of expenditure under the Program.

At 31 December 2025, the OLG was developing a final acquittal template in consultation with the Reconstruction Authority to request information from councils about the completion of their projects and to help understand and measure the effectiveness of projects and the Program.

The OLG has advised that the final acquittal process currently being developed will include a requirement that councils provide all supporting transaction listings and statutory declarations confirming eligible expenditure against the Program Guideline.

The Program Guideline states that councils will be required to repurpose or pay back all expenditure found not to have been spent in accordance with the guideline, and that any funds which are not expended by the Program completion date must be returned. The OLG has not yet determined processes to recover any unspent or ineligible expenditure.

The OLG advises that at 31 October 2025, 13 councils had completed all projects under the Program and were awaiting confirmation of the acquittal process. The OLG has advised that it has taken steps to assess any underspends by these councils, but it has not yet determined whether funds will need to be recouped.

The lack of a finalised process for final reporting and acquittal creates uncertainty for councils, creates risks to the effective management of the Program, and could further delay the completion of the Program.

### **The OLG does not publish Program information consistent with the GAG**

The GAG states officials must ensure that information about grant opportunities and decisions made in relation to grants awarded are published on the NSW Government Grants and Funding Finder.

The OLG publishes general information about the Program and its purpose on its website, along with the current Program Guideline and the Eligible Expenditure Guideline. The OLG and the Reconstruction Authority do not publish decisions on grants awarded or Program information on the Grants and Funding Finder website or in their annual reports.

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# Appendix 1 – Responses from entities

## Response from Department of Planning, Housing and Infrastructure

Department of Planning, Housing and Infrastructure



Our ref: A1000900  
Your ref: R009-170535826-97922

Mr Bola Oyetunji  
Auditor-General  
Audit Office of NSW  
GPO Box 12  
SYDNEY NSW 2001

Via email:

25 March 2026

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Subject: Performance Audit – ‘NSW Local Government Recovery Grants program – AGRN 1030/1034’

Dear Mr Oyetunji,

Thank you for your email on 26 February 2026 to myself and the Hon Ron Hoenig, Minister for Local Government, regarding the above audit.

I thank the Audit Office for the opportunity to respond to the audit report findings, and for the professionalism and patience of the officers of the Audit Office in carrying out this audit.

The audit findings confirming the program was administered in line with the Grant Administration Guide, with one exception, is welcome. It reflects the work of the team in setting up a program in difficult and unique circumstances, including:

- The relatively new Grant Administration Guidelines.
- The urgency in delivering funding to disaster-declared communities following multiple significant disaster events across the State in 2022, while adjusting to changes to project oversight arrangements compared with previous rounds of the program.
- The evolving nature of the governance arrangements between NSW Reconstruction Authority (RA) and the Office of Local Government (OLG), which reflected the creation of the new agency.
- The establishment of RA delaying the finalisation of the Program Guidelines by 5 months (after the program had commenced), causing ongoing delays to both OLG in finalising the grant administration processes and to councils in preparation of their program of works, and the subsequent delays to assessment of projects.

It is also worth noting that OLG has approximately 800 projects across the 3 Local Government Recovery Grant programs running concurrently, with a small team.

Regarding the following point on page 17 of the audit report:

*'Due to delays in the OLG and the Reconstruction Authority finalising the Program Guideline, 30 Councils were unable to meet this timeframe'*

I can clarify that OLG was not responsible for the design or development of the Program Guidelines, but OLG was consulted with on its operational viability. The program design and development are the responsibility of the RA.

**Audit Report recommendations**

The 4 recommendations are agreed and accepted by the Department and OLG. However, the timing for the fourth recommendation, regarding the agreement of roles and responsibilities, will be dependent on RA.

I am pleased to advise the Audit Office that the Department, and OLG in particular, is undertaking work to improve the assurance of grants against the Grants Administration Guide. Part of this work includes a comprehensive grants framework, that outlines the processes for grants administration to ensure transparent and robust management.

I thank the Audit Office for providing OLG the opportunity to respond to the audit report and note OLG is eager to implement the findings.

Should you have any questions, you are welcome to contact Mr Stephen Walker, Manager, Programs within OLG

Yours sincerely

A handwritten signature in black ink, appearing to read 'Kiersten Fishburn'.

Kiersten Fishburn  
**Secretary**

## Response from NSW Reconstruction Authority

### NSW Reconstruction Authority



Ref: BN26/209  
25 March 2026

Mr Bola Oyetunji  
Auditor-General for NSW  
Audit Office of NSW

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Re: NSW Reconstruction Authority Response to the Performance Audit – Emergency Relief Grants – NSW Local Government Recovery Grants Program

Dear Mr Oyetunji,

Thank you for your correspondence enclosing the final performance audit report on the emergency relief grants – NSW Local Government Recovery Grants Program (the Report).

The NSW Reconstruction Authority (RA) welcomes the Report as an opportunity to improve the governance of recovery grants programs.

While the Office of the Local Government (OLG) is responsible for administering grant funding under the Program, the RA is responsible for overseeing the program funding and seeking reimbursement from the Commonwealth Government under the Disaster Recovery Funding Arrangements 2018 (DRFA).

The recommendation to clarify and document roles and responsibilities between OLG and the RA is accepted by the RA, and the RA will work closely with OLG to complete this by 30 June 2026.

I have asked Mr Andrew Graham, Chief Operating Officer (Chief Audit Executive) to be made available if you wish to discuss this further. Mr Graham can be contacted via email

Sincerely,

A handwritten signature in black ink, appearing to read "K. Fitzgerald", followed by a long horizontal line.

**Kate Fitzgerald**  
Chief Executive Officer  
NSW Reconstruction Authority

GPO Box 5434  
Sydney NSW 2001  
ABN 56 672 828 283

02 9212 9200  
[www.nsw.gov.au/reconstruction-authority](http://www.nsw.gov.au/reconstruction-authority)

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## Appendix 2 – List of local government areas eligible to apply for the grant

Local government areas eligible to apply for the grant		
Albury	Gilgandra	Narrabri
Balranald	Greater Hume	Narrandera
Bathurst	Griffith	Orange
Berrigan	Gunnedah	Snowy Valleys
Bland	Gwydir	Tamworth
Blayney	Hay	Temora
Bourke	Hilltops	Unincorporated Area of NSW
Carrathool	Inverell	Uralla
Central Darling	Junee	Wagga Wagga
Cobar	Lachlan	Walcha
Coolamon	Leeton	Warrumbungle
Coonamble	Liverpool Plains	Weddin
Cootamundra-Gundagai	Lockhart	Wentworth
Edward River	Moree Plains	Yass Valley
Federation	Murray River	
Forbes	Murrumbidgee	

Source: NSW Local Government Recovery Grants Program Guideline (AGRN 1030 and AGRN 1034), June 2023.

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# 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

We gratefully acknowledge the cooperation and assistance provided by the Office of Local Government and the NSW Reconstruction Authority.

## Audit Cost

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

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# Appendix 4 – Performance auditing

## What are performance audits?

Performance audits assess whether the activities of state or local government entities are being carried out effectively, economically, efficiently and in compliance with 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. A performance audit can also consider particular issues that 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 audits is set out in the *Government Sector Audit Act 1983* for state government entities, and in the *Local Government Act 1993* for local government entities. This mandate includes audit of non-government sector entities where these entities have received money or other resources (whether directly or indirectly) from, or on behalf of, a government entity for a particular purpose (follow-the-dollar).

## 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 in consultation with parliamentarians, agency heads and key government stakeholders. Our 3-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 3 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.

During the fieldwork phase, audit teams will require access to books, records or any documentation deemed necessary in the conduct of the audit, including confidential information that is either Cabinet information within the meaning of the *Government Information (Public Access) Act 2009* or information that could be subject to a claim of privilege by the State or a public official in a court of law. Confidential information will not be disclosed, unless authorised by the Auditor-General.

At the completion of fieldwork, the audit team meets with management representatives to discuss all significant matters arising from 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 into developing practical recommendations on areas of improvement.

A final report is then provided to the accountable authority of the audited entity(ies), which will be invited to formally respond to the report. If the audit includes a follow-the-dollar component, the final report will also be provided to the governing body of the relevant entity. The report presented to the NSW Parliament includes any response from the accountable authority of the audited entity. The relevant Minister and the Treasurer are also provided with a copy of the final report for state government entities. For local government entities, the Secretary of the Department of Planning and Environment, the Minister for Local Government and other responsible Ministers will also be provided with a copy of the 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 4 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](http://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)



**Audit Office of New South Wales**

Level 19, Darling Park Tower 2  
201 Sussex Street  
Sydney NSW 2000 Australia

t +61 2 9275 7100

mail@audit.nsw.gov.au

Office hours: 8.30 am–5.00 pm

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*audit.nsw.gov.au*