NEW SOUTH WALES AUDITOR-GENERAL'S REPORT

Administration of grants to non-public sector entities: Racing for the Regions program

PERFORMANCE AUDIT | 9 APRIL 2026

auditoffice
OF NEW SOUTH WALES

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*.

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In accordance with section 38EC of the *Government Sector Audit Act 1983*, I present a report titled **'Administration of grants to non-public sector entities: Racing for the Regions program'**.

Bola Oyetunji

Auditor-General for New South Wales
9 April 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.

Image: 'Yarning Circle' by Caitlin Liddle, Audit Office Indigenous Internship Program participant. Used with permission.

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1. Report snapshot

Objective

The audit assessed whether the Racing for the Regions program is being administered and delivered effectively to meet government objectives. This included assessing oversight and management of the program by the Department of Creative Industries, Tourism, Hospitality and Sport (the Department), and Racing NSW's compliance with the requirements of the funding deed.

Key findings

The terms of the funding deed do not enable effective oversight by the Department

The funding deed did not include delivery timelines or scopes of work for individual projects and did not specify an overall end date for the program.

The Department did not ask Racing NSW for updated project delivery dates and plans before finalising the funding deed. As a result, the project information in the funding deed was almost 2 years out of date.

Three projects were completed before the funding deed was signed. The deed stated that funding was for 'upcoming projects'.

The funding deed does not require Racing NSW to assess whether the program is delivering the benefits set out in the business case.

The Department is not actively overseeing project delivery

The Department did not identify delivery risks or assess the adequacy of Racing NSW's governance, probity or capability to deliver the projects.

The Department has not kept complete records of its grants administration activities. Less than half of its governance meetings were documented and it does not have any records for one of the projects.

Racing NSW has provided regular reporting on project progress since 2024, when construction started on some projects.

Grant payments were made in compliance with most of the required financial controls

The Department has used a consistent process to manage grant payments to Racing NSW since 2024. This includes a consistent acquittal process and approval by authorised delegates. However, payments for projects completed before the funding deed was signed did not fully comply with the requirement for expert certification of work completed.

Recommendations

The audit made 3 recommendations intended to improve the Department's oversight and evaluation of the Racing for the Regions program and future programs.

Fast facts

$58.6 m	$30.8 m	6
NSW Government funding for the Racing for the Regions program	NSW Government payments made under the grant to Racing NSW (at January 2026)	out of 14 projects completed by end January 2026

2. Executive Summary

Context

The Racing for the Regions program was developed by Racing NSW to upgrade infrastructure at thoroughbred racecourses outside Greater Sydney. Racing NSW's business case for the program included 21 infrastructure projects with a total estimated cost of approximately $126 million. The NSW Government provided $58.6 million funding for 14 of these projects. Racing NSW committed to making a co-contribution of $36.8 million to the program.

The NSW Government-funded projects include new or improved tracks, stables and grandstands. The business case for the program stated that all projects would be completed by September 2024. As at January 2026, 6 of the 14 projects were complete, 4 were in the construction phase and 4 were yet to start construction. The projects are now expected to be completed by end of 2026.

The stated objective of the program was to provide economic stimulus to regional areas in response to the COVID-19 pandemic. The program is expected to create more jobs in regional areas and increased tourism generated by the capacity to host more high-quality race meets. The program continues to be funded through budget carry-forwards in subsequent financial years.

The Department of Creative Industries, Tourism, Hospitality and Sport (the Department) is responsible for administering the program. As the single grant recipient, Racing NSW is responsible for the delivery of funded projects in compliance with the terms of the grant funding deed executed in July 2022. Racing NSW is a body corporate established under the *Thoroughbred Racing Act 1996*. It is not a government agency and is not subject to direction or control by the NSW Government in the exercise of its legislative functions.

Audit objective

The objective of the audit was to assess whether the Racing for the Regions program is being administered and delivered effectively to meet government objectives. The audit addressed this objective by assessing the Department's oversight and management of the program, with a focus on whether the Department supported and oversaw the achievement of government objectives, and assessing Racing NSW's compliance with the requirements of the grant funding deed.

The audit covers the period from July 2021, when funding for the program was announced, until January 2026, when the conduct of the audit concluded. The audit does not comment on the merits of government policy objectives or on the merits of individual projects that received NSW Government funding.

Conclusion

The Department is not administering the Racing for the Regions program effectively to meet government objectives. The Department has not established effective oversight arrangements for projects funded through the program. The funding deed developed by the Department did not include up to date project timelines and scopes and did not specify an end date for the program. The delivery of most projects has been significantly delayed compared to initial business case estimates. The Department did not require Racing NSW to develop an evaluation plan to quantify and report on program outcomes. As a result, the Department cannot demonstrate whether the grant program is achieving its intended outcomes.

The *Government Sector Finance Act 2018* and the *Government Sector Employment Act 2013* require agency heads to ensure that public funds are used efficiently, effectively and prudently. The *NSW Grants Administration Guide* (the Guide) sets out NSW Government policy for grants administration. The Guide requires agencies to actively manage grant programs by managing risks and monitoring and acquitting the delivery of funded projects. The version of the Guide that was in place when the program was established included these requirements and they have remained in subsequent updates to the Guide. The Department is not responsible for delivering the individual projects funded through the program, but it is responsible for ensuring that the program delivers value for money in achieving its stated objectives.

Key findings

The Department did not assess delivery risks and has not provided the Minister with comprehensive advice on the risks or progress of the program

When the Department was assigned responsibility for the program and developed the funding deed for the grant, it did not identify foreseeable delivery risks, such as skills or materials shortages, adverse weather or delays in obtaining development application approvals. It also did not assess the adequacy of Racing NSW's governance systems, probity policies or project delivery capability.

Conducting a detailed program risk assessment could have informed the Department's approach to administering the program, especially the development of the funding deed. The Department did not request Racing NSW to provide updated information on project status, schedules or risks when developing the funding deed. The Department did not provide advice to the Minister about the risks of the program before it finalised the funding deed.

The funding deed for the program did not include critical information to enable effective oversight of the program by the Department

The funding deed for this grant program did not include timelines and scopes for each project and did not specify an end date for the program. For example, 8 of the 14 projects had estimated completion dates in 2021, 6 months or more before the funding deed was executed. The Department did not require Racing NSW to provide information on timeline, scope or cost before finalising the funding deed. The only source of information on timelines, scope and costs for funded projects was Racing NSW's business case for the program, which was prepared 21 months earlier. The funding deed is a legally binding agreement that requires the Department to have visibility and oversight over the allocation and expenditure of the grant.

Three of the projects had already been completed when the funding deed was executed although the funding deed described the projects receiving NSW Government funding as 'upcoming projects'. The funding deed did not make any reference to the fact that 3 projects had been commissioned or completed before terms had been agreed between the Department and Racing NSW.

The funding deed for the program does not include requirements for evaluation or reporting on benefits realisation

The Department did not examine or verify the cost-benefit analysis in the Racing NSW business case before executing the funding deed. It also did not consider how progress towards achieving the program's objective of providing economic stimulus in regional areas following the COVID-19 pandemic would be measured. The Department did not include a requirement for Racing NSW to conduct an evaluation in the funding deed. This means Racing NSW is not required to assess whether the benefits set out in its business case are being realised.

The Department stated that it plans to develop an evaluation plan in 2026–27, with the evaluation to follow. Including requirements for project and program evaluation in the program funding deed, could have improved transparency, accountability, and project management and delivery throughout the program.

The *Good Practice Guide to Grants Administration 2010*, which was in place when the program was established, stated that agencies should develop performance measures when planning a grant program to enable ongoing review of program objectives and outcomes throughout the grant lifecycle. Subsequent updates to grants administration guidance for NSW Government agencies in 2022 and 2024 included similar requirements. The funding deed for the program includes a clause that permits amendments with the agreement of both parties, but the Department has not sought to make any variations to address weaknesses in the deed.

The Department did not actively oversee the program or document decisions to change project timeframes and delivery approaches

The Department documented less than half of the monthly governance meetings held between February 2024 and October 2025. Meeting minutes include summaries of projects and one instance of discussion of payment requirements, but they did not include any record of discussion of risk mitigation or any actions following the meetings.

Racing NSW has reported high risks relating to budget overruns and project delays on 7 of the projects in progress since February 2024. The Department has not sought clarification about the impact of these risks on the scope of projects. There have been changes to the delivery approach of individual projects since the business case was developed, for example staged construction of stables at Cessnock and Gosford. The Department has not implemented a change control process to ensure that any impacts on the realisation of program benefits are considered before changes are made.

Racing NSW has engaged a project management firm to conduct activities including project planning and reporting. Regular reporting and monthly meetings started in February 2024, 19 months after the funding deed was signed. Prior to this, the Department and Racing NSW advised that governance meetings took place on an ad hoc basis because detailed designs and development applications were being prepared.

The Department has financial controls and processes to manage grant payments and has followed these in most cases

The Department has implemented financial controls and processes to manage grant payments. Since 2024, the Department has used a consistent acquittal process to review each claim for payment. This process included verifying that the claim is certified by a qualified quantity surveyor and includes all required supporting documentation. A review showed that all 23 payments made to Racing NSW since 2024 were supported by a full briefing and were signed and approved by the designated delegate.

The Department paid $142,000 for one project in 2022 but did not provide any supporting records to show whether this payment complied with its processes. The Department stated that it does not have access to these records due to IT changes associated with a machinery of government change in 2022.

The funding deed included a requirement that all claims for payment must include certification by a quantity surveyor. Payments for 2 projects made prior to 2024 did not comply with the requirement to provide a certification by a quantity surveyor, although the claims were supported by the final project reports. The 2 projects had been completed before the funding deed was executed and Racing NSW was unable to have the certification done retrospectively. The Department addressed this by allowing Racing NSW to provide certification from a private audit firm for paid invoices instead of a quantity surveyor certification of completed work and pricing.

Recommendations

By June 2026, the Department of Creative Industries, Tourism, Hospitality and Sport should:

1. actively monitor delivery of the remaining projects, with a focus on ensuring and fully documenting oversight of any changes to delivery method, timelines or project scope
2. request that Racing NSW evaluate and report to the Department on the achievement of benefits outlined in Racing NSW's original business case, consistent with the grants administration guidelines that were in place at the time the program commenced.

The Department of Creative Industries, Tourism, Hospitality and Sport should strengthen its stewardship of public funds for grant programs by developing:

3. a documented risk-based grants administration and assurance plan for each program, consistent with the NSW Grants Administration Guide, which includes:
   a) a framework to assess and demonstrate value for money, including defined performance measures and evaluation of outcomes and benefits
   b) processes for identifying, assessing, monitoring and addressing key risks, including financial, delivery and probity risks
   c) the program's scope, delivery timeframes, and the program start and end dates
   d) key delivery milestones and how progress payments will be linked to delivery and evidence
   e) arrangements to monitor and document compliance with the NSW Grants Administration Guide, relevant legislative principles and other applicable guidance
   f) clear reporting arrangements for project scope, timelines, status, budget, outputs and outcomes, including public reporting where appropriate.

3. Introduction

3.1. Thoroughbred racing in NSW

Thoroughbred racing is one of 3 racing codes in NSW, along with harness racing and greyhound racing. Thoroughbred racing in NSW is controlled and regulated by Racing NSW, which is a body corporate established under the *Thoroughbred Racing Act 1996*. Racing NSW is not a government agency and is not subject to control or direction by the NSW Government. It is governed by a Board appointed by the Minister for Gaming and Racing. Its responsibilities include, licencing thoroughbred racing participants, supervising race clubs and races, setting minimum standards, and managing commercial aspects such as insurance and media rights. It is also responsible for licencing bookmakers who provide betting services at racecourses.

It has received funding from several NSW Government grant programs totalling $77.6 million since 2020–21. This includes the $58.6 million grant funding for the Racing for the Regions program. According to Racing NSW's 2024–25 Annual Report, it received $410 million in revenue (from various sources) and had an operating surplus of $13 million. The Auditor-General of New South Wales does not audit Racing NSW's financial statements, as it is not an auditable entity under the *Government Sector Audit Act 1983*.

Many regional racecourses are located on Crown land. Most racecourses are managed by local race clubs or local councils. Clubs are responsible for managing facilities such as tracks, stables and amenities for participants, but most major upgrades at racecourses are paid for and managed by Racing NSW. Of the 9 racecourses that received funding under the program, 7 are directly owned and managed by the local race club. One is managed by the local race club as Crown Land Manager. One (Cessnock) is directly owned by Racing NSW.

The Minister for Gaming and Racing has legislative responsibilities including licensing racecourses and appointing members to the Racing NSW Board. The Office of Racing, a unit with the Department of Creative Industries, Tourism, Hospitality and Sport (the Department), is responsible for administering legislation related to thoroughbred racing and advising the Minister on the exercise of legislative functions. Key legislation includes the *Thoroughbred Racing Act 1996*, *Betting and Racing Act 1998*, and *Totalizator Act 1997*. The Office of Racing is also responsible for advising the Minister on policy and managing relations between the NSW Government and racing organisations, including Racing NSW and race clubs.

During the period covered in this audit, the Office of Racing has moved between 3 different departments as part of broader machinery of government changes. When the NSW Government funding for the program was announced, the Office of Racing was located within the Department of Customer Service. It was moved to the Department of Enterprise, Investment and Trade on 1 April 2022 and subsequently moved to its current location in the Department of Creative Industries, Tourism, Hospitality and Sport on 1 July 2024. In this report, a reference to the Department should be read as a reference to the Office of Racing unless specified otherwise.

A summary of roles and responsibilities for thoroughbred racing in NSW is shown in Figure 1.

Figure 1: Overview of the roles and responsibilities for thoroughbred racing in NSW

Entity	Roles and responsibilities
Racing NSW	Racing NSW is a body corporate and is not a government agency. It is the thoroughbred horse racing authority in NSW and its functions include: • managing and supervising thoroughbred races • regulating the industry • managing commercial relationships and the economic and strategic development of the industry • managing fees, wagering distributions and prize money • creating policies and rules to promote thoroughbred racing and protect participants • managing insurance for thoroughbred racing participants.
Race clubs	Thoroughbred race clubs are responsible for conducting race meetings and the ongoing maintenance of the racecourse. Other responsibilities include: • managing liquor and gambling activities on site • meeting obligations of a registered club.
Minister for Gaming and Racing	The NSW Government is not directly involved in the regulation and commercial management of the thoroughbred racing industry. The Minister for Gaming and Racing is responsible for racing legislation, including: • only issuing licences for racecourses and betting providers for the exclusive totalizator licensee (under the *Totalizator Act 1997 (*Tote Act)) • appointing members to relevant racing boards and committees.
Department of Creative Industries, Tourism, Hospitality and Sport	Supports the Minister for Gaming and Racing and administers the regulatory framework for thoroughbred, harness and greyhound racing in NSW. Key functions include: • providing policy advice to the NSW Government • managing racing legislation, including legislative reviews • managing appointments to relevant racing boards and committees • managing the relationships between the NSW Government and organisations responsible for the 3 racing codes.

3.2. The Racing for the Regions program

Establishment of the Racing for the Regions program

In October 2020, Racing NSW submitted a business case to the NSW Government for the program, seeking funding for 21 infrastructure projects across 12 thoroughbred racecourses in regional NSW. These projects included new or upgraded training tracks, stables and grandstands. The 21 projects in the business case had an estimated total cost of approximately $126 million. The business case stated that the program would provide economic stimulus to support regional areas following the COVID-19 pandemic.

NSW Treasury reviewed the business case and Cabinet considered the proposal and approved an allocation of $58.6 million funding for 14 projects.[1] The government media release at this time stated that the program would create 'more jobs for locals and more money coming into country towns through increased tourism generated by the capacity to host more high quality race meets'. The commitment to the program by the current government has been affirmed by way of budget carry-forwards in subsequent financial years.

The Department was given responsibility for administering the program after the funding commitment was announced. A funding deed covering the 14 projects[2] was signed by the Department in March 2022 and was executed in July 2022. The funding deed includes a schedule showing the funding allocation summary (projects funded and not funded). However, it does not specify completion dates for each funded project. The business case for the program was included as an appendix to the funding deed. This set out estimated timelines and budgets for the projects. Racing NSW stated that the project timelines in the 2020 business case were based on indicative project scoping. These substantially changed in detailed design investigations that took place during and after the funding deed was executed.

Racing NSW is the single grant recipient and is responsible for delivering all projects covered by the funding deed. It engaged a project management firm with expertise on racing infrastructure developments to manage 8 of the 14 projects, including procurement, financial and, risk management and reporting. It is also engaged 2 quantity surveyor firms to comply with requirements of the funding deed. Quantity surveying is a certified profession focused on estimating and monitoring the costs of construction projects. Figure 2 provides a chronology of events.

Figure 2: Establishment of the Racing for the Regions program

Timing	Milestone
May 2019	Planning work started on the first of the projects under the program.
October 2020	Racing NSW business case for the program is given to the NSW Government for consideration, proposing 21 projects (total estimated cost of $126 million).
June 2021	$58.6 million announced in the 2021–22 NSW Budget for 14 projects in Racing NSW's business case.
November 2021	Funding deed negotiation started.
July 2022	3 of the 14 projects completed (prior to funding deed being executed).
July 2022	Funding deed executed.

Source: Audit Office analysis of information provided by the Department and Racing NSW.

[1] The Racing for the Regions program was part of a broader funding package for horse racing infrastructure. The NSW Government's 2021–22 NSW Budget media release reported $67 million in funding, which combined the Racing for the Regions program with $8.4 million funding for projects from different NSW Government grant programs. The 2021–22 NSW Budget Papers reported $59.9 million for infrastructure projects at country race clubs. This combined the Racing for the Regions program funding with $1.3 million funding from one other grant program.

[2] The NSW Government Grants and Funding Finder website lists 13 projects because 2 projects at the same racecourse are combined in the grant funding deed. This audit has separated them for clarity.

Figure 3 shows the projects that are receiving NSW Government funding. These were specified in the funding deed that was executed in July 2022. Racing NSW chose to deliver some of the projects from its business case that did not receive NSW Government funding from other funding sources. These projects were not included in the scope of this audit.

Figure 3: Government funded Racing for the Regions projects from the Racing NSW business case

Race club	Proposed project	Funding approved (by project, $m)	Funding approved (by location, $m)
Scone	Stables and associated infrastructure	16.0	20
	Poly-track training track	4.0	
Cessnock	Stables and associated infrastructure	7.5	11.5
	Poly-track training track	4 .0	
Gosford	Stables and associated infrastructure	8.4	11.4
	Poly-track training track	3.0	
Hawkesbury	Stables	4.8	4.8
Muswellbrook	Grandstand upgrade	4.2	4.2
Albury	Stables and associated infrastructure	3.0	3.0
Tamworth	Stables and associated infrastructure Sand track upgrade	2.4	2.4
Moruya	Stables and associated infrastructure	0.7	0.7
Sapphire Coast	Stables and associated infrastructure	0.5	0.642
	Race day amenities	0.142	
TOTAL		**58.642**	

Source: Racing for the Regions Business Case Oct 2020 and Funding Deed, July 2022.

Current status of Racing for the Regions projects

The 2020 business case for the program stated that all projects would be completed by September 2024. As at January 2026, 6 of 14 projects had been completed, 4 were in the construction phase and 4 were yet to start construction (Figure 4). Racing NSW recently estimated that all projects would be completed by December 2026.

Racing NSW cited several factors as contributor to the delays to project delivery, including:

- the NSW Government announced funding for the program in June 2021, but the funding deed was not executed until July 2022
- most projects required additional work to finalise the scope and detailed design
- there were delays in obtaining approval for development applications for some projects.

Figure 4: Summary of the delivery status of Racing for the Regions projects, January 2026

Race club	Project	Delivery Status
Sapphire Coast	Race day amenities	**Completed:** March 2021
Tamworth	Sand track upgrade	**Completed:** October 2021
Gosford	Track	**Completed:** October 2021
Sapphire Coast	Stables	**Completed:** December 2024
Moruya	Stables	**Completed:** October 2025
Scone	Training Track	**Completed:** December 2025
Muswellbrook	Function Centre	**Construction underway** (estimated completion: March 2026)
Tamworth	Stables	**Construction underway** (estimated completion: March 2026)
Cessnock	Stables	**Construction underway** (estimated completion: November 2026)
Scone	Stables	**Construction underway** (estimated completion: November 2026)
Cessnock	Training Track	**Detailed design phase** (estimated completion: October 2026)
Albury	Stables	**DA development phase** (estimated completion: November 2026)
Hawkesbury	Stables	**DA approved, tender phase** (estimated completion: December 2026)
Gosford	Stables	**DA approved, tender phase** (estimated completion: December 2026)

Source: Racing for the Regions Master Project Schedule (January 2026).

The total budget for the projects that were allocated NSW Government funding in the 2021–22 NSW Budget has increased by approximately $53 million from the initial estimates in the business case. These cost increases will be paid for by Racing NSW, with NSW Government funding remaining the same.

3.3. NSW Government grants administration requirements

Regulatory framework for grants administration in NSW

In NSW, the *Grants Administration Guide* (the Guide) provides the framework for the administration of grants. The Guide sets out NSW Government policy for grants administration and includes both principle-based guidance and mandatory requirements. All Ministers, ministerial staff and government employees must comply with the mandatory provisions of the Guide. Compliance with the Guide has been a legal obligation under the *Government Sector Finance Act 2018* (GSF Act) since 1 July 2022. The Guide is issued under a Premier's Memorandum.

The Guide defines a grant as:

An arrangement for the provision of financial assistance by the NSW Government whereby money:

- is paid to a grantee other than the NSW Government
- is intended to help address one or more of the NSW Government's policy outcomes
- is intended to assist the grantee to achieve its objectives
- does not result in the return of goods or services by the grantee of an equivalent value to the NSW Government (i.e. it is a non-reciprocal exchange).

The term 'grants administration' covers all activities involved in the lifecycle of a grant from initial planning to final evaluation and reporting. Grants administered by the NSW Government must deliver value for money in achieving stated objectives and meet the key principles of transparency, accountability and probity.

The Cabinet Office is responsible for the Guide and for developing resources to support compliance with its requirements. The Guide covers all stages of grants administration, including planning and designing grant programs, making decisions about funding allocations, monitoring and acquitting grants, and evaluation of outcomes. The scope of this audit focuses on the last 2 of these stages: monitoring and acquittal, and evaluation of outcomes.

For this audit, the relevant mandatory requirements set out in the Guide include 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
- identify and manage risks for all grants, in accordance with agencies' responsibilities under the GSF Act
- ensure that grantees are subject to clear and specific written terms and conditions for a grant. This should be by way of a funding agreement, unless not practicable.

The Guide provides additional best practice guidance for government officials in areas including, the use and content of grant funding agreements, processes for monitoring and acquitting grants, and grants evaluation. This additional guidance is not mandatory but the Guide notes that Premier's Memoranda are binding on NSW Government agencies and states that compliance is expected.

Government employees who are administering grants are also required to comply with relevant provisions of other laws including:

- the *Government Sector Employment Act 2013,* which outlines the core values of the government sector, such as requirements to be fiscally responsible, to focus on efficient, effective and prudent use of resources and to provide transparency to enable public scrutiny
- the *State Records Act 1998*, which requires public offices to keep full and accurate records of the activities of the office.

Application of grants administration guidance to the Racing for the Regions program

This audit assessed how the program was managed according to the relevant NSW Government guidelines in place at the time. NSW Government grants administration guidance documents have been updated twice during the period the Department has been responsible for the administration of the Racing for Regions program, as shown in Figure 5.

Figure 5: Grants administration guidance during the Racing for the Regions program

Stage of program administration	Relevant grants administration guidance
Program funding announcement Funding deed development and execution	*Good Practice Guide to Grants Administration*, May 2010
Project scoping, planning and approvals Delivery of some projects Initial payment claims	*Grants Administration Guide*, September 2022
Ongoing delivery of projects Ongoing payment claims Completion of some projects	*Grants Administration Guide*, March 2024

Source: Audit Office analysis of information provided by the Department and Racing NSW.

The 2010 Good Practice Guide was in place when the funding deed was developed and executed. While its use was not mandatory, it recommended grant programs should have robust systems for accountability, including risk assessments throughout the grant program, clear performance measures to monitor progress. and regular evaluation of whether the funds are being used efficiently and objectives are being met.

The 2022 Guide was applicable to the delivery stage of the Racing for Regions program from September 2022 to March 2024. The 2024 Guide has been applicable to the program from March 2024. The 2022 and 2024 updates to the Guide strengthened the requirements on NSW Government agencies by adding more detailed guidance across all stages of grants administration and making some elements mandatory (as noted above).

The 2022 and 2024 Guides were accompanied by Premier's Memoranda stating that the new Guides applied prospectively, but activities for the administration of grant programs already underway should adhere to the updated requirements from the date that the updated Guides took effect.

The 2010 Good Practice Guide, which was in place when the Racing for the Regions program started, did not include classifications for types of grants. The program would be classified as a one-off or ad hoc grant program under both the 2022 and 2024 Grants Administration Guides, as no open grant rounds or assessments were conducted.

3.4. About the audit

The Audit Office of NSW's Audit Work Program 2025–2028 includes a series of audits to assess the effectiveness of selected agencies in ensuring grants are being used by recipients for their intended purpose and planned benefits are being realised. The Racing for the Regions program is the first grant program in this series.

The audit objective was to assess whether the Racing for the Regions program is being administered and delivered effectively to meet government objectives. This includes assessing the Department's oversight and management of the grant program and Racing NSW's compliance with grant funding requirements. The audit covers the period from July 2021, when funding for the program was announced, until January 2026, when the conduct of the audit concluded. The audit does not comment on the merits of government policy objectives, or on the merits of individual projects that received government funding.

Racing NSW is receiving funding from the Department to deliver the Racing for the Regions program, so is included in this audit as a 'related relevant entity' under Section 38 of the *Government Sector Audit Act 1983*. The audit only assessed the activities of Racing NSW that are directly connected to the Racing for the Regions projects that received grant funding from the NSW Government.

4. Planning for the delivery of the program

The Department did not assess delivery risks and has not provided the Minister with comprehensive advice on the risks or progress of the program

The Department advised that it was not involved in the development of Racing for the Regions and was not aware of the program until after funding was announced. When the Department was assigned responsibility for the program and developed the funding deed, it did not identify likely delivery risks, such as skills or materials shortages, adverse weather or delays in obtaining development application approvals. It also did not assess the adequacy of Racing NSW's governance systems, probity policies or project delivery capability.

Conducting a detailed program risk assessment could have informed the Department's approach to administering the program and developing a funding deed with updated timelines and project information to support proactive oversight. Racing NSW and the Department stated that site issues and delays in the approval of development applications are the main reasons for projects not delivering to schedule. However, Racing NSW has stated that the Department did not require it to provide updates to project timelines and delivery risks when the deed was being developed.

The Department advised that the financial and delivery risk was a matter for Racing NSW. The Department also stated the funding deed, which it developed, placed no obligation on it (the Department) to ensure projects are delivered. However, the Department noted in an internal self-assessment of its compliance with grants administration guidelines that the *Government Sector Finance Act 2018* requires government officers to identify and manage risks for all grants in accordance with agencies' responsibilities.'

The Department did not provide advice to the Minister about the risks of the program before the Department finalised the funding deed. The Department has provided one written briefing to the current Minister, which summarised each project. This was prepared as advice in response to a question taken on notice by the Minister at a Budget Estimates Committee hearing in August 2025.

The funding deed for the program did not include critical information to enable effective oversight of the program by the Department

The funding deed for this grant program did not include timelines and scope for each project and an end date for the grant. The Department did not require Racing NSW to provide detailed project plans or estimates of project timelines and costs before the funding deed was finalised. The only information about project timelines, budgets and scope was Racing NSW's business case for the program, which was prepared 21 months earlier in October 2020. The funding deed is a legally binding agreement that requires the Department to have visibility and oversight over the allocation and expenditure of the grant.

Racing NSW stated that the business case of October 2020 was based on high level indicative designs and that timelines were out of date by the time the deed was signed. For example, 8 of the 14 projects had estimated completion dates in 2021, 6 months or more before the funding deed was executed.

This was because Racing NSW started detailed design for most projects after the funding deed was signed in July 2022, 21 months after the business case was developed. The design process identified site issues and development application requirements not known when the business case was developed. The average difference between the estimated start of projects in the 2020 business case and actual project commissioning/commencement by Racing NSW was 17 months. The average difference between the estimated completion dates of projects in the business case and actual completion or the most recent estimate (as at January 2026) is 38 months. Despite the significant differences, there was no attempt to incorporate updated timelines in the deed which would enable proactive oversight.

The funding deed described the projects receiving NSW Government funding as 'upcoming projects' and did not state whether payments could be made for work that had been conducted prior to the NSW Government decision to provide funding. It did not specify that 3 projects had already been commissioned by Racing NSW before the NSW Government announced funding for the program in June 2021. These projects were completed before the funding deed was executed. Two of these projects were paid in full even though they did not comply with the funding deed's payment requirements for certified statements by quantity surveyors.

The funding deed for the program does not include requirements for evaluation or reporting on benefits realisation

The Department did not examine or verify the cost-benefit analysis in the Racing NSW business case or consider how progress toward achieving the program's objective of providing economic stimulus in regional areas following the COVID-19 pandemic would be measured. The Department did not include a requirement in the funding deed for Racing NSW to conduct an evaluation. This means Racing NSW is not required to assess whether the benefits set out in its 2020 business case are being realised.

The Department stated that it will develop an evaluation plan in 2026–27 with the evaluation process to follow. Including requirements for project and program evaluation in the program funding deed could have improved transparency and accountability as well as project management throughout the life of the program.

The 2010 *Good Practice Guide for Grants Administration*, which was in place when the program was established, recommended developing performance measures during the planning stage to enable ongoing review of program objectives and outcomes throughout the grant lifecycle. Subsequent updates to grants administration guidance for NSW Government agencies in 2022 and 2024 reinforced the importance of focusing on outcomes and value for money in grants administration, recommending an ex-post cost-benefit analysis for grants exceeding $50 million. This is consistent with the NSW Treasury policy on evaluation, which states that agencies are expected to plan and conduct evaluations for initiatives valued over $50 million to provide evidence of outcomes, net social benefits, and value for money.

Both the 2022 and 2024 versions of the *NSW Grants Administration Guide* were accompanied by a Premier's Memorandum stating the Guide applies prospectively to all grant activities undertaken from the date the Guide came into effect. Although the Department has stated that it has complied with mandatory requirements in the *2022 Grants Administration Guide*, it has not documented why it has not followed other grants guidelines and good practices or NSW Treasury evaluation policies.

The funding deed for the program includes a clause allowing for variations to the deed with the agreement of both parties. The Department has not sought to vary the deed to improve its alignment with updated NSW Government guidance on grants administration.

Other NSW Government agencies have included provisions in funding deeds that require the recipients of grants to complete regular reporting and evaluation activities. For example, the then Department of Premier and Cabinet required recipients of grants through the Western Sydney Infrastructure Grants Program (previously known as the WestInvest Program) to develop a monitoring and evaluation plan within 6 months of funding deed execution. Recipients of grants were required to collect and submit outcomes and benefits data, including for baseline measurements (before construction started) and for up to 2 years after the project was operational. Recipients with projects valued at over $1 million were also required to complete a process evaluation, an outcome evaluation and provide information for an economic evaluation.

5. Oversight of program delivery

The Department did not actively oversee the program or document decisions to change project timeframes and delivery approaches

Racing NSW and the Department stated that progress reports for the Racing for the Regions program are discussed in monthly governance meetings. The Department documented fewer than half of the monthly governance meetings between February 2024 and October 2025. These meetings discuss the monthly progress reports provided by Racing NSW. Minutes of these meetings document summaries of projects and one instance of discussion of payment requirements. They do not include any record of discussion of mitigation strategies for risks detailed in monthly reports or document follow up actions and the consequential impact on the program.

Racing NSW has reported high risks relating to budget overruns and project delays on 7 projects in progress reports since February 2024. The Department has not sought clarification about the impact of these risks on the scope of projects.

The funding deed specifies that Racing NSW must provide monthly progress reports on each project to the Department. Racing NSW has engaged a project management firm with expertise in racing infrastructure projects to conduct activities including project planning and reporting. Regular reporting started in February 2024, 19 months after the funding deed was signed. Prior to this, the Department and Racing NSW advised that governance meetings took place on an ad hoc basis because detailed designs and development applications were being prepared.

The Department does not have change control processes for the approval of project variations

There have been numerous changes to the timelines and delivery approaches of individual projects. For example, the approach to the delivery of stables at the Cessnock and Gosford racing clubs had to be staged due to development application requirements and site constraints including environmental considerations.

However, the Department has not implemented a change control process to ensure that any impacts on the realisation of program benefits are considered and approved before changes are made. This would enable more effective oversight against changed timelines and delivery approaches. The Department stated that any changes are dealt through the governance framework, status report and grant payment. However, the Department has not documented its consideration or approval of any of these changes through these processes and it has not varied the funding deed to reflect the changes. Such documentation would enable proactive oversight of changes to the program and provide greater visibility of progress with the grant program.

The Department has not kept complete records of its grants administration activities

The Department is required to keep full and accurate records of its grants administration activities to comply with the *State Records Act 1998*. The records relating to the program are incomplete. The audit found:

- no documentation of the rationale for decisions made during the preparation and negotiation of the funding deed for the program
- no documentation of grants administration activities undertaken between July 2022 and January 2024, such as detailed project design and development application processes (which the Department should have required Racing NSW to provide), or monitoring of risks to project schedules and budgets
- incomplete records of governance meetings between the Department and Racing NSW (as described above).

The Department did not provide any records for this audit related to the Sapphire Coast race day amenities project, which received NSW Government funding of $142,000. The Department advised that it has not had access to these records since the Office of Racing was moved from the Department of Customer Service in 2022 as part of a machinery of government change. Our 2021 performance audit report 'Machinery of government changes' noted that there is an increased risk of the loss of records when government functions are moved between departments.

Public reporting on the progress of the program has not been clear or comprehensive

The Department has not reported comprehensively on the progress of the program and has not required Racing NSW to do so. This reduces transparency about program expenditure and outcomes to key stakeholders, including NSW Parliament, race clubs and the public.

The Department has published the project names, locations and funding amounts on the NSW Government grants and funding website. Its 2022 and 2023 annual reports also refer to the execution of the funding deed and the completion of the Gosford training track. However, the Department has not published details of the scope of projects. It has also not published program-wide information, such as estimated completion dates or progress toward achieving the program's outputs and objectives.

Other NSW Government agencies have proactively reported on infrastructure grant programs. For example, the Premier's Department released an Interim Outcomes report on the Local Small Commitments Allocation Program in July 2025. This included detailed financial information and analysis of progress toward the objectives of the program. Premier's Department reporting on the Western Sydney Infrastructure Grants Program (previously called the WestInvest Program), which was established in 2022, includes an overview of the scope and expected outcomes of each project and updates on project status.

Racing NSW does not have any obligation to report publicly on the progress of the program, but it has included updates on the progress of selected projects in its annual reports in 2024 and 2025.

Racing NSW has used competitive tender processes for its projects, but the Department has not checked whether Racing NSW has complied with the probity requirements in the funding deed

Under the funding deed, Racing NSW is required to comply with the Department's Code of Ethics and Supplier Code of Conduct in the procurement and delivery of the program. Racing NSW provided evidence showing that it conducted competitive selective tenders for the head construction contractors on the projects that were managed by its appointed project manager.

Racing NSW said that the Department provided it with the Code of Ethics and Supplier Code of Conduct in early 2022. The Department has not undertaken formal checks on whether Racing NSW has complied with these documents as required in the funding deed although details of the tender processes are included in monthly status reports.

6. Administration of payments to Racing NSW

The Department has structured financial controls and processes to manage grant payments

The Department has implemented financial controls and processes to manage payments for the projects that are receiving NSW Government funding. Racing NSW is reimbursed for expenses that have already been incurred in the delivery of funded projects. All costs must be certified by a quantity surveyor for payment. Racing NSW engaged quantity surveyors and these appointments were approved by the Department in October 2024. The Department undertook due diligence checks to verify the qualifications of the quantity surveyors and the procurement process used for their engagement.

Since 2024, the Department has used a consistent acquittal process to review each claim for payment. This includes verifying that the claim is certified by a qualified quantity surveyor and includes all supporting documentation required under the funding deed. The Department has also used a consistent process to seek approval for the payment of claims, with a standard briefing package prepared for approval. A review of payment documentation found that briefings were provided for 23 of the 24 payments that were made. All of the 23 briefings were signed off and approved by the correct financial delegate. The payment that did not have a briefing was for the Sapphire Coast race day amenities, which was valued at $142,000 (discussed below).

The Department paid a total of $30.8 million to Racing NSW between August 2022 and January 2026. which is approximately 52.5% of the total NSW Government funding for the program covering 10 of the 14 projects.

The Department introduced a measure in November 2024 to withhold the final 10% of the funding allocated to each project until Racing NSW submits all required information, including a completed final project report. This aims to reduce the risk of final payments being made before project completion and encourages Racing NSW to meet final reporting requirements. The policy has not been documented in the funding deed.

The Department made 2 payments to Racing NSW that do not align with this recent policy.
By June 2025, the Department had made $15.8 million in payments to Racing NSW for the Scone stabling project. The NSW Government's total grant for this project was $16 million. This resulted in 98.6% of the grant funding for that project being paid prior to the project's estimated completion in November 2026. Racing NSW has also reported that by December 2025, it had received 92% of the NSW Government's grant funding for the Muswellbrook function centre project. This is not estimated to complete until March 2026.

The Department's payments deviated from funding deed processes in 3 of the 24 payments, 2 of which related to projects that Racing NSW completed before the funding deed was executed

Racing NSW did not use a quantity surveyor to certify financial information for projects completed before the funding deed was executed, because the requirement to do so was not in place at the time. The Department paid for 2 of the 3 projects that were completed before the funding deed was executed. To address this issue, the Department permitted an auditor, rather than a quantity surveyor, to certify the costs of these projects. These were included in final project reports that provided other documentation to support the claims.

In August 2022, the Department paid Racing NSW $3 million for the Gosford training track project after receiving financial statements certified by a private sector audit firm.

The Department paid $142,000 for the Sapphire Coast race day amenities project but did not provide this audit with documents relating to this payment. The Department advised it is unable to access these documents due to changes in IT systems following a machinery of government change in 2022, as described above.

The Department has withheld payments when Racing NSW has not met requirements of the funding deed

The Department has withheld 2 payments from Racing NSW for not meeting requirements set out in the funding deed. The Department has withheld payment for the Tamworth sand track project (completed in December 2021 – see Figure 6) and the final payment of 10% for the Sapphire Coast stabling project (completed in December 2024) because Racing NSW has not submitted final project reports, as required under the funding deed.

A complete final report is important because it provides assurance regarding the expenditure of funds and delivery of project outputs. Under the funding deed, these reports must include a certified profit and loss statement, confirmation that all invoices have been settled, plans for ongoing management and maintenance, lessons learned and feedback from stakeholders and photographs for evidence of outputs. Certification requires sign-off by both Racing NSW's Chief Financial Officer and an independent qualified accountant.

Racing NSW stated that it is in discussions with the Department to resolve these issues.

Figure 6: Withheld payment for Tamworth sand track project

Racing NSW completed an upgrade to the sand track at Tamworth Jockey Club in December 2021, approximately 6 months before the funding deed for the program was executed. Racing NSW submitted a claim to the Department for an $800,000 payment in November 2022. A single report was provided to serve as both the payment claim and final report that was required under the funding deed. However, this report did not include the required certified information. Over the past 3 years, the Department has made multiple attempts to obtain missing information and continues to withhold payment for this project.

Source: Racing NSW project reporting documents (unpublished).

Project delays have created an additional financial management burden for the Department and NSW Treasury

NSW Treasury policies on budget planning and forecasting require NSW Government agencies to submit a request to NSW Treasury that unspent funds are carried forward to the following financial year. According to the *TPG22-05 Carry Forwards Policy*, repeated carry forward requests for the same funding will not be automatically approved and will be evaluated on merit. This means the Department must develop and provide a rationale for each carry forward request.

In 2021–22, the Department estimated that all funds allocated for the program would be expended by the end of 2024–25. The most recent adjustment, made in July 2025, involved carrying forward $20.6 million for each of the 2025–26 and 2026–27 financial years. The Department does not have a program schedule to track progress against these timeframes.

Appendix 1 – Response from entity

Response from Racing NSW

2 April 2026

BY EMAIL: mail@audit.nsw.gov.au

Mr Bola Oyetunji
Auditor General
Audit Office of New South
Wales

Dear Mr Oyetunji,

Performance Audit – Racing for the Regions

I refer to your letter dated 4 March 2026 attaching the Audit Office's final report on its performance audit of the Racing for the Region's grant project.

Racing NSW welcomes the opportunity to respond to the report, which is set out below.

At the outset of the program, Racing NSW sought to use best practice by appointing an independent third-party project manager to oversee the delivery of projects. As was acknowledged positively in the Auditor-General's Final Report, this decision ensured that robust probity and procurement processes were embedded throughout project delivery.

Racing NSW has also cooperated fully with the Department throughout the administration of the funding deed and has actively engaged with the performance audit process. At all times, Racing NSW has sought to ensure transparency and responsiveness, providing timely access to information and supporting documentation as requested.

We note that the only outstanding matter identified in the Draft Audit Office report, relating to the Tamworth project, has now been fully rectified as per our previous commitment to do so.

RACING NSW (ABN 86 281 604 417)
Level 7, 51 Druitt Street, Sydney NSW 2000
Telephone: (02) 9551 7500
Facsimile: (02) 9551 7501

With respect to project delivery timelines referenced in the final report, Racing NSW notes that these timelines were, in many instances subject to unavoidable delays reflective of broader construction industry issues as well as project specific complexities. In particular:

- Works across the majority of sites could not commence until the funding deed was finalised and funding secured. The original business case and delivery timeframes were submitted in October 2020, however the funding deed was not executed until July 2022.

- Development approval (DA) processes resulted in significant delays across almost all projects, with some approvals taking in excess of 12 months. This is a well-documented and widespread issue across the construction sector, not contained to just the Racing for the Regions projects.

- Initial timelines were based on indicative designs only, to support the business case. Once the funding deed was signed and projects progressed, detailed designs were developed. In several cases this necessitated the acquisition of additional land to ensure the effective and efficient delivery of projects. Racing NSW in these cases took the proactive step to acquire the necessary land to complete the projects, with those acquisitions funded by Racing NSW and not from the grant funds.

- Racing NSW also undertook extensive stakeholder consultation during the detailed design phase to ensure that infrastructure delivered is safe, fit-for-purpose, and meets the long-term needs of the racing industry.

Racing NSW also acknowledges the recommendations outlined in the report and confirms its commitment to working collaboratively with the Department to support their effective implementation. In that respect, meetings have already been conducted with the Department to discuss the implementation of the Recommendations.

In response to the specific recommendations:

1. **Active monitoring and documentation of project delivery by the Department**
   Racing NSW will continue working with the Department on delivery of the remaining projects and provide any/all further information required.

2. **Evaluation and reporting on benefits realisation**
   Racing NSW will undertake an evaluation of project outcomes against the benefits outlined in the original business case and will report these findings to the Department. While not a formal requirement under the funding deed, Racing NSW has previously indicated its intention to complete a benefits realisation assessment following project completion and will do so in a manner consistent with the grants administration guidelines in place at the commencement of the program.

Racing NSW remains committed to working with the Department to deliver the final projects under the funding deed and implementing the Recommendations of the Auditor Office's final report.

Yours faithfully,
RACING NSW

Dr Saranne Cooke
Chairman

Response from Department of Creative Industries, Tourism, Hospitality and Sport

Department of Creative Industries, Tourism, Hospitality and Sport

Our ref: A870323
Your ref: R009-170535826-51810
31 March 2026

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

Performance audit: Administration of grants to non-state entities: Racing for the Regions program

Dear Mr Oyetunji

Thank you for your letter dated 4 March 2026 providing the Department of Creative Industries, Tourism, Hospitality and Sport (DCITHS) the opportunity to respond to the Performance Audit – 'Administration of grants to non-state entities: Racing for the Regions program final report' (the Report).

DCITHS has considered the Report, and the recommendations made. DCITHS accepts the three recommendations.

Please find enclosed detailed responses for each of the recommendations. Initial steps have already been taken toward implementing recommendations 1 and 2, which are set out in our enclosed responses.

DCITHS remains committed to ensuring all grants programs are administered and delivered effectively to meet government objectives. We also remain committed to continuous improvement and accountability, and I welcome this opportunity to improve our practices.

I would like to thank the audit team for its collaborative engagement with DCITHS.

Sincerely,

Melanie Hawyes
Secretary

Encl. DCITHS response to audit recommendations

McKell Building, 2-24 Rawson Place, Haymarket NSW 2000
www.dciths.nsw.gov.au

Recommendation	DCITHS response	DCITHS commentary
By June 2026, the Department of Creative Industries, Tourism, Hospitality and Sport should:	Accept	
1. actively monitor delivery of the remaining projects, with a focus on ensuring and fully documenting oversight of any changes to delivery method, timelines or project scope.		The Department has initiated improvements to the active monitoring of the delivery of the remaining projects by: • developing a status report template for Racing NSW, which will be issued to Racing NSW before the final report is tabled in Parliament, for completion ahead of each monthly Racing for the Regions Program meeting. The status report will require Racing NSW to provide an update on each project, including progress of project delivery, expected timelines and any changes to project scope • preparing a quarterly Racing for the Regions Program update report to the Hospitality and Racing Deputy Secretary and the Minister for Gaming and Racing, detailing progress over the period, risks to delivery and changes to project scope, updated timelines and expenditure. Before the final report is tabled in Parliament, we will notify Racing NSW that: • formal variation requests are required for changes in scope, budget and delivery for decision by the relevant Department delegate • status reports are to be presented at monthly Racing for the Regions Program meetings, with minutes prepared and circulated to parties.
2. request that Racing NSW evaluate and report to the Department on the achievement of benefits outlined in Racing NSW's original business case, consistent with the grants administration guidelines that were in place at the time the program commenced.		The Department has prepared a letter to the Chair of Racing NSW to request Racing NSW evaluate and report to Hospitality and Racing and the Minister for Gaming and Racing on the outcome of the Racing for the Regions Program once completed, including realisation of benefits outlined in Racing NSW's original business case for the Program. The letter will be issued before the final report is tabled in Parliament.

Recommendation	DCITHS response	DCITHS commentary
For future grant programs, the Department of Creative Industries, Tourism, Hospitality and Sport should develop: 3. a documented risk-based grants administration and assurance plan for each program, consistent with the NSW Grants Administration Guide, which includes: a. a framework to assess and demonstrate value for money, including defined performance measures and evaluation of outcomes and benefits b. processes for identifying, assessing, monitoring and addressing key risks, including financial, delivery and probity risks c. the program's scope, delivery timeframes, and the program start and end dates d. key delivery milestones and how progress payments will be linked to delivery and evidence e. arrangements to monitor and document compliance with the NSW Grants Administration Guide, relevant legislative principles and other applicable guidance f. clear reporting arrangements for project scope, timelines, status, budget, outputs and outcomes, including public reporting where appropriate. This will improve consistency, transparency and accountability in grants administration and strengthen stewardship of public funds.	Accept	When applied, the Department's Grants Administration Framework, Grants Administration Policy and Grants Compliance Manual, and associated guidance documents and templates, already deliver the governance controls described in sub-recommendations a, b, c, d and f. Recommendation 3e would need to be implemented at the department-level. Its approach is to be developed and will occur following the Corporate Services restructure. Associated capability building in grant administration is also delivered via workshops and eLearning programs targeting compliance with the NSW Grants Administration Guide. A DCITHS internal audit of Program compliance will conclude shortly. It is anticipated the internal audit will make similar recommendations to those outlined by the Audit Office. The Department will incorporate the Audit Office recommendations in conjunction with management actions taken in response to the internal audit.

Appendix 2 – About the audit

Audit objective, criteria and scope

This audit assessed whether the Racing for the Regions grant program was administered and delivered effectively to meet government objectives.

The audited entities were the Department of Creative Industries, Tourism, Hospitality and Sport (the Department) and Racing NSW.

We addressed the audit objective by examining the following criteria:

- Is the Department ensuring that Racing NSW complies with grant funding requirements?
  - Has the Department managed grant payments in accordance with policy and legislative requirements?
  - Has the Department monitored the progress of funded projects?
  - Has the Department identified and managed project risks including delays and increased costs?
- Is the Department evaluating and reporting on project delivery and outcomes?
  - Is the Department reporting on what has been delivered?
  - Is the Department evaluating whether the stated objectives of the grant program are being achieved?
- Is Racing NSW fulfilling its obligations under the grant funding deed with the Department?
  - Has Racing NSW established systems for project management and delivery?
  - Has Racing NSW complied with the governance and reporting requirements set by the Department?
  - Has Racing NSW complied with relevant financial and probity requirements for grant funding?

The audit did not:

- examine the activities of Racing NSW that are not connected with the Racing for the Regions grant program or other grants administered by the Department, such as the Greyhound Capital Grants
- question the merits of government policy objectives, including the funding allocation decisions for the Racing for the Regions program.

Audit approach

Our procedures included interviewing staff from the Department and Racing NSW, and examining documents related to the management and delivery of the Racing for the Regions program.

The audit approach included 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, 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 acknowledge the assistance provided by staff from the Department and Racing NSW.

Audit cost

The estimated cost of the audit, including staff costs and overheads, is approximately $400,000.

Appendix 3 – 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 or contact us on 9275 7100.

OUR VISION

Our insights inform and challenge government to improve outcomes for citizens.

OUR PURPOSE

To help Parliament hold government accountable for its use of public resources.

OUR VALUES

Pride in purpose

Curious and open-minded

Valuing people

Contagious integrity

Courage (even when it's uncomfortable)

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