



NEW SOUTH WALES AUDITOR-GENERAL'S REPORT

Regional Roads Fund

PERFORMANCE AUDIT | 6 MAY 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 '**Regional Roads Fund**'.

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

Bola Oyetunji

Auditor-General for New South Wales
6 May 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.

Contents

1.	Report snapshot	1
2.	Executive summary	2
	Conclusion	3
3.	Introduction	7
	3.1. Road management and funding	7
	3.2. Overview of the Regional Roads Fund	7
	3.3. Design and administration of the Regional Roads Fund	8
	3.4. About the audit	10
4.	Governance of the Regional Roads Fund	11
	4.1. Validation of estimated costs	11
	4.2. Governance	11
5.	Funding for Transport for NSW-led projects	13
	5.1. Background	13
	5.2. Project funding	13
	5.3. Advice to government	15
	5.4. Project management, business case development and assurance processes	16
	5.5. Responding to funding and delivery priorities	22
	5.6. Managing conflicts of interest	24
6.	Funding for local council-led projects	25
	6.1. Background	25
	6.2. Funding status	25
	6.3. Planning and designing grant opportunities	27
	6.4. Assessment and decision making	29
	6.5. Providing grants and publishing grant information	30
	Appendix 1 – Response from entity	33
	Appendix 2 – About the audit	35
	Appendix 3 – Summary of key findings applicable TfNSW-led RRF Projects	38
	Appendix 4 – Principles of public expenditure for major infrastructure projects and grants administration	39
	Appendix 5 – Performance auditing	43

1. Report snapshot

Objective

This audit assessed whether Transport for NSW (TfNSW) is effectively administering the \$334 million Regional Roads Fund (RRF).

To date, \$320.4 million has been allocated from the fund, comprising:

- \$215 million for 10 projects led by TfNSW
- \$105.4 million to 11 local councils to deliver 19 projects.

Most of the RRF projects are election commitments.

Key findings

Projects led by TfNSW are being managed within the existing TfNSW governance framework

TfNSW manages RRF projects using established delegations and governance processes. Internal budget approvals and reporting are consistent with these delegations, and they are overseen and monitored by internal committees.

TfNSW has also responded to government expectations to accelerate the delivery of its RRF projects.

TfNSW did not provide detailed evidence to support the allocation of additional project funding

At the time additional funding was approved, TfNSW had not completed project business cases or short-form assessments to inform project assumptions, expected benefits and estimated project costs.

TfNSW projects are not following typical assurance lifecycles, increasing risk

TfNSW sought and released funding for some TfNSW-led projects earlier than is typical in its project development and delivery lifecycle, and approved contingency funding amounts above indicated levels in its policies. This increases project and budget risks.

TfNSW did not comply with some aspects of the Grants Administration Guide

TfNSW did not put in place practices and procedures to comply with the Grants Administration Guide when developing and issuing funding agreements to local councils. It also did not comply with other mandatory requirements of the Guide.

TfNSW has not defined outcomes to guide the administration of the RRF

TfNSW has not documented the expected outcomes of the expenditure to guide administration of the fund. This includes prioritisation of funding for project variations and new projects.

Recommendations

The audit recommends that TfNSW:

- strengthen documentation to support funding decisions
- clearly define RRF outcomes
- design and implement a process for one-off and ad hoc grants to ensure compliance with the Grants Administration Guide.

Fast facts

\$334m

of funding was committed in the 2023 election to the RRF

\$320.4m

of funding has been allocated to deliver RRF projects

29

projects have been funded from the RRF

2. Executive summary

Context

The Regional Roads Fund (RRF) originated as an election policy proposal of NSW Labor in the lead-up to the March 2023 state election. The commitment was to establish a capped \$334 million RRF ‘to build new roads in rural and regional areas’, using funds from the Snowy Hydro Legacy Fund. NSW Labor also announced, as individual election commitments, a range of planning and construction projects for roads outside Greater Sydney, with some of these projects to be funded by the RRF.

In the 2023–24 NSW Budget, the NSW Government allocated \$236.42 million to 28 RRF projects. In the 2025–26 NSW Budget, the NSW Government allocated an additional \$84 million to 6 existing RRF projects and one new RRF project.

To date, \$320.42 million (96% of the total capped amount) has been committed to 29 projects. Of this amount, Transport for NSW (TfNSW) was allocated:

- \$215 million (64%) as capital expenditure to deliver 10 TfNSW-led projects
- \$105.42 million (32%) as operational expenditure, to provide grant funding to 11 local councils for the delivery of 19 projects.

The 29 RRF projects fall within 17 local government areas in NSW.¹

TfNSW is responsible for managing the RRF, including the design, planning and construction of the State Road projects, and administering grants to local councils for Regional Road and Local Road projects. TfNSW is also responsible for providing advice, recommendations and support to the Minister for Roads, and Minister for Regional Transport (the minister) who is the minister responsible for the delivery of the RRF.

Audit objective

This audit assessed whether TfNSW is effectively administering the Regional Roads Fund in compliance with key principles of the administration of public expenditure, requirements for major infrastructure projects,² the NSW Grants Administration Guide (the Guide), and relevant legislative requirements.

The audit did not assess activities outside the Auditor-General’s legislative audit mandate, such as the activities of political parties or elected members of Parliament, or the merits of NSW Government policy objectives.

¹ The RRF-funded projects are located in the following 17 local government areas: Bega Valley Shire Council; Central Coast Council; Lake Macquarie City Council; City of Wollongong; Cootamundra-Gundagai Regional Council; Dungog Shire Council; Eurobodalla Shire Council; Goulburn Mulwaree Council; Kyogle Council; Lismore City Council; Maitland City Council; Port Stephens Council; Queanbeyan-Palerang Regional Council; Shoalhaven City Council; Snowy Monaro Regional Council; Tenterfield Shire Council and Upper Hunter Shire Council.

² As relevant to each project.

Conclusion

Transport for NSW (TfNSW) is unable to demonstrate it is effectively administering the Regional Roads Fund (RRF) as it has not completed, where necessary, project business cases or short-form assessments to inform project assumptions, expected benefits and estimated project costs. Most business cases or short-form assessments for TfNSW-led RRF projects are in development. Also, TfNSW did not put in place practices and procedures to comply with some aspects of the Grants Administration Guide for the local government grant funded projects.

TfNSW is administering the RRF projects within its existing governance arrangements for both capital and grant funded projects. Most projects are election commitments, and TfNSW is responding to government expectations to accelerate the delivery of TfNSW-led projects. TfNSW-led projects are at different stages of progress, and some are not following the usual assurance lifecycle. TfNSW has released funding for construction, including contingencies, to some projects earlier than is typical. TfNSW has also approved contingency amounts above the level indicated in its project governance policies and processes.

Key findings

TfNSW is following its project governance processes and delegations to manage the development and delivery of TfNSW-led projects

TfNSW manages RRF projects through established delegation and governance arrangements. Internal budget approvals, funding, and reporting against internal and external assurance processes align with these delegations.

Decisions on project funding and scope are overseen through internal committees, including TfNSW's Investment and Assurance Committee (IAC). The IAC controls the budget process, approves release of funding for capital projects from TfNSW's long term Transport Investment Plan (TIP), and endorses the return of unspent project budgets to TfNSW's strategic reserve fund.

TfNSW has responded to government expectations to accelerate the delivery of TfNSW-led RRF projects. It is monitoring and reporting on the delivery of projects, including risks associated with acceleration.

TfNSW cannot demonstrate it met investment planning and prioritisation requirements for the allocation of an additional \$84 million to TfNSW-led projects

TfNSW's guidance for capital project and portfolio management establishes requirements for robust and detailed advice to be provided in support of investment planning and prioritisation. TfNSW cannot demonstrate it has met this requirement for the \$84 million additional funding to TfNSW-led projects. TfNSW's proposals to the NSW Government for all but one of the projects were not supported by documented, evidence-based justification for scope changes, expected benefits, options, risk assessments, and estimated project costs. Additionally, TfNSW has not kept full and accurate records of the outcomes of discussions, decisions and directions made by the minister's office.

Both NSW Treasury and TfNSW's business case guidelines require new funding proposals³ and investment decisions to be supported by a business case or short-form assessment, depending on the project's Estimated Total Cost (ETC). TfNSW did not comply with this requirement as it had not completed the relevant business case or short-form assessment for 4 existing RRF projects and one new project ahead of proposing additional funding to TfNSW-led RRF projects. The total funding sought and allocated for these 5 projects was \$65.8 million. Of the other 2 projects that collectively received \$18.2 million in additional funding, one project had a completed business case, and the other project's ETC was below the threshold that required a business case or short-form assessment.

As of March 2026, most business cases or short-form assessments for TfNSW-led projects are in development.

³ NSW Treasury guideline TPG21-11 Parameter and Technical Adjustments and New Policy Proposals (Measures) refers to new initiatives or discretionary changes to existing programs as new policy proposals (measures).

TfNSW has not complied with policy requirements for contingency management and the release of funds to TfNSW-led RRF projects

TfNSW's RRF projects are at various stages of development and delivery. However, some of these projects have not followed the typical sequence of project development and delivery set out in TfNSW's capital project management framework and capital project lifecycle.

TfNSW's internal business case guidelines require an approved and assured business case before releasing funding from the TIP. TfNSW approved the release of funding to 5⁴ RRF projects for construction without completed business cases or short-form assessments.

TfNSW sought funding totalling \$105 million for 6 RRF projects above P50 contingency levels,⁵ which was contrary to its policy thresholds at the time. This is \$22.6 million more than would have been allocated if these projects were funded in compliance with TfNSW thresholds. TfNSW has released \$102.25 million of this funding to project teams. TfNSW advised the audit that it authorised and released the project funding with higher levels of contingency to ensure delivery readiness and meet government commitments. Managing project contingency funding in this way increases the risks of higher project costs, and tying up funding that could otherwise be used on other RRF projects.

TfNSW did not administer local government grants for RRF projects in compliance with mandatory requirements of the Guide⁶

Initially, TfNSW did not recognise the local government funding as a grants program and consequently did not identify the grants as 'one-off or ad hoc' as defined in the Guide. TfNSW did not put in place practices and procedures to comply with the Guide before sending grant funding agreements to councils.

TfNSW did not administer the grants in line with mandatory requirements of the Guide, which include preparing grant guidelines, identifying grant-related risks, providing written advice to the minister on the merits of grants, and publishing grant information within required timeframes.

TfNSW's grant agreements broadly complied with the Guide's requirement for clear and specific terms and conditions. However, the funding agreements did not include some recommended terms and conditions, such as project milestones, start and end dates, conflict of interest disclosures, and arrangements for reimbursing unspent funds. Only 7 of 19 agreements were countersigned and dated.

In 2025, TfNSW established an Enterprise Grants Management program that includes an enterprise-wide Grants Administration Guide compliance and attestation model for ongoing assurance. TfNSW has mandated this program for all new grant funding to ensure early and accurate classification of grants and to direct internal teams to the correct Grants Administration Guide compliance pathway. Examining the effectiveness of the program is outside the scope of this audit.

TfNSW has not documented processes or defined outcomes to guide the administration of the RRF

TfNSW has not established guidelines or processes for prioritising and allocating funding to RRF projects and it has not defined outcomes for the RRF. Performance is being managed and monitored on a project-by-project basis, and under broader organisational governance. There are no RRF monitoring or performance indicators that would demonstrate the overall impact of RRF projects or their alignment with broader NSW Government objectives and priorities for roads funding, such as road safety.

The NSW Government allocated \$236.42 million to RRF projects in the 2023–24 NSW Budget, leaving an unallocated balance of \$97.6 million. In February 2024, TfNSW stated that it would consider

⁴ The 5 projects are Gosford Bypass, Speers Point roundabout, Golden Highways improvements, Alphadale Crossroads and Thornton Road and Rail Bridge upgrade.

⁵ A P50 cost is the estimated cost at which there is a 50% probability that the actual cost will not be exceeded.

⁶ The audit assessed TfNSW's compliance with the 2022 version of the Guide for all its grants administration actions up to 18 March 2024. After this date, TfNSW's grants administration actions were assessed against the 2024 version of the Guide.

whether projects would receive funding from the unallocated balance via a 'review of current strategic priorities for road transport in regional NSW'. It did not implement this process.

Most of the RRF projects are election commitments. However, there is no decision-making framework to guide funding prioritisation and allocation for variations to the scope or cost of projects announced as election commitments, or for the funding of new RRF projects. There is also no guidance for remaining within the \$334 million funding cap announced as part of the election commitment to establish the RRF, or for the management of underspends.

As of February 2026, \$320.4 million had been allocated from the RRF, including \$236.42 million in the 2023–2024 State Budget and \$84 million in the 2025–26 NSW Budget. Two RRF projects have received an additional \$15 million funding from other NSW Government funding sources.

Recommendations

By October 2026, TfNSW should:

1. ensure that all decisions to propose the allocation and release of project funding are supported by clear documentation of:
 - a) options and risk analysis
 - b) project justification – including completion of business case (or similar) and assurance processes
 - c) validated cost estimates including contingency levels
 - d) any departures from TfNSW, NSW Treasury or Infrastructure NSW policy or framework requirements
 - e) advice to and decisions of the Minister and the Government and action taken in response
2. establish and document guidelines and processes for the RRF and any similar infrastructure funding arrangements, including:
 - a) defining outcomes and linking these to decision-making processes
 - b) defining criteria for assessing eligibility and priority for funding
 - c) defining arrangements for the identification and management of unspent funds
 - d) implementing an evaluation framework to monitor, evaluate and report on progress against outcomes and objectives
3. design and implement a fit-for-purpose grants administration process for one-off and ad hoc grants that complies with the NSW Government Grants Administration Guide, including:
 - a) identifying and defining the category of each grants program
 - b) comprehensively assessing and documenting risks to project and program delivery, including financial and delivery risks
 - c) documenting the merits of projects and programs to inform an assessment of value for money.

3. Introduction

3.1. Road management and funding

The road network in NSW is more than 220,000 kilometres long. Its management and funding involves federal, state and local government.

Responsibility for the maintenance and improvement of roads by local and state governments is generally as follows:

- State Roads – Transport for NSW (TfNSW)
- Regional Roads – local government
- Local Roads – local government.

New roads or road upgrades may be funded from the NSW Consolidated Fund, grants from the Australian and NSW governments, local council own-source funding, or a combination of these sources.

TfNSW administers several funding programs to assist local councils to manage Regional Roads and Local Roads, with funding awarded on both a competitive and non-competitive basis depending on the funding source. Grants may be tied (i.e. subject to conditions) or untied, and different funding programs have different eligibility criteria, conditions, guidelines and reporting requirements.

3.2. Overview of the Regional Roads Fund

Purpose and funding source

Prior to the NSW state election held on 25 March 2023, NSW Labor made an election commitment to establish a capped \$334 million Regional Roads Fund (RRF) ‘to build new roads in rural and regional areas’. This was part of a broader commitment to deliver a \$1.1 billion package for new and improved roads across Sydney and regional NSW. Individual projects to be funded through the RRF were announced progressively as election commitments.

The commitment to establish the RRF stated that it was to be funded from the \$4.2 billion Snowy Hydro Legacy Fund. The Snowy Hydro Legacy Fund was established in 2018 under the *Snowy Hydro Legacy Fund Act 2018* (the SHLF Act) following the NSW Government’s sale of its share of the Snowy Hydro Scheme to the Australian Government. The purpose of the Snowy Hydro Legacy Fund is to ‘improve economic development’ in regional NSW, and in particular, ‘to fund infrastructure projects that primarily benefit regional New South Wales’. Regional NSW is defined in the SHLF Act as areas in NSW outside metropolitan Sydney, Newcastle and Wollongong.

Funding status

To date, the NSW Government has committed \$320.42 million (96% of the total capped amount) to 29 RRF projects. Of this amount, TfNSW was allocated:

- \$215 million (64%) as capital expenditure to deliver 10 TfNSW-led projects
- \$105.42 million (32%) as operational expenditure, to provide grant funding to 11 local councils for the delivery of 19 projects.

The 29 RRF-funded projects fall within 17 local government areas:

- Bega Valley Shire Council
- Central Coast Council
- City of Wollongong
- Cootamundra-Gundagai Regional Council
- Dungog Shire Council
- Eurobodalla Shire Council
- Goulburn Mulwaree Council
- Kyogle Council
- Lake Macquarie City Council
- Lismore City Council
- Maitland City Council
- Port Stephens Regional Council
- Queanbeyan-Palerang Regional Council
- Shoalhaven City Council
- Snowy Monaro Regional Council
- Tenterfield Shire Council
- Upper Hunter Shire Council.

The funded projects are set out in Chapters 5 and 6.

3.3. Design and administration of the Regional Roads Fund

Budget allocation

On 4 May 2023, NSW Treasury requested all departments, including TfNSW, to prepare election commitment costings for the 2023–24 NSW Budget. NSW Treasury advised departments that costings needed to be robust, attested by each department’s chief financial officer, and authorised by the secretary prior to lodgement.

On 30 May 2023, the NSW Premier issued charter letters outlining the election commitment projects to be funded from the RRF.⁷ The charter letters, shared with TfNSW, outlined the Premier’s expectations, which included delivering approved election commitments.

The charter letters noted that:

- Cabinet consideration was required for proposals affecting the government’s financial position or important financial commitments
- proposals that required funding or had a financial impact would be managed through the budget process.

⁷ At that time, 4 of the RRF projects were originally committed to receive funding under the Urban Roads Fund, which was the responsibility of the Minister for Roads.

TfNSW lodged its first finalised election commitment costings with NSW Treasury on 30 May 2023, which were revised and resubmitted on 6 June 2023.

The 2023–24 NSW Budget, handed down on 19 September 2023, confirmed an initial \$236.42 million in funding to RRF projects.⁸ This initial tranche of funding was sourced from the Snowy Hydro Legacy Fund. An additional \$84 million allocated for RRF projects in the 2025–26 NSW Budget was sourced from the Consolidated Fund. As of February 2026, \$13.6 million remained unallocated.

Exhibit 1 provides a chronology of key events relating to the RRF and other relevant matters from March 2023.

Exhibit 1: Chronology of key events

Date	Event
3 March 2023	NSW Labor announces a \$1.1 billion election commitment for a package of road upgrades for roads in Sydney and regional NSW
6 March 2023	NSW Labor submits an election costing request to the Parliamentary Budget Office, proposing to establish a capped \$334 million regional roads fund using funds from the Snowy Hydro Legacy Fund
March 2023	NSW Labor makes election commitments to deliver individual roads projects
25 March 2023	NSW Labor forms government
30 May 2023	Premier issues charter letters to ministers, confirming election commitments
18 August 2023	NSW Government approves the 2023–24 Transport Budget, including initial allocations for projects funded under the RRF
19 September 2023	\$236.42 million is allocated in the 2023–24 NSW Budget for TfNSW-led and council-led RRF projects from the Snowy Hydro Legacy Fund
20 December 2023	TfNSW sends letters to local councils with grant funding agreement templates
January—March 2024	18 of 19 local council grant funding agreements are signed (excluding the Central Coast Council grant)
8 July 2024	RRF grant information is published on the NSW Government’s grants website
24 June 2025	NSW Government allocates \$84 million RRF funding from the Consolidated Fund for 6 previously announced TfNSW-led projects, and one new TfNSW-led RRF project in the 2025–26 NSW Budget
12 December 2025	Central Coast Council grant funding agreement signed

Source: Audit Office of New South Wales 2026.

Administration of the Regional Roads Fund

Following the 2023 state election, TfNSW became responsible for administering the RRF. Its responsibilities include the design, planning and construction of the State Road projects and administering grants to local councils for Regional Road and Local Road projects.

TfNSW reports to the Minister for Roads and Minister for Regional Transport,⁹ who is the minister responsible for the RRF.

⁸ The 2023-24 NSW Budget Papers outlined a \$242 million allocation under the Snowy Hydro Legacy Fund to the Regional Roads Fund. \$236.42 million of this funding was allocated directly to RRF projects.

⁹ Formerly, the Minister for Regional Transport and Roads.

3.4. About the audit

The objective of this audit is to assess whether TfNSW is effectively administering the RRF in compliance with key principles of the administration of public expenditure, requirements for major infrastructure projects,¹⁰ the Grants Administration Guide,¹¹ and relevant legislative requirements.

Appendix 3 sets out relevant principles of public administration for managing infrastructure projects and grants administration.

The audit did not assess the merits of NSW Government policy objectives, or the merits of individual projects funded by the RRF.

¹⁰ As relevant to each project.

¹¹ The audit assessment period covered 2 versions of the Grants Administration Guide – a 2022 version that was released in September 2022, and a 2024 version that was released in March 2024.

4. Governance of the Regional Roads Fund

4.1. Validation of estimated costs

TfNSW did not validate the cost of RRF projects in its advice to government for the 2023–24 NSW Budget

Transport for NSW (TfNSW) did not validate the costs of Regional Roads Fund (RRF) projects announced as election commitments in its advice to government for the 2023–24 NSW Budget and, aside from one project, relied on the funding amounts announced for each project as part of the election commitments.¹² Its advice did not include information on each project's estimated total cost to government or potential future funding obligations.

TfNSW provided a written attestation to NSW Treasury that election commitment costings relating to the RRF projects had been quality assured, including by reviewing underlying assumptions to minimise additional future budget requests. However, TfNSW:

- included in its underlying assumptions that local councils would meet any cost overruns beyond the election funding commitments for council-led projects
- cautioned that additional planning was needed to confirm whether the scope of TfNSW-led projects was achievable within the election funding commitments
- advised that in exceptional circumstances, unallocated funding from the RRF could be used as a potential source of funding to cover budget overruns.

4.2. Governance

TfNSW has not defined outcomes to guide the administration of the RRF

TfNSW has not defined outcomes for the RRF to guide its administration, and has not developed a plan for evaluating the collective benefit of the RRF projects. There are no RRF performance indicators that would demonstrate the overall impact of RRF projects, or their alignment with broader NSW Government objectives and priorities for roads funding, such as road safety.

TfNSW is monitoring RRF project implementation through election commitment reporting and existing governance arrangements

Most of the TfNSW-led RRF projects are election commitments and delivery performance is being managed and reported on a project-by-project basis. RRF projects are being monitored through TfNSW's Election Commitment Regional Working Group and election commitment snapshots, which are part of governance arrangements for the oversight and management of election commitments.

TfNSW is using existing governance arrangements to monitor the implementation of council-led RRF projects. It is monitoring the delivery of council-led projects through regular election commitment reporting to the Minister for Roads and Minister for Regional Transport (the minister), and through internal governance committees focused on local government engagement. TfNSW also holds monthly meetings with councils and discusses RRF projects with councils that received grants, and councils are required to provide monthly status update reports to TfNSW.

¹² TfNSW sought \$19 million funding for Yass Road, Bungendore Road, Ellerton Drive intersection, which had an election commitment for \$10 million funding.

There are no guidelines or processes to manage the risks of expenditure exceeding the RRF's \$334 million funding cap

The NSW Government allocated \$236.42 million to RRF projects in the 2023–24 NSW Budget. TfNSW advised the minister in February 2024 that projects would be considered for funding from the \$97.6 million unallocated balance via a 'review of current strategic priorities for road transport in regional NSW'. It also gave this advice in response to questions raised in NSW Parliament's Budget Estimates Committee hearings in February 2024.

However, TfNSW has not identified criteria nor developed a process for determining the highest regional road priorities to inform funding prioritisation. There is no framework for decision-making to assess the prioritisation and reprioritisation of funding to announced and new RRF projects, having regard to budget risk (i.e. underspends and overspends). There are also no documented requirements for underspends to be reallocated to other regional road projects, in line with the overall election commitment and the RRF's objectives.

TfNSW has not developed processes or guidelines for prioritising and allocating RRF expenditure to achieve value for money, or to remain within the \$334 million funding cap. There is also no strategic risk register for reporting against the overall delivery of RRF projects.

In the lead-up to its budget request for the 2024–25 NSW Budget, TfNSW provided the minister with options for using the unallocated RRF funds. These were not supported by an evidence-based prioritisation process. TfNSW presented the funding options to the minister under the following broad headings:

- 'Maintain 30% for contingency/cost over-runs', totalling \$30 million.
- 'A few ideas/projects provided to the MO [Minister's office] last month as priority projects', which listed 6 potential non-RRF projects.
- 'Other potentials', which listed 3 announced RRF projects and 2 potential non-RRF projects.

TfNSW did not provide the minister with an assessment of relative project benefits, value for money or risks for these options, or advice on alignment with strategic priorities. Ultimately, no additional funding was allocated to the RRF in the 2024–25 NSW Budget process. There is also no evidence that TfNSW's planned prioritisation process for RRF projects was applied in the lead-up to the 2025–26 NSW Budget (as outlined in Chapter 4).

TfNSW advised that RRF projects were pre-defined election commitments and were subsequently agreed to by the NSW Government, with the projects included in the charter letter to the minister at the end of May 2023. TfNSW further advised that, in this context, it considered that no prioritisation framework was needed.

The absence of guidelines or processes to inform decision-making on funding allocation and re-allocation (as relevant to decisions regarding scope, variations, new projects, cost overruns and savings) in line with strategic priorities, creates a risk that funds are not directed towards the highest priorities and expenditure does not achieve value for money.

5. Funding for Transport for NSW-led projects

5.1. Background

This chapter focuses on the assessment of Transport for NSW's (TfNSW) compliance with key principles of the administration of public expenditure, requirements for major infrastructure projects, and legislative requirements, as they relate to the funding provided by the NSW Government for TfNSW-led Regional Roads Fund (RRF) projects.

5.2. Project funding

TfNSW updated cost estimates for TfNSW-led projects after the 2023–24 NSW Budget and sought additional funding for 6 existing projects and one new project

TfNSW updated the project cost estimates for TfNSW-led projects after the 2023–24 NSW Budget. As part of the 2025–26 NSW Budget process, TfNSW recommended additional funding for 6 existing RRF projects and one newly proposed RRF project:

- \$38.8 million additional funding was sought to deliver the announced scope of the election commitments for 5 of the 9 existing RRF projects:
 - \$14.7 million for the preferred option for the Yass Road, Bungendore Road and Ellerton Drive intersection project (bringing the total allocation to \$33.7 million)
 - \$11.7 million for the Golden Highway improvements project, to address a funding shortfall for potential options (bringing the total allocation to \$23.7 million)
 - \$3.9 million for the Alphadale crossroads project, to deliver the preferred traffic control signals option (bringing the total allocation to \$11.4 million)
 - \$5 million for the Speers Point roundabout project, due to a revised estimated total cost (bringing the total allocation to \$11 million)
 - \$3.5 million for the Tuross Head intersection project, to ensure sufficient funding to cover the range of design options identified at the time (bringing the total allocation to \$5 million).
- \$30 million additional funding was sought for the Thornton Road and Rail Bridge upgrade project, to secure funding for construction, in addition to the originally announced scope of the election commitment to fund 'planning and early works' (bringing the total allocation of funding from the RRF to \$45 million).
- \$15.2 million was sought for a new RRF project – Wallendbeen Bridge Approaches – which was not an election commitment and was an unfunded project that had started construction.

Exhibit 2 shows the TfNSW-led projects allocated RRF funding and their current funding status.

Exhibit 2: TfNSW-led RRF projects, as of February 2026

TfNSW-led projects	Funding allocation from RRF (\$ million)		Funding from other sources (\$ million) – [source]
	Original (Sept 2023)	Revised (Feb 2026)	
Thornton Road and Rail Bridge upgrade	15	45	--
Gosford Bypass planning and design	40	40	--
Yass Road, Bungendore Road, Ellerton Drive intersection	19	33.7	--
Golden Highway improvements	12	23.7**	--
Bulli Bypass investigation	20	20	--
Wallendbeen Bridge Approaches	--	15.2	--
Alphadale crossroads	7.5	11.4	--
Speers Point roundabout	6	11	5 [NSW Government Consolidated Fund]*
M1 Princes Motorway entry and exit ramps at Dapto			10 [NSW Government Consolidated Fund]
	10	10	10 [Australian Government]
Tuross Head intersection	1.5	5**	--
Total	131	215	25

* This project previously received a funding allocation in the NSW Budget 2022–2023.

** As of February 2026, the amount of funding allocated for these projects exceeded the ETC for the preferred design approved for construction.

Source: Audit Office of New South Wales analysis of NSW Government, Grants and Funding – Regional Roads Fund, <https://www.nsw.gov.au/grants-and-funding/regional-roads-fund>; Transport for NSW Election Commitment Reporting (September 2025).

Following the allocation of an additional \$84 million for TfNSW-led RRF projects in 2025–26, the total capital allocation in the 2025–26 NSW Budget under the RRF is \$215 million. An additional \$25 million has also been allocated to RRF projects from non-RRF funding sources.

In December 2025, TfNSW advised that 2 RRF projects were yet to have a confirmed budget allocation sufficient to cover the full estimated cost of the planned scope, subject to business case finalisation.

Four projects previously funded from the Urban Roads Fund were changed to RRF projects without documentation of the rationale for the change of funding source

TfNSW administers several funding sources for road projects, including the RRF and the Urban Roads Fund. As described earlier in the report, RRF projects are largely funded from the Snowy Hydro Legacy Fund. Under the *Snowy Hydro Legacy Fund Act 2018* (SHLF Act), an infrastructure project can be nominated for funding if the Premier and Minister for Regional New South Wales consider that it ‘will improve economic development in regional New South Wales and will primarily benefit regional New South Wales’.

As part of the 2023–24 NSW Budget approval process, 4 projects – Bulli Bypass investigation, Gosford Bypass planning and design, Speers Point roundabout, and M1 Princes Motorway entry and exit ramps at Dapto – were transferred from the Urban Roads Fund to the RRF. TfNSW did not provide documentation setting out the rationale for using the RRF over the Urban Roads Fund for these projects. It also did not provide evidence that the projects satisfy the Snowy Hydro Legacy Fund’s conditions.

Two of the RRF TfNSW-led projects originally intended to be funded through the Urban Roads Fund – Bulli Bypass investigation and M1 Princes Motorway entry and exit ramps at Dapto – are located within the Wollongong metropolitan area. The locations of these projects do not meet the purpose of the Snowy Hydro Legacy Fund as described in the SHLF Act which is to ‘improve economic development in regional NSW and, for that purpose, to fund infrastructure projects that primarily benefit regional NSW’. The SHLF Act references ‘approved regional infrastructure projects’¹³ and defines regional NSW to mean any part of NSW that is outside of the metropolitan areas of Sydney, Newcastle and Wollongong.¹⁴

TfNSW advised that it instead used regional boundaries defined by the Department of Planning, Housing and Infrastructure, which define regional areas as all areas outside Greater Sydney.

5.3. Advice to government

TfNSW guidance for capital project and portfolio management establishes requirements for robust and detailed advice to be provided in support of planning and prioritisation. This advice should include analysis of costs, benefits and risks associated with the projects and be supported by detailed cost estimates and funding priorities based on alignment with departmental and government outcomes.

TfNSW did not provide detailed, evidence-based advice to inform the allocation of additional budget for TfNSW-led projects

The election commitments broadly defined the scope for each of the TfNSW-led projects and made a financial commitment. TfNSW has provided submissions to the Minister for Roads and Minister for Regional Transport (the minister), NSW Treasury and the NSW Government in which it proposed the additional allocation of funding to some TfNSW-led projects. However, TfNSW has not provided documentary evidence to the audit to demonstrate that it gave detailed information and advice supporting the budget proposals for these RRF projects in the 2024–25 and 2025–26 NSW Budgets. No additional funding was allocated to RRF projects in the 2024–25 NSW Budget.

In February and March 2025, TfNSW updated the minister on RRF project progress, outlining that 6 TfNSW-led projects had funding shortfalls compared to the cost estimate. The advice contained indicative costs for some of these projects, showing that the original allocations were insufficient. Subsequently, in the lead-up to the 2025–26 NSW Budget, TfNSW provided a list of projects and proposed funding amounts to the minister. This included updated cost estimates, as well as a high-level proposed scope change for the Thornton Road and Rail Bridge upgrade project. It also included a request for funding for the new Wallendbeen Bridge Approaches as an RRF project. However, TfNSW has not provided the audit with detailed evidence that supports the information provided in the presentation and advice to the minister for the 2025–26 NSW Budget process.

¹³ SHLF Act, ss 3, 6 and 8.

¹⁴ Section 3 of the SHLF Act defines ‘regional New South Wales’ as areas outside metropolitan Sydney, Wollongong and Newcastle.

Further, there is no evidence that, in the lead up to the budget decision, TfNSW provided decision-makers with detailed advice on each project's scope, options, risks and details of cost estimates (including proposed contingencies and benefit-cost ratios). One of TfNSW's Investment and Assurance Committee (IAC)¹⁵ roles are to endorse budget proposals and submissions, however there is no evidence that it endorsed the RRF proposal for the 2025–26 Budget.

There is also no evidence that detailed costing advice for the 2025–26 NSW Budget process was provided to NSW Treasury or the NSW Government. TfNSW's advice on the request for additional funding did not indicate that business cases or short-form assessments had not yet been completed for most of the RRF projects, or that assurance processes were only partially progressed (see Section 5.4).

TfNSW has not kept full and accurate records of the outcomes of discussions, decisions and directions made by the minister's office

TfNSW has submitted regular written reports to advise the minister's office on the progress of RRF projects and risks (including stakeholder expectations).

TfNSW has also reported to the minister's office on funding and delivery status for key projects, including high-level risks to achieving the commitments, such as in the lead-up to NSW Budget processes and proposals.

However, TfNSW's documentation of the outcomes of discussions with the minister's office is not full and accurate, and not consistently recorded. Records of advice to, and engagement with, the minister's office do not detail the decision-making chain for some key decisions on projects.

5.4. Project management, business case development and assurance processes

Changes to TfNSW's operating model have impacted its compliance with key assurance and project management requirements

TfNSW has a capital project management framework that sets out requirements for budget management, planning and development, governance and assurance. It also outlines how TfNSW aims to comply with relevant legislative requirements and NSW Treasury policies and frameworks for capital projects.

TfNSW transitioned to a new operating model across the audit period, and is continuing to implement this. TfNSW is progressively updating policies and procedures to align governance arrangements and controls with this new operating model. The audit assessed compliance with expectations for RRF projects as relevant to each project's progress, and requirements established by TfNSW and NSW Treasury for capital project management in place at the time project decisions were made.

TfNSW is using delegations and governance mechanisms to facilitate financial management and oversight of the development and delivery of RRF projects

TfNSW has organisational delegations that enable delegates of the secretary to approve the allocation and release of project budgets, manage the TIP, and meet IIAF assurance processes. TfNSW's IAC controls the budget process and allocation of funding for capital projects under its 10-year Transport Investment Plan (TIP). The IAC releases funds from the TIP to project teams. The IAC also endorses the return of unspent project budgets to TfNSW's Strategic Portfolio reserve.

TfNSW has used these delegations and governance mechanisms to facilitate RRF internal budget approvals, management of funding preservation in the TIP, and reporting against internal and external infrastructure assurance processes.

¹⁵ The IAC is an executive committee within TfNSW with responsibility for overseeing the financial direction, budget allocation and alignment of expenditure with strategic plans and government priorities.

TfNSW is using its project management and governance processes to oversee the development and delivery of the RRF projects. It is managing the TfNSW-led RRF projects on a project-by-project basis, in accordance with these project and financial management processes. It is not managing them as a program and has not registered the RRF as a 'program' with Infrastructure NSW (INSW).

TfNSW sought additional funding allocations for 5 projects without completing business cases or short-form assessments as required by NSW Treasury and TfNSW guidelines

Both NSW Treasury and TfNSW guidelines and policies require new funding proposals¹⁶ and investment decisions to be supported by a business case or short-form assessment, depending on the project's Estimated Total Cost (ETC). TfNSW did not comply with this requirement for the 2025–26 NSW Budget process, as it had not completed the relevant business case or short-form assessment for 4 existing RRF projects and one new project ahead of proposing additional funding to TfNSW-led RRF projects.

As discussed earlier in this report, the additional funding proposals for 5 of these projects were not supported by 'relevant evidence and assurance requirements' as these were not complete at the time of the funding decision. The additional funding sought for projects that had not completed business cases or short-form assessments at the time of the request totalled \$65.8 million. TfNSW had completed the business case for the Yass Rd, Bungendore Road and Ellerton Drive intersection project to support its request for \$14.6 million in additional funding. The Tuross Head intersection project's ETC was below the threshold that required a business case or short-form assessment.

In November 2025, TfNSW advised the audit that the RRF projects had been subject to internal, INSW and Cabinet governance and assurance processes, and had ultimately been approved for funding by the budget process endorsed by the NSW Government in the 2023–24 and 2025–26 NSW Budgets.

TfNSW has completed or is developing required business cases or short-form assessments for most RRF projects

As of March 2026, 2 projects had a completed business case or short-form assessment. For most other RRF projects, business cases or short-form assessments were still being developed. The audit assessed whether the TfNSW-led RRF projects were on the correct pathway for completing the business case (including content, format and type) required by internal and whole-of-government business case policy and guidelines.

¹⁶ NSW Treasury guideline TPG21-11 Parameter and Technical Adjustments and New Policy Proposals (Measures) refers to new initiatives or discretionary changes to existing programs as new policy proposals (measures).

Exhibit 3 outlines the current status of RRF projects and their progress as of March 2026.

Exhibit 3: Project business case compliance

Project	Business case required #	Type of business case completed/being drafted	Business case status (Mar 2026)
Thornton Road and Rail Bridge upgrade	Lean Business Case	Lean Business Case	Forecast to be finalised in April–June 2026
Speers Point roundabout	Short-form assessment	Short-form assessment	Draft completed in September 2025
Yass Road, Bungendore Road, Ellerton Drive intersection	Short-form assessment	Combined Strategic and Final Business Case ¹⁷	Completed in March 2025
Golden Highway improvements	Short-form assessment*	Short-form assessment*	Short-form assessment completed in December 2025
Gosford Bypass planning and design	Preliminary Business Case and Full Business Case for long-term project Short-form assessments for short-term works	Preliminary Business Case for long-term project Short-form assessments for short-term works	Preliminary Business Case for long-term project forecast to be completed in December 2026 Short-form assessments for short-term works forecast to be completed in December 2025
M1 Princes Motorway entry and exit ramps at Dapto	Abridged Full Business Case ¹⁸	Abridged Full Business Case	Forecast to be completed in May 2027
Bulli Bypass investigation	Preliminary Business Case and Full Business Case	Preliminary Business Case and Full Business Case	Preliminary Business Case forecast to be completed in May 2026 Full Business Case forecast to be completed in 2026–27
Alphadale crossroads	Short-form assessment	Short-form assessment	Forecast to be completed in March 2026
Tuross Head intersection	Short-form assessment recommended, but not mandatory	None	Not applicable – TfNSW determined that a short-form assessment for the project was not required
Wallendbeen Bridge Approaches	Short-form assessment	None	Project construction completed, a short-form assessment was not completed before construction began

The type of business case required was determined by the Audit Office based on its review of TPG24–29: NSW Government Business Case Guidelines (November 2024), TPG24–30: Fast Track Business Case and Investment Assurance for Government Capital Commitments, and Project-related Evidence.

* This project is registered as part of a broader Tier 3 Golden Highway upgrade program. TfNSW made an assessment that the project is a Tier 4 project but has not separately registered the project with INSW as a Tier 4 project. A short-form assessment is required for Tier 4 projects.

Source: Audit Office of New South Wales.

¹⁷ A combined strategic and final business case exceeds the requirements of a short-form assessment.

¹⁸ This project received fast track approval under Pathway 1.

There are instances of non-compliance with assurance requirements for project registration

TfNSW has an integrated capital projects framework, and guidelines for project governance and assurance that set out expectations and requirements to ensure it complies with legislation, and the NSW Government’s guides and policies. Key requirements relevant to this audit include NSW Treasury’s Business Case Guidelines, and the Infrastructure Investor Assurance Framework (IIAF). The IIAF also sets out requirements for managing projects, programs and portfolios, including risk-based project registration and governance arrangements.¹⁹ Given business cases were in development for most RRF projects, project assurance (including business case assurance) requirements were also in progress at the time of audit analysis. Only the Yass Road, Bungendore Road, Ellerton Drive intersection project had fulfilled all assurance requirements.

TfNSW has registered 6 projects with INSW as required for projects or programs with estimated total costs (ETCs) over \$20 million – see Exhibit 4. All 6 INSW registered projects have met either INSW Gate 0 Go/No go review²⁰ or internal needs confirmation review²¹ requirements.

Exhibit 4: TfNSW projects and INSW IIAF registration

Project	INSW registration status and progress (Feb 2026)
Gosford Bypass planning and design	Registered as part of a Tier 2 project and passed Gate 0 ‘Go/No go’ review
M1 Princes Motorway entry and exit ramps	Registered as part of a Tier 2 project and passed Gate 0 ‘Go/No go’ review
Bulli Bypass investigation	Registered as part of a Tier 2 project and passed Gate 0 ‘Go/No go’ review
Thornton Road and Rail Bridge upgrade	Registered as a Tier 3 project and passed internal needs confirmation review
Speers Point roundabout	Not required but registered as a Tier 4 project* Passed internal needs confirmation review
Yass Road, Bungendore Road, Ellerton Drive intersection	Registered as a Tier 4 project and passed internal needs confirmation review
Alphadale crossroads	Not required
Golden Highway improvements	Registered with another project under a Tier 3 program for the Central West Orana Renewable Energy Zone – Social Licence Road Upgrades program The project was not separately registered as a Tier 4 project Passed internal needs confirmation review
Tuross Head intersection	Not required
Wallendbeen Bridge Approaches	Not required

* Speers Point roundabout was registered as a Tier 4 project with INSW before registration thresholds increased from \$10 million to \$20 million in November 2024.

Source: Audit Office of New South Wales analysis.

¹⁹ The audit assessed compliance with the applicable version of the IIAF. The most recent version of the IIAF is dated March 2026.

²⁰ A Gate 0 gateway review examines the level of priority, urgency and criticality of a project at the feasibility stage, prior to work commencing on a business case or short-form assessment. The outcome of this process is a recommendation to INSW to inform a go/no-go recommendation for Cabinet determination.

²¹ TfNSW undertakes an ‘internal needs confirmation review’ for projects which sets out the problem definition, scope of the proposal and evidence of any related projects.

However, there are some instances of non-compliances with assurance requirements, including:

- 4 projects registered with INSW provided incorrect figures for the estimated total costs, which can affect project tier classification²²
- the Golden Highway Improvements project was registered as part of a broader road upgrade program, and not as an individual project
- several assurance-related documents provided in evidence to the audit were not final, approved versions.

Additionally, TfNSW had not updated or re-evaluated its project registrations to ensure data and information on projects remains up-to-date and accurate in line with IIAF requirements for 4 projects with revised estimated total costs or additional project budget.

Under the IIAF, agencies are required to update the project tier where there are 'material changes to project risk/profile criteria, scope, procurement or budget'. Agencies are also required to provide project status reports to INSW on a quarterly basis for Tier 2 and Tier 3 projects. The project risk tier for the Thornton Road and Rail Bridge upgrade was not initially re-evaluated after its ETC increased. TfNSW did subsequently update its registration for the Thornton Road and Rail Bridge upgrade project in January 2026, however the ETC was listed as 'NA' rather than including the forecast ETC. As of February 2026, TfNSW had not updated project registrations with revised budgets and cost estimates for other projects that received an additional funding allocation in the 2025–26 NSW Budget. TfNSW advised that it plans to update INSW project registrations at the completion of the business case and relevant assurance gate, if required.

TfNSW sought project contingency allocations for 6 projects that were not compliant with policy requirements, creating a risk of overspending on these projects

TfNSW has sought and received additional funding for 6 RRF projects with higher contingency levels than set out in INSW's cost control requirements and TfNSW's Finance and Investment Policy.

TfNSW's Finance and Investment Policy (2023), which was in place until November 2025, stated that 'capital allocations to projects will be at P50', and its Integrated Framework for Capital Projects and Capital Projects Budget and Contingency Management Framework state that:

'A Cost Estimate informs a funding request which is used to secure Approved Funding. This is generally provided at the P50 level, with only some Tier 1/High Profile High Risk (HPHR) projects/programs being funded to the P90 level.'

However, TfNSW has sought contingency funding from the NSW Government for 6 Tier 3 (or below) projects²³ based on contingency levels greater than P50. The P50 ETC for these 6 projects totalled \$82.4 million²⁴, however TfNSW sought a total of \$105 million funding for these projects, contrary to its policy thresholds. This is \$22.6 million more than would have been allocated if these projects were funded consistently with TfNSW thresholds.

While the NSW Government can decide to provision Tier 2 (and below) projects with funding levels above P50 contingency, there is no evidence of advice given by TfNSW to Government explaining the higher contingencies included in the total estimated project costs.

²² The ETCs used for project registration reflect the costs to complete the business cases, rather than to deliver the infrastructure projects (as required).

²³ The 6 projects are Alphadale Crossroads, Speers Point Roundabout, Yass Road, Bungendore Road, Ellerton Drive intersection, Golden Highway improvements, Wallendbeen Bridge Approaches and Tuross Head intersection.

²⁴ \$82.4 million represents the estimated P50 costs of the 6 projects at the time of the 2025–26 NSW Budget funding requests, except for the Golden Highway improvements project, which had not been finalised at that time. The cost of the Golden Highway improvements project was presented as an ETC range, rather than a P50 cost. The calculation of total ETC incorporates a P50 strategic cost estimate for Golden Highway improvements finalised in October 2025 (after the 2025–26 NSW Budget). Some ETCs for these 6 projects were subsequently updated after the 2025–26 NSW Budget process.

TfNSW advised the audit that the higher contingency releases for the 6 RRF projects reflected a management decision to prevent project delays, ensure readiness for delivery, and to meet government commitments. TfNSW further advised these projects were subject to ongoing monitoring and governance by the IAC. This monitoring process has not been subject to the audit.

Overallocation of funding, due to funding allocations based on higher contingency levels, creates a risk of increased project costs because project teams are not incentivised to follow project cost plans and apply robust risk management to minimise the drawdown of contingency. Overallocation may also tie up project funding which could reduce the overall availability of funding from the RRF and for other government priorities. TfNSW's Finance and Investment Policy (2025) states that its divisions return unused budget or savings on projects to its Strategic Reserve. Strategic Reserve funds can be used for any TfNSW funding priorities, and do not have to be directed to RRF projects.

TfNSW has not complied with policy requirements that guide the release of funding to projects

TfNSW's documentation relating to the RRF indicates that the requests for budget allocation and release of project funds to project teams were approved under authorised delegation, and endorsed by relevant committees, such as the Finance and Performance Committee or IAC. Funding release requests were also supported by capital portfolio management briefs, in line with project governance requirements.

However, while funding releases to project teams have been approved under delegation, TfNSW has not complied with INSW and internal policy requirements to withhold project contingencies until they are needed. TfNSW's Finance and Investment Policy (2023), which was in place at the time decisions on funding releases were made, stated that its 'client divisions will hold from P50 to P90 to manage emerging sub-portfolio risks'.

TfNSW's IAC authorised the release of funding to project teams above P50 levels for 6 projects.²⁵ With the exception of the Wallendbeen Bridge Approaches project, the contingency amounts for these projects were released despite construction having not begun and actual costs (including for construction) not yet being known. TfNSW advised the audit that funding was released for these projects to maintain delivery momentum for government commitments with accelerated delivery expectations, or to avoid project delays and schedule impacts.

Releasing contingency amounts for use by project teams before they are needed increases the risk of government resources not being used to achieve highest community value and increases the risk of wastage of public resources.

Further, TfNSW's internal business case guidelines set out that for new and prioritised capital expenditure, 'an approved, assured business case is required [...] to enable release of funds' from its TIP. However, TfNSW approved the release of funding to 5²⁶ projects, despite funding release submissions stating that a business case or short-form assessment had yet to be completed or assured. The primary reason provided in the funding submissions for early release of funding across RRF projects was 'to accelerate project delivery (requested by the minister), such as to commence procurement and early works'.

TfNSW did not document the reasoning for the decision to exempt the Wallendbeen Bridge Approaches project from Treasury and TfNSW capital project assurance requirements

In December 2024, TfNSW completed construction of a new road over rail bridge in Wallendbeen on Burley Griffin Way. This bridge was constructed following the removal of an old bridge due to severe damage from a wet weather event in March 2021. The new bridge was aligned 20 metres from the old bridge and was also wider and higher. The new bridge's different dimensions and location required its road approaches to be upgraded to allow the new bridge to open to traffic.

²⁵ The 6 projects are: Tuross Head intersection, Alphadale Crossroads, Golden Highway improvements, Yass Road, Bungendore Road and Ellerton Drive Intersection, Speers Point Roundabout and Wallendbeen Bridge Approaches.

²⁶ The 5 projects are: Speers Point Roundabout, Alphadale Crossroads, Golden Highway improvements, Gosford Bypass and Thornton Road and Rail Bridge upgrade.

The bridge was constructed and its costs up to February 2025 totalled around \$22 million, however, TfNSW did not have funding to complete the road approaches to the new bridge. This audit did not investigate why funding had not been allocated for the approaches. In February 2025, the project ETC to deliver the approaches was \$14.5 million (P50 outturn). TfNSW commenced unfunded works on the road approaches in late March 2025. Consequently, as construction had commenced, there was an urgent need to find a funding source for the project.

TfNSW recommended that \$15.2 million funding from the RRF be sought in the 2025–26 NSW Budget to fund the Wallendbeen Bridge Approaches project. The request for this funding was not supported by a short-form assessment, which would be applicable under the relevant business case and assurance requirements set out in Treasury, IIAF and TfNSW policies.

TfNSW did not accurately document the change in funding source for the Wallendbeen Bridges Approach project until January 2026

TfNSW did not accurately document the funding source for Wallendbeen Bridge Approaches following changes from a previous source to the RRF in a timely manner. In May 2025 the IAC approved the release of \$14.5 million over 2 years commencing in 2024–25 to deliver road approaches to the new Wallendbeen Bridge, to be funded through a re-allocation from the Network Efficiency Program. In the 2025–26 NSW Budget the RRF was announced as the funding source for the Wallendbeen Bridge Approaches project. Seven months later, in January 2026, TfNSW corrected the project’s funding source by releasing funds from the RRF and reimbursed the Network Efficiency Program, after this matter was raised by the audit in November 2025.

TfNSW has reported that a large part of the project’s cost could be reimbursed through an insurance claim. However, its capital project management policies require that surplus funding be returned to its strategic reserve, and there are no RRF guidelines that require underspends or surplus funding on projects to be spent on other RRF or regional road projects.

5.5. Responding to funding and delivery priorities

There was no completed business case to inform the decision to allocate additional funding for construction of the Thornton Road and Rail Bridge project, as required by both NSW Treasury and TfNSW guidelines

The announced election commitment for the Thornton Road and Rail Bridge upgrade was to invest \$15 million towards planning and early work for the duplication of the Thornton Rail Bridge. There was no commitment of funding for construction in this announcement. Following funding confirmation for planning and early work in the 2023–24 NSW Budget, TfNSW started developing a business case. The project has since been subject to revised cost estimates and changes in scope.

As part of the 2025–26 NSW Budget process, TfNSW recommended that an additional \$20 million (\$35 million total) be allocated to the project for ‘short term improvements including early integration works’ prior to an investment decision for ‘major works’. TfNSW later amended the budget proposal for the project to be a \$35 million increase (\$50 million total) to ‘ensure readiness for an investment decision for the major works’. The basis for this revised cost estimate is not supported by evidence.

TfNSW did not provide detailed documented evidence on scope, options, risk and cost analysis supporting the 2025–26 NSW Budget submission for the project. An additional \$30 million was allocated from the RRF for construction funding, increasing the total project commitment to \$45 million. TfNSW advised that the decision to fund the project to construction delivery was informed by a ‘point in time’ cost analysis and is subject to further review for project justification and assessment of merit, once the business case has been completed.

In a June 2025 media release, the minister announced that a total of \$50 million was committed to the project. At the time of the announcement, the business case and detailed design and costings for the project to support that investment decision were not complete.

TfNSW’s most recent project cost estimates exceed the announced total funding commitment. TfNSW has advised that it is investigating alternative funding options to meet the commitment.

TfNSW is responding to whole-of-government policy expectations to fast-track infrastructure projects and ministerial expectations to accelerate some TfNSW-led RRF projects

In November 2024, the NSW Government updated its policy expectations for the fast-tracking of major capital infrastructure projects, with a focus on streamlining business case development and assurance processes to accelerate delivery.²⁷

In May 2025, the minister’s office set an expectation that TfNSW should accelerate the Gosford Bypass planning and design, Tuross Head intersection, Yass Road, Bungendore Road, Ellerton Drive intersection, and Golden Highway improvements projects.²⁸ In May 2025, the minister’s office also set an expectation that construction of Thornton Bridge would start in 2026, bringing forward the business case completion date to February 2026. The Thornton Road and Rail Bridge upgrade was originally due to have a business case completed in June 2027, to enable an investment decision for the full works.

TfNSW is taking steps to meet this direction, including releasing funding from the TIP for accelerated RRF projects, and establishing ‘Project Swift’ to investigate opportunities to accelerate delivery and fast track project milestones. The M1 Princes Motorway entry and exit ramps at Dapto project was registered as a ‘fast-track’ project, and the Golden Highway improvements project was ‘fast-tracked’ under the broader program it is registered under. TfNSW has also assessed ‘acceleration paths’ for an additional 6 projects.

In December 2025, TfNSW advised that its processes for acceleration include identifying streamlining processes and implementing efficiencies, such as in business case development and assurance processes, in line with the NSW Government’s direction to accelerate projects, where feasible.

TfNSW has identified and documented risks associated with accelerating projects for delivery, and some of these risks include logistical and environmental risks. Election Commitment reporting to the minister outlines these risks to each project and pathways to acceleration. For each of the accelerated projects, TfNSW has prepared a project summary that requests acceleration of the project timeframe, cost and budget requirements and describes how it is aiming to meet the project priority (e.g. what early release of funding would facilitate).

While TfNSW has identified risks relating to the delivery of individual projects, it has not documented the risks or consequences associated with accelerating funding releases, including the implications of directing funding away from other existing priority projects in the TIP, implications for assurance purposes, or the impacts on overall resource allocation.

²⁷ See further detail in Appendix 3.

²⁸ For example, the open to traffic date for the Golden Highway improvements project was brought forward from June 2027 to December 2026.

5.6. Managing conflicts of interest

TfNSW has not identified conflict of interest declarations for staff working on RRF projects

TfNSW has policies and procedures that guide the disclosure and management of conflicts of interest by its staff. Terms of reference for governance committees, including those responsible for making decisions about RRF projects, also require consideration and disclosure of conflicts of interest as part of meeting protocols.

Under TfNSW's policies and procedures staff must declare any conflicts of interest, however 'nil' returns are not required if no conflicts have been identified. Only senior executives and senior managers are required to make annual written declarations of interests, including 'nil' returns if they have no private interests to declare.

There is no evidence that actual, potential or perceived conflicts of interest have been disclosed by staff on TfNSW-led RRF projects. TfNSW advised that it has not identified conflicts of interest declarations from staff in relation to RRF projects.

6. Funding for local council-led projects

6.1. Background

This chapter focuses on the Audit Office's assessment of compliance by Transport for NSW (TfNSW) with the requirements of the NSW Grants Administration Guide (the Guide).²⁹ The chapter follows the 3 activity categories referenced in Chapter 3 of the Guide:

- planning and designing grant opportunities
- assessment and decision-making
- providing grants and publishing grant information.

The projects were election commitments made by NSW Labor when in Opposition. After NSW Labor formed government, its election commitments were subsequently agreed by Cabinet and confirmed via the Charter Letter to the (then) Minister for Regional Transport and Roads in May 2023.

6.2. Funding status

Around one-third (\$105.42 million/32%) of planned expenditure under the Regional Roads Fund (RRF) has been allocated as grant payments to a total of 11 local councils for 19 projects.

Project funding provided to local councils under the RRF meets the definition of 'one-off or ad hoc' grants under the Guide. Both the 2022 and 2024 grant administration guides define a 'grant' as an arrangement for the provision of financial assistance by the NSW Government whereby money:

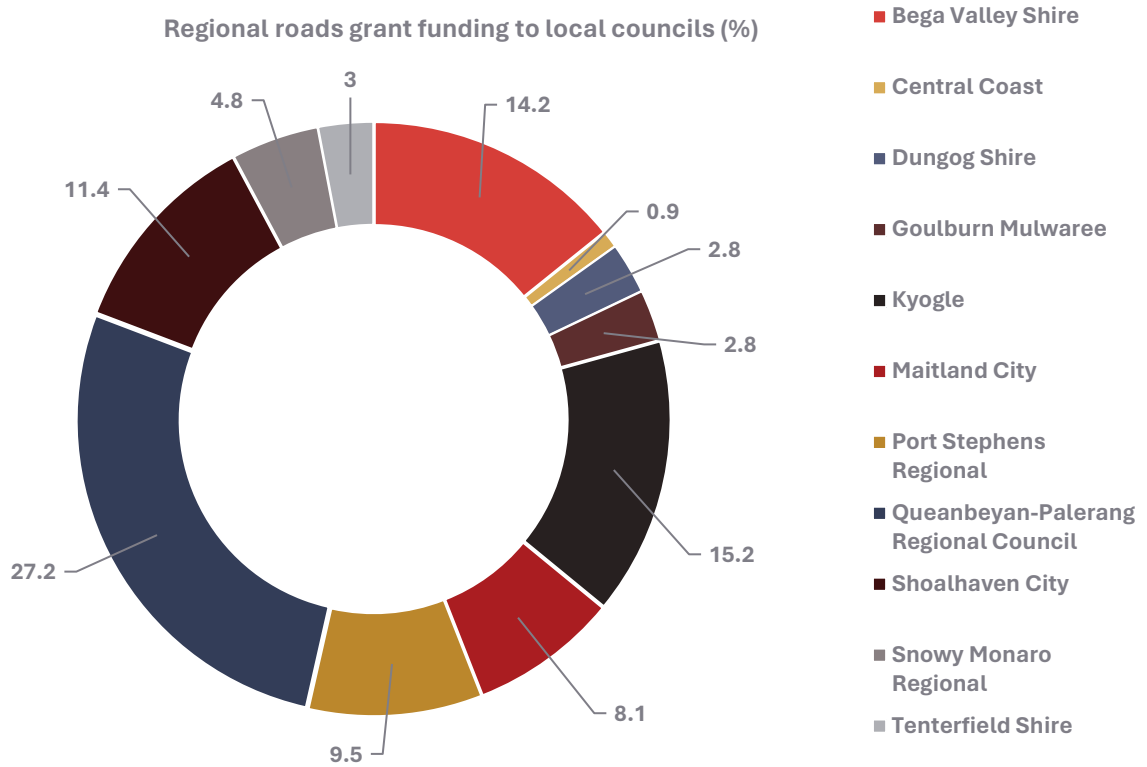
- is paid to a grantee other than the NSW Government
- is intended to help address one or more of the NSW Government's policy outcomes
- is intended to assist the grantee to achieve its objectives
- does not result in the return of goods or services by the grantee of an equivalent value to the NSW Government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

Both the 2022 and 2024 iterations of the Guide state that one-off or ad hoc grants are 'determined on an ad hoc or targeted basis, usually by Ministerial decision' and 'are generally not available to a range of grantees or on an ongoing basis'. Further, the Guides indicate that one-off or ad hoc grants 'generally do not involve planned selection criteria and assessment processes'.

²⁹ Premier's Memorandum M2022-07 Grants Administration Guide dated 19 September 2022 was replaced by M2024-03 Grants Administration Guide on 18 March 2024. The audit assessed TfNSW's compliance with the 2022 version of the Guide for all its grants administration actions up to 18 March 2024. After this date, TfNSW's grants administration actions were assessed against the 2024 version of the Guide.

Exhibit 5 shows the distribution and percentage of RRF grant funding to local councils.

Exhibit 5: Distribution of allocated RRF grants to local councils (%)



Source: Audit Office of New South Wales, 2025 from analysis of NSW Government, Grants and Funding – Regional Roads Fund, <https://www.nsw.gov.au/grants-and-funding/regional-roads-fund>.

Exhibit 6 lists the local councils and projects that have been allocated grant funding from the RRF.

Exhibit 6: Council-led local and regional RRF projects

Project	Council	Grant funding commitment from the RRF (\$ million)
Cuttagee Bridge	Bega Valley Shire	15
Kyogle Council Bridges replacement	Kyogle	12
East Nowra Sub Arterial Road	Shoalhaven City	12
Nerriga Road upgrade	Queanbeyan-Palerang Regional	10
Port Stephens road upgrades	Port Stephens	10
Briars Sharrow Bridge	Queanbeyan-Palerang Regional	9
Upper Hunter roads upgrade	Maitland City	6
Reschs Creek Bridge	Queanbeyan-Palerang Regional	4.5
Kyogle Council Flood immunity	Kyogle	4
Carters Road Lake Munmorah traffic study	Central Coast	1 ³⁰
Smiths Road upgrade	Snowy Monaro Regional	3.3
Tenterfield Legume to Woodenbong upgrade	Tenterfield Shire	3.12
Dungog Council road upgrades	Dungog Shire	3.0
Currawang Road upgrade	Goulburn Mulwaree	3.0
Tarago Road rehabilitation	Queanbeyan-Palerang Regional	3.0
Melville Ford Bridge	Maitland City	2.5
Monaro Street upgrade	Queanbeyan-Palerang Regional	2.0
Cowbed Bridge upgrade	Snowy Monaro Regional	1.8
Ellerton Drive extension noise study	Queanbeyan-Palerang Regional	0.2
	Total	105.42

Source: Audit Office of New South Wales analysis of NSW Government, Grants and Funding – Regional Roads Fund, <https://www.nsw.gov.au/grants-and-funding/regional-roads-fund>.

6.3. Planning and designing grant opportunities

TfNSW did not initially classify RRF funding to councils as a grants program, and determined the need to comply with the Guide 6 months after grant agreements were sent to local councils

TfNSW was responsible for determining whether funding allocated under the RRF to local councils met the definition of a grant (as defined in the Guide), and whether it needed to comply with the Guide.

TfNSW initially determined that funding to be distributed under the RRF was not part of a grants program because funding had been announced as election commitments. This determination did not consider whether the announced grant projects were classified as one-off or ad hoc grants, which must be administered in compliance with the Guide.

³⁰ The funding agreement commits \$536,485 of the \$1 million RRF allocation to Central Coast Council, and \$36,834 to TfNSW.

TfNSW drafted grant funding agreements for the council-led RRF projects, which were provided to local councils in December 2023 and signed between January and March 2024. In May 2024, TfNSW sought advice from The Cabinet Office on classification of election commitments as one-off or ad hoc grants and compliance with the Guide. The Cabinet Office advised TfNSW that election commitment funding to third parties was considered a grant and needed to comply with the Guide.

TfNSW did not establish procedures to comply with the Guide’s requirements, but has since established an Enterprise Grants Management program

The Guide requires agencies to put in place practices and procedures to ensure that grants are administered consistently with its key principles and requirements. Before it started its grants administration activities, TfNSW did not put in place practices and procedures to comply with the Guide’s requirements. The actions that were implemented that aimed to comply with the Guide occurred after funding agreements had been issued.

Some of TfNSW’s actions before May 2024 were consistent with the Guide’s requirements for grant administration, such as providing the decision-maker (i.e. Cabinet) with advice on the grants, and setting out terms and conditions that were clear and specific (see Section 6.5). These actions followed TfNSW’s internal departmental processes for grants administration and funding approval, but were not established practices and procedures to ensure compliance with the Guide.

In 2025, TfNSW established an Enterprise Grants Management program that includes an enterprise-wide Grants Administration Guide compliance and attestation model for ongoing assurance. TfNSW has mandated this program for all new funding to ensure early and accurate classification of grants and to direct teams to the correct Grants Administration Guide compliance pathway. Examining the effectiveness of the program is outside the scope of this audit.

TfNSW did not consider how local councils would manage project delivery risks, nor each council’s capacity to cover funding shortfalls

Under the Guide, officials must identify and manage risks for all grants in accordance with agencies’ responsibilities under the *Government Sector Finance Act 2018* (the GSF Act).

TfNSW gave election commitment costing advice for 15 of 19 council-led projects. In this advice, it noted a common broad risk that project implementation was dependent on local councils’ capacity to deliver projects on time and within budget. It also provided high-level advice on 3 other council-led projects within broader RRF election commitment comments.

However, TfNSW did not assess specific risks to the effective delivery of each project, and it did not consult with local councils to confirm project costs. The broad risk mitigation strategy identified by TfNSW to respond to the risk of overspend in such projects was that remaining costs or overruns would be managed by each local council. There is no evidence this was informed by an assessment of each local council’s capacity to cover any such gaps.

TfNSW advised that it did not undertake a full assessment of each project because:

- the inflexibility of the election commitments limited the value of more rigorous analysis
- it prioritised undertaking more fulsome assessments of other election commitments that were ‘less defined or unclear’.

The audit team interviewed several local councils that received RRF funding about their interactions with TfNSW and the governance of RRF projects. Exhibit 7 summarises the feedback received.

Exhibit 7: Themes from a sample of local council interviews

The audit team interviewed 7 of the 11 local councils that received grants from the RRF about their experiences and interactions with TfNSW. Councils reported that they:

- were satisfied with the level of interaction and support provided by TfNSW, and had received good practical assistance, such as expert advice from TfNSW, when issues were raised in meetings
- would not have been able to undertake the projects without funding from the RRF or another external source
- were not involved in identifying the projects that received RRF funding
- did not know how the estimated project costs had been derived, or thought the costs were based on grant applications from past years, which had not been updated to reflect cost increases
- did not receive communications from TfNSW prior to receiving the grant funding agreement templates
- believed the budgeted amounts were insufficient to complete some projects.

Source: Audit Office of New South Wales analysis of RRF council interviews.

6.4. Assessment and decision making

TfNSW did not develop grant guidelines for the RRF, but advised that it is taking steps to do so in anticipation of potential future funding rounds

Grant guidelines inform potential grantees of their eligibility for, and the terms and conditions of, a grant, such as financial and performance reporting. TfNSW did not meet with the Guide's requirement to prepare grant guidelines, which would detail the purpose and objectives of the grant and any eligibility and evidence requirements.³¹

The 2024 Guide was updated to remove the requirement for grant guidelines to be prepared for one-off or ad hoc grants. In August 2025, TfNSW advised that it was developing RRF guidelines to ensure a consistent and transparent approach, should the NSW Government decide to undertake future funding rounds. As of February 2026, these guidelines had not been completed.

TfNSW did not identify how RRF grants to councils would provide value for money

The Guide requires the NSW Government and government officials to demonstrate how a grant opportunity will deliver value for money by identifying expected economic, social, environmental and cultural benefits and costs. Although a cost-benefit analysis is the most comprehensive way of assessing value for money, for one-off or ad hoc grants, this requirement may be satisfied by providing advice to the 'decision-maker' on the merits of a grant, having regard to 'the key principle of achieving value for money'. TfNSW's advice on the election commitments did not detail the merits of each grant project.

Under section 10.3A(2) of the GSF Act, the minister must not approve a grant unless satisfied that the grant is an 'efficient, economical and ethical use of money' and 'achieves value for money'. TfNSW's advice to the NSW Government did not outline whether the projects would satisfy these criteria. There were no available supporting business cases or benefit-cost ratios to demonstrate value for money or efficient, economical and ethical expenditure.

³¹ Additionally, for one-off or ad hoc grants, the 2022 Guide required the grant guidelines to include the grant value, the source agency or agencies, and the decision-maker.

TfNSW did not provide advice to inform a decision to fund the Carters Road Lake Munmorah traffic study as an RRF project

Election commitments were confirmed in charter letters in April 2023. Eighteen projects to be funded by the RRF in the 2023–24 NSW Budget and delivered by local councils were identified as part of this process. In July 2023, a 19th project, Carters Road Lake Munmorah Traffic study, was added to the list. This project was not identified as an election commitment but was added to the list of funded RRF projects after the minister’s office advised TfNSW that it should have been included in the list of RRF election commitments. TfNSW did not update its formal costing advice to the NSW Government in the lead-up to the 2023–24 NSW Budget decision in August 2023 to include advice on this project. No advice was provided to the minister or NSW Government for the Carters Road Lake Munmorah Traffic study project before it was approved, as required by the Guide.

6.5. Providing grants and publishing grant information

TfNSW’s grant agreements broadly complied with the Guide’s requirement for clear and specific terms and conditions, but did not include critical milestone information, or legal mechanisms for the recovery of any underspent funds

The Guide states that grantees must be subject to ‘clear and specific’ written terms and conditions; it also includes recommendations for how to achieve this requirement. All 19 grant funding agreements broadly complied with the Guide’s recommendations for clear and specific terms and conditions, because they:

- were legally enforceable, using documented agreements made under delegation
- included agreed terms and conditions
- included expected project completion outcomes
- sought to ensure appropriate accountability for grant money, and appropriate use of any underspent funds by:
 - ensuring payments were made to completed milestones
 - requiring post-completion reports and detailed ledgers to be provided to TfNSW, confirming actual project expenditure
 - allowing underspent funds and savings to be transferred to another sub-project (subject to TfNSW approval),³² though not by reducing scope or quality
 - making clear that the contribution figure would not be increased
- provided for performance indicators.

TfNSW’s grant funding agreements also included quality requirements and road construction standards. TfNSW intends to evaluate projects and track project benefits as they are completed. This audit has not assessed the compliance of councils in meeting these conditions, or TfNSW’s oversight of project completion and evaluation.

The Guide also recommends that agencies ‘ensure that grant agreements are well drafted ... as this will contribute to good governance and accountability’ and that grant agreements support ‘proper use and management of grant money’. The NSW Government provides model templates for funding agreements, with key contents and clauses to support governance and accountability, including, among other things:

- start and end dates in agreements
- clear descriptions of activities and milestones
- requirements for grantees to disclose any conflicts of interest
- allowing the NSW Government to recover repayment amounts as a debt, without further proof.

³² Except for the \$2.5 million grant to Maitland City Council for Melville Ford Bridge, which allowed cost savings to be considered ‘in line with percentage of funding awarded, program specific requirements and be subject to TfNSW approval’.

TfNSW did not use the NSW Government's model templates for grant funding agreements, and some key contents and clauses set out in those templates were not included in the agreements. Only 7 of 19 grant agreements were countersigned and dated. For 17³³ of 19 grants, milestones were agreed between TfNSW and councils after grant agreements were signed, and all the grant agreements did not outline start and end dates for project activities. None of the agreements required local councils to disclose conflicts of interest.

The NSW Government's model grant agreement template includes a clause requiring repayment of unspent funding, including on termination of an agreement, which the RRF grant funding agreements did not include. TfNSW advised that, to avoid any overpayments, its practice was to reconcile any differences between actual expenditure and milestones before the final milestone was paid. It also had a process for recouping funds if a local council was overpaid. However, the repayment of unspent funds was not a legal requirement within the grant funding agreements.

TfNSW is identifying and managing project risks and has a process for acquitting grants to help prevent fraud

Under the Guide, agencies must identify and manage grant-related risks, including developing and implementing fraud controls.

TfNSW is identifying risks to the delivery of projects through regular engagement with local councils. TfNSW holds monthly meetings with councils and discusses RRF projects with the councils that received RRF grants. Councils must also provide monthly status update reports, which include:

- details of expenditure
- progress towards agreed milestones
- potential risks to development or delivery.

Project outcomes and risks are collated into TfNSW's quarterly election commitment reports for the minister. After projects began, TfNSW's reporting and escalation of project implementation risks complied with the Guide's requirement to identify and manage risks.

After each project is constructed and operational, local councils must compile a post-completion report and detailed general ledgers to confirm the final expenditure. TfNSW may also inspect the completed project. These measures meet the Guide's requirement to develop fraud controls, however the audit has not assessed whether TfNSW has implemented these fraud controls, as projects were not yet completed at the time the audit analysis was undertaken. The audit has also not assessed fraud controls within local councils that received grant funding.

TfNSW identified 2 council-led RRF projects at risk of exceeding their funding allocation

As of May 2025, 2 RRF projects, which have been granted a total of \$25 million, were classified as 'at risk' of exceeding their funding allocation. These are:

- \$15 million for Cuttagee Bridge (Bega Valley Shire Council)
- \$10 million for the Nerriga Road upgrade (Queanbeyan-Palerang Regional Council).

In March 2025, TfNSW noted in its election commitment monitoring that Queanbeyan-Palerang Regional Council, which received \$10 million for the Nerriga Road project from the RRF, had estimated a total project cost higher than the amount allocated. In February 2026, TfNSW advised that the Council had secured additional funding from a non-NSW Government source.

In August 2025, TfNSW advised that Bega Valley Shire Council may need to seek co-funding from alternative sources for the Cuttagee Bridge project once its total cost was known. In February 2026, TfNSW confirmed that the Council would need to seek alternative funding sources.

³³ For 2 grants (Cuttagee Bridge in Bega Valley Shire local government area and Carters Road Lake Munmorah Traffic Study in the Central Coast Council local government area), milestones were included in the grant agreements.

The 17 remaining projects were classified as 'on track' with respect to their budgets, and none of the council-led projects were classified as being at risk of exceeding its timeline. The grant funding agreements with local councils noted that any potential additional NSW Government contributions 'due to over expenditure' would have to be applied for and approved by TfNSW.

One council-led project – Lake Munmorah Traffic Study – received less funding than the amount allocated under the final grant agreement signed in 2026. There are no clear provisions under the RRF for how any surplus funds are to be used, or whether they can be reallocated.

At the time of project approval, TfNSW advised NSW Treasury that the RRF was not fully allocated, and that unallocated funding could be a potential source of funding for any project budget exceedances 'in exceptional circumstances'. As of February 2026, \$320.42 million (96% of the \$334 million RRF) had been allocated.

TfNSW did not publish grant information on the NSW Government's Grants Funding Finder website in line with required timeframes

The Guide sets out mandatory requirements for the publication of grant information and activities, including timeframes in which agencies are required to publish information on decisions made in relation to grants awarded.

Officials are required to ensure information about awarded grants is made available on the NSW Government Grants and Funding Finder website no later than 45 calendar days after the grant agreement takes effect. TfNSW did not comply with this mandatory requirement. For 18 of 19 projects, it did not publish information about the grant recipients, amounts paid and grant activities on the NSW Government's Grants and Funding Finder website within 45 days.

Appendix 1 – Response from entity

Response from Transport for NSW

Transport for NSW

Mr Bola Oyetunji
Auditor General
Audit Office of NSW
GPO Box 12 SYDNEY NSW 2000



RE: Regional Roads Fund performance audit

OTS26/01297

Dear Mr Oyetunji

Thank you for the opportunity to respond to the Regional Roads Fund performance audit. The Regional Roads Fund (the Fund) is delivering critical roads projects across regional NSW including repair and replacement of bridges and improving safety at blackspots.

Transport for NSW (Transport) acknowledges the opportunities identified in the audit to strengthen governance, documentation, clarity of outcomes and alignment with whole-of-government requirements for infrastructure and grants administration.

I note the report recognises that the projects have been administered within Transport's established governance and delegation arrangements, supported by existing budget, reporting and oversight mechanisms. Business cases are either complete or in progress for the majority of projects led by Transport under the Fund. The audit also acknowledged that Transport responded to government expectations of accelerated delivery of election commitments during a period of significant organisational change.

Transport accepts the recommendations and is committed to addressing them to further enhance governance, assurance and administration of the Fund and similar funds in the future.

Recommendation 1

Transport is in the process of strengthening its governance and guidance materials on documentation requirements for Investment and Assurance Committee submissions relating to project registrations in the Infrastructure NSW (INSW) portal, business case gateway review releases and funding releases.

For example, project registrations will need to provide a completed Project Evaluation Form, draft completion of the INSW risk-tiering tool, demonstrate that the proposal is a government commitment, evidence of Deputy Secretary/Chief Executive approval, and ensure all other INSW requirements have been met.

The governance improvements will also require the project/program lead to confirm all required steps have been completed prior to any decisions being finalised. It is expected that these governance improvements will be fully implemented by 1 July 2026.

Recommendation 2

Transport is finalising nine Strategic Regional Integrated Transport Plans, which have been developed in partnership with councils and community stakeholders across regional NSW.

These plans will be used to assist in prioritisation of key capital and operational expenditures throughout regional NSW.

Transport has also established a Prioritisation and Asset Management branch with a dedicated, portfolio-wide, prioritisation team responsible for centralising and standardising the assessment and prioritisation of infrastructure funding. The Branch is currently developing a prioritisation framework that will contain targeted Multi-Criteria Analysis (MCA) to suit the goals of programs in line with enterprise strategy, NSW Government and Australian Government priorities. Internal consultation on the Framework is expected to be undertaken from June 2026, with implementation following the finalisation of this consultation process.

As acknowledged in the audit report, in 2025 Transport established an Enterprise Grants Management Framework (EGMF). This has been approved by Transport's Grants Compliance and Investment Committee (GCIC) and is now in effect. The EGMF establishes mandatory requirements for the governance, design and delivery of grant programs across the full grants lifecycle. Consistent with the EGMF, Transport is developing guidelines to formally document objectives, eligibility criteria, assessment and decision-making processes, governance arrangements, outcomes, and roles and responsibilities for the Fund.

The guidelines will improve clarity, consistency and transparency in the administration of the Fund and align with enterprise grants governance and the NSW Grants Administration Guide (GAG). Implementation of the RRF guidelines will be completed by 30 June 2026.

Recommendation 3

Transport has already implemented this recommendation through existing work programs. Transport has developed and implemented a grant definition tool and associated guidance materials to support the consistent identification and classification of grant activities to ensure compliance with the GAG.

The tool is applied at the proposal stage to determine whether an initiative constitutes a grant, what type of grant it is, and identifies the applicable GAG requirements to determine the governance and assurance requirements consistent with the GAG.

If classified as a one-off ad hoc grant, proposals follow the established governance process, including consideration at the GCIC, followed by Ministerial approval. The material prepared for GCIC and Ministerial consideration addresses delivery and financial risks and the merits of the project, including a value for money assessment.

This process ensures that all grant activities, including one off and ad hoc grants, are appropriately classified, comply with the GAG, and are supported by documented approvals and oversight.

I appreciate the opportunity to respond to the audit report and to outline the measures Transport is taking in response to the recommendations.

Yours sincerely,



Josh Murray
Transport Secretary

29 April 2026

OFFICIAL

231 Elizabeth Street, Sydney NSW 2000 | PO Box K659, Haymarket NSW 1240
T 02 8202 2200 | F 02 8202 2209 | W transport.nsw.gov.au | ABN 18 804 239 602

2

Appendix 2 – About the audit

Audit objective

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

Audit criteria

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

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

Audit scope and focus

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

In assessing the criteria, we checked the following aspects:

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

Audit exclusions

The audit did not:

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

Audit approach

The Audit Office's procedures included:

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

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

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

Audit methodology

The Audit Office's performance audit methodology is designed to satisfy Australian Auditing Standard ASAE 3500 Performance Engagements and other professional standards. The standards require the audit team to comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance and draw a conclusion on the audit objective. The Audit Office's processes have also been designed to comply with requirements specified in the GSA Act.

Acknowledgements

The Audit Office gratefully acknowledges the cooperation and assistance provided by TfNSW, as well as staff at NSW Treasury and local councils that were interviewed as part of this audit.

Audit cost

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

Appendix 3 – Summary of key findings applicable TfNSW-led RRF Projects

Transport for NSW (TfNSW) is leading the development and delivery of 10 projects funded by the Regional Roads Fund (RRF). Exhibit 8 below sets out the key findings of this audit and how they apply across the TfNSW-led RRF projects.

Exhibit 8: Breakdown of TfNSW-led RRF projects and key findings

TfNSW-led project	Key findings		
	TfNSW is following its project governance processes and delegations to manage the development and delivery of TfNSW-led projects	TfNSW cannot demonstrate it met investment planning and prioritisation requirements for the allocation of an additional \$84 million to TfNSW-led projects	TfNSW has not complied with policy requirements for contingency management and the release of funds to TfNSW-led RRF projects
Thornton Road and Rail Bridge upgrade	✓	!	!
Gosford Bypass planning and design	✓	Not applicable	✓
Yass Road, Bungendore Road, Ellerton Drive intersection	✓	✓	!
Golden Highway improvements	✓	!	!
Bulli Bypass investigation	✓	Not applicable	✓
Wallendbeen Bridge Approaches	✓	!	!
Alphadale crossroads	✓	!	!
Speers Point roundabout	✓	!	!
M1 Princes Motorway entry and exit ramps	✓	Not applicable	✓
Tuross Head intersection	✓	! ³⁴	!
Key	! Compliance findings identified	✓ No compliance findings identified	

³⁴ Tuross Head Intersection is below NSW Treasury’s Estimated Total Cost (ETC) threshold that would require preparation of a short-form assessment, and TfNSW determined that the project was not subject to a business case or formal assurance reviews. Compliance findings for this project relate to TfNSW internal requirements for investment planning and prioritisation.

Appendix 4 – Principles of public expenditure for major infrastructure projects and grants administration

Key principles of public expenditure for capital projects

Legislation, policies and government guidance documents set out expectations for the effective management of capital projects. Government sector agencies must ensure that projects provide value for money, appropriately mitigate risks, and are consistent with the NSW Government's fiscal and infrastructure priorities and strategies. Additionally, agencies should invest in infrastructure that has the 'highest benefit for the community'.

The *Government Sector Finance Act 2018* (the GSF Act), *Government Sector Employment Act 2013* and the *Fiscal Responsibility Act 2012* establish principles for public administration and the use of government resources and related money, expenditure governance and compliance, investment assurance and probity. Under these principles, public officials and public servants are expected to, among other things:

- establish sound financial and asset management processes
- ensure efficient, effective and prudent management of public money
- provide frank, honest and timely advice to the government of the day.

Under the *State Records Act 1998*, each public office must make and keep full and accurate records of its activities.

NSW Treasury guidance further sets out requirements for government agencies and officers, including budget controls, expenditure and funding decisions, performance management and reporting, infrastructure and asset maintenance and enhancement, and risk management.

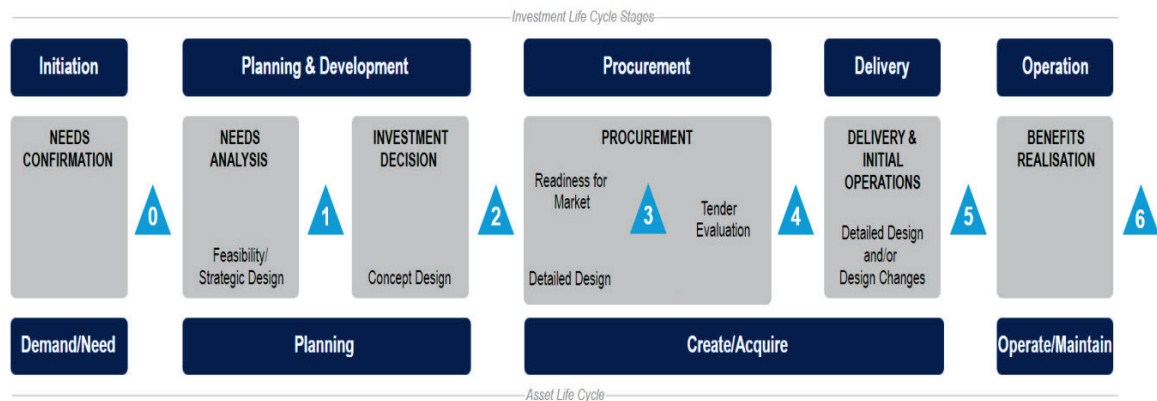
The NSW Government has also established a Gateway Policy and the Infrastructure Investor Assurance Framework (IIAF) to guide evidence-based decision making on infrastructure across the investment lifecycle.

In November 2024, the NSW Government published updates to its business cases and assurance requirements, to support the acceleration of infrastructure delivery, where feasible. These updates applied to Transport for NSW's (TfNSW) management of the capital infrastructure projects funded from the RRF. The IIAF was updated again in March 2026. The audit did not assess TfNSW's compliance with this version of the framework.

Transport for NSW capital project management framework

TfNSW capital projects typically follow an investment lifecycle that progresses through project initiation, planning and development and through to procurement, delivery and operations (Exhibit 9). At each stage, there are expected governance and assurance expectations, including gateway processes.

Exhibit 9: TfNSW Project Investment Life Cycle



Source: Transport for NSW 2025.

TfNSW has developed a policy framework and guidance to help its staff comply with government policy and guidance expectations in the context of transport infrastructure projects. This includes TfNSW’s:

- Finance and Investment Policy,³⁵ which sets out principles and requirements to ensure TfNSW achieves value for money and effective and sustainable management of finance and investment.
- Investment and Assurance Standard, which supports the Finance and Investment Policy and explains the high-level requirements for investment and assurance, including compliance obligations from NSW Treasury and the GSF Act.
- Capital Portfolio Management Standard and Capital Portfolio Management Principles, which support the Finance and Investment Policy by setting out requirements for capital projects investment governance and assurance.
- Integrated Framework for Capital Projects and associated frameworks including the TfNSW Capital Projects Lifecycle Framework, Capital Projects Integrated Assurance Guidelines, Capital Projects Budget and Contingency Management Framework, which set out how capital projects across TfNSW are to be initiated, developed and delivered.³⁶
- Integrated Governance Framework for Capital Projects, which sets out project governance requirements to guide structured decision-making and delegations across project life cycles.
- Delivery & Governance Framework, which sets out the structure, guidance, and tools for managing and governing programs and portfolio including relevant roles and responsibilities.
- business case guidelines, including the ‘Transport for NSW Business Case Guide’ and specific guidelines for Tier 1, Tier 2, Tier 3 and Tier 4 initiatives.
- TfNSW Cost Benefit Analysis Guide.
- Estimating Procedure, to assist TfNSW staff and industry partners to estimate the cost of infrastructure construction projects.

Infrastructure investor assurance framework

NSW Treasury guidelines and assurance requirements in place at the time the RRF was established required compliance with the September 2022 version of the IIAF and the NSW Treasury Gateway Policy. Under the IIAF and the Gateway Policy, all capital projects with an estimated total cost (ETC) over \$10 million had to be registered on the Infrastructure NSW (INSW) Assurance Portal. Depending on the project risk and capital costs, projects were assigned a project tier and an associated assurance pathway and activity – including ‘Gateway Reviews’, ‘Health Checks’ and ‘Deep Dives’.

³⁵ TfNSW updated its Finance and Investment Policy in November and December 2025. The audit considered both iterations of the policy, as relevant to decisions made and processes followed at the relevant point in time.

³⁶ TfNSW has transitioned to a new operating model. These policies and frameworks were relevant to decisions made on RRF projects across the audit period.

In November 2024, the NSW Government updated its expectations and requirements for the assurance pathways for major capital projects, increasing the minimum ETC to over \$20 million for registration with INSW.

Business case guidelines

At the time the RRF was established, NSW Treasury guidance documents set out requirements for the contents, form and submission of business cases. Under this guidance:

- projects with an ETC between \$10 million and \$100 million were required to be supported by short-form strategic and detailed business cases
- projects with an ETC above \$100 million were required to be supported by business cases using a more detailed (long-form) template.

In both cases, business cases were required to be submitted to NSW Treasury.

In November 2024, NSW Treasury issued updated the NSW Government Business Case Guidelines. These guidelines aligned the compliance thresholds and amounts with the IIAF project tiers. For Tier 4 projects and those with an estimated cost between \$10 million and \$20 million, business cases were no longer required, but a short-form assessment (which applied business case principles and concepts in a simplified format) was to be used. Short-form assessments for such projects were required to be submitted to NSW Treasury.

Fast-track business case and assurance processes

In November 2024, NSW Treasury also issued guidance that outlined a ‘fast-track’ process to enable partial or full exemption under limited circumstances with the NSW Government Business Case Guidelines and the IIAF. The fast-track process can be applied in circumstances where projects with INSW assigned Project Tiers 2 or 3 and meet the following conditions:³⁷

- are public government commitments approved by the Premier or Cabinet, such as election commitments
- have delivery timeframes that are publicly committed to by government
- have constrained options
- bypassing or altering business case and assurance requirements may create benefits that outweigh risks.

Fast track pathways do not apply for Tier 4 projects and below, given that a short-form assessment is required, rather than a business case. For Tier 3 projects with fast-track approval under Pathway 1 (i.e. those that meet fast-track criteria, but do not have a ‘well-developed scope’ or sufficient funding), a lean business case can be ‘abridged’ and a Gate 0 review is not required. An alternative fast track ‘Pathway 2’ exists for projects that meet fast-track criteria, have a ‘well-developed scope’ and sufficient funding – these projects are not required to be assured under Gate 0, Gate 1 or Gate 2, and are not required to a preliminary business case or full business case.

³⁷ Alterations to business case and assurance requirements are also possible for Tier 1 projects, if approved by Cabinet.

Grants administration

Grants Administration Guide

The Grants Administration Guide (the Guide) provides the framework for the administration of grants. It includes both principles-based guidance and mandatory requirements. Agencies and ministerial offices must comply with the mandatory provisions of the Guide.

Key requirements for planning, promoting and administering grants programs include:

- documentation and approval of the grant provision method (competitive or non-competitive, including one-off or ad hoc grants)
- development, approval and implementation of guidelines, eligibility criteria and assessment processes
- demonstration of value for money, including identifying benefits and costs
- identification and management of risks
- implementation of fraud controls and probity advice
- clear and documented advice to the decision-maker, and reasons for awarding grants and how these relate to value for money
- documentation and approval of any exceptions/variations to compliance with grant guidelines and eligibility criteria
- provision of clear and specific written terms and conditions for a grant to a recipient
- reporting and publication requirements.

Compliance with the Guide is a legislative requirement under s10.3A of the GSF Act.

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 their activities.

Appendix 5 – 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 does the Audit Office 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, the Audit Office aims to choose topics that reflect the interests of Parliament in holding governments to account. Performance audits are selected at the discretion of the Auditor-General based on the Audit Office's own research, suggestions from the public, and in consultation with parliamentarians, agency heads and key government stakeholders. The Audit Office's three-year performance audit program is published on its 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. The program is sufficiently flexible to allow the Audit Office 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 need 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 are invited to formally respond to the report. If the audit includes a follow-the-dollar component, the final report is also 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 are also 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 is received by the NSW Parliament. These reports are available on the NSW Parliament website.

Who audits the auditors?

The Audit Office's 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 four years. The reviewer's report is presented to the NSW Parliament and is 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. 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 the Audit Office's website www.audit.nsw.gov.au or telephone 02 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

audit.nsw.gov.au