



Emergency relief grants

PERFORMANCE AUDIT | 20 MAY 2025

NEW SOUTH WALES AUDITOR-GENERAL'S REPORT

ROLE OF THE AUDITOR-GENERAL

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

We conduct financial or 'attest' audits of state public sector and local government entities' financial statements. We also audit the Consolidated State Financial Statements, a consolidation of all state public sector agencies' financial statements.

Financial audits are designed to give reasonable assurance that financial statements are true and fair, enhancing their value to end users. Also, the existence of such audits provides a constant stimulus to entities to ensure sound financial management.

Following a financial audit the Audit Office issues a variety of reports to entities and reports periodically to Parliament. In combination, these reports give opinions on the truth and fairness of financial statements, and comment on entity internal controls and governance, and compliance with certain laws, regulations and government directives. They may comment on financial prudence, probity and waste, and recommend operational improvements.

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

As well as financial and performance audits, the Auditor-General carries out special reviews, compliance engagements and audits requested under section 27B(3) of the *Government Sector Audit Act 1983*, and section 421E of the *Local Government Act 1993*.



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In accordance with section 52B of the *Government Sector Audit Act 1983*, I present a report titled '**Emergency relief grants**'.

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

Bola Oyetunji
Auditor-General for New South Wales
20 May 2025

RECONCILIATION STATEMENT

We pay our respects 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 acknowledge that our long history of helping to foster accountability and transparency in the government and Parliament is also shared with the histories of colonisation and the resulting disadvantage of Aboriginal and Torres Strait Islander peoples in this state.

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

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

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Section 1 –

Emergency relief grants

Executive Summary

Context

Following significant flood events between March and November 2022, the NSW and Commonwealth governments announced a series of Special Disaster Assistance (SDA) grant programs to support primary production businesses affected by the flooding. This included the establishment of the Storms and Floods AGRN¹ 1030 (Southern and Central West NSW Floods from August 2022 onwards) and AGRN 1034 (NSW Flooding from 14 September 2022 onwards) SDA program, which was the subject of this audit.

The purpose of the AGRN 1030 and AGRN 1034 SDA program was to provide a timely and proportionate response to minimise the impact of these storm and flood events on primary producers. The SDA program entitled eligible primary producers to a maximum total grant of \$75,000, including \$25,000 that was available as an upfront payment. The total value of grants disbursed through the program was \$536.5 million.

The program was administered by the Rural Assistance Authority (RAA), a statutory body that operates within the Department of Primary Industries and Regional Development. The NSW Reconstruction Authority (the Reconstruction Authority) and the former Resilience NSW were responsible for seeking reimbursement from the Commonwealth Government for the program under the Disaster Recovery Funding Arrangements (2018) (DRFA). These set out the arrangements for co-funding disaster relief and recovery activities between the NSW and Commonwealth Governments. The former Resilience NSW also played a role in establishing the program guidelines.

Grant programs in NSW must be administered in accordance with the NSW Government's Grants Administration Guide (GAG). The GAG contains mandatory requirements for agency staff, ministers and ministerial staff, as well as a range of good practice guidance that is not mandatory.

This audit was conducted following a request from the Special Minister of State under section 27B(3)(c) of the *Government Sector Audit Act 1983* for a recurring performance audit of emergency relief grants.

Audit objective

This audit assessed whether the Rural Assistance Authority and NSW Reconstruction Authority have implemented the Special Disaster Assistance - storms and floods AGRN 1030 and AGRN 1034 program in line with the principles and mandatory requirements outlined in the Grants Administration Guide, and in line with the program guidelines. The audit included the following lines of inquiry:

- The agencies have developed the grant program in compliance with the Grants Administration Guide.
- The Rural Assistance Authority has administered the grant program in compliance with the Grants Administration Guide.
- The agencies have planned for the monitoring and evaluation of the grant program in compliance with the Grants Administration Guide.

¹ An AGRN (Australian Government reference number) is a unique identifier for each natural disaster in Australia.

Conclusion

The RAA and the Reconstruction Authority followed the program guidelines and met most of the requirements of the GAG in administering the August and September 2022 SDA program. However, the RAA administered approximately \$40 million in program funding without appropriate controls to ensure the money was spent in line with program guidelines, which increased the risk of fraud. In addition, some key mandatory GAG requirements relating to program development were not met by either agency.

Neither agency planned a program evaluation and there was no cost–benefit analysis (CBA) prior to the program’s launch, despite these being mandatory requirements. One reason for this is that the Memorandum of Understanding (MoU) governing the relationship between the Reconstruction Authority and the RAA was last updated in 2015 and does not clearly set out responsibilities for the design and administration of grant programs consistent with the GAG. The Reconstruction Authority is now planning to undertake an evaluation and a post-implementation CBA of the program.

The RAA did not effectively identify conflicts of interest within the program. Five of the 16 members of the program’s Steering Committee did not make a conflict of interest declaration, and 63 of the 88 officers involved in the assessment or payments processes did not record a conflict of interest declaration.

For most applications, the RAA accurately assessed the eligibility of applicants and the submitted claims in line with the program’s guidelines. However, it did not implement appropriate controls to manage fraud risks for the upfront payments of \$25,000, valued at approximately \$40 million. The program guidelines stated that applicants would receive this payment based on the provision of quotes or estimated costs. Applicants were asked to provide the estimated value of damage to their property but the RAA did not seek documentary evidence of this estimate, and for applicants who did not make any claims beyond the upfront payment, it did not seek evidence to ensure that the upfront payment had been spent on eligible expenditure. Some applicants provided further evidence to support their claim, but this was not mandatory.

There were also gaps in the way that the RAA managed program risks. It identified key risks but did not consider its tolerance for these risks, such as the risk of fraudulent applications, which meant that decisions were made without a consistent approach to considering and managing risk. In addition, the RAA did not ensure that risks were monitored and reviewed throughout the program.

Key findings

The Rural Assistance Authority conducted an effective process for determining each applicant's eligibility for the program

The program guidelines outlined the criteria to determine applicant eligibility for the grant. Administering a program in accordance with its guidelines is a mandatory requirement of the GAG. This is essential to ensure the program is administered fairly and achieves its objectives. To determine whether the grant program had been administered in line with the program guidelines, the audit team tested a sample of applications for the program, which included the assessment of applicant eligibility. All approved applicants in the sample were correctly found to be eligible for the program. All rejected applicants in the sample were correctly found to be ineligible for the program.

To ensure applicants were assessed equitably against the eligibility criteria, assessment officers were provided with an assessment template and training guidance. This documentation provided assessment officers with guidance on interpreting the program guidelines and was designed to ensure that the eligibility of each applicant would be assessed consistently.

Assessment officers reviewed applications in line with the guidelines to ensure eligibility for the program. This was documented in the assessment template for each applicant. The RAA retained documentation for each application relating to the application outcome and the reasoning behind the outcome. It also documented the decisions on both approved and rejected applications.

The Rural Assistance Authority implemented appropriate fraud controls for higher-value grants, but not for applicants who only received the upfront payments

RAA identified the risk of fraudulent applications to the program as high, due to the substantial value of the grants. However, the controls in place to mitigate the risk of fraud posed by people only claiming the upfront payment were not appropriate given the value of the grant.

Under the guidelines, applicants were able to receive the upfront payment of up to \$25,000 without providing proof of payment. The program guidelines stated that the payment would be provided on the basis of quotes or estimated costs. The RAA required these applicants to provide an estimated value of damage and a description of the impact of the flood event(s). If applicants did not claim any further funding above the \$25,000, they were not required to submit any further documentation to prove that the applicant planned to spend the grant on eligible expenditure in compliance with the program guidelines.

In addition, unless an applicant was making subsequent claims for funding above the upfront payment, the RAA did not collect proof that the payment had been spent on eligible items. As it did not seek to validate the planned or actual use of the upfront payment, the RAA did not put in place appropriate controls to manage the risk of fraud among the upfront payments.

Of the 8,959 approved and disbursed applications to the program, 1,701 claimed \$25,000 or less and were therefore only required to submit an estimate of their damage to receive the grant. This made up 19% of applications to the program, with a total value of approximately \$40 million. Some of these applicants provided further evidence to support their claim, although this was not mandatory.

The RAA required paid tax invoices to be provided prior to payment for claims above the upfront \$25,000 payment. For payments above this threshold, the RAA required applicants to provide invoices and proof of payment for both the upfront payment and any amount over the \$25,000. A payment officer checked this evidence for claims, and this work was verified by a program officer. This served as an appropriate control for the risk of fraudulent applications above the upfront payment threshold.

The agencies' Memorandum of Understanding has not been updated since 2015 and does not clearly set out responsibilities for key aspects of grant program development and evaluation

The MoU governing the relationship between the Reconstruction Authority and the RAA was last updated in 2015² and therefore does not clearly set out responsibilities for some of the mandatory requirements of the GAG.

For example, the MoU does not specify which agency is responsible for the design of the program, including responsibility for conducting a CBA of the program during its development. Additionally, the MoU does not outline which agency is responsible for defining the risk tolerance for the program or for the management of program risks. The MoU sets out some responsibilities relating to the evaluation of the program but does not establish responsibility for determining whether the outcomes and benefits of the program were realised. The evaluation mechanisms that are included only relate to financial and probity oversight and do not include responsibilities for key aspects of evaluation, including determining if the program met intended outcomes and the impact of the program relative to its costs.

The RAA and the Reconstruction Authority are working together to draft an updated MoU. However, as at April 2025 the MoU had not been finalised.

Neither agency conducted a cost-benefit analysis to assess value for money or planned an evaluation of the program as required by the Grants Administration Guide

Neither the RAA nor the Reconstruction Authority conducted a CBA at the program design stage to understand the full costs and benefits of the program. As a mandatory requirement of the GAG, it was necessary for the agencies to ensure that a CBA was undertaken. The GAG also advises that for time-critical grant opportunities, which likely includes emergency relief grants, it may be possible to assess value for money through a more streamlined rapid CBA. There is no evidence that this was undertaken as an alternative.

The MoU between the Reconstruction Authority and the RAA does not set out responsibility for undertaking an outcome evaluation of the program. In addition, the MoU does not establish responsibility to determine the overall benefits delivered by the program as part of a CBA. Not outlining these responsibilities risks gaps in program evaluation for future grant programs. As a result of this gap, neither agency was assigned initial responsibility for undertaking a CBA or planning an evaluation.

In December 2024, the Reconstruction Authority received approval for an outcome evaluation to determine the outcomes achieved by the program. This evaluation is also planned to include an economic evaluation, which will fulfil the purpose of an *ex ante* CBA, and a process evaluation. The RAA conducted a process review of its administration of the program in August 2023.

The Rural Assistance Authority did not clearly define its risk tolerance for this program

The RAA did not define its risk tolerance for the program in a risk appetite statement. Thus, there was no guidance available for the RAA to inform risk-based decisions, including risks relating to balancing fraud with speed of assessment.

The program's Assurance and Probity Plan assessed the program as having a low probity risk, but the RAA did not retain documentation to explain how this risk rating was determined. As there was no risk appetite statement in place, this assessment was made without a formal framework that considered the RAA's overall approach to risk.

A risk appetite statement may have informed key decision points in the program. For example, the RAA did not require evidence of how funds would be spent before distributing upfront payments. This increased the risk that fraudulent applications would be approved. Defining its risk tolerance for the program may have assisted the RAA in managing this risk.

² The MoU was originally established between the RAA and the NSW Department of Justice, with responsibility for the MoU transferred to the Reconstruction Authority in November 2022.

In addition, in October 2023, the RAA implemented a rule – which it termed the ‘de minimis’ rule – which stated that it would not validate proof of payment for reimbursements below \$2,500. The RAA considered the impact of this change on fraud risk, but as it did not have a defined risk tolerance to assist with decision-making, the RAA did not have a framework to determine whether these risks were within the tolerance it was willing to accept.

There were also gaps in the oversight of risks. The RAA Risk Management Plan establishes that the program Steering Committee is responsible for overseeing and monitoring the program risk register throughout the program’s lifecycle. Although the Steering Committee monitored risks prior to commencement of the program, it did not meet subsequently and there is no evidence that the program risk register or program risks were reviewed, discussed or monitored after this point.

The Rural Assistance Authority did not effectively identify conflicts of interest

The RAA’s Fraud and Corruption Control Plan documents a series of controls and their owners outlining how the agency should identify and control potential fraud and corruption by its staff and third parties. The plan describes a series of controls to manage conflicts of interest, including developing conflict of interest registers for each program, and training and guidance from senior staff. The RAA did not ensure that conflicts of interest for those administering and overseeing this program were identified and therefore effectively managed.

The Assurance and Probity Plan outlined a requirement for all Steering Committee members to make a conflict of interest declaration for the program, including declaring that they did not have a conflict. Five of the 16 members of the Steering Committee did not make any declaration for the program, and four of these five members had also not made an annual conflict of interest declaration.

In addition, 63 of the 88 officers involved in the assessment or payments processes for the program had not recorded a conflict of interest declaration. This was because the RAA’s onboarding documentation only required staff to identify if they had a conflict of interest. It did not require staff to assert that they did not have a conflict of interest, which is not in line with good conflict of interest management.

The Department of Primary Industries and Regional Development, of which RAA is a part, implemented a conflict of interest policy in November 2024, along with an updated Code of Ethics and Conduct. The new policy requires staff who work in high-risk roles to submit an annual conflict of interest declaration. High-risk roles are defined in the policy to include those involved in administering or advising on grants or approvals. In line with this policy, the RAA advised that it has adjusted its procedures to require all RAA staff to complete an annual conflict of interest declaration.

The Rural Assistance Authority’s model used to estimate the total cost of the program significantly underestimated the total expenditure

While a CBA was not undertaken, the RAA did estimate the costs of the program before it commenced. In 2021 it commissioned modelling that would allow it to estimate the costs of future disaster events. The model used previous disaster events, including flood events, to predict the number of applicants, the number of approved applications, the amount of funding to be approved and the amount of funding predicted to be actually disbursed to applicants. The RAA model used data from the February to March 2021 and the November 2021 flood events to underpin its assumptions. While these were the two most recent completed flood programs, the 2022 flood events proved to be significantly larger and saw different applicant behaviour than that observed in the two previous events.

Using this model, the RAA estimated that the total cost of the program would be \$267.6 million; it provided this estimate to the then Resilience NSW to inform the overall program budget. This figure was arrived at when 55 Local Government Areas (LGAs) had been disaster declared and thus eligible for the program. Seventy-five LGAs and the Unincorporated Far West Area were ultimately eligible for the program.

The total program cost of \$536.5 million was double the initial estimate. The model had a number of assumptions that resulted in the cost being underestimated. Even if cost estimates had factored in all the disaster declared areas, the total cost of the program would most likely have been underestimated due to these other assumptions being inaccurate.

Recommendations

By December 2025, the NSW Reconstruction Authority and NSW Rural Assistance Authority should:

1. update the Memorandum of Understanding to better define responsibilities for grants administration in an emergency situation, including responsibilities for risk management, undertaking a cost-benefit analysis, and undertaking an outcome evaluation in accordance with the Grants Administration Guide.

By December 2025, the NSW Rural Assistance Authority should:

2. improve its risk management of grant programs by:
 - defining its risk tolerance
 - ensuring that all future programs have appropriate governance for the assessment, oversight and management of key risks
 - ensuring appropriate controls to reduce fraud risks are in place for future grant programs.
3. ensure that conflict of interest declarations are collected from all assessment and claims staff for all future grant programs and that any identified conflicts of interest are managed effectively.
4. update its cost estimate model to take into account the size and behaviour of the 2022 flood events and other subsequent disaster events.
5. develop additional measures for future grant programs to ensure that the performance and impact of the programs can be better understood and evaluated.

By June 2026, the NSW Reconstruction Authority should:

6. complete the cost-benefit analysis and outcome evaluation for the AGRN 1030 and 1034 special disaster assistance program to understand the impact of the program and to inform future disaster assistance programs.

1. Introduction

New South Wales experienced multiple rain events between February and November 2022, which resulted in flooding across the state. Owing to the significant impact of this flooding on primary producers, the NSW and Commonwealth governments announced a series of SDA grant programs to support primary production businesses.³

The purpose of the AGRN⁴ 1030 (Southern and Central West NSW Floods from August 2022 onwards) and AGRN 1034 (NSW Flooding from 14 September 2022 onwards) SDA program was to provide a timely and proportionate response to minimise the impact these storm and flood events had on primary producers and allow them to return to normal operations as soon as possible. Applications for the SDA program opened on 18 November 2022 and closed on 30 June 2023.

Under the AGRN 1030 and 1034 SDA program, 28 LGAs were declared disaster-affected in Southern and Central West NSW in August 2022. A further 47 LGAs were declared disaster-affected across NSW in September 2022, including all 28 LGAs affected by the August event, bringing the total to 75 declared LGAs plus the Unincorporated Far West Area.

1.1. Disaster recovery funding and responsibilities

Disaster Recovery Funding Arrangements

Under the DRFA, the Commonwealth and State governments can jointly provide assistance to help communities recover from eligible disasters. The National Emergency Management Agency (NEMA) coordinates grant programs on behalf of the Commonwealth Government. The SDA program was co-funded, with the Commonwealth and NSW governments each funding 50% under the DRFA.

The DRFA is designed to reduce the financial burden on states and territories responding to disasters and to facilitate the early provision of assistance to disaster-affected communities. This assistance may include loans and grants, including clean-up and recovery grants to businesses for clean-up activities, replacement of damaged equipment and stock, and other repairs.

The four categories of assistance measures under the DRFA are listed in Table 1.

Table 1: DRFA categories

Category	Description
Category A	Assistance to individuals to alleviate personal hardship or distress arising as a direct result of a disaster.
Category B	Assistance to the state and/or local governments for the restoration of essential public assets and certain counter-disaster operations.
Category C	Assistance for severely affected communities, regions or sectors, including clean-up and recovery grants for small businesses and primary producers.
Category D	Exceptional circumstances assistance beyond Categories A, B and C.

Source: Disaster Recovery Funding Arrangements 2018.

³ The definition of a primary producer is the same as the Australian and New Zealand Standard Industrial Classification code for Agriculture, Forestry and Fishing.

⁴ An AGRN (Australian Government reference number) is a unique identifier for each natural disaster in Australia.

Though it was originally intended to be delivered as a category C program, the AGRN 1030 and 1034 SDA program moved to category D shortly before it commenced to allow for larger grants to be delivered. Category C grants usually cannot exceed \$10,000. However, if exceptional circumstances are identified, up to \$25,000 can be disbursed for category C grants. Category D grants can be of a higher value.

The Reconstruction Authority and the former Resilience NSW were responsible for seeking reimbursement from the Commonwealth Government for the program under the DRFA. The former Resilience NSW played a role in establishing program guidelines in conjunction with the Commonwealth and the RAA. The Reconstruction Authority was responsible for auditing the transactions submitted for reimbursement and providing reports to the Commonwealth.

Responsibilities for the program within the NSW Government

While the Reconstruction Authority is responsible for seeking reimbursement for disaster relief funding, administration of the SDA program was the responsibility of the RAA, a statutory body that operates within the Department of Primary Industries and Regional Development.⁵

A MoU between the RAA and the then NSW Department of Justice,⁶ which sets out the agencies' respective roles and responsibilities regarding natural disaster funding arrangements, was established in 2015. The MoU defines the claims and reimbursement process for the RAA for disaster relief expenditure. The MoU also defines the RAA's obligations for accounting and reporting on Disaster Relief Account expenditure.

Since the MOU was established, the NSW Government has made machinery of government changes that transferred some of the responsibilities from the then Department of Justice to the then Resilience NSW, and after this to the Reconstruction Authority. Over this time, the Commonwealth Government has also made changes to how it funds relief and recovery assistance.

1.2. About the program

The SDA program entitled eligible primary producers impacted by one or more of the storm and flood events to apply for a grant up to a maximum of \$75,000. This included an upfront payment of \$25,000, which would be paid without the need to provide invoices at the point of application. If they wished to claim any of the remaining \$50,000, applicants were required to validate that the upfront payment had been spent on eligible items. Applicants who had received grant payments under previous SDA programs were only eligible for the upfront payment if they had fully validated their previous grant funding.

Eligibility for the program

In order to be eligible for the grant program an applicant had to meet eligibility criteria, including that the applicant:

- was a primary producer
- derived at least 50% of their income from a primary production enterprise (PPE)
- contributed labour to the PPE
- held an active Australian Business Number (ABN) that was active at the time of the event
- had a PPE in the defined area with direct damage from the event
- was engaged in carrying on the PPE when affected by the event
- intended to continue the PPE.

⁵ At the time of the program, RAA was part of the Department of Regional NSW.

⁶ The Department of Justice was responsible for seeking co-funding from the Commonwealth at the time the MoU was signed.

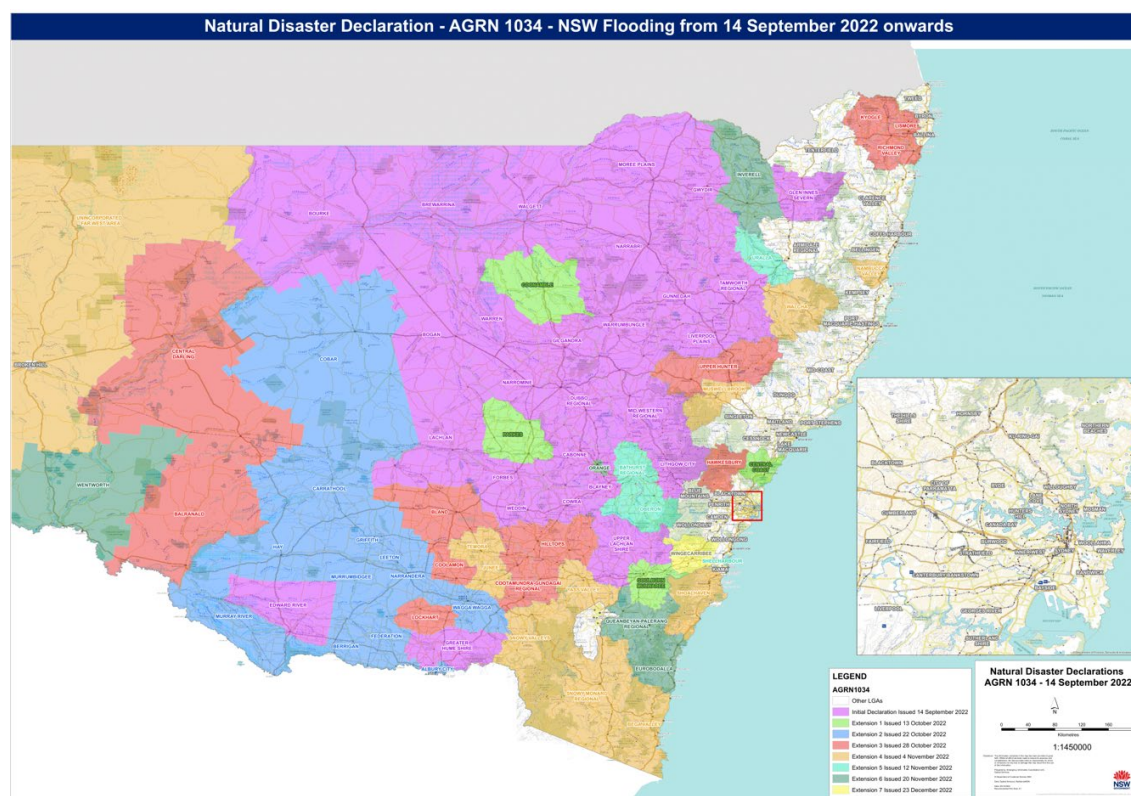
The program guidelines established some exceptions to these criteria, such as for applicants who would normally derive 50% of their income from a PPE, but did not meet that criterion due to long lead times for full production.

The program guidelines listed eligible expenditure of the grant, including:

- the costs of clean-up, reinstatement activities and emergency measures associated with the immediate recovery of the PPE
- hiring or leasing equipment or materials to clean premises, property or equipment
- removing and disposing of debris, damaged goods and materials
- repairing or replacing fencing and/or other essential property infrastructure
- purchasing and transporting fodder or feed for livestock
- replacing livestock
- replacing lost or damaged plants, salvaging crops, repairing or restoring fields
- repairing buildings (except dwellings, unless they are used for staff accommodation).

A total of 75 LGAs and the Unincorporated Far West Area, covering most of NSW, were included in the program by December 2022. Exhibit 1 shows all the declared LGAs for AGRN 1034, which includes all of the declared areas for both AGRN 1030 and AGRN 1034. Different colours are used to indicate the date of their addition to AGRN 1034.

Exhibit 1: Affected areas of AGRN 1030 and 1034



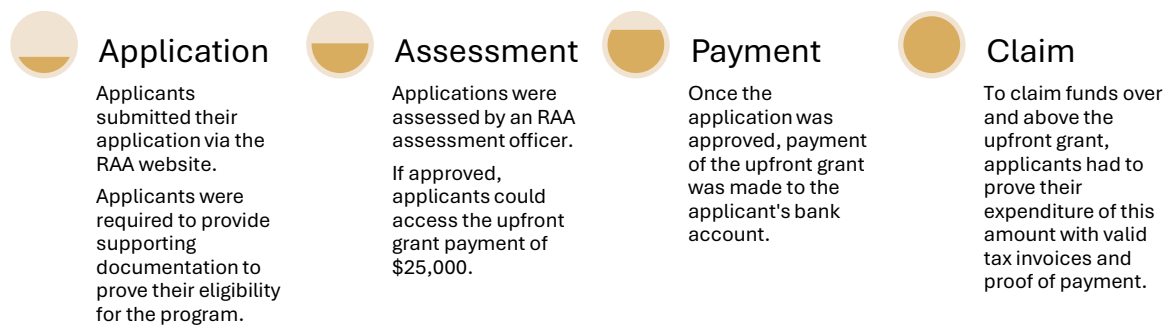
Source: Rural Assistance Authority.

Assessment process for applications

Exhibit 2 outlines the assessment process for the grant program. After an application had been submitted, RAA assessment officers reviewed the supporting evidence to determine the applicant's eligibility for the program, including personal and business tax returns and LGA rates notices. This work was reviewed by a program officer who could approve the application. If eligible, applicants received the upfront payment of up to \$25,000, which was provided based on quotes or estimates provided by the applicant at the point of application. The RAA advised that this was to assist primary producers with their cash flow by providing them with enough money to begin recovery works.

To access grant payments above the upfront payment, applicants were required to submit tax invoices and proof of payment to the RAA. Payment officers were responsible for reviewing this evidence to determine the eligibility of these claims. They reviewed the submitted expenditure for legitimacy and eligibility before a program officer approved the payment.

Exhibit 2: AGRN 1030 and AGRN 1034 SDA program assessment process



Source: AGRN 1030 and AGRN 1034 SDA program guidelines.

Owing to a large number of outstanding claims across all of its flood programs, in October 2023 the RAA decided that it would not seek proof of payment for reimbursements below \$2,500, which it termed the 'de minimis' rule. Applicants were still required to provide invoices as part of the claims process, but proof of payment of these invoices was not reviewed by payment officers. The implementation of the de minimis rule is discussed further below.

In September 2023, due to the high volume of applications, the RAA contracted a professional services firm to undertake some of the grant application assessment and payment processing work. The professional services firm's involvement in the payments process started in January 2024. The contract included the provision of 25 analysts, including 15 who worked on assessments and ten who worked on payments. The work of the analysts was intended to ensure the timely processing of the claims towards the end of the program. The contractors' role was to prepare relevant documentation, which then progressed to RAA staff for final determination of eligibility and payment. The work was divided between the RAA and the contractors to ensure that contractors were not responsible for making recommendations or decisions on applications. The contractors were not engaged in customer-facing roles.

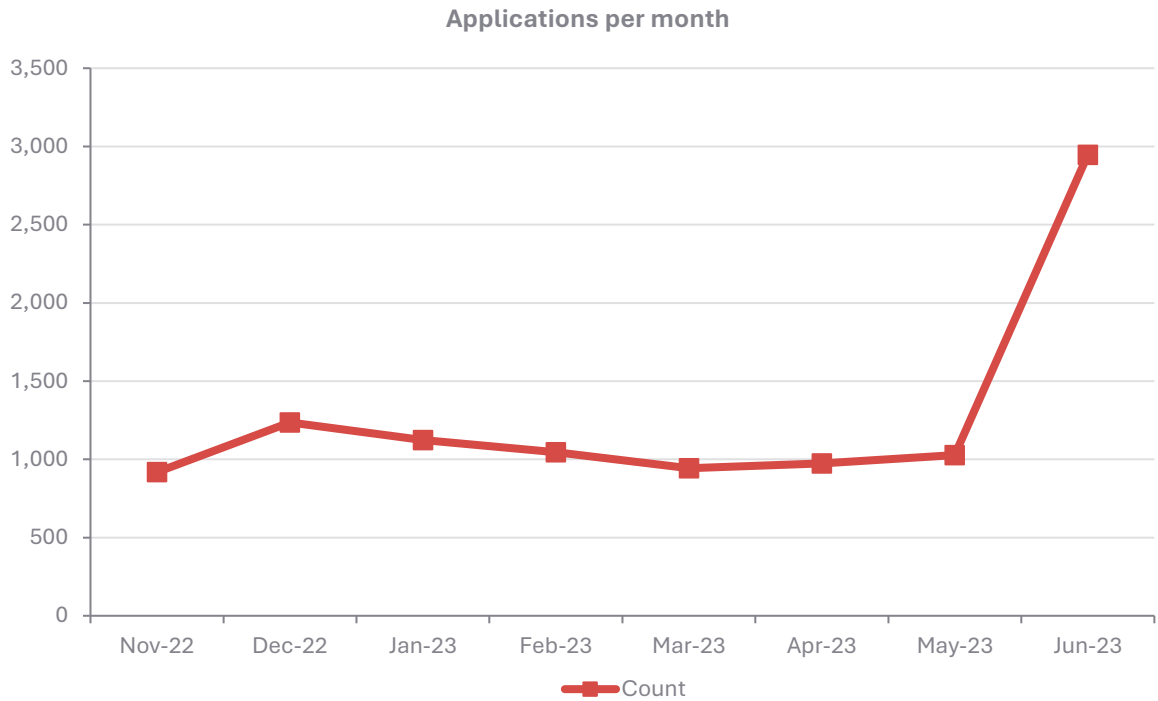
Volume of applications received

Applications for the AGRN 1030 and AGRN 1034 SDA program opened on 18 November 2022 and closed on 30 June 2023. Successful applicants had until 8 May 2024 to submit claims to the RAA for reimbursement.

A total of 10,715 applications were received for the grant program, of which 9,030 were approved and 8,959 were paid to applicants. The number of applications per month is shown in Exhibit 3. The highest number of applications was in the last month before the program deadline in June 2023, with 3,689 applications. The total value of grants disbursed through the program was \$536.5 million, with an average value per grant of \$59,881 disbursed.

In addition to the volume of applications made, there was also a significant number of claims, as illustrated in Exhibit 4. Each applicant could lodge multiple claims up to the total value of their approved grant. There were 32,287 claims lodged, with an average of 4.3 claims per applicant. As can be seen in Exhibit 4, there was a particular spike in claims shortly before the program closed.

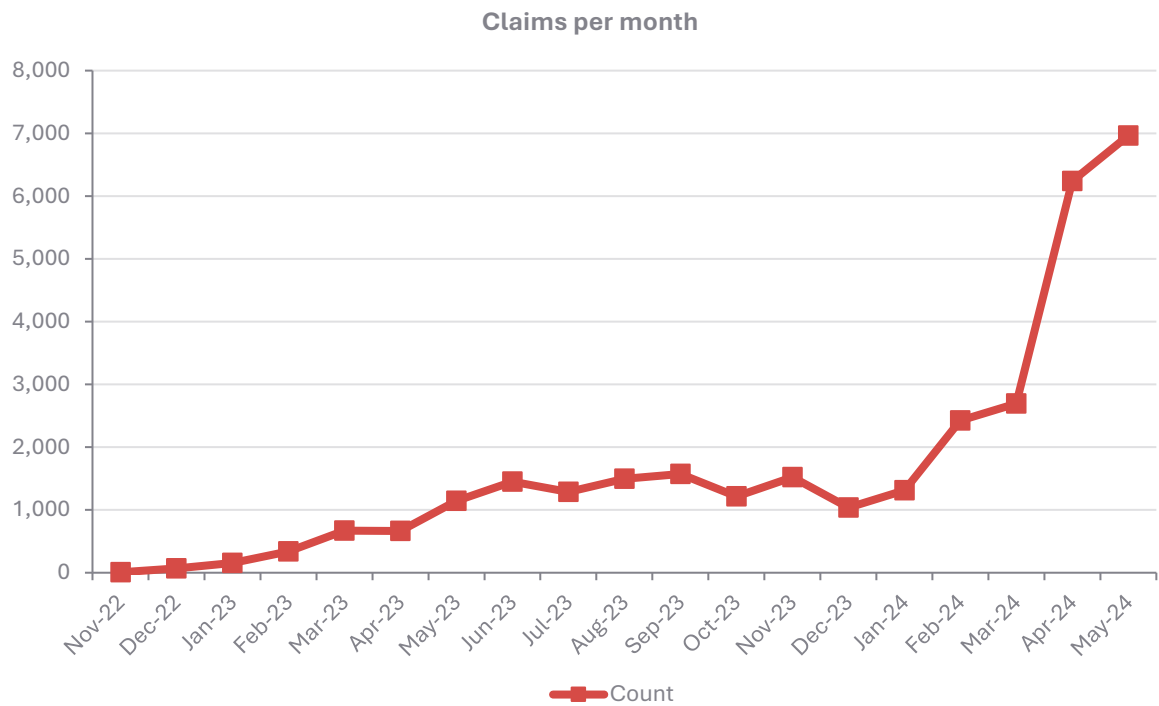
Exhibit 3: Number of applications by month



Source: Audit Office of NSW analysis of Rural Assistance Authority data.

The number of applications in this graph does not include late applications submitted after June 2023.

Exhibit 4: Number of claims by month



Source: Audit Office of NSW analysis of Rural Assistance Authority data.

1.3. Grants administration in NSW

On 19 September 2022, the NSW Government released the GAG to replace the Good Practice Guide to Grants Administration. The GAG contains mandatory requirements for agency staff, ministers and ministerial staff, as well as a range of good practice guidance that is not mandatory. The program's compliance with the mandatory requirements of the GAG is set out in Appendix 2.

The GAG was issued under Premier's Memorandum M2022-07, which states that the GAG applied prospectively to all grant activities undertaken on and from the date of gazettal of the GAG on 19 September 2022, including grants activities undertaken in connection with grant programs that were already underway before that date. Compliance with the GAG is a legislative requirement under the *Government Sector Finance Act 2018*. Although the program guidelines were based on a template approved by the then Resilient NSW and NEMA prior to September 2022, the program was administered following the publication of the GAG and thus the mandatory requirements of the GAG applied to the program.

1.4. Request for audit from the Special Minister of State

This audit was conducted following a request from the Special Minister of State that the Auditor-General conduct a recurring performance audit of emergency relief grants under section 27B(3)(c) of the *Government Sector Audit Act 1983*. The Auditor-General has discretion in determining how frequently this audit is undertaken.

To facilitate this request, the GAG was updated to require officials to provide emergency relief grants information to the Auditor-General within three months of the grant agreement taking effect or, if there is no grant agreement, no later than three months after the first payment is paid to the grantee. The Cabinet Office has also released a protocol for auditing emergency relief grants, setting out the process for undertaking this audit and providing emergency grant information to the Auditor-General.

2. Program planning and establishment

The agencies' Memorandum of Understanding does not clearly set out responsibilities for key aspects of grant program development and evaluation

The GAG sets out expectations for how multiple agencies involved in grants administration should define responsibilities, including:

- agencies should agree between themselves which agency is responsible for applicable mandatory requirements set out in the GAG during the planning and design phase of a grant program
- mandatory requirements are recommended to be captured in a MoU, particularly if funds are transferred between the agencies for the purpose of delivering the grant.

The MoU between the Reconstruction Authority and the RAA was last updated in 2015 and does not clearly set out responsibilities for some of the mandatory requirements of the GAG.

For example, the MoU does not specify which agency was responsible for the design of the program, including the responsibility for conducting a CBA during its development. A CBA was not conducted during the program's development. This is discussed in more detail below. The MoU sets out some responsibilities relating to the evaluation of the program but it does not establish responsibility for determining whether the outcomes and benefits of the program were realised. Under the MoU:

- the RAA is required to submit a Post Disaster Assessment Report which captures data on the number of applications, number of approvals and value of grants paid
- the Reconstruction Authority is required to operate a compliance function to ensure that expenditure claimed against the DRFA complies with the NSW Disaster Assistance Guidelines and the MoU.

These evaluation mechanisms only relate to financial and probity oversight and do not include responsibilities for key aspects of evaluation, including determining if the program met intended outcomes and the impact of the program relative to its costs.

In addition, the MoU does not outline which agency was responsible for probity in program design, defining the risk tolerance for the program or for the management of program risks. Key risk management activities such as defining program risk tolerance and the ongoing monitoring of program risks were not conducted.

The RAA and the Reconstruction Authority are working together to draft an updated MoU. However, as at April 2025 the MoU had not been finalised.

The Rural Assistance Authority did not clearly define its risk tolerance for this program

The Reconstruction Authority identified key risks and defined its tolerance for strategic risks, such as those relating to the administration of the DRFA. The Reconstruction Authority did not define a risk tolerance that was relevant to this program, but it was not responsible for administering the program and so the RAA was best placed to identify a relevant program risk tolerance.

The RAA did not define its tolerance for key program risks, such as in a risk appetite statement. Although the GAG does not mandate the development of risk appetite statements for grant programs, the lack of a risk appetite statement meant that there was no guidance available for the RAA as the administering agency to inform risk-based decisions, including risks relating to balancing the risk of fraud with speed of assessment.

The program's Assurance and Probity Plan assessed the program as having a low probity risk, but the RAA did not retain documentation to explain how this risk rating was determined. The RAA advised that the program was assessed as low-risk because:

- it was open and non-competitive
- it did not involve any discretionary decision-making or external involvement in decision-making
- there was no comparative merit-based assessment against other applicants.

The RAA also advised that the program was considered low-risk because the agency had previously administered similar programs and therefore was aware of the inherent program, grantee and governance risks. As there was no risk appetite statement in place, this assessment was made without a formal framework that considered the RAA's overall approach to risk.

A risk appetite statement may have informed key decision points in the program. For example, the RAA did not require evidence of how funds would be spent before distributing upfront payments. This increased the risk that fraudulent applications would be approved. Defining its risk tolerance for the program may have helped the RAA to manage this risk.

In addition, in October 2023, the RAA implemented a rule which stated that it would not validate proof of payment for reimbursements below \$2,500, which it termed the 'de minimis' rule. The RAA considered the impact of this change on fraud risk. However, because it did not have a defined risk tolerance to assist with decision-making, the RAA did not have a framework to determine whether these risks were within the tolerance it was willing to accept.

The Department of Regional NSW (DRNSW) had a risk management framework in place at the time of the program; it defined a risk tolerance across all of DRNSW for various types of risk, including for entities like the RAA, which formed part of DRNSW at the time. It stated that the agency had a low-risk appetite for fraud and corruption. Although the RAA's risk management plan aligns with DRNSW's approach, there is no evidence that the RAA used DRNSW's risk appetite statement to guide its decision-making in relation to risk-based decisions.

The Rural Assistance Authority identified risks for the program but it did not adequately monitor these risks

The RAA Risk Management Plan states that the program Steering Committee is responsible for overseeing and monitoring the program risk register throughout the program's lifecycle. Although the Steering Committee monitored risks prior to the program launch, it did not meet after the program launched and there is no evidence that the program risk register or program risks were reviewed, discussed or monitored beyond this point. This lack of monitoring meant that the RAA did not have a comprehensive view of how changes in the program risk profile may have impacted program delivery. Risks were reported at each of the Steering Committee meetings that occurred before program launch, but these risks remained the same at each meeting even when those risks were no longer relevant. The Steering Committee's minutes are not clear on whether the risks were discussed in detail or reassessed during these meetings.

The RAA created a risk register for the program, including designing controls for each of the identified risks and identifying actions to further reduce those risks. The program risk register was last updated in October 2022, with no evidence that this document was updated regularly after this date. This is despite changes in the program's risk profile. For example, the risk register identified a risk related to the program being upgraded from DRFA category C to category D which would result in a more complex application process. This change in category occurred, impacting the program's overall risk profile. However, there was no evidence that the program's risk register was revised once the program changed to a category D program.

The RAA designed and implemented mitigating controls to reduce the likelihood or impact of identified risks. For example, to reduce the risk of fraudulent applications, the agency required financial assessments of all applicants to be conducted to ensure their eligibility for the program. The RAA undertook these financial assessments for each applicant. The RAA also included a declaration on the application form to provide a legal avenue to recover fraudulently acquired funds.

The RAA also identified a risk that program delivery would not be timely. To mitigate this risk, the RAA planned to monitor and report on processing and notification times for the program. As discussed below, the RAA regularly reported to the executive on program timelines, though there were long processing times for both assessments and grant claims.

The RAA's enterprise risk management occurs through the agency-wide Assurance Working Group (AWG). This group is responsible for reviewing key business processes, high-risk areas and key risk controls that inform business improvement processes. The group only discusses broader, enterprise-wide risks relevant to the RAA's agency-wide objectives, rather than program-specific risks. Although some of the risks that are reviewed by the AWG may be relevant to the management of the RAA's programs, risks specific to each program are not discussed in the AWG. The AWG did not review or discuss the program's risk register, demonstrating that it was not responsible for the program-level risks. The AWG monitoring alone was not sufficient to manage risks to the AGRN 1030 and 1034 program, as program-level risks were not monitored specifically.

The Rural Assistance Authority implemented appropriate fraud controls for higher-value grants, but not for applicants who only received the up-front payments

The GAG requires agencies to develop and implement fraud controls that are proportionate to the value and risk of the grant. RAA identified the risk of fraudulent applications being submitted to the program as high, due to the substantial value of the grants. However, the controls in place to mitigate the risk of fraud posed by people only claiming the upfront payment were not appropriate given the value of the grant.

Under the program guidelines, applicants were able to receive the upfront payment of up to \$25,000 without providing proof of payment. The program guidelines stated that the payment would be provided on the basis of quotes or estimated costs. The RAA required applicants to provide an estimated value of damage and a description of the impact of the flood event(s). If applicants did not claim any further funding above the \$25,000 threshold, they were not required to submit any further documentation to prove that the applicant planned to spend the upfront payment on eligible expenditure in compliance with the guidelines.

In addition to not requiring evidence of how the grant recipient planned to use their upfront payment, the RAA also did not collect proof that the payment had been spent on eligible items to confirm that it complied with the grant guidelines, unless an applicant was making subsequent claims for funding above the upfront payment. As it did not seek to validate the planned or actual use of the upfront payment, the RAA did not put in place appropriate controls to manage the risk of fraud among the upfront payments.

Of the 8,959 approved and disbursed applications to the program, 1,701 claimed \$25,000 or less and were therefore only required to submit an estimate of their damage to receive the grant. This made up 19% of applications to the program, with a total value of approximately \$40 million. Some of these applicants provided further evidence to support their claim, but this was not required. The provision of up-front grants is discussed further in the next chapter.

The RAA did require paid tax invoices to be provided prior to payment of claims above the upfront \$25,000. For payments above this threshold, applicants were required to provide invoices and proof of payment for both the upfront payment and any amount over the \$25,000. A payment officer checked this evidence for claims, and this work was verified by a program officer. This served as an appropriate control for the risk of fraudulent applications above the upfront payment threshold.

The RAA advised that it engaged with Service NSW and the RAA's equivalent agencies in Queensland and Victoria to ensure applicants were not applying for payments under other grant programs that may have resulted in their ineligibility for the SDA program. Applicant details were cross-referenced with a list of applicants from these grant programs as part of the eligibility assessment process.

The RAA identified 32 out of 10,715 applications as potentially fraudulent. The value of these applications was \$982,002, with only one of these grants being disbursed. The RAA is in the process of reclaiming the \$25,000 payment from this applicant.⁷ The limitations of the fraud controls in place mean that the RAA is not able to determine if potential fraud rates within the program are higher.

The Rural Assistance Authority obtained internal probity advice for the program

The GAG requires officials to seek probity advice for complex, high-risk or high-value programs to support the design, application, assessment and decision-making phases of the program. The RAA identified this program as having a low probity risk and as such the GAG requirement did not apply. As noted above, the rationale for assessing the program as low-risk was not documented.

The program's Assurance and Probity Plan outlined its assurance activities, along with the responsibilities for and frequency of these activities. The plan advised that due to the program being assessed as low-risk, an external probity advisor was not required. As such, the RAA sought internal probity advice, which was provided by staff from the governance team.

The Rural Assistance Authority did not effectively identify conflicts of interest

The GAG states that officials should ensure that any real or perceived conflicts of interest are effectively avoided, managed and disclosed. The RAA's Fraud and Corruption Control Plan documents a series of controls and their owners, and outlines how the agency should identify and control potential fraud and corruption by its staff and third parties. The plan describes a series of controls to manage conflicts of interest, including developing conflict of interest registers for each program and training with common scenarios and guidance from senior staff. The RAA did not ensure that conflicts of interest for those administering and overseeing the program were identified and therefore effectively managed.

The Assurance and Probity Plan outlined a requirement for all Steering Committee members to make an active conflict of interest declaration for the program, including declaring if they did not have a conflict. Five of the 16 members of the Steering Committee did not make any declaration for the program, and four of these five members had not made an annual conflict of interest declaration.

In addition, 63 of the 88 officers involved in the assessment or payments processes for the program did not have a conflict of interest declaration recorded. Most of these officers were temporary staff employed specifically to process applications for the SDA programs. This was because the RAA's onboarding documentation only required staff to identify if they had a conflict of interest. It did not require staff to assert that they did not have a conflict of interest, which is not in line with good conflict of interest management. All staff, including those engaged temporarily, are required to complete a training module on DRNSW's code of ethics and conduct during onboarding and to complete it again annually as part of their refresher training.

The Assurance and Probity Plan stated that RAA policies and procedures relating to conflicts of interest are consistent with DRNSW conflict of interest policies. However, DRNSW did not have a specific conflict of interest policy in place when the program was being administered. In place of a specific policy, DRNSW's Code of Ethics and Conduct contained a brief outline of the process for declaring conflicts of interest. The process outlined did not cover risk mitigation strategies for conflicts, review of disclosures or the process for handling breaches.

The Department of Primary Industries and Regional Development, which RAA is now a part of, implemented a specific conflict of interest policy in November 2024, along with an updated Code of Ethics and Conduct. The new policy requires staff who work in high-risk roles to submit an annual conflict of interest declaration. High-risk roles are defined in the policy to include those involved in administering or advising on grants or approvals. The RAA advised that it has adjusted its procedures to require all RAA staff to complete an annual conflict of interest declaration, in line with this policy.

⁷ A 'Show Cause' letter was issued to this applicant to provide them the opportunity to rectify the issues identified with their application. As the applicant did not respond, a tax invoice was issued requesting the payment to be repaid to RAA.

The Rural Assistance Authority did not actively manage conflicts of interest for the program

The conflict of interest declarations made by RAA assessment and payment officers are held in a register managed by DRNSW. The Fraud and Corruption Control Plan advised that the RAA's conflicts of interest would be managed by key RAA staff for the SDA programs. Due to DRNSW's management of the conflict of interest register, the RAA could not readily access declared conflicts of interest without having to make a specific request to DRNSW. This limited the RAA's oversight of conflicts of interest.

RAA advised that assessment and payment officers were able to see some details of each applicant prior to processing their applications so they could determine if they had a conflict of interest. If they identified that they had a conflict of interest, they would be deemed unable to complete the assessment or approval and another staff member would undertake it. If a staff member wished to apply for a grant under the program, the staff member had to declare the application through DRNSW's declarations portal. The assessment and approval of this application had to be performed by an independent staff member.

The RAA was reliant on staff identifying conflicts and recusing themselves from processing applications and claims where required. There is no evidence that line managers actively monitored the processing of applications or claims to ensure staff were not processing applications or claims where there was a declared conflict of interest.

In addition, staff were required to recuse themselves from assessment or approval of grants for their relatives. This was an informal process managed by the officer's line manager, and the RAA advised that these situations were recorded as a file note. The RAA did not monitor these cases at a program level. If it was perceived as a conflict, officers were required to formally submit a conflict of interest declaration for the register.

The program guidelines mostly aligned with Grants Administration Guide requirements

The GAG mandates that grant program guidelines include the following information:

- the purpose and objectives of the grant
- selection criteria and assessment process
- grant value
- opening and closing dates
- any support available to grant applicants
- application outcome date (not relevant for this program)
- source agency or agencies
- the decision-maker.

The program guidelines met all of the above requirements. The program's overall compliance with the mandatory requirements of the GAG is set out in Appendix 2.

The GAG also states that, where relevant, a description of complaint handling and review and/or access to information mechanisms should be included in program guidelines. The guidelines for the program did not include a description of the complaint handling process, despite the RAA having an appeals process for the program. This process was attached to refusal emails sent to applicants, along with a link to lodge an appeal. Although refused applicants were made aware of this process, this was not communicated to all potential grantees in the program guidelines. Publishing this information in the guidelines could have provided a more accessible and transparent system for applicants.

Neither agency conducted a cost-benefit analysis to assess value for money in the program design as required by the Grants Administration Guide

The GAG requires public officials to demonstrate at the planning and design stage of the program how it will deliver value for money by identifying benefits and costs. This CBA provides a valuable tool for decision-makers to understand the expected impact of a program.

Neither the RAA nor the Reconstruction Authority conducted a CBA at the program design stage to assess the grant program's value for money. As a mandatory requirement of the GAG it was necessary for the agencies to ensure that the CBA for the program was undertaken. Neither agency was assigned responsibility for conducting a CBA in the MoU.

The GAG advises that for time-critical grant opportunities, which likely includes emergency relief grants, it may be possible to assess value for money through a more streamlined rapid CBA. This was not undertaken as an alternative. NSW Treasury's Disaster Cost Benefit Framework (TPG23-17) also outlines the requirements for disaster-related programs' CBA. It advises that when responding to a disaster there may be insufficient time to complete a CBA prior to funding.

For grant programs over \$50 million, the GAG recommends that the post-program evaluation includes a CBA. In addition, TPG23-17 states that where disaster resilience initiatives valued at over \$10 million are not supported by a business case and CBA, it is mandatory to complete an evaluation and *ex-post* CBA within a reasonable period of time. The Reconstruction Authority plans to conduct an economic evaluation of the program that will include a post-program CBA. A CBA conducted after the program can assist in determining whether the program achieved its intended objectives and provided value for money.

The Rural Assistance Authority's model for estimating the total cost of the program significantly underestimated the total expenditure

While a CBA was not undertaken, the RAA did estimate the costs of the program before it launched. The RAA had commissioned modelling in 2021 to allow it to estimate the costs of future disaster events. The model used previous disaster events, including flood events, to predict the number of applicants, the number of approved applications, the amount of funding predicted to be approved and the amount of funding predicted to be disbursed to applicants. The RAA model used data from the February to March 2021 and the November 2021 flood events to underpin its assumptions. While these were the two most recent completed flood programs, the 2022 flood events were significantly larger and saw different applicant behaviour than that observed in the previous two events. There is now an opportunity for the RAA to revisit its cost estimate modelling to update the assumptions that are used with data from the 2022 SDA programs.

Using this model, the RAA estimated that the total cost of the program would be \$267.6 million; it provided this estimate to the then Resilience NSW to inform the overall program budget. The RAA first advised the then Resilience NSW about this figure on 27 October 2022 and again on 7 November 2022. When the RAA first provided this advice, 55 LGAs had been disaster-declared and were therefore eligible for the program. When the RAA provided this advice the second time, 66 LGAs had been disaster-declared but the RAA did not update its assumptions to revise the expected program expenditure. If it had updated its assumptions, the RAA could have provided more accurate figures to the then Resilience NSW to estimate the program budget. A total of 75 LGAs and the Unincorporated Far West Area were disaster-declared.

The total program cost of \$536.5 million was double the initial estimate. The model had a number of assumptions that resulted in this cost being underestimated. Even if cost estimates had factored in all of the disaster declared areas, the total cost of the program would most likely have been underestimated due to these other assumptions proving inaccurate. The assumptions and estimates compared to actual expenditure are outlined in Table 2 and include:

- an underestimation of the amount that each applicant would apply for
- the percentage of applicants that would be approved
- the amount of money that each approved applicant would claim back from their allowed maximum.

Table 2: Estimated and actual costs

	Estimated	Actual
Total applications	9,492	10,715
Approved applications	7,155	9,030
Approval rate	75.4%	84.3%
Total application amount	\$447.1 million	\$736.6 million
Total approved amount	\$370.8 million	\$631.1 million
Total disbursed amount	\$267.8 million	\$536.5 million
Percentage of approved funding disbursed	72.2%	85.0%
Average application amount	\$47,105	\$68,746
Average amount approved	\$51,823	\$69,895
Average disbursed amount	\$37,396	\$59,881

Source: Rural Assistance Authority modelling and Audit Office of NSW analysis.

Further, there were some differences between the 2021 flood programs and the AGRN 1030 and 1034 flood events. In particular, the previous events allowed six months for applications and 12 months for claims. In this case, the program was open for seven months and claims were open for 18 months, providing a greater opportunity for businesses to lodge applications and claims. The RAA advised that the Reconstruction Authority did not request forecasting based on these extended application and claim periods.

Inaccurate cost estimates meant that decisions were made on the basis of incorrect assumptions. The approved program budget assumed that \$267.6 million was an accurate forecast, however the Reconstruction Authority had to seek approval in August 2023 and May 2024 for additional funds to make up the program shortfall. The RAA advised that monthly forecasts were provided to the Reconstruction Authority to support the request for additional funds. In addition, the RAA based its resourcing and administration assumptions on the initial cost estimate, meaning that its estimated administration costs and the number of staff that were contracted to administer this program was significantly lower than would have been the case if the assumptions had been more accurate. The RAA added more staff during the program when it became clear that the program would exceed the expected level of demand.

3. Administration of the program

The Rural Assistance Authority conducted an effective process to determine each applicant's eligibility for the program

The GAG states that all grants should have clear eligibility criteria that outline the minimum requirements an applicant must meet to be eligible for funding. The program guidelines outlined the criteria that would determine applicant eligibility for the grant. Administering a program in accordance with its guidelines is a mandatory requirement of the GAG. This is essential to ensure the program is administered fairly and that the program achieves its objectives. The program's overall compliance with the mandatory requirements of the GAG is set out in Appendix 2.

To determine whether the grant program had been administered in line with the program guidelines, the audit team tested a sample of applications, which included the assessment of application eligibility. All approved applicants examined by the audit team were correctly found to be eligible. All rejected applicants in the sample were correctly found to be ineligible.

To ensure applicants were assessed equitably against the eligibility criteria, assessment officers were provided with an assessment template and training guidance. This documentation provided guidance on interpreting the program guidelines and was designed to ensure that each applicant would be assessed consistently.

In line with the program guidelines, assessment officers reviewed the lodged tax returns and financial statements to ensure that applicants derived at least 50% of their gross income from the primary production enterprise. They also reviewed applicant ABNs to ensure that these were active and current at the time of the flood event(s), and LGA rate notices to determine if the enterprises were located within an eligible area. Applicants were also required to provide an estimated value and description of damage incurred.

The assessment of this evidence was entered into the assessment template for each applicant and the completed template was provided as written advice to a program officer as the decision-maker. The program officer then approved or declined the application based on the advice provided by the assessment officer. For each application, the RAA retained documentation that related to the application outcome and the reasoning behind the outcome. It also documented the decisions on both approved and rejected applications.

The Rural Assistance Authority processed most claims for the grant program in accordance with the program guidelines and the Grants Administration Guide

The program guidelines outlined a list of items and activities that were eligible for reimbursement, along with the evidence required to claim. This list was created to ensure that only eligible expenses were reimbursed. In addition, the RAA provided further guidance to payment officers, particularly covering more difficult situations that may arise. This included creating a payment schedule template. This documentation aimed to ensure that each claim was assessed against the same criteria.

For anyone seeking to claim additional funds after receiving the upfront payment, payment officers reviewed the invoices submitted, including the supplier, date, invoice amount and the description for each claim. Payments officers reviewed the invoice item descriptions to determine if expenses were eligible for reimbursement under the program guidelines. In addition, payment officers reviewed proof of payment for these invoices, usually in the form of bank statements. The payment schedule and the supporting evidence was provided to the program officer as written advice for approval or denial.

The procedure for assessing and processing the upfront payments is discussed in detail below.

The audit team tested a sample of applications for the program, which included the processing of claims for these applications. The sample demonstrated that invoices and proof of payment were retained for all applicants who claimed funding above the \$25,000 upfront payment amount. Payment schedules were generated for these applicants, and invoice and payment data was entered into the schedule template to evidence claim eligibility. The payments made aligned with the invoices and followed the established process.

Most of the applicants in the sample were only reimbursed for eligible expenditure. The audit team identified one applicant who was reimbursed for 'business advice post-flood', which was not eligible expenditure under the program guidelines. The documentation retained for this applicant did not outline any reasons for approving the ineligible expense, as required by the GAG.

Applicants were required to provide proof of payment for any previous SDA grants they had made under the other 2021 and 2022 storm and flood disaster events before they could receive payment from the AGRN 1030 and 1034 SDA program. Payment officers checked if applicants had made claims under previous programs and validated this expenditure as per the guidelines.

The Rural Assistance Authority did not require evidence of how funds would be spent or validate claims of estimated damage before distributing the upfront payments

Applicants who had not successfully applied for grants under previous iterations of the SDA program were entitled to an upfront payment of \$25,000 without the need to provide invoices at the point of application. Applicants who had received grant payments under previous SDA programs were only eligible for the upfront payment if they had fully validated their previous grant funding. The RAA advised that this was to assist primary producers with their cash flow by providing them with enough money to begin recovery works.

The program guidelines, which were designed by the RAA and approved by the then Resilience NSW, stated that payment would be provided on the basis of quotes or estimated costs. The guidelines also included an application checklist which specified the documentation the applicant would need to provide at the point of application. This checklist included 'quotes, estimates, photos, valid tax invoices and proof of payment (if you have them)'. The program guidelines did not explicitly require applicants to provide evidence to support their estimates or to validate their expenditure post payment.

The frequently asked questions (FAQs) for the program, which were published on the RAA website, stated that reasonable evidence was required to be submitted by all applicants to prove damage from the flood event(s). The following examples of evidence were listed:

- quotes or estimates for works to be completed
- tax invoices of expenses incurred for clean-up or salvage works already completed following the flood event(s)
- photos of damaged property with time, date and location stamps (not mandatory).

The audit team tested a sample of 16 applicants who received only an upfront payment of \$25,000 or less. Two applicants in the sample submitted evidence of their intention to spend this money in accordance with the program guidelines although this was not required by the guidelines. The remaining applicants submitted an estimated value of the damage and explained the impact of the flood on their business, which was confirmed by an assessment officer through a phone call. The RAA advised that the purpose of this phone call was to test the applicant's claim against results from the Primary Industries Natural Disaster damage survey. This is an online survey that farmers, DPIRD, Local Land Services Staff and agricultural industry representatives can use to record damage to primary production and animals from natural disasters such as floods, fires and storms. Assessment officers could use this data to assess if applicants' claims were consistent with the level of damage recorded in the survey results.

While it was in line with the guidelines, by not collecting this evidence, the RAA could not ensure that applicants who applied for payments below the \$25,000 threshold had estimated damage accurately or validate that applicants intended to spend, or had in fact spent the grant in line with the program guidelines. The lack of appropriate controls increased the risk of fraudulent applications being made for these upfront payments and funds disbursed to those applications, as well as the risk that the upfront payments were not spent on eligible activities.

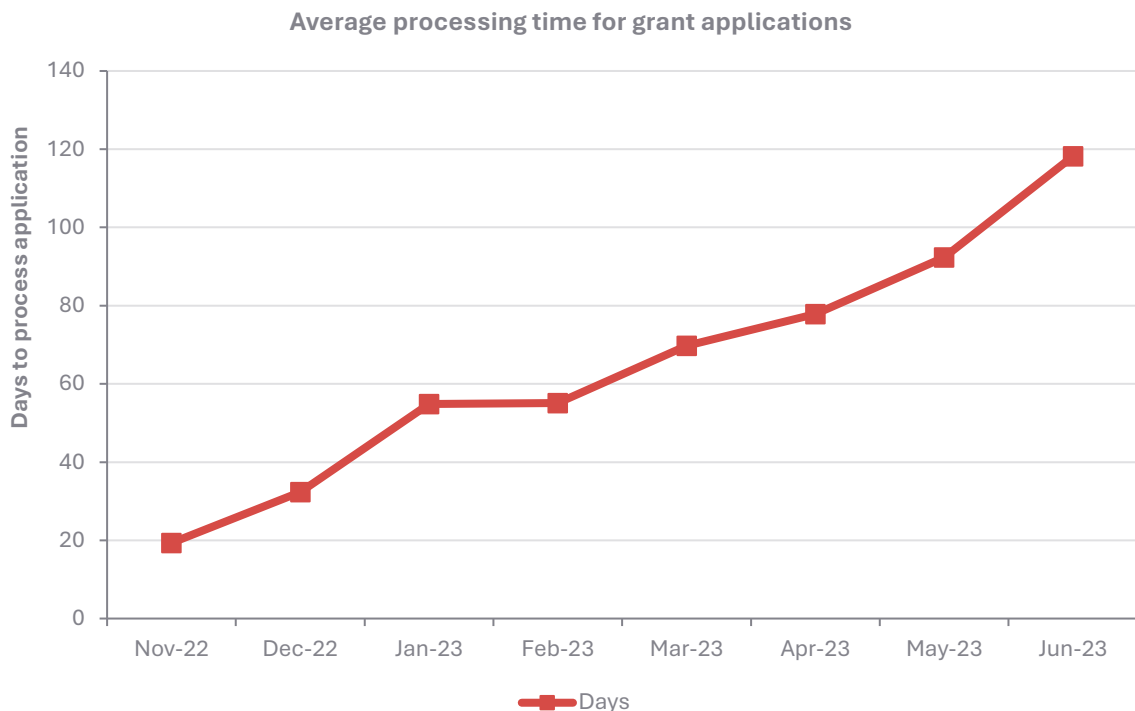
The program guidelines included a provision for the RAA to request additional evidence from applicants once a payment had been made. However, the RAA did not validate these applications post program to confirm that grant money had been spent in line with the guidelines.

There were long processing times for both assessments and grant claims throughout most of the life of the program

As discussed above, and as shown in Exhibits 3 and 4, there was a steady flow of applications and claims throughout the program before a sharp increase prior to the program closing. Due to the number of applications and grant claims exceeding the original estimates for the program, the RAA was not adequately prepared for the volume of applications, and this resulted in long processing times for both assessments and grant claims.

As can be seen in Exhibit 5, the average number of days required to process a grant application increased from 19 days for applications lodged in November 2022, the first month of the program, to 118 days for applications lodged in June 2023, the final month that applications were open. This excludes time where the RAA was waiting for additional information from the applicant. The RAA’s target was to process 80% of applications within 20 days. However, only 13.5% of grant applications for the AGRN 1030 and 1034 program were assessed in this timeframe. The average processing time for applications across the course of the program was 73 days.

Exhibit 5: Average processing time for grant applications by month application was made



Source: Audit Office of NSW analysis of Rural Assistance Authority data.

As shown in Exhibit 6, the average processing time for a grant claim increased from 14 days for claims lodged in February 2023 to 57 days for claims lodged in September 2023. The application time improved significantly after September 2023 as a number of other flood recovery programs ceased, allowing staff to spend more time on the AGRN 1030 and 1034 grant program. The processing time dropped to eight days for grant claims lodged in March 2024 before rising again as the number of grant claims spiked in April and May 2024, the final two months of the program. The average time for processing a grant claim across the AGRN 1030 and 1034 program was 25 days.

Exhibit 6: Average processing time for grant claims by month claim was made



Source: Audit Office of NSW analysis of Rural Assistance Authority data.

The Rural Assistance Authority implemented changes to improve the program’s delivery of value for money and its timeliness

The GAG notes that achieving value for money is important to ensure the benefits of grants are maximised for the people of NSW. A program may deliver value for money by ensuring efficient and effective grant delivery, and by being flexible in responding to changing circumstances. In response to the high number of applications and claims across its flood programs, the RAA considered ways to improve the speed with which it processed applications and claims.

The RAA wrote to the Reconstruction Authority and NEMA in August 2023 to seek approval to implement a rule for its SDA grant programs whereby it would not validate proof of payment for reimbursement for any claim below \$2,500. This was known as the ‘de minimis’ rule. To arrive at this value, the RAA analysed the number of outstanding claims and reviewed 103 claim requests with a total of 437 invoices. Of these, 262 invoices were below \$2,000. The RAA advised the Reconstruction Authority and NEMA that if this rule were implemented, it would save two to five minutes per claim. The RAA also considered implementing a \$5,000 threshold, but found that this would have minimal impact on the minutes saved per claim compared to the \$2,500 threshold. The Reconstruction Authority and NEMA approved the addition of this new rule.

The agency conducted an assurance review of the rule's implementation following the completion of the AGRN 1030 and 1034 program. It found that 5.46% of payments were processed under the de minimis rule, with an average invoice amount of \$896.84. The total value of these payments was \$29.9 million. The RAA reviewed 25 invoices, and found that 56% had provided proof of payment, 16% did not require proof of payment and the remaining 28% had the de minimis rule applied. The review concluded that the application of the rule allowed for quicker processing of payments, with minimal impact to the overall risk of funds not being acquitted in line with the program guidelines. It recommended the use of a de minimis rule in future grant programs.

Although the review concluded that the application of the de minimis rule allowed for quicker payment processing, the RAA did not conduct analysis on the speed of processing claims to determine if this purpose was met. Data analysis conducted by the audit team shows that there was an improvement in the timeliness of grant claim processing after the implementation of the rule. This can be seen in Exhibit 6. However, as noted above, the improvement in processing time coincided with other flood programs ceasing, meaning that staff could concentrate on the AGRN 1030 and 1034 claims. Therefore, it is not possible to state how much the improvement in processing time can be attributed to the implementation of the de minimis rule.

In addition to the implementation of the de minimis rule, in September 2023, the RAA engaged a professional services firm to triage documentation submitted by applicants and complete data entry of assessment and claims information. These analysts began work in January 2024 to assist with the large volume of applications and claims, as well as the expected increase in workload toward the program's closing date. The RAA held weekly progress meetings with the firm to discuss the contractors' progress against assessment timeframes and any potential risks in delivery. This demonstrates that the RAA was seeking solutions to the timeliness issue and seeking to ensure that the program could be administered in a timely way.

The Rural Assistance Authority issued clear and specific terms and conditions to all applicants

Potential grantees applied for the SDA grants via a form on the RAA website. This application form included a request for information regarding the specific event, the applicant's primary industry and for the applicant to make a fraud declaration. Before applicants could submit their application, they were required to agree to the program's terms and conditions.

The terms and conditions on the application form were clear and specific. Among other things, they required the applicant to confirm their eligibility for the program, outlined the types of financial information the applicant may need to provide, and included information related to information-sharing with other NSW Government agencies and the Commonwealth for the purposes of the administration and assessment of the program.

Once the applicant agreed to the terms and conditions and submitted their application, they received an automated email with a copy of the application form, including the terms and conditions. These terms and conditions were also reissued to applicants upon application approval, reiterating the requirements of the grant program.

The Rural Assistance Authority documented support provided to grant applicants

The GAG requires grant guidelines to capture what support is made available to applicants, alongside relevant details of the support. It also requires officials to document the support that has been provided to each grant applicant and the reasons for giving that support. The support must not unfairly advantage or disadvantage any applicants. The program guidelines noted two ways in which applicants could receive support: either contacting the RAA directly through email or by phone for assistance in submitting an application, or contacting Multicultural NSW for interpretation or translation services.

The RAA documented all contact with applicants in file notes, including summaries of both phone calls and emails with applicants. A review of a sample of applications shows that the additional support given to applicants was minimal. This included giving applicants advice on how to submit applications online, the form that bank statements should be submitted in, and on submitting additional invoices in case some are not accepted. The audit team observed one instance of the RAA accepting an application via email, which was contrary to the application process published in the program guidelines. However, in this case the assessment officer advised the applicant and outlined in the file note that this was an exception and that all future claims needed to be submitted through the correct process. The review of support provided to applicants demonstrates that the RAA did not unfairly advantage or disadvantage applicants and, where support was provided, this was documented clearly.

The audit team also observed examples of the RAA referring rejected applicants to the smaller Rural Landholders Grant (RLG) program. Assessment officers communicated to rejected applicants that they might be eligible for the other program and helped to ensure that their application was resubmitted under it. This was documented in the assessment template, as well as in the file notes for each applicant.

4. Evaluation of the program

The Rural Assistance Authority developed performance measures but there were no indicators for program outcomes

The RAA describes its overall objective as ‘farming businesses and other rural industries are more innovative, productive and resilient due to efficient provision of well-targeted government assistance programs by the RAA’.

To support this, the RAA has developed the following three performance measures that apply across all of the grant programs it administers:

- timeframe to provide RAA assistance to the point of decision for grant applications – 80% of grant applications have a decision in 20 days
- level of RAA customer satisfaction at the point of application – 80% of customers report a positive point of application experience
- level of RAA customer satisfaction post-application – 80% of customers report a positive post-application experience.

The RAA aggregates performance across these indicators for all its grant programs, and the RAA also measures performance against these indicators for its programs individually. While these measures are all valuable in understanding the RAA’s grant administration performance, they do not allow for the outcomes of RAA programs to be evaluated. In particular, they do not consider a program’s impact on the RAA’s overall objective, such as the impact of the program on innovation, productivity and resilience. Measuring the outcomes of a program allows for an agency to determine whether the program has achieved its objective and was an effective use of money.

The timeliness indicator allows the RAA to measure one element of its efficiency by identifying the speed with which grant applications are assessed. However, there is no performance indicator in place to consider the timeliness of claim processing. Developing this performance indicator would allow the RAA to determine more clearly whether claims processing is occurring in a timely manner.

While customer satisfaction with the program was high, the Rural Assistance Authority did not meet its timeliness target

The RAA’s performance against its established targets for customer satisfaction at the point of application and post-application exceeded the targets of 80% of customers reporting a positive experience. To collect information about customer satisfaction, the RAA conducted an online customer survey with each applicant, where applicants were asked to rate their satisfaction with a variety of metrics, including satisfaction with program guidelines and ease of application.

The results of the RAA customer satisfaction surveys are shown in Table 3.

Table 3: Customer satisfaction with the AGRN 1030 and 1034 program

Question	Satisfied	Neutral	Unsatisfied
Satisfaction with guidelines	85%	12%	1%
Satisfaction with website	80%	15%	2%
Satisfaction with staff assistance	97%	1%	0%
Satisfaction with staff knowledge	99%	0%	0%
Satisfaction with processing time	81%	13%	5%

Note that 'satisfied' includes both 'satisfied' and 'very satisfied' as a response, and 'unsatisfied' includes both 'unsatisfied' and 'very unsatisfied'.
Source: RAA customer satisfaction surveys.

The results demonstrate that customer satisfaction with the program was high. This includes satisfaction with the processing time of applications which, as noted in the previous chapter, consistently worsened throughout the course of the program.

The RAA also asked about the difficulty of applications and the contract approval process. The results of these surveys are shown in Table 4.

Table 4: Customer views on the difficulty of processes in the AGRN 1030 and 1034 program

Question	Easy	Neutral	Difficult
Difficulty of application	69%	24%	5%
Difficulty of contract approval	77%	19%	4%

Note that 'easy' includes both 'easy' and 'very easy' as a response, and 'difficult' includes both 'difficult' and 'very difficult'.
Source: RAA customer satisfaction surveys.

The RAA advised that it uses the difficulty of application and difficulty of contract approval results, shown in Table 4, to determine whether it has met its customer satisfaction results of 80% of customers having a positive experience. The RAA aggregates the easy and neutral results to determine whether the target has been met, meaning that even neutral results are considered positive experiences. Calculated this way, 93% of customers had a positive experience at point of application and 96% had a positive experience post application. This calculation means that the RAA exceeded its target of 80% of customers having a positive experience at the point of application and post approval. However, as shown in Table 4, if neutral responses are excluded from this analysis and only 'easy' or 'very easy' responses are included, the RAA did not meet this target.

The RAA had a target of 80% of grant applications having a decision in 20 days. The RAA advised that this only includes business days and does not include time that is spent waiting for applicants to provide additional information after RAA has requested it. With these rules applied, only 13.5% of grant applications for the AGRN 1030 and 1034 program were assessed within 20 days. It was important for RAA to assess applications in a timely way in order to fulfil the program purpose of providing a timely and proportionate response to the disaster event.

Program performance was regularly reported to the Rural Assistance Authority's management, allowing it to provide oversight of the program

Each week, the performance of the RAA in the AGRN 1030 and 1034 program was reported to management as a high-level dashboard. This included a review of the number of applications per day, the number of applications completed each day, outstanding cases, customer satisfaction and total funding disbursed through the program. This allowed management to provide a degree of oversight of the program's performance against its key performance indicators.

In addition, the RAA reported performance against all of its grant programs to its Audit and Risk Committee (ARC) on a quarterly basis. These reports contained an aggregation of the performance across all of the disaster grants being administered by the RAA, including the volume of applications, the completion rates of assessments and the amount of money disbursed. In addition, performance against the three performance indicators outlined above was also reported to the ARC. This reporting allowed the ARC to receive an agency-wide view of grant administration performance.

The Reconstruction Authority is planning to conduct an outcome evaluation for the program

While the GAG does not set out a mandatory requirement for officials to undertake an evaluation of the outcomes of a grant program, it does recommend that agencies make a decision on evaluating based on the value, risk and significance of the grant program. The GAG refers to the NSW Treasury policy *TPG 22-22 Policy and Guidelines: Evaluation*, which recommends an evaluation of programs valued at over \$50 million. Given that the program disbursed \$536.5 million, it is reasonable to expect an outcome evaluation to be undertaken as a matter of good practice.

As noted above, the MoU between the Reconstruction Authority and the RAA does not set out the responsibility for undertaking an outcome evaluation of the program. Similarly, there is no responsibility established in the MoU to determine the overall benefits delivered by the program as part of a CBA. Not outlining these responsibilities risks gaps in program evaluation for future grant programs. As a result of this gap, neither agency was assigned initial responsibility for planning an evaluation.

In December 2024, the Reconstruction Authority received approval to undertake an outcome evaluation that will allow it to determine the outcomes achieved by the program. This evaluation is also planned to include an evaluation of the overall benefits and outcomes of the program, an economic evaluation – which will fulfil the purpose of an *ex ante* CBA, discussed above – and a process evaluation, which will consider how the program has been delivered. In addition, the RAA conducted a process evaluation of the program in August 2023.

Section 2 –
Appendices

Appendix 1 – Responses from audited agencies

Response from NSW Reconstruction Authority

NSW Reconstruction Authority



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

13 May 2025

Re: NSW Reconstruction Authority Response to the Performance Audit – Emergency Relief Grants

Dear Mr Oyetunji,

Thank you for your letter dated 15 April 2025 enclosing the final performance audit report on the emergency relief grants (Report). The NSW Reconstruction Authority (RA) welcomes the Report as an opportunity to improve how NSW plans for disasters and supports communities to recover.

As the report notes, significant flood events between March and November 2022 resulted in the announcement of several disaster recovery measures including the Special Disaster Assistance (SDA) grant programs to support primary producers and production businesses affected by the flooding including the AGRN 1030 and AGRN 1034 SDA program. The NSW Rural Assistance Authority (RAA) is the NSW administering agency responsible for the delivery of the program with RA the coordinating agency partnering with the Australian Government for programs activated under the Disaster Recovery Funding Arrangements 2018 (DRFA).

The Report has made 2 recommendations specific to the RA related to the Memorandum of Understanding between the RA and the RAA and the SDA program evaluation. Both recommendations are accepted by the RA, and I provide the below response:

- 1. Update the Memorandum of Understanding to better define responsibilities for grants administration in an emergency situation, including responsibilities for risk management, undertaking a cost-benefit analysis, and undertaking an outcome evaluation in accordance with the Grants Administration Guide.**

I am pleased to advise that as noted in the Report, the RA has worked with the Rural Assistance Authority to update the Memorandum of Understanding (MOU) to provide more detailed responsibilities, specifying that the RA is responsible for cost-benefit analysis, and outcome and economic evaluations. The updated MOU contains a schedule of the NSW Grants Administration Guide mandatory requirements with allocated responsibility for each.

- 2. Complete the cost-benefit analysis and outcome evaluation for the AGRN 1030 and 1034 special disaster assistance program to understand the impact of the program and to inform future disaster assistance programs.**

As referenced in the Report, the RA has commenced an evaluation for the AGRN 1030 and 1034 special disaster assistance program that includes assessment of the overall benefits and outcomes of the program, an economic evaluation which will fulfill the purpose of an ex-ante

cost-benefit analysis, and a process evaluation which considers how the program has been delivered.

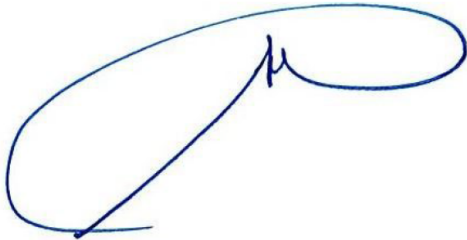
The Report outlines under section 2. *Program Planning and Establishment - RAA implemented appropriate fraud controls for higher-value grants but not for applicants that received only the up-front payments fraud controls.*

The RA notes that the process for grants valued at \$25,000 and below reflects the program guidelines approved by the National Emergency Management Agency (NEMA) prior to launch of the Program. This approach is also consistent with the Recovery Grants for Primary Producers template guidelines introduced by NEMA and considered the standard for the implementation of Primary Producer Grants.

The low document requirements for limited value up-front payment is adopted to ensure that impacted applicants can access financial assistance promptly to enable recovery.

The RA is committed to building resilience in communities through its disaster mitigation, adaptation, preparedness and recovery functions. Our coordinating role in the administration of the DRFA on behalf of the NSW Government is a critical element of this commitment.

Yours sincerely,



Mal Lanyon APM
Chief Executive Officer
NSW Reconstruction Authority

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Response from Rural Assistance Authority

Rural Assistance Authority



13 May 2025

Bola Oyetunji
Auditor-General for New South Wales
NSW Audit Office
Level 19, Darling Park Tower 2,
201 Sussex Street, Sydney NSW 2000

Re: Performance Audit – Emergency Relief Grants

Dear Auditor-General,

Thank you for the opportunity to respond to the *Performance Audit - Emergency Relief Grants* final report, as issued on 15 April 2025.

The NSW Rural Assistance Authority (RAA) has carefully considered the report and accepts the recommendations as set out in our response below. Please see responses to each recommendation below:

Audit Office Recommendation:	Responsible agency:	RAA Response & Comment:
1. Update the Memorandum of Understanding to better define responsibilities for grants administration in an emergency situation, including responsibilities for risk management, undertaking a cost-benefit analysis, and undertaking an outcome evaluation in accordance with the Grants Administration Guide.	NSW Reconstruction Authority (RA) & NSW Rural Assistance Authority (RAA)	An updated Memorandum of Understanding (MoU) was signed by the RA and RAA on 8 May 2025. The MoU clearly defines responsibilities for risk management, cost benefit analysis and outcome evaluation of programs.
2. Improve its risk management of grant programs by: <ul style="list-style-type: none">- defining its risk tolerance- ensuring that all future programs have appropriate governance for the assessment, oversight and management of key risks	NSW Rural Assistance Authority	The RAA has made significant improvements to risk management policies, procedures and frameworks to ensure a high level of program governance. Work has commenced on developing a program specific risk appetite statement template and updating program probity plans. Special Disaster Program guidelines have been reviewed and recommendations made by the RAA to the Reconstruction Authority to increase

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<p>- ensuring appropriate controls to reduce fraud risks are in place for future grant programs.</p>		<p>evidence requirements for program eligibility and introduce measures to further mitigate fraud risk. These are ultimately the decision of the Reconstruction Authority and the National Emergency Management Agency and are approved on an individual program basis.</p> <p>The program risks for AGRN 1030/1034 were determined in line with the Grants Administration Guide at the time of the event. Since this time the Grants Administration Guide has been updated, and the RAA have made changes to the management of risk for these types of programs in accordance with those updates.</p>
<p>3. Ensure that conflict of interest declarations are collected from all assessment and claims staff for all future grant programs and that any identified conflicts of interest are managed effectively.</p>	<p>NSW Rural Assistance Authority</p>	<p>The RAA has developed more stringent policies and procedures to capture and appropriately manage conflict of interest declarations by RAA staff. This has been supported by broader Departmental system upgrades which provide enhanced reporting on staff declarations.</p> <p>An internal conflict of interest form has been developed to capture any conflicts of interest or NIL declarations for all RAA staff working on specific programs.</p> <p>The RAA Steering Committee has also developed more stringent controls on reporting conflicts of interest during the program design and throughout the life of the program.</p>
<p>4. Update its cost estimate model to take into account the size and behaviour of the 2022 flood events and other subsequent disaster events.</p>	<p>NSW Rural Assistance Authority</p>	<p>The RAA is currently reviewing and updating its cost estimate model to incorporate all available data to inform future events.</p> <p>The updated MoU has clarified roles and responsibilities regarding forecasting future program budgets and managing those for the life of the program.</p>
<p>5. Develop additional measures for future grant programs to ensure that the performance and impact of the programs can be better understood and evaluated.</p>	<p>NSW Rural Assistance Authority</p>	<p>The Reconstruction Authority is responsible for developing a monitoring and evaluation plan during the program design phase, and completing all outcome and economic evaluation on natural disaster programs under the updated MoU. The RAA will support the Reconstruction Authority in evaluation activities, and continue to conduct process evaluations.</p>
<p>6. Complete the cost-benefit analysis and outcome evaluation for the AGRN 1030 and 1034 special disaster assistance program to understand the impact of the program and to inform future disaster assistance programs.</p>	<p>NSW Reconstruction Authority</p>	<p>N/A</p>

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I would like to thank the Audit Office of NSW for its professionalism and collaborative approach throughout this review.

The RAA acknowledges the concerns raised in the report, regarding risk governance and oversight, and the status of the Memorandum of Understanding (MoU) between RAA and RA during the administration of AGRN 1030/1034. It is important to highlight that these programs are developed in collaboration with the National Emergency Management Authority (NEMA) and the Reconstruction Authority (RA). As program administrator, the RAA then administers the program in accordance with the approved program guidelines ensuring effective and efficient delivery of financial assistance to communities in need.

The RAA maintain a strong approach to fraud risk management, and any suspected fraudulent activity was immediately addressed by the RAA Governance Team, in line with established policies and procedures for these events, and continues to be addressed in the delivery of all grants and loans programs.

The RAA would like to emphasise that best available data was used to provide initial forecasting to support the program design of AGRN 1030/1034. Due to the rapidly evolving nature of the disaster and unprecedented macroeconomic conditions, key assumptions in the initial model shifted in an unpredictable way. The RAA were able to observe these shifts across the duration of the event and provided updated projections to the RA on likely costs, however this data was only available after the approval of the initial estimated costs. The RAA recognises the value of the data collected over these events and is already using this to improve forecasting methodologies for current and future programs.

The RAA welcomes the audit finding that all approved applicants examined by the audit team in the tested sample were correctly found to be eligible for the program, and that all rejected applicants examined by the audit team were correctly assessed as ineligible. This outcome reflects the integrity and diligence of the assessment team and reaffirms that the RAA administered the program in accordance with the eligibility requirements set out in the approved program guidelines.

The RAA remains committed to upholding a high standard of compliance in program delivery and looks forward to implementing the audit recommendations to improve future programs.

Sincerely,










Carlie Darling
CEO, NSW Rural Assistance Authority

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Appendix 2 – Program compliance with the Grants Administration Guide




Mandatory requirement	Met / Not met	Relevant findings
Be familiar and comply with the principles and grants administration processes set out in this Guide, as well as applicable laws and policies that guide ethical behaviour		See other findings below
Provide full and frank advice to Ministers about grants, grants processes and decision-making		
Comply with the following mandatory requirements:		
<ul style="list-style-type: none"> • Officials must ensure they comply with all relevant laws when administering grants • Officials must comply with their record keeping obligations under the SR Act. 		
Planning and designing grant opportunities		
Officials must put in place practices and procedures to ensure that grants are administered consistently with the key principles and requirements in the Guide		
Where local government or other third parties are engaged to administer grants on behalf of NSW Government, officials must satisfy themselves that there are practices and procedures in place for the administration of the grants consistently with the key principles and requirements of the Guide, with appropriate adaptations	N/A	
Officials must demonstrate at the planning and design stage how a grant opportunity will deliver value for money by identifying benefits and costs (economic, social, environmental and cultural)		Neither agency conducted a CBA for the program The RAA's model used to estimate the total cost of the program significantly underestimated the total expenditure
Officials must identify and manage risks for all grants, in accordance with agencies' responsibilities under the GSF Act		The RAA did not adequately monitor risks for the program
In the case of all grant opportunities that are complex, high-risk or of high value, officials must conduct checks of the applicant (the potential grant recipient) proportionate to the value and risk of the grant		

Mandatory requirement	Met / Not met	Relevant findings
Officials must develop and implement fraud controls that are proportionate to the value and risk of the grant and consistent with NSW public sector risk management requirements	-	The RAA did not adequately manage the risk of fraud for lower-value grants
Officials must seek probity advice (whether external or internal) for all grant opportunities that are complex, high-risk or high-value (consistent with the agency's expenditure and risk management frameworks), to support the design, application, assessment and decision-making phases	✓	
When designing the assessment process, officials must consider and develop a plan for managing any conflicts of interest that might arise	✓	
Where a method other than a competitive merit-based selection process is to be used (including one-off or ad hoc grants), officials must document why that method will be used and outline the risk mitigation strategies. This must be approved by the relevant Minister (or head of agency or delegate)	N/A	
In the case of one-off or ad hoc grants, grants must be assessed against the criteria specified at 6.1.4	N/A	
Officials must prepare clear, consistent grant guidelines for all grants (except for one-off or ad hoc grants, for which guidelines are not mandatory), which contain information about a grant, including the details set out below at 6.1 <i>Planning and designing the grant opportunity</i>	✓	
Where it is anticipated that a grant opportunity will involve input from MPs or other stakeholders, officials must ensure that the grant guidelines clearly outline the role of stakeholders and the engagement process, and that all stakeholder input is documented, including how it was considered in the assessment process	N/A	
Officials must capture in the grant guidelines (or, where guidelines are not required and not prepared, otherwise document) what support is made available to applicants and relevant details of that support	✓	
Officials must also document what support has been given to a grant applicant and the reasons for giving that support	✓	

Mandatory requirement	Met / Not met	Relevant findings
Where significant changes are made in relation to a grant opportunity, officials must revise the grant guidelines and, except in the case of any guidelines developed for one-off or ad hoc grants, publish the revised guidelines	N/A	
In the case of one-off or ad hoc grants, officials must ensure that relevant information about the grant is documented, including the decision-maker for the grant	N/A	
Officials must ensure that key information about grant opportunities is published on the NSW Government Grants and Funding Finder	✓	
Where grants are provided on a one-off or ad hoc basis, the grant guidelines are not required to be published. However, officials must ensure that information about the grant is made available on the NSW Government Grants and Funding Finder no later than 45 calendar days after the grant agreement takes effect, or, if there is no grant agreement, no later than 45 calendar days after the first payment is paid to the grantee	✓	
Assessment and decision-making		
Officials must administer a grant in accordance with the grant guidelines	✓	
Officials must not approve a grant that has been assessed as ineligible, unless they make a decision to waive eligibility criteria	-	The RAA approved a claim for an ineligible expense; however, they processed most claims in accordance with the program guidelines and Grants Administration Guide
In limited circumstances where eligibility criteria are to be waived, officials must ensure the reasons are documented and the waiver must be approved by the decision-maker (whether as part of the final approval or otherwise)	N/A	
Officials must provide written advice to the decision-maker that includes, at a minimum, the matters outlined at 6.3 <i>Receiving and assessing grant applications</i> (see exceptions at 6.3 for non-competitive grants)	✓	
An official must not approve or decline a grant without first receiving written advice from officials on the merits of the proposed grant or group of grants (see exceptions at 6.3 <i>Receiving and assessing grant applications</i> for non-competitive grants)	✓	

Mandatory requirement	Met / Not met	Relevant findings
<p>An official who approves or declines a grant must record the decision in writing, including the reasons for the decision (and any departure from the recommendation of the assessment team) having regard to the grant guidelines (if any), the selection criteria and the key principle of achieving value for money, and manage these records in accordance with the requirements of the SR Act (see exceptions at 6.3 for non-competitive grants)</p>		
<p>Officials must ensure that (where relevant) all decisions in the assessment process are documented, as set out below at 6.3 <i>Receiving and assessing grant applications</i> (see exceptions at 6.3 for non-competitive grants)</p>		
Providing grants and publishing grant information		
<p>Officials must ensure that grantees are subject to clear and specific written terms and conditions for a grant. This should be by way of a funding agreement, unless not practicable</p>		
<p>Officials must ensure that information on the decisions made in relation to grants awarded is published on the NSW Government Grants and Funding Finder no later than 45 calendar days after the grant agreement takes effect or, if there is no grant agreement, no later than 45 calendar days after the first payment is paid to the grantee (see exceptions at 6.5 <i>Publishing grant information</i>)</p>		
<p>Where there is a legal obligation to maintain confidentiality over certain grant information, officials must publish as much information as is permitted and the reasons for not publishing the information fully must be documented by officials (see exceptions at 6.5 <i>Publishing grant information</i>)</p>		
<p>Where there is a policy exception to the requirement to publish grant information, officials must publish as much information as is reasonably practical. The approval of the Minister must be obtained and the reasons for not publishing the information fully must be documented by officials and published (see exceptions at 6.5 <i>Publishing grant information</i>)</p>	<p>N/A</p>	

Mandatory requirement	Met / Not met	Relevant findings
Officials must provide emergency relief grants information to the Auditor-General within 3 months of the grant agreement taking effect, or, if there is no grant agreement, no later than 3 months after the first payment is paid to the grantee	N/A	This requirement was not in place at the time of the grant program

 Met
  Partially met
  Did not meet

Source: Audit Office analysis.

Appendix 3 – About the audit

Audit objective

This audit assessed whether the Rural Assistance Authority and NSW Reconstruction Authority implemented the Special Disaster Assistance - storms and floods AGRN 1030 and AGRN 1034 program in line with the principles and mandatory requirements outlined in the Grants Administration Guide, and in line with the program guidelines.

Audit criteria

We addressed the audit objective with the following audit criteria:

- the agencies developed the grant program in compliance with the Grants Administration Guide
- the Rural Assistance Authority administered the grant program in compliance with the Grants Administration Guide
- the agencies planned for the monitoring and evaluation of the grant program in compliance with the Grants Administration Guide.

Audit scope and focus

In assessing the criteria, we checked the following aspects:

- The agencies developed the grant program in compliance with the Grants Administration Guide
 - The agencies clearly established responsibilities for each aspect of the grant administration process.
 - The agencies demonstrated how the program will deliver value for money.
 - The agencies identified and managed risks to the audit program.
 - Rural Assistance Authority considered probity advice and conflicts of interest in the design, application, assessment and decision-making of the program.
 - The agencies prepared clear, consistent guidelines for the program.
 - Rural Assistance Authority developed and implemented fraud controls proportionate to the value and risk of the grant program.
- The Rural Assistance Authority administered the grant program in compliance with the Grants Administration Guide
 - Rural Assistance Authority administered grants in accordance with the grant guidelines.
 - Rural Assistance Authority provided appropriate advice to decision-makers.
 - All decisions in the assessment process were documented
 - All grantees were subject to clear and specific written terms and conditions for the grant.
- The agencies planned for the monitoring and evaluation of the grant program in compliance with the Grants Administration Guide
 - Rural Assistance Authority monitored the progress of grant activities and ensured funds were dispersed correctly and used for intended purposes.
 - The agencies established appropriate performance measures for evaluation.
 - The agencies planned an evaluation to consider whether the intended outcomes and benefits of the grant program were being realised.

Audit exclusions

The audit did not:

- examine other grant programs administered by RAA or the Reconstruction Authority, including other Special Disaster Assistance programs
- examine the role of the Commonwealth in administering these grants, except to the extent that the decisions of the Commonwealth had a bearing on the audited agencies
- question the merits of Government policy objectives.

Audit approach

Our procedures included:

- interviewing key staff, including:
 - staff responsible for establishing the Special Disaster Assistance program
 - senior staff responsible for the Special Disaster Assistance program
 - staff responsible for assessing applications
 - staff responsible for program evaluation.
- examining key sources of documentation, including:
 - program risk register and risk reporting
 - briefings to senior executives and Ministers
 - program guidelines and guidance to staff
 - records of decision-making
 - conflicts of interest declarations
 - probity advice
 - funding agreements, if relevant
 - a sample of payments made under the program, including supporting evidence provided by the payee
 - reports on program outcomes, if relevant.
- analysing data, including data relevant to grant payments.

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

Audit methodology

Our performance audit methodology is designed to satisfy Australian Auditing Standard ASAE 3500 Performance Engagements and other professional standards. The standards require the audit team to comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance and draw a conclusion on the audit objective. Our processes have also been designed to comply with requirements specified in the *Government Sector Audit Act 1983* and the *Local Government Act 1993*.

Acknowledgements

We gratefully acknowledge the cooperation and assistance provided by the NSW Rural Assistance Authority and the NSW Reconstruction Authority.

Audit cost

The estimated cost of the audit is approximately \$401,000.

Appendix 4 – Performance auditing

What are performance audits?

Performance audits assess whether the activities of state or local government entities are being carried out effectively, economically, efficiently and in compliance with relevant laws.

The activities examined by a performance audit may include a government program, all or part of an audited entity, or more than one entity. A performance audit can also consider particular issues that affect the whole public sector and/or the whole local government sector. They cannot question the merits of government policy objectives.

The Auditor-General's mandate to undertake audits is set out in the *Government Sector Audit Act 1983* for state government entities, and in the *Local Government Act 1993* for local government entities. This mandate includes audit of non-government sector entities where these entities have received money or other resources (whether directly or indirectly) from, or on behalf of, a government entity for a particular purpose (follow-the-dollar).

Why do we conduct performance audits?

Performance audits provide independent assurance to the NSW Parliament and the public.

Through their recommendations, performance audits seek to improve the value for money the community receives from government services.

Performance audits are selected at the discretion of the Auditor-General who seeks input from parliamentarians, state and local government entities, other interested stakeholders and Audit Office research.

How are performance audits selected?

When selecting and scoping topics, we aim to choose topics that reflect the interests of Parliament in holding the government to account. Performance audits are selected at the discretion of the Auditor-General based on our own research, suggestions from the public, and in consultation with parliamentarians, agency heads and key government stakeholders. Our three-year performance audit program is published on the website and is reviewed annually to ensure it continues to address significant issues of interest to Parliament, aligns with government priorities and reflects contemporary thinking on public sector management. Our program is sufficiently flexible to allow us to respond readily to any emerging issues.

What happens during the phases of a performance audit?

Performance audits have three key phases: planning, fieldwork and report writing.

During the planning phase, the audit team develops an understanding of the audit topic and responsible entities and defines the objective and scope of the audit.

The planning phase also identifies the audit criteria. These are standards of performance against which the audited entity, program or activities are assessed. Criteria may be based on relevant legislation, internal policies and procedures, industry standards, best practice, government targets, benchmarks or published guidelines.

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

At the completion of fieldwork, the audit team meets with management representatives to discuss all significant matters arising from the audit. Following this, a draft performance audit report is prepared.

The audit team then meets with management representatives to check that facts presented in the draft report are accurate and to seek input into developing practical recommendations on areas of improvement.

A final report is then provided to the accountable authority of the audited entity(ies), which will be invited to formally respond to the report. If the audit includes a follow-the-dollar component, the final report will also be provided to the governing body of the relevant entity. The report presented to the NSW Parliament includes any response from the accountable authority of the audited entity. The relevant Minister and the Treasurer are also provided with a copy of the final report for state government entities. For local government entities, the Secretary of the Department of Planning and Environment, the Minister for Local Government and other responsible Ministers will also be provided with a copy of the report. In performance audits that involve multiple entities, there may be responses from more than one audited entity or from a nominated coordinating entity.

Who checks to see if recommendations have been implemented?

After the report is presented to the NSW Parliament, it is usual for the entity's Audit and Risk Committee / Audit Risk and Improvement Committee to monitor progress with the implementation of recommendations.

In addition, it is the practice of NSW Parliament's Public Accounts Committee to conduct reviews or hold inquiries into matters raised in performance audit reports. The reviews and inquiries are usually held 12 months after the report received by the NSW Parliament. These reports are available on the NSW Parliament website.

Who audits the auditors?

Our performance audits are subject to internal and external quality reviews against relevant Australian standards.

The Public Accounts Committee appoints an independent reviewer to report on compliance with auditing practices and standards every four years. The reviewer's report is presented to the NSW Parliament and available on its website.

Periodic peer reviews by other Audit Offices test our activities against relevant standards and better practice.

Each audit is subject to internal review prior to its release.

Who pays for performance audits?

No fee is charged to entities for performance audits. Our performance audit services are funded by the NSW Parliament.

Further information and copies of reports

For further information, including copies of performance audit reports and a list of audits currently in-progress, please see our website www.audit.nsw.gov.au or contact us on 9275 7100.

Appendix 5 – Report snapshot

Report snapshot



Emergency relief grants

About this report

The NSW and Commonwealth governments announced the Special Disaster Assistance (SDA) grant program to support primary production businesses affected by significant flood events in areas of NSW in August and September 2022.

This audit assessed whether the NSW Rural Assistance Authority (RAA) and the NSW Reconstruction Authority (Reconstruction Authority) implemented the SDA - storms and floods AGRN 1030 and AGRN 1034 program in line with the principles and mandatory requirements outlined in the Grants Administration Guide, and in line with the program guidelines.

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

Findings

The RAA and the Reconstruction Authority followed the program guidelines and met most of the requirements of the Grants Administration Guide in administering the program.

However, the RAA did not implement appropriate controls to mitigate the risk of fraud for applicants who received only the upfront payment of \$25,000. It did not require evidence of how these funds would be spent, or validate claims of estimated damage, before distributing the payments. The total value of these payments was approximately \$40 million.

The RAA conducted an effective process to determine each applicant's eligibility for the program and implemented appropriate fraud controls for higher-value grants.

The Memorandum of Understanding between the RAA and the Reconstruction Authority has not been updated since 2015. Neither agency conducted a cost-benefit analysis to assess value for money or planned an evaluation of the program. There were also gaps in the way that the RAA managed program risks.

Recommendations

Both audited agencies should:

- update the Memorandum of Understanding to better define responsibilities for grants administration.

The NSW Rural Assistance Authority should:

- improve its risk management of grant programs by:
 - defining its risk tolerance
 - ensuring appropriate controls to reduce fraud risks are in place
- ensure that conflict of interest declarations are collected from all assessment and claims staff
- update its cost estimate model
- develop additional performance measures for future grant programs.

The NSW Reconstruction Authority should:

- complete the cost-benefit analysis and outcome evaluation for the program.

Fast facts

10,715

applications received for the program

8,959

grant recipients under the program

32,287

claims for reimbursements lodged

\$75,000

maximum grant amount

\$59,881

average value per grant disbursed

\$536.5m

total value of grants disbursed

Tabled in NSW Parliament 20 May 2025

OUR VISION

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

OUR PURPOSE

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

OUR VALUES

Pride in purpose
Curious and open-minded
Valuing people
Contagious integrity
Courage (even when it's uncomfortable)

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