

REPORT ON PROCEEDINGS BEFORE

PUBLIC ACCOUNTABILITY AND WORKS COMMITTEE

**INQUIRY INTO INTEGRITY, EFFICACY AND VALUE FOR MONEY
OF THE LOCAL SMALL COMMITMENTS ALLOCATION PROCESS**

CORRECTED

Jubilee Room, Parliament House, Sydney, on Friday 14 February 2025

The Committee met at 10:15.

PRESENT

Ms Abigail Boyd (Chair)

The Hon. Mark Buttigieg

The Hon. Dr Sarah Kaine

The Hon. Mark Latham

The Hon. Sarah Mitchell

The Hon. Peter Primrose

The Hon. Chris Rath (Deputy Chair)

The CHAIR: Welcome to the first hearing of the Committee's inquiry into the integrity, efficacy and value for money of the Local Small Commitments Allocation process. I acknowledge the Gadigal people of the Eora nation, the traditional custodians of the lands on which we are meeting today. I pay my respects to Elders, past and present, and celebrate the diversity of Aboriginal peoples and their ongoing cultures and connections to the lands and waters of New South Wales. I also acknowledge and pay my respects to any Aboriginal and Torres Strait Islander people joining us today or watching online.

My name is Abigail Boyd and I am the Chair of this Committee. I ask everyone in the room to please turn their mobile phones to silent. Parliamentary privilege applies to witnesses in relation to the evidence they give today. However, it does not apply to what witnesses say outside of the hearing. I urge witnesses to be careful about making comments to the media or to others after completing their evidence. In addition, the Legislative Council has adopted rules to provide procedural fairness for inquiry participants. I encourage Committee members and witnesses to be mindful of these procedures.

Ms LOUISE FARRELL, Manager, City Projects, Bayside Council, sworn and examined

Ms SAMANTHA GUTHLEBEN, Executive Manager, Office of the General Manager, Bayside Council, sworn and examined

The CHAIR: I welcome our first witnesses. Thank you so much for making the time to give evidence today. I'm going to invite you to make a short opening statement, if you would like.

LOUISE FARRELL: Bayside Council made a submission and we noted that the representative from the Premier's Department had clear communication between our office and theirs. We understood that there was a lot of information sessions for council for the program but, with it being the new program, there didn't appear to be a framework for the grant submissions on how to manage the applications, so some of those differed. From an administration perspective, occasionally we submitted our application first and then other times we were invited. Our last statement was that there was a project that was incorrectly administratively allocated to Bayside Council, and that was transferred out of council's control once it was identified.

The CHAIR: Just checking that's a joint statement?

SAMANTHA GUTHLEBEN: Yes.

The Hon. CHRIS RATH: Thank you for your time today and thank you for your submission. I wanted to go to the point you raised in your opening statement and the submission that there didn't appear to be a model framework of how to deal with and manage the applications. Sometimes you were invited and other times you lodged the application with the Premier's Department. Could you go into more detail on that and the problems there?

LOUISE FARRELL: We were notified by the three offices that we had the opportunity to submit—

The Hon. CHRIS RATH: From the local MPs' offices?

LOUISE FARRELL: That's correct.

The Hon. SARAH MITCHELL: Do you know when that was?

SAMANTHA GUTHLEBEN: We were notified concurrently by the MPs' offices as well as the department, and we were first notified on or around August 2023.

The Hon. MARK LATHAM: Which MPs were those?

SAMANTHA GUTHLEBEN: Minister Michael Daley, Minister Ron Hoenig and Minister Stephen Kamper.

The Hon. CHRIS RATH: Sometimes you were invited to apply for funding through the members of Parliament, and then other times the Premier's Department contacted you directly. Is that right?

SAMANTHA GUTHLEBEN: To clarify, in one of these situations we were provided with a pre-filled grant opportunity number by the department. In another situation, we were dealing directly with the Minister's office. We were invited to apply, and it was only after we had submitted our documentation to the Minister's office that they gave us a grant submission number. The process between two of those applications was slightly different. It was slightly backward, if you like.

The Hon. CHRIS RATH: This was after the State election. Before the State election, there was no interaction between those three MPs or candidates with Bayside Council?

SAMANTHA GUTHLEBEN: In the normal course of our relationship with the three local Ministers, in the normal course of our discussions with them—between the general manager and high-level discussions about projects and various initiatives that are occurring within their electorates—these projects were brought to the three Ministers' attention at various times before we received formal notification from the department that there was a grant allocation opportunity available to council.

The Hon. CHRIS RATH: Right. With the three local members inviting you to apply for the funding, did they suggest to you that it had to be used on like local playgrounds? Was that part of the condition?

SAMANTHA GUTHLEBEN: Yes, that was very much our understanding. Part of our discussions were that the scope of the projects was focused on renewal of play spaces and playgrounds.

The Hon. CHRIS RATH: How has this this scheme differed to other grants programs? Was it particularly unusual? You said it's a new scheme—the way it was established—so you hadn't applied for grants funding through this in the past.

SAMANTHA GUTHLEBEN: Not this particular scheme.

The Hon. CHRIS RATH: How does it differ from other grants you've applied for in the past?

SAMANTHA GUTHLEBEN: I might defer to my colleague.

LOUISE FARRELL: Typically, we would be notified that a grant opportunity was coming up. Then it would be a council-led process. We would enter the information into a portal such as SmartyGrants. We would put forward the project nomination based on our current delivery and operational program.

The Hon. CHRIS RATH: Whereas this was MP led rather than council led.

LOUISE FARRELL: Yes. They invited us to submit.

SAMANTHA GUTHLEBEN: Yes, that's how I understand it.

The Hon. SARAH MITCHELL: Can I ask, in a normal process you would put in an application but know that it was a competitive process, potentially. Was there ever any indication to you that this was competitive, or just that it would be granted?

LOUISE FARRELL: I don't think there was any confirmation that it would be granted. We had to meet certain guidelines through the SmartyGrants portal and give evidence why the project met the grant guidelines. I don't believe we were given confirmation that we had the funding unless we could meet those requirements.

SAMANTHA GUTHLEBEN: The communications were always that you're invited to apply for this program.

The Hon. SARAH MITCHELL: But were you given the impression that it was a competitive process, or not?

SAMANTHA GUTHLEBEN: Yes. We were given—yes. In terms of the original communiqué that came from the department, it was understood that a range of councils were being invited to apply for this funding.

The Hon. CHRIS RATH: Was it made clear at any point that—so the local members invited you to apply for the funding. There's also the default position that local members or candidates at the election, if they didn't allocate their \$400,000 per electorate, that council, essentially, would be the recipient of any unallocated money. Was that made clear?

SAMANTHA GUTHLEBEN: I wouldn't be able to answer. That's outside of my—I don't know that. Sorry.

The Hon. CHRIS RATH: That's okay.

SAMANTHA GUTHLEBEN: I'm unable to comment.

The Hon. CHRIS RATH: Fair enough. Were there any other issues about transparency with the scheme, in your view?

LOUISE FARRELL: Not to my knowledge. We knew that there was \$400,000 on offer from each section, but we weren't clear on if that was one or distributed amongst—I think it was always our understanding that we had to put in our best concept designs and projects and things like that to win.

The Hon. CHRIS RATH: So you weren't sure? It wasn't explained if it was \$400,000 per each of the three electorates or \$400,000 overall?

SAMANTHA GUTHLEBEN: No. That was never spelt out in such a way, no.

LOUISE FARRELL: And we received different amounts depending on the project that we put forward, as well.

The Hon. CHRIS RATH: Outside of the fact that it had to be used for playgrounds, were there other conditions that were put on the funding or guidelines that were given to you?

LOUISE FARRELL: From my recollection of the guidelines, it was focused on open space, small projects that were focused on benefit for the immediate community rather than a district level.

SAMANTHA GUTHLEBEN: That's correct, yes.

The Hon. CHRIS RATH: Any other administrative problems you found with the scheme at all?

LOUISE FARRELL: No. Apart from the SmartyGrants having a consistent application, that was everything from my point of view.

SAMANTHA GUTHLEBEN: Yes, across all three projects.

The Hon. SARAH MITCHELL: The project you mentioned in your submission that was incorrectly allocated to you to manage, can you explain what happened there?

SAMANTHA GUTHLEBEN: We were invited to apply for a grant opportunity for anti-hooping cameras for one of our local electorates. Throughout constant communication with the department, it came to light that was not something that we had discussed in great detail with the Minister concerned, and that it's not something that would normally fall under the purview of council. Once that was rectified, it felt like an administrative error, perhaps. We were never provided with the funding, we were never provided with SmartyGrants. We didn't get that far. We simply said from the outset that that was not a project that we would normally manage.

The Hon. SARAH MITCHELL: Which Minister was that?

SAMANTHA GUTHLEBEN: Minister Kamper.

The Hon. SARAH MITCHELL: Did you have the idea for the anti-hooping cameras or did that come from Minister Kamper?

SAMANTHA GUTHLEBEN: That came through joint discussions between Minister Kamper, the EPA and Bayside Council. We have a tri-party meeting with those three entities every quarter, I think it is. Throughout the course of those meetings, the discussion of anti-hooping devices or cameras, if you like, has come up as part of the agenda for those ongoing discussions.

The Hon. SARAH MITCHELL: So at some point it was thought that perhaps that would fit into this scheme, but then it became clear that it wouldn't?

SAMANTHA GUTHLEBEN: Yes.

The Hon. SARAH MITCHELL: What was the estimated cost for that?

SAMANTHA GUTHLEBEN: Eighty thousand dollars.

The Hon. MARK LATHAM: Did you say EPA? Environment Protection Authority?

SAMANTHA GUTHLEBEN: Yes.

The Hon. MARK LATHAM: Not the New South Wales police?

SAMANTHA GUTHLEBEN: That tri-party meeting is also held with our local area command.

The Hon. MARK LATHAM: Which location was the hooping problem that the cameras were going to address?

SAMANTHA GUTHLEBEN: Normally those locations around the Sandringham, Sans Souci area, which is a known hotspot.

The Hon. MARK LATHAM: Down on Botany Bay?

SAMANTHA GUTHLEBEN: Yes, exactly.

The Hon. MARK LATHAM: Why couldn't the council get involved? What was the idea—that you set the cameras up and you or Minister Kamper sit there all night and watch the cameras and figure out who the hoons are? Was that the concept?

SAMANTHA GUTHLEBEN: Yes, quite. The technology for that initiative is still—I believe it's true to say that it's UK technology that is going to be applied here in New South Wales. At the time, it was felt that it was more aligned with EPA and noise restrictions, specifically.

The Hon. MARK LATHAM: What did the police commander say about it?

SAMANTHA GUTHLEBEN: I wasn't party to those discussions, to be honest. My understanding is that the feeling among that meeting is that it's more of an EPA responsibility because of the noise impacts.

The Hon. MARK LATHAM: Thanks for your submission, by the way, which was short but informative. There is the sentence:

... given it's also a new program for our local Members, they didn't appear to have a model framework on how to deal with and manage the applications within their offices

Could you elaborate on what that meant?

SAMANTHA GUTHLEBEN: I think because of the reasons we've previously discussed around how we were notified from one area that we already had a submission number ready to go for our submission, whereas the other Minister we had to prepare some paperwork in order to generate that number.

The Hon. MARK LATHAM: Which project did you have the number for among the three?

SAMANTHA GUTHLEBEN: We had a pre-approved invitation to submit for L'Estrange.

The Hon. MARK LATHAM: For the L'Estrange Park upgrade?

SAMANTHA GUTHLEBEN: For the L'Estrange Park upgrade.

The Hon. MARK LATHAM: Pre-approved—what does that mean? You just sign it off and you get the money?

SAMANTHA GUTHLEBEN: No, that's not our understanding. Throughout all of this, the communications were that we were invited to apply. Very much with an emphasis on "invitation to apply". With L'Estrange, I'm not quite sure about the relationship, obviously, between the Minister's office and the department, but for whatever reason, administratively, we were provided with a portal and a number where we could automatically upload our submissions. Whereas with Minister Daley's office, the Booralee Park—

The Hon. MARK LATHAM: Where's L'Estrange? Which electorate is L'Estrange in?

SAMANTHA GUTHLEBEN: That's Minister Ron Hoenig. That's the member for Heffron.

The Hon. MARK LATHAM: So Hoenig's one was ready to go. For the council, was it shovel-ready? You'd had this one on the books so it was ready to go?

SAMANTHA GUTHLEBEN: In terms of project-ready, my colleague can speak to that. My understanding is that the issuance of a number in the SmartyGrants portal is an administrative function which allows you to upload documentation at a certain point in time. With Minister Daley's, we did not have such a number, so we had—

The Hon. MARK LATHAM: Which one's Minister Daley? The playground upgrade or Booralee?

SAMANTHA GUTHLEBEN: That's Booralee playground, yes.

The Hon. MARK LATHAM: Right, that was Daley, and Booralee is Kamper.

SAMANTHA GUTHLEBEN: King Street Mall is Kamper. Booralee is Minister Daley. Again, we believe it's an administrative—

The Hon. MARK LATHAM: You didn't have the upgrade—you didn't have the upload number ready to go for Booralee?

SAMANTHA GUTHLEBEN: That's it, so we had to liaise in more detail, perhaps, with Minister Daley's office.

The Hon. MARK LATHAM: How much money was for each of these three, please?

LOUISE FARRELL: For Booralee Park, \$128,000; for L'Estrange, \$400,000; and King Street—

The Hon. MARK LATHAM: The full \$400,000?

LOUISE FARRELL: The full \$400,000 for L'Estrange. For King Street, \$76,000.

The Hon. MARK LATHAM: Louise, earlier on when I said, "Was it shovel-ready?" you shook your head. What was the status for a \$400,000 project, and what was involved?

LOUISE FARRELL: All of the projects were on our delivery program. L'Estrange Park was in the upcoming financial year, and we were able to bring it forward and add some extra scope to the playground. That will enable us to deliver a full playground upgrade for the \$400,000, which is a real benefit. The other two projects were in design, going through community consultation, and the funding has allowed us to add some extra play equipment pieces, and embellish on the original scope because those ones were currently underway.

The Hon. MARK LATHAM: So L'Estrange was in your forward works program and was fairly—how did Minister Hoenig know that to then get you your pre-approved number?

LOUISE FARRELL: It would be in our delivery program—our four-year delivery program and community strategic plan on our website.

The Hon. MARK LATHAM: He just had to go to the website and have a look. He didn't contact the council to say, "What have you got that's shovel ready?"

LOUISE FARRELL: Not that I'm aware of directly for an individual project.

SAMANTHA GUTHLEBEN: I would imagine that the general manager and the Minister in their general discussions—they have regular communications with each other. It would have been discussed at those—

The Hon. MARK LATHAM: Ron was the mayor, wasn't he? He was the Mayor of Botany for a thousand years, wasn't it?

SAMANTHA GUTHLEBEN: He was.

The Hon. MARK LATHAM: We had him locked in Botany Bay.

The Hon. Dr SARAH KAINE: I think a thousand years might be a slight exaggeration.

The CHAIR: This has been incredibly informative. We've got some documents that were voluntarily released by the Minister, which give a little bit of insight into how much of that money was overflow from the election commitment scheme and how much was made during the election. What it shows is that that amount—the \$120,000 from Daley—was definitely part of that overflow council amount coming from the Maroubra pot. But when it comes to Heffron, Minister Hoenig had actually allocated that during the election. So was council aware that that \$400,000 was coming to you during the election?

LOUISE FARRELL: Not that I'm aware of.

SAMANTHA GUTHLEBEN: No, not that I'm aware of. It may be that perhaps the general manager was, but certainly at our level we're unable to comment on that.

The CHAIR: Are you able to take on notice when you first knew about that? On 1 October 2024 Minister Hoenig posted a picture of himself handing a novelty cheque to Bayside Council for \$400,000, and he talks about how he secured that amount for the park. I am very interested in knowing at what point the council was told about that amount, and if there's any insight you can give around that process at the time.

The Hon. MARK LATHAM: What date was that, Chair?

The CHAIR: It was 1 October 2024. There's a Facebook post where he gives over the novelty cheque. He refers to it as having "secured" that amount. It's clear from the documents we have about this program that that was one of the fully allocated election commitments from Hoenig; he had nothing left over. When it comes to Minister Kamper—I keep having to remember which ones are Minister and which ones aren't—

The Hon. CHRIS RATH: They're all Ministers.

The CHAIR: They are all Ministers, very good. The \$76,000, that wasn't actually part of the original overflow allocation to councils. When did you first hear about that \$76,000?

LOUISE FARRELL: It was quite late, perhaps towards the end of last year?

SAMANTHA GUTHLEBEN: Yes, I've made a note. We received communication from the department in November 2024. The communication said that we either have "additional funding" in the program or there is "residual funding" in the program. I can't remember exactly. But we were first notified in November 2024.

The CHAIR: So perhaps it's the case that one of the ones he had allocated during the election process was then knocked out of the program. We can look into that.

The Hon. MARK LATHAM: Can I just ask, those three Ministers, do they cover your entire local government area or have you got a fourth?

SAMANTHA GUTHLEBEN: It's all three. We don't have a fourth.

The CHAIR: One more question about this Rockdale one, because it's not actually listed on the government website, either, as being something that was granted under this program. Are you positive that that was part of the same program?

LOUISE FARRELL: We submitted through the LSCA SmartyGrants very late in December, possibly the 20 or 22 December. I don't know that we've had anything generated back through SmartyGrants, just an acknowledgement that it's there.

The CHAIR: I see. So they may not have actually gone ahead with that.

The Hon. MARK BUTTIGIEG: Can I ask how long you have both been in local government?

LOUISE FARRELL: For me, since 2011, so 14 years.

SAMANTHA GUTHLEBEN: For me, since 2023—2½ years.

The Hon. MARK BUTTIGIEG: Would it be unusual for a local MP to advocate projects for their local government areas contained within their electorates?

LOUISE FARRELL: I'd be taking a guess. From my point of view, my team is responsible for the delivery of the projects, so we're often not at the forefront of obtaining grants. We have to spend the grant on the infrastructure. I'd be guessing. I don't know if we are often invited or just notified there is a grant.

The Hon. MARK BUTTIGIEG: I suppose the question was more around whether you have an awareness of MPs actively advocating for projects to be funded in their local area, and then council for council projects, for example.

SAMANTHA GUTHLEBEN: I expect the general manager might have an awareness but, again, we can't really speak to that.

The Hon. MARK BUTTIGIEG: In your evidence earlier, we had a situation where the then Labor Opposition was proposing a \$400,000 allocation per State electorate—right across the State, I might add, in every single electorate. Contingent on Labor gaining government, obviously, because we wouldn't be able to budget for it if we weren't in government. Then there was a process to go through. Throughout the whole process, both during the campaign and then after during the application process and the subsequent granting of the money, were there any discussions internally about lack of transparency or impropriety?

LOUISE FARRELL: Not to my knowledge.

SAMANTHA GUTHLEBEN: Not to my knowledge.

The Hon. MARK BUTTIGIEG: So the general view of council was that there was nothing untoward about the process of the granting of this money? There were no internal red flags or anything like that?

LOUISE FARRELL: No.

SAMANTHA GUTHLEBEN: No. Not as far as we're aware.

The Hon. MARK BUTTIGIEG: In terms of Minister Hoenig and the \$400,000 for L'Estrange Park, my understanding is that that park was quite run-down and dilapidated. Obviously, council made the assessment that it needed the full \$400,000?

LOUISE FARRELL: Yes.

The Hon. MARK BUTTIGIEG: Could you just give us a sense of the history of that park and how long it's been since it's had an upgrade?

LOUISE FARRELL: Off the top of my head, I think 14 or 15 years since the playground's been in place. Over the last two years, we've been doing reactive maintenance because the condition of the equipment is at end of life. More than three-quarters of the pieces will be able to be replaced because of the funding.

The Hon. MARK BUTTIGIEG: Just to tie up that line of questioning—my colleagues might have other things—there were no discussions between the general manager and you people as the program delivery people about anything that they needed to be careful about in terms of the way the money was being allocated and administered?

LOUISE FARRELL: No conversations were had between the general manager and myself around that, no.

SAMANTHA GUTHLEBEN: No.

The Hon. Dr SARAH KAINÉ: I have a question. Ms Farrell, you might have mentioned it before, and I think I've seen it in other councils. You would have either a strategic plan or—sorry, I can't remember the terminology you use—a list of projects which is a public thing, and maybe even discussed at council meetings, so that stakeholders and residents would know of the types of works that the council was looking to complete, get funding for, get grants for. So there's quite a transparent understanding of where the council's priorities are.

LOUISE FARRELL: Yes. We have a four-year delivery program and that's available on our website. We report up to council with what's coming in the next year and the look ahead, and those documents are public.

The Hon. Dr SARAH KAINE: That would go across the different scales of projects?

LOUISE FARRELL: Yes, many line items right down to a speed hump going in to an aquatic centre. All of the projects would be listed.

The Hon. MARK BUTTIGIEG: There is one thing I just want to tease out with regard to the interaction that we had regarding the noise cameras. Living in that local government area, I have a high awareness of the campaign that's been run over many years. That particular issue in that local government area would be one that most residents would be acutely aware of, wouldn't it?

SAMANTHA GUTHLEBEN: That's correct.

LOUISE FARRELL: Yes.

The Hon. MARK LATHAM: And visitors.

The Hon. MARK BUTTIGIEG: And visitors. Look us up next time you come down.

The Hon. MARK LATHAM: I'm thinking you should put them in. I would have volunteered to monitor them.

The Hon. MARK BUTTIGIEG: In terms of the hypothecation of the money towards that program, it was, basically, an administrative decision that this wasn't the appropriate envelope of money to go towards that particular project because it didn't fall within the scope.

SAMANTHA GUTHLEBEN: That's correct.

The Hon. MARK LATHAM: On notice, is it possible for council to just give us a brief chronology of the steps that led to the \$128,000 at Booralee Park and the \$76,000 at King Street Mall, given that they weren't in the advance works program, unlike L' Estrange Park? Most of us here have been in local government. I can understand L' Estrange Park. That's an easy one—400 grand. Also on notice, is there any way the council had any awareness—prior to the election, was there material distributed by Mr Hoenig around the vicinity of L' Estrange Park to say, "If you vote for me, you'll get a big park upgrade", which is what I think any candidate would logically do in that circumstance?

The Hon. PETER PRIMROSE: May I ask a similar question, please, taken on notice. In the two years prior to the election, I presume that council received government funding for parks and reserves. Can you provide us with a list of that funding, please?

SAMANTHA GUTHLEBEN: Certainly.

The CHAIR: Excellent. I think that does conclude our time and, apologies, the timer will be fixed so that we all can work that out a bit easier in the coming sessions. Thank you very much to our witnesses. It's been incredibly helpful. The Committee secretariat will be in touch in relation to questions taken on notice, and also any supplementary questions.

(The witnesses withdrew.)

(Short adjournment)

Mr RAY WILLIAMS, member for Kellyville, before the Committee

The CHAIR: We now welcome our next witness. Do you want to make a short opening statement?

Mr RAY WILLIAMS: I have made a submission in regards to what I believe is an inherent conflict of interest in regards to the member for Riverstone, which involves the granting of money to a person that he knew very closely, which is now on the record. I think the member raised that in his inaugural speech—that he was very close with that particular person, who ultimately got him involved in politics. I think he also alluded to the fact that he wouldn't be a member of Parliament if it wasn't for Ms Lawrence's support. That's also backed up by virtue of the fact that once the member was elected to Parliament, he employed Ms Lawrence in his electoral office, and she remains there to this day.

Prior to getting into that, Madam Chair, I go to the terms of reference in regards to the integrity and the efficacy of the spending of public money. I don't think I've ever seen a more atrocious or abusive misuse of taxpayers' money by one political party in my lifetime, or indeed in the history of this country. I find it completely abhorrent that a political party thinks it has the right to announce up to \$40 million of grants—under the disguise of grants—for nothing more than political purposes, to support Labor candidates in their quest to seek election to office prior to an election campaign. I would place on record in my opening remarks that I think the question here needs to go to who actually devised this scheme—and I'll call it a scheme as opposed to calling it a rort—who was responsible for putting this scheme in place and who endorsed it. I think the only answer to that question is the Leader of the Labor Party prior to the last election.

The Leader of the Labor Party would have endorsed this particular scheme on behalf of Labor Party candidates to use for political purposes to get them elected to office and ultimately to get that party elected to government, which it has sorted. Today, I'm asking the question. That Leader of the Labor Party is now the Premier of the State, Chris Minns. The question to the Premier today is should he remain in that job after undertaking and devising and endorsing such an abhorrent abuse of taxpayers' money, the likes of which we have never seen before. I'm more than happy to answer any other questions. You have my submission in front of you. I would be more than willing to answer any other questions to help the Committee in its work.

The Hon. CHRIS RATH: Mr Williams, if you could just run us through the specifics of the program in Riverstone—you're saying Ms Lawrence was the head of the charity, Mr Kirby promised the money to that charity in the lead up to the last State election, and then after the State election Ms Lawrence has gone on to become Mr Kirby's senior electorate officer. We assume there are other links between—the inaugural speech as well, I think you said, "dear friend", "someone who led Mr Kirby into politics". It seems like, from what you've told us, there's a pretty big conflict of interest here which was never disclosed to us. Is there any reason that you can think of why this conflict of interest wasn't disclosed?

Mr RAY WILLIAMS: I am a huge supporter of government grants, especially if I look at the Community Building Partnership grant, of which my electorate and, I would believe, the other 93 electorates across New South Wales have been direct beneficiaries of funding for very, very important infrastructure projects in their backyard. I look at the probity and the guidelines attached to that particular government grants program, where it states that even if a member happened to be an honorary member of a Rotary Club or a Lions Club or perhaps even a member of a church, it needs to be disclosed up-front prior to supporting that grant for funding. Now, the only guidelines that were ever wrapped around these Labor community grants, as the candidates were using them, was after the scheme was blown wide open by good people like yourself and the guidelines were put in place. I understand that the Hon. John Graham undertook a review and found there to be 100 cases of conflicts of interest, of which more than half were then refused because they were conflicts of a political nature.

I look at the granting of \$50,000 to Ms Lawrence's organisation.¹ The fact is that the member has said she was a very dear friend so, obviously, was very close prior to the election. She received the grant funding, and the moment the member was elected, he employed Miss Lawrence in his electoral office. I go back a little bit further to that. Ms Lawrence actually came to visit me prior to the 2023 election, even though I was in a bordering electorate of Kellyville, not in her electorate of Riverstone, or where she resides or where her organisation is established. She was seeking \$50,000 of funding and she asked me how she might be able to get that particular amount of money to enable her organisation to carry on and do the good work that it does.

¹ In [correspondence](#) to the committee received 11 March 2025, Ms Van Dyke, Chief Executive Officer, North West Community Services, provided a response to evidence provided.

I said to her, "Simply, you'd need to go and approach the local member there, and the local member would run you through the available grants programs." So I knew full well that she was seeking exactly that amount of money and I didn't dispute that when she received it. But after what the member for Riverstone has said in his inaugural speech and the fact that she's ended up in his employment and remains in his employment, there's an inherent conflict of interest in that, which, if that hasn't been picked up under the review by John Graham, you need to ask yourself the question, "How many others have slipped underneath the carpet?"

The Hon. CHRIS RATH: That's what we're concerned about because about 15 or 16 Labor MPs or candidates did self-declare a conflict of interest. They have been made known to us, but there are 93 electorates. This particular project wasn't picked up in that review, or there was no self-declared conflict of interest. Is there any reason why you think it wasn't self-declared or picked up in the review?

Mr RAY WILLIAMS: I certainly can't answer that, but you've mentioned that some good members have actually declared their interests. Obviously, in this case there was nothing declared by the member for Riverstone. At the end of the day, we always need to stand up as representatives of our people and our communities and ensure that integrity is first and foremost. That's why I come back to the process of the Community Building Partnership grants, which ensures that process is undertaken and the scrutiny is applied. In this case, this was a purely politically motivated grant scheme where maybe the member hasn't declared that because he didn't want to lose the funding to a very dear friend—his words, not mine.

The Hon. CHRIS RATH: You're one of the longer serving members of this place. I think you've been here for about 18 years or so.

Mr RAY WILLIAMS: Thanks.

The Hon. CHRIS RATH: You are very distinguished. But have you ever seen a scheme where only one political party can apply? In this case, only Labor MPs and Labor candidates could put forward projects. I assume you weren't invited to put forward a project for your electorate in the lead-up to the State election or since. If that's the case, have you ever seen a scheme operate like that in your 18 years in this building?

Mr RAY WILLIAMS: As I said to you, not in my lifetime have I ever seen the manner in which a political party believed that it could fraudulently at best, illegally at worst, announce that candidates could announce grants of up to \$400,000 in electorates that they were contesting. And that political party had no way of knowing, given they were in opposition, whether that money was available. We're talking about the grand total of \$40 million. It's not an insignificant amount of money to find in Treasury. The State is now in debt. That's well known. There's more debt now, two years later, than what there was previously. So you just have to ask yourself the question: Who was responsible for devising and endorsing the scheme? I think that goes right to the top, and the buck stops with the Premier.

The Hon. CHRIS RATH: Riverstone is obviously one of the most marginal electorates in all of New South Wales. Do you think that by handing out grants funding in this particular way it could potentially change the outcome of elections?

Mr RAY WILLIAMS: I think that every member of any political party, or even Independents, knows full well that the investment of money into an area changes minds and changes votes. That's why I think the work of this Committee is so important. I think you've only scratched the surface with some of it, but I think you really need to be asking the question: Who devised this? Was the process at best fraudulent or at worst illegal? I draw on the comments of one of the most eminent legal minds in the country, Geoffrey Watson, QC, who has certainly called our party out when they needed to be. He doesn't draw any punches. He called this nothing more than a Labor Party slush fund. So I think that when you have a legal mind that has made that call for further investigation from a higher authority, it needs to be undertaken in relation to this so that this never, ever happens again.

The Hon. CHRIS RATH: We invited you to appear today based on your submission. We also invited Mr Kirby and his senior electorate officer. Do you know any reason why they might not want to appear today? What message do you think it sends to the Committee—

The Hon. Dr SARAH KAINE: Point of order: Mr Rath is asking the witness to hypothesise on the feelings and motivations of people that aren't here. I don't think that Mr Williams will be able to answer as to why Mr—

The Hon. CHRIS RATH: He might not be able to.

The CHAIR: There's no point of order.

The Hon. CHRIS RATH: I will phrase it in a different way. What message do you think it sends that Mr Kirby, an elected member of this place, and his senior electorate officer have refused to appear at today's Committee meeting?

Mr RAY WILLIAMS: Well, honourable member, perhaps I could answer that by saying that a committee was established to inquire into certain aspects that I raised in Parliament some time ago and there were members of the Liberal Party who chose not to turn up to answer questions. They were hung, drawn and quartered for doing so. I think it speaks louder than words when people don't turn up. I parallel that in exactly the same way, as the question you've asked now about the Labor member for Riverstone not turning up to be answerable on behalf of the funds that he's allocated in his electorate, which obviously have an inherent conflict of interest.

The CHAIR: Mr Williams, in Riverstone \$385,000 was allocated during the election, according to the amounts that were left over to then be allocated to council, so \$385,000, of which \$50,000 was this one you refer to, going to North West Community Services. I understand that's the only one that's actually happened so far. Do you know where the other allocations are going for that particular electorate for the other \$335,000?

Mr RAY WILLIAMS: I don't. It's a great question, Madam Chair. Perhaps that will be exposed throughout the work of this Committee. But, no, unfortunately I don't know where it's gone. If I go a little bit further, that goes back to the entire process and the probity of the process. I think there now needs to be a deep dive from perhaps a higher authority to dig down and find out where money has landed and where it has been used, and has it been spent and invested. If I go back again, and I'm sorry to keep pushing this point, but the Community Building Partnerships have timelines as to when money must be spent. There have been times, rare occasions, in my own electorate, where people have not met those time frames and that money has gone back to Treasury. It has gone back to government because those people haven't undertaken the appropriate due process, haven't completed the tender process and then haven't completed the work. There is a huge amount of integrity wrapped around government grants which we're not seeing with this particular process.

The CHAIR: In your electorate, in Kellyville, the Labor candidate there—I understand they allocated all \$400,000 of their allocation, during the election, to council. Are you aware of what that's for?

Mr RAY WILLIAMS: No, but I imagine my council will put it to good use on behalf of the community. But, once again, I'm not aware of what they're going to invest that into and whether or not they are required to announce publicly to even myself, to the Government or to our community as to where they're going to spend that money.

The CHAIR: Even though you're the local member, you don't know what that money is being spent on?

Mr RAY WILLIAMS: No idea.

The Hon. MARK LATHAM: This is the Hills council?

Mr RAY WILLIAMS: Yes.

The CHAIR: I understand that, from time to time, there are allocations made within members' electorates by the government of the day under a particular grant or under a particular scheme, and even that there are sometimes discretionary funds for particular members to distribute. How does this differ from that normal process?

Mr RAY WILLIAMS: You're going to have to forgive me. I'll just try and dumb down the process there. Ultimately, I would suggest that if State Government money was being allocated to a local council in any area—I'll draw on my own area if you like, because that's what the question relates to—they would have to have, in my understanding, what we term "shovel-ready projects". The project would need to be designed and the land ownership issues and anything else resolved, any setbacks or whatever. The entire planning and everything would need to be done where they were about to invest the council's money or any other appropriate money—maybe like section 94 money et cetera. If a government was to come over the top and say, "We'd like to allocate some money to a project," the council would then nominate a project. The Government would go through and assess all the planning criteria, as I said, and whether or not that project was shovel ready.

Sorry to simplify that, but that's a term that we would use. If that all stacked up, then the council would receive the money. There is lots happening when you represent an electorate within a growth centre. There are a lot of playing fields. There are a lot of local roads. There are a lot of different community projects where money is absolutely vital. You're always stretched, and unfortunately the community suffers because those playgrounds or those community facilities don't come online quick enough. That's a way for government to pick that up, but the process that it goes through and the integrity that's applied to it is very strict. In this case, I imagine—and I live within a good council area; the Hills Shire Council—that they will appropriate the money in accordance with

where it should go on behalf of the community. Once again, I am unaware as to what that money will be invested into.

The Hon. MARK LATHAM: When did you first become aware of this funding program?

Mr RAY WILLIAMS: Honourable member, as I said in my opening remarks, I was aware the organisation was seeking money because Miss Lawrence—

The Hon. MARK LATHAM: No, in your own electorate of Kellyville. As an MP, when did you first become aware?

Mr RAY WILLIAMS: I don't think I was aware until after the election, when I think it was discovered that this scheme was in place. I don't think I'd heard of it, even leading up to an election. I may have done, but I—

The Hon. MARK LATHAM: Who was your Labor opponent in Kellyville?

Mr RAY WILLIAMS: Mr Karki, I think.

The Hon. MARK LATHAM: Mr Karki.

Mr RAY WILLIAMS: I don't think I saw anything in the media or social media.

The Hon. MARK LATHAM: Did he do any campaigning around the allocation?

Mr RAY WILLIAMS: He may well have. It might have been on social media, but I'm not aware of it.

The Hon. MARK LATHAM: Do you have regular meetings with the Hills council to talk about projects in your electorate and get some information about how this \$400,000 allocated to the council is going to be used?

Mr RAY WILLIAMS: Can I say that I'll probably be seeking a meeting regarding that particular matter now?

The Hon. MARK LATHAM: So nothing has been announced as to which park is being upgraded?

Mr RAY WILLIAMS: No.

The Hon. MARK LATHAM: So the \$400,000—

Mr RAY WILLIAMS: Not to my knowledge—can I say that?

The Hon. MARK LATHAM: Do you normally have regular meetings with the council about local projects of interest?

Mr RAY WILLIAMS: I wouldn't say that I have regular meetings but, from time to time, if there were major projects that were going ahead where both the State and the council were in partnership then there would be good reason to have meetings just to discuss how those projects were progressing.

The Hon. MARK LATHAM: In the adjoining electorate, are you aware of any campaigning that Mr Kirby did around his promised allocations? It sounds like \$115,000 went out in those regular promises, with \$285,000 left over and \$50,000 for Ms Lawrence's organisation. What electoral advantage did Mr Kirby make of that prior to the March election?

Mr RAY WILLIAMS: I think the honourable member Mr Rath asked the question in regard to—it was on a very tight margin. As I said before for the record, and I'll state again, we all know that money changes minds and moves votes.

The Hon. MARK LATHAM: Right, but did you have evidence, in talking to the outgoing Liberal member at Riverstone, about the nature of that campaign?

Mr RAY WILLIAMS: No, I haven't since the election.

The Hon. MARK LATHAM: So there's no evidence that Mr Kirby has used it in a way that might be thought of as pork-barrelling and campaigning on electoral-type bribes—"If you vote for me, you get this"?

Mr RAY WILLIAMS: I think we'd have to do a bit of a deep dive, as I said before, and investigate through social media, maybe through some local media—things like that. I don't think that electorate would be on its own. I think a deep dive needs to happen in several areas—several other electorates.

The Hon. MARK LATHAM: You've said that North West Community Services is a wonderful charity. What exactly do they do?

Mr RAY WILLIAMS: I believe they have an outreach program there for women who may have suffered from domestic violence and homelessness. I think it covers a broad range of areas, and I don't dispute for one

moment that they do good work and that Ms Lawrence, in her role there, has done good work in the past. I'm only concerned about, as I said in my submission, what I believe is an inherent conflict of interest that hasn't been disclosed.

The Hon. MARK LATHAM: Has Ms Lawrence got any financial interest, that you know of, in this community service?

Mr RAY WILLIAMS: I don't know.

The CHAIR: There was a media report this morning in relation to Mr Crakanthorp's electorate with this allegation—I guess this follows up from what Mr Latham was asking—that this was effectively vote buying. The idea was that candidates would offer money to local organisations in return for support or a photograph or being able to attend a meeting. What is your take on that? Did you experience anything similar in any of the electorates that you were involved with during the election?

Mr RAY WILLIAMS: I read that on the way here to Parliament on the metro. I must say it was quite eyebrow raising when the person stated—and I believe she has a similar last name to mine. There's no conflict of interest there; there are lots of Williamses in New South Wales. She stated that she felt that she was used for a political purpose to prop up the candidate, Mr Crakanthorp, and also the Labor Party. She has been quite explicit in some of the comments that she has made. She handed out how-to-vote cards. She was heavily involved in the campaign.

I think the great irony there is, as I said before, this is a lady who runs what could—and I don't know the organisation, but it's on behalf of women suffering from domestic violence. Because the appropriate probity and scrutiny wasn't applied—she may be one person, regardless of the conflict, who totally deserved that money for a very good cause. But because there was an undisclosed conflict, it has been scrubbed, and now she feels like she has been put out. It affects people on both sides of the fence, doesn't it? Whether you're receiving money incorrectly because you have a conflict—it might be a very good organisation, where if it had gone through the appropriate processes and the conflict had been declared then, ultimately, the scrutiny would have been applied more to what is this organisation achieving. If it's providing support to women who have suffered domestic violence, it may be the one organisation that money should have been forwarded to.

The Hon. MARK BUTTIGIEG: Mr Williams, how long have you been a member of Parliament?

Mr RAY WILLIAMS: I think Mr Rath said 18 years. Thanks for reminding me.

The Hon. MARK BUTTIGIEG: In that time, do you ever recall making funding promises during election campaigns?

Mr RAY WILLIAMS: No.

The Hon. MARK BUTTIGIEG: You have never made a promise of a project or a funding envelope for your electorate in that 18 years?

Mr RAY WILLIAMS: Can I answer that by saying that, if we were in opposition, the one promise and the one project that we consistently raised—it was a principal project for the Liberal Party—was the North West Rail Link. We had already made the statement. Indeed, the leader then, which was Barry O'Farrell, had made the statement that if we got into government we would deliver the North West Rail Link.

The Hon. MARK BUTTIGIEG: In your 18 years as a local member and, presumably, over four elections, you have made one promise, and that was the Liberal Party promise for that?

Mr RAY WILLIAMS: I started off by saying that if our party had made comments and policy agreements, once in government we were going to deliver specific outcomes. One of those would have been the Rouse Hill Hospital, of which \$300 million was funded for that particular hospital, and the North West Rail Link was another promise. If our party had endorsed—

The Hon. MARK BUTTIGIEG: Can I just clarify, Mr Williams, that those promises were from a candidate—you—for money that would be delivered if you were elected?

Mr RAY WILLIAMS: For projects.

The Hon. MARK BUTTIGIEG: Can you outline what you think the difference between that and this is?

Mr RAY WILLIAMS: Yes. Ultimately, they were projects that had to be costed and funded once we got into government.

The Hon. MARK BUTTIGIEG: Are you suggesting that this program wasn't costed?

Mr RAY WILLIAMS: Of course. How could it be?

The Hon. MARK BUTTIGIEG: Have you read the Parliamentary Budget Office submissions and the costing there?

Mr RAY WILLIAMS: It was run by the Parliamentary Budget Office and the Parliamentary Budget Office approved political funding.

The Hon. MARK BUTTIGIEG: Your evidence is that it wasn't costed. Are you aware that it went through the Parliamentary Budget Office?

Mr RAY WILLIAMS: I would question that.

The Hon. MARK BUTTIGIEG: No, my question is very straightforward and simple. Are you aware that this program was fully costed through the Parliamentary Budget Office?

Mr RAY WILLIAMS: I'm not.

The Hon. MARK BUTTIGIEG: You're not aware?

Mr RAY WILLIAMS: No.

The Hon. MARK BUTTIGIEG: Well now you are.

Mr RAY WILLIAMS: That's great.

The Hon. MARK BUTTIGIEG: You've made some quite serious allegations in your evidence of corruption and failure to declare a conflict of interest. On that point, are you sure that Mr Kirby didn't declare a conflict of interest?

Mr RAY WILLIAMS: That's what I think has already been raised. It was stated that the member hadn't.

The Hon. MARK BUTTIGIEG: No, but is that your evidence? Your evidence is that Mr Kirby didn't declare a conflict of interest. Is that your evidence?

Mr RAY WILLIAMS: I understand through the proceedings of this Committee today, honourable member—

The Hon. MARK BUTTIGIEG: No, I don't want your understanding.

The CHAIR: Order! Let each other speak and do not interrupt.

Mr RAY WILLIAMS: If you would like to let me answer, the first time that I understood that he had not declared an interest was today in this Committee room when it was stated for the record that he had not declared an interest.

The Hon. MARK BUTTIGIEG: So you take that at face value and your evidence is that you agree with what you have heard here today?

Mr RAY WILLIAMS: I refer back to my comment in relation to the Hon. John Graham having undertaken a review finding over 100 projects that were not declared, and that more than half of those were found to have inherent conflicts of interest, several of them political, and were scrubbed and were not there. My comment is that if this is not a conflict of interest, how many other projects similar to this have slipped through?

The Hon. MARK BUTTIGIEG: These folders here are proactive releases of documents of all the allocation programs. A big part of your evidence was lack of transparency. Have you read this release of documents about all the allocation programs that the Minister has published?

Mr RAY WILLIAMS: No, I didn't realise they were publicly available.

The Hon. MARK BUTTIGIEG: You didn't realise?

Mr RAY WILLIAMS: No.

The Hon. MARK BUTTIGIEG: Yet you've come here and given evidence about lack of transparency and you're not even across the material.

Mr RAY WILLIAMS: I have come here as a witness, at your request, honourable member, in regards to a submission I made in relation to—

The Hon. MARK BUTTIGIEG: It's important we get the facts out, isn't it?

Mr RAY WILLIAMS: —one particular member of Parliament who has not declared a conflict of interest.

The Hon. MARK BUTTIGIEG: Can I also ask you, if these egregious allegations of corruption and conflict of interest—

Mr RAY WILLIAMS: Who raised the issue of corruption?

The Hon. MARK BUTTIGIEG: You did in your evidence. I can give you the transcript back, if you like.

Mr RAY WILLIAMS: I spoke about the illegality of what I believe—

The Hon. SARAH MITCHELL: Point of order: Mr Buttigieg is putting words in the witness's mouth. He never used the phrase "corruption" in his evidence. I think he should stick to a line of questioning.

The Hon. MARK BUTTIGIEG: I think we should check Hansard.

The Hon. SARAH MITCHELL: I don't recall him using those words.

The CHAIR: Order!

The Hon. SARAH MITCHELL: He said "fraudulent" and "illegal". I didn't hear the word "corruption".

The Hon. MARK BUTTIGIEG: Let's use "fraudulent" and "illegal".

The CHAIR: Order! We will refrain from verballing the witness. I do not recall the exact word that was used, but let's please be careful. Mr Buttigieg, you've used some folders there as a prop. For Hansard's purposes, if you're not tabling them here, could you perhaps just let us know the date that they were released?

The Hon. MARK BUTTIGIEG: I'll table all the documents. They're on the Premier's Department website.

The Hon. SARAH MITCHELL: That's the SO 52 that we asked for. You didn't proactively release it. The evidence should reflect the truth.

The CHAIR: Order!

The Hon. Dr SARAH KAINE: Thank you, Mr Williams, for your evidence and for appearing today. I think you gave evidence that Ms Lawrence ran the organisation that got the funding. Is that right?

Mr RAY WILLIAMS: That was my understanding. I think that's what she announced to me prior to the election. She visited my office seeking a similar amount of money and requesting how I could assist her. I was in a neighbouring electorate and said that the only way I could assist her was to suggest that she go and visit her local member of Parliament.

The Hon. Dr SARAH KAINE: I'd suggest to you that Ms Lawrence didn't run the organisation—she was a member of the board—and, in fact, that she came to see you in a completely different capacity in the meeting that you're referring to. Do you have any recollection of that?

Mr RAY WILLIAMS: She came in the capacity that she worked in the organisation, but she also suggested in the meeting that—to advise me that she was not the Labor candidate for the Riverstone electorate. She didn't have to inform me of that, but she wanted to. She just came out and told me that while she was there in the meeting. But then she went on to say that her organisation desperately needed \$50,000, and how could I assist her? I advised her that she could go and visit her own local member, and that I imagined he would be able to assist her in that process.

The Hon. Dr SARAH KAINE: Could we note that you said that she worked with the organisation? She was not working; she was on the board of the organisation. If we could just make sure that the *Hansard*—

Mr RAY WILLIAMS: I don't know in what capacity, but she came to visit me and she talked about the organisation that she was involved with.

The CHAIR: Order! Time has expired. To the extent there are supplementary questions or questions were taken on notice, the Committee secretariat will be in touch. That concludes our time with you, Mr Williams. Thank you very much.

Mr RAY WILLIAMS: Thank you very much. I wish you all the best in your future endeavours in this Committee and the work you're doing.

(The witness withdrew.)

Ms KOBI SHETTY, member for Balmain, before the Committee

The CHAIR: We now have Ms Kobi Shetty, MP, who is the member for Balmain, as a witness. Ms Shetty, as you've already sworn an oath of office, you don't need to be sworn in again. I invite you to make a short opening statement.

Ms KOBI SHETTY: Thank you for having me here this morning as a witness. You have my full submission—I just want to highlight a couple of things within it. First, I think it's important to talk about the experience within the electorate of Balmain as a candidate. I was first made aware of this grant scheme, as it has since been labelled, around early- to mid-February. I was contacted by a local community organisation. They were basically seeking advice from me. They had been told by the Labor campaign manager that they would be able to receive a grant for \$20,000. They were really concerned about the legitimacy of the grant. They had not heard anything about a grant scheme that Labor candidates were able to give out.

They were not able to get any information from that campaign manager about the application process, about the eligibility criteria, about any conflict-of-interest provisions. They were concerned, I think, because there was nothing publicly spoken about this, and it was a very quick time frame that they were asked to respond—I think it was within a day or two for this offer of \$20,000 in grant funding. They are a very worthy organisation, very much in need of this funding, and they felt uncomfortable because there was not much transparency or clarity around this process.

The offer made to them was not without strings attached. They were offered the grant funding, but they were told that it would be in exchange for the candidate being able to visit the meeting and for them to have 20 minutes to make an announcement and give information to the community—the group that would be attending the meeting. They were also told that they would like to have a photo with the group, which they anticipated would be used during the campaign, given that it was about five or six weeks before the election. They didn't know what to do. They were concerned about whether it was a legitimate grant. But they also did not want to be compromised in that process, not knowing how the grants worked and also not wanting to be seen as partisan. Many of these local community organisations work very hard to make sure they are not viewed as being partisan organisations. They are very cautious, when it comes to elections, that they have relationships with a variety of political candidates and that there is an understanding with all of the candidates about their needs. They don't want to risk being seen as partisan in case it compromises their ability to advocate for their own community organisation later when the election is over.

They were concerned about the appearance that they might be endorsing a particular candidate when they very much wanted to operate as a non-partisan group. There were many groups within the Balmain electorate that accepted grants and they are very worthy. I just want to make it clear that when I'm talking about some of the examples of groups who decided to decline the funding, I am in no way implying that people that did accept grant funding have done anything wrong. They're all working very hard. A lot of them are really scrambling to get funding in a very tight fiscal situation. For those groups, it was a really difficult situation to put them in, where they were feeling like either they were potentially compromising themselves in some way or accepting money and not being really sure if it was legitimate. I can give you an example from this morning. Someone had noticed on the website that had the grants listed that they had been accepted for a \$9,000 grant, which they haven't received yet. On the website, it says that they're actually in line to get \$70,000.

The Hon. SARAH MITCHELL: So from \$9,000 to \$70,000?

Ms KOBI SHETTY: There's some kind of discrepancy. I can't remember the exact amount. It's somewhere in that region. They were approved for a \$9,000 grant. They contacted my office this morning just to see what was going on, because they thought that they had a windfall gain. I suspect it may just be a typo on the website. In the process, they understood that this inquiry was happening and they haven't received that grant funding. They were concerned that might mean that they might not be able to get the \$9,000 grant. There is still a great deal of uncertainty amongst the community about exactly how this grant process worked and why it was done in such a way. I just want to highlight the difficult position that a lot of our community groups were put in. It was clear, from the information that I have seen, that there was no way for the community groups to accept the funding without the associated quid pro quo. Expectations were attached. They couldn't say, "Yes, we would like to accept this grant, but we won't have you there for this meeting," or "Yes, we would like to accept this grant, but we won't be taking a photo with you." It was very much understood that if they were going to accept the money, the expectation was that they then followed through with their side of what was requested of them.

In that respect, I want to raise, while I have the opportunity, the recommendation from ICAC's investigation into pork barrelling from the Stronger Communities Fund, which was Operation Jersey. Although we are talking about candidates rather than local members in many instances, I think similarities can be drawn from

recommendation 11, which states, "That where grant schemes or opportunities seek the input of local members, the process should encompass all relevant members and not be limited to members of the political party or parties that form government." We can see here the lines between what was happening during the election campaign, where these grants, as they've since been labelled, were not available to any of the other candidates or parties. They were done secretly until there was a report in the Herald, which came out as a result of one of the groups in the Balmain electorate, on 15 March. It was only after that time that the Labor candidate in my electorate was actually announcing more publicly a few of the different funding commitments that she had made during the election campaign.

In the dates between 18 and 24 March, she made four social media posts publicly announcing other community grant programs that she was committing to. But, until that date, and certainly prior to 15 March, when there had not been anything in the public about this program, there was no public acknowledgement of these kinds of commitments that were going on behind the scenes. It's clear to see that, while there are very worthy causes, as the former member was talking about—very worthy groups—there are, I think, arguably reasonable concerns from the community that this amounts to pork-barrelling, when the definition of that is that the allocation of public funds and resources are targeting electors for partisan political purposes.

I think it's quite clear, despite the Premier's objections—that it was divided between 93 electorates and everyone had the same amount of money—there was a clear process here that was undertaken to try and curry favour with particular groups within the electorate by offering them particular amounts of money. I believe that this grant scheme really lacks integrity despite what's happened since in the several months after the election to try and retrospectively look at conflicts of interest and other things to make it more robust, and I would be very concerned if we were to see anything of this nature happening again.

The CHAIR: Thank you very much for your submission. I think it was one of the longer ones that we received. It had lots of great information and was very well thought out.

The Hon. CHRIS RATH: Thank you for your submission and for your opening statement. You've answered a lot of my questions already. I also thank the P&C association in your electorate for speaking up and refusing to take this money. This is one of the first examples of this scheme that came to light during the election campaign. Your electorate was one of the most hotly contested seats at the last election. You hold it on a fairly small margin versus the Labor Party. Do you think that the commitments made during the election as part of this scheme were done for electoral gain? Could they have changed the outcome potentially, or had the capacity to change the outcome, of the election in your electorate?

Ms KOBI SHETTY: I do believe that the purpose, by the way in which these commitments were made, was to try and seek electoral gain. I think the fact that they were done in secret and the way in which the expectations were for some kind of thing to be done in response definitely indicate to me that it wasn't just a simple commitment of funding. It was an expectation that "Should I offer you this funding, I will then be able to get a photo with this group and use it as an endorsement. I'll then be able to come to your particular group meeting and talk about this wonderful commitment that I've made, talk about the fact that it would only happen if a Labor government was elected."

A line that was being run a lot in the Balmain electorate was that, if you voted for The Greens, then you would risk returning a Perrottet government. There was an implication within that kind of campaigning that was happening that, if you risked voting for a party that wasn't the Labor Party even within the seat of Balmain, there was a risk that that grant funding would not eventuate. In my view, it was a really inappropriate way to offer grant funding to these community groups. I must say, in regard to the P&C, they still haven't got that project up for solar panels that they have been so desperately wanting for several years. They took a real hit as a community to try and make sure that what they were doing was being undertaken with integrity. It's a real credit to them as a community group that they were careful and cautious. At the detriment of their own school they have come out and spoken about what took place. But it was a big concern. As you say, the margin was small. I don't know if \$400,000 is enough to buy you enough votes to tip that margin, but it was certainly very concerning behaviour.

The Hon. SARAH MITCHELL: I want to clarify—you mentioned in your earlier evidence about the initial contact from a Labor Party campaign manager. I think that's been reported in the media, but is that Kieran Ash? Is that who you're referring to?

Ms KOBI SHETTY: Yes, that's correct.

The Hon. SARAH MITCHELL: The part of your submission on page 6, where you talk about some of the concerns about the grant opportunity not being advertised publicly, meaning that those prospective applicants had to have been hand-picked by Labor candidates—that's a concern that has come up in other areas in

conversations I've had about this grant. Have you had feedback from other community members concerned that they didn't get the chance to apply and this all did seem to happen behind closed doors?

Ms KOBI SHETTY: Yes, of course, and I know that there are other groups that also declined the funding because of their concerns, although they haven't come forward to speak publicly. So there's both. There are groups that were concerned about the funding and felt uncomfortable with accepting it and therefore they missed out. And I've certainly heard from groups who have been disappointed that there was an opportunity for funding and have just been curious about how something like that could happen. Because it is remarkably similar to the Community Building Partnership grants, which have a very robust process and an open process, these groups have been concerned about why they didn't get the opportunity to apply for this.

The Hon. SARAH MITCHELL: In relation to the concerns around the conflict-of-interest process which have also been raised, you mentioned in your submission you were invited to a briefing with the program office in October and these matters were discussed. Can you elaborate any more on what those discussions were and what the advice was, particularly around conflict of interest concerns?

Ms KOBI SHETTY: I'd probably need to take a specific question to remember.

The Hon. SARAH MITCHELL: One of the things that you said about the process for managing conflicts of interest is that you wrote to the Premier about that and you didn't get a formal response but you were invited to a briefing with the program office, which I assume happened last October. What did the program office tell you about the management of conflicts of interest?

Ms KOBI SHETTY: That was October 2023. It was quite some time ago, so I'll try and recall it to the best of my knowledge. It was along the lines of the fact that they were going through a conflict-of-interest process when they got those applications informally, so it was taking place several months after the election. As far as I understood, there was absolutely no way of declaring conflict of interest back in February or March when these promises were being made.

The Hon. SARAH MITCHELL: So it's almost as if any of the probity around it happened after the election; it was a retrofitting to suit, as opposed to any earlier conflicts of interest in a proper application process to ensure that that didn't exist.

Ms KOBI SHETTY: Yes, that's my understanding, that there was actually no conflict-of-interest process in place at all during that period of the election when those commitments were being made.

The Hon. CHRIS RATH: Thank you for mentioning the ICAC report from 2022. I think you mentioned this, but could you elaborate a little bit more: Do you think that it mitigates all concerns about pork-barrelling if it's simply that every electorate gets the same amount of funding? That seems to be one of the defences that the Government is using, which is, "How can it be pork-barrelling if every electorate is getting \$400,000?" Are there other criteria to judge projects by, in terms of pork-barrelling, other than just an equal distribution of money per electorate?

Ms KOBI SHETTY: I think the definition of pork-barrelling makes it clear that pork-barrelling is not defined by how much money goes to which areas. It's more specifically about the use of public funds to curry favour or buy electoral favour with electors. I don't think it matters that it was distributed amongst 93 different electorates. I think that's irrelevant. When it comes to pork-barrelling, if you're seeing somebody making a very clear funding commitment to a particular group and the request in regard to what they're going to get back from that is an audience with a particular group, to be able to give their pitch to a particular group that they wouldn't have access to before, or to be able to get an endorsement that could be shared on social media or more broadly from that particular group that might sway people's choice of who they're going to vote for, it still, by my reading of it, fits the definition of pork-barrelling.

The Hon. CHRIS RATH: Have you been brought into this scheme at all since the election? Has the Government briefed you? Have you had any input into the projects after the election at all?

Ms KOBI SHETTY: No. The projects that were already selected were brought to my office several months after so that we could get contact details for those groups, liaise with the office who were doing the grant program and try and facilitate those grants being given out. As I've said, all of the programs that I have seen are very worthy local community groups. We've helped to facilitate those actually being organised, but there's been no ability for me to influence in any way where that money has gone or why.

The CHAIR: I think a useful word that was used before was retrofitting after the event. In terms of when you first found out about this program, did you say that was 20 February?

Ms KOBI SHETTY: Yes, I believe I had a conversation with someone around 15 February.

The CHAIR: One of the defences that has been put forward by the Government is that this was a costed program. I have in front of me the election costing request form, which wasn't made until 10 March, which was two weeks before the election. What do you make of that? Why do you think that was the case?

Ms KOBI SHETTY: It's hard to know, but I think it's in keeping with my understanding that there was no process or costing done at the time that some of these grants were being promised in February and early March. I understand that there was a media story on 15 March, so there is a possibility that that was somehow linked to the media story that was impending, but I obviously can't speak to that as I wasn't involved.

The CHAIR: The Parliamentary Budget Office published its response on 20 March, although I understand that an email may have been sent prior to that on 19 March to the now Premier or to the Labor Party to let them know about the costing. You said in your opening statement, though, that the Labor candidate had started announcing these things by 18 March.

Ms KOBI SHETTY: Yes, I had a look back through this morning because I took some screenshots of social media posts—in expectation that there might be some interest in this, because I was concerned about the process—that have since been deleted. I was looking back through them this morning. There were four announcements made on that candidate's public social media page: One was on 18 March, one was on 20 March, one on 22 March and one on 24 March. So there were no public announcements of those electoral commitments that were made on social media until after 18 March.

The CHAIR: Was it your understanding that the candidate, at least in your electorate, was promising money to people on the basis of a supposed program? So they're doing it secretly prior to that, which was not costed and had no guidelines or rules around conflicts of interest and everything else?

Ms KOBI SHETTY: My understanding was that there was a lack of any kind of robust process, conflict-of-interest provisions, anything that we could be aware of prior to—yes, somewhere in March. Certainly there were promises being made in February. I don't understand that there was any way for a candidate to declare any conflicts of interest at that time.

The CHAIR: You were talking before about the ICAC reports and pork-barrelling. What about electoral rules? What about something like section 209 of the Electoral Act, as an example, which talks about giving people things in return for support?

The Hon. MARK LATHAM: It's known as treating.

The CHAIR: There you go: treating. In your capacity as someone with expertise in that portfolio, do you see that there's potentially a role for the Electoral Commission in all of this?

Ms KOBI SHETTY: I think that there are some clear issues with the integrity of this program. So I think, in terms of what you're talking about with the Electoral Act, it would certainly be worth them looking further into this process to see whether they believe that there would be issues around that particular provision.

The Hon. MARK LATHAM: Thank you, Kobi, for your submission and the work you and your predecessor have done on integrity in government. Was the \$20,000 offer of a grant for the school solar energy project typical of how the Labor campaign in Balmain was allocating or suggesting the allocation of money—that they'd know that there was an organisation that had something like a solar project in mind and, if you just gave them \$20,000, you could do that 20 times around the electorate and piggyback on existing funding proposals that were around the electorate of Balmain?

Ms KOBI SHETTY: Yes, I can certainly talk to the examples of the programs that have been approved. They would reflect that it would have been those types of programs that organisations would have been looking to fund.

The Hon. MARK LATHAM: But it was a little bit to add to an existing concept that was in the electorate that Kieran Ash and the Labor candidate could latch onto.

Ms KOBI SHETTY: Yes, that's right. I don't think it was an idea of the candidate to actually come up with this particular amount of money. They were looking for projects and community organisations that had needs to be able to then announce a funding source for them.

The Hon. MARK LATHAM: To piggyback with a smaller amount like \$20,000, which doesn't get you a lot of solar panels, but it adds something and potentially impresses the members of the P&C and the school community. Are there any examples of groups that said, "No, we don't really want the photo. We're not really Labor-inclined," or "We're independent of politics," that Labor persisted with and who ultimately received money?

Ms KOBI SHETTY: Not that I'm aware of. I know that there were groups that declined the funding and that didn't want to speak publicly about it, but I'm not aware of any groups that had a persistent kind of chase. I wasn't across the details of the interactions between many of the groups and the candidate or manager.

The Hon. MARK LATHAM: So you had to be part of the photo and the electoral opportunity to then continue with the process and receive money, ultimately.

Ms KOBI SHETTY: It was certainly my understanding that most of these offers were made with the expectation that the candidate would have a photo with these groups or, at the very least, receive some sort of audience with a closed group that other candidates didn't get access to.

The Hon. MARK LATHAM: Some public acknowledgement—

Ms KOBI SHETTY: That's right.

The Hon. MARK LATHAM: —of what they were doing. I'm just curious, are you able to give us a copy of the email you received from the Premier's office on 13 July listing the projects and the dollar amounts associated with the Labor candidates' pre-election pledges in Balmain? Who sent the email?

Ms KOBI SHETTY: I'll have to take that on notice.

The Hon. MARK LATHAM: Even on a confidential basis, if we can have a look at it, because it informs us as to how this works. It seems to me very unusual that the Premier's office would contact you, given you hadn't initiated these funding opportunities—this is in July 2023—instead of contacting Ms Scott and Mr Ash to say, "You contacted these groups; you must know who they are." Do you feel that there was an attempt here to try to incorporate you in the process so you'd find it harder to complain about it?

Ms KOBI SHETTY: I can't speak to the motivations of the Labor leadership about incorporating us in the process. I think it was probably easier to facilitate getting these grants out to these community organisations with the assistance of the local member, but I don't know what the motivation was.

The Hon. MARK LATHAM: Why was it so hard, do you think, to contact, say, Mr Ash—working for Jo Haylen, a member in an adjoining seat—and say, "Kieran, you had contact with all the P&C solar projects. You know who they are"—

The Hon. Dr SARAH KAINE: Maybe he was being targeted by others at that stage.

The Hon. MARK LATHAM: —"so can you help us in contacting these people to follow up with the money?" Why is that so hard?

Ms KOBI SHETTY: Yes. I guess there's a lot of back and forth between your local electorate office and these organisations to actually get these grants distributed, so I expect that they just wanted to make it an easier process.

The Hon. MARK LATHAM: What has been the final outcome in your seat in terms of the allocation of the \$400,000?

Ms KOBI SHETTY: There were several projects and, I think, around \$230,000 that was allocated. The remaining funds—as they were in other electorates—were distributed between the local councils so that it added to a total of \$400,000.

The Hon. MARK LATHAM: You've only got the one council, Inner West.

Ms KOBI SHETTY: We've got Inner West and City of Sydney.

The Hon. MARK LATHAM: Have you had a role in where that \$170,000 has now gone?

Ms KOBI SHETTY: Both of the councils had asked me, with a short list, whether I would have any views on what kind of project would be favoured, yes.

The Hon. MARK LATHAM: And you've cooperated with that and found it a useful process?

Ms KOBI SHETTY: Yes, I have.

The Hon. MARK LATHAM: Where has it gone? Leichhardt Oval or somewhere.

Ms KOBI SHETTY: Not Leichhardt Oval. I can't quite remember. I think they're both funding playground projects, but I'd have to check.

The Hon. MARK BUTTIGIEG: I am a little bit confused. On page 9 of your submission—when I say confused, given your evidence and what you have said in your submission:

If political candidates wish to make discrete funding pledges at the community level during an election campaign, they should do so without the expectation or anticipation of public funds being specifically set aside for the purpose.

Is the suggestion in your evidence that candidates should run around making promises and then the prospective government, then in opposition, shouldn't cost them?

The Hon. Dr SARAH KAINE: That's just being imprudent.

The Hon. MARK BUTTIGIEG: That's what that says, basically.

The Hon. CHRIS RATH: You can fight for projects.

The CHAIR: We could let the witness actually answer the question.

Ms KOBI SHETTY: Yes, I think perhaps you've misinterpreted what I'm trying to say there.

The Hon. MARK BUTTIGIEG: Clearly.

Ms KOBI SHETTY: What I'm trying to clarify is that I think it's reasonable for candidates to say, "We would love to have a swimming spot here," or "We would love to have more buses here," and these things are going to cost money. But the difference between those kind of larger funding announcements and what happened here, I think, is that they were not public, they were small, and they were very targeted, without having any sort of process to try to check whether they were good value for money or whether they were appropriately vetted.

The Hon. MARK BUTTIGIEG: But I don't understand, because the program was well advertised during the election campaign.

Ms KOBI SHETTY: No, I would argue that's incorrect.

The Hon. MARK BUTTIGIEG: So you weren't aware that there was \$400,000 available for your electorate?

Ms KOBI SHETTY: No, not until this community group let me know that there were promises being made by the Labor candidate in the middle of February.

The Hon. MARK BUTTIGIEG: Let's go to that. Do you know a Zoi Flannery?

Ms KOBI SHETTY: Yes.

The Hon. MARK BUTTIGIEG: Do you know her background?

Ms KOBI SHETTY: She's the P&C president at the Leichhardt Public School. She was at the time; I don't think she is now.

The Hon. MARK BUTTIGIEG: Does she have any involvement with The Greens movement or the party?

Ms KOBI SHETTY: She's not a member of The Greens, no.

The Hon. MARK BUTTIGIEG: What about her parents?

Ms ABIGAIL BOYD: What about her dog?

Ms KOBI SHETTY: What about her parents?

The Hon. MARK BUTTIGIEG: Are you aware that her parents—

The Hon. SARAH MITCHELL: This is the best you've got?

The Hon. MARK LATHAM: What about her grandparents?

The Hon. Dr SARAH KAINE: I love the indignation from the other side.

The Hon. CHRIS RATH: You don't need to answer that.

The Hon. MARK BUTTIGIEG: They're valid questions. I think I have a right to ask them. Are you aware that her parents were founding members of The Greens?

Ms KOBI SHETTY: I know that her mum is still involved locally. I don't believe she's a current member of The Greens, but she may be.

The Hon. MARK BUTTIGIEG: Are you aware of any correspondence between the P&C and the Labor campaign?

Ms KOBI SHETTY: Yes.

The Hon. MARK BUTTIGIEG: When was that made available to you?

Ms KOBI SHETTY: I haven't seen that correspondence. I was—

The Hon. MARK BUTTIGIEG: You just said you were aware of it.

Ms KOBI SHETTY: I was aware of it.

The Hon. MARK BUTTIGIEG: How did you become aware of it?

Ms KOBI SHETTY: I was called by Zoi to ask my advice about whether I knew anything about these grants and whether they were legitimate.

The Hon. MARK BUTTIGIEG: What was the nature of the correspondence with the P&C approaching the Labor campaign asking for funding?

Ms KOBI SHETTY: It's some time ago, but my understanding is that the Leichhardt P&C had spoken to the Labor candidate about their solar project and whether she knew any way that they could receive funding for future projects. I believe that they were looking at grant opportunities. Then they received an email offering them the \$20,000 in exchange for being able to attend their meeting and take some photos.

The Hon. MARK BUTTIGIEG: The P&C approached the Labor campaign asking for the funding. Then they communicated that with you, asking for advice. What was the advice?

Ms KOBI SHETTY: I couldn't give them any advice because I wasn't aware of the program. I said that I didn't know about the program, that I would speak to the local member of Parliament and see if they knew about the program. I wasn't able to give her any advice because it was something that I was unaware of and was unable to obtain any transparent information during the election campaign.

The Hon. MARK BUTTIGIEG: Are you aware that this email quote was subsequently aired in *The Sydney Morning Herald*?

Ms KOBI SHETTY: Yes.

The Hon. MARK BUTTIGIEG: How did that come about?

Ms KOBI SHETTY: I had nothing to do with the conversation with *The Sydney Morning Herald*, so I couldn't tell you that.

The Hon. MARK BUTTIGIEG: We have a situation here where prospective members of Parliament—that is, candidates for State Parliament—are making commitments based on, "If you elect our Government, we will deliver you these projects." The allegation is that that is a rort.

Ms KOBI SHETTY: Whose allegation? Mine?

The Hon. MARK BUTTIGIEG: In your evidence, you're basically saying that it's pork-barrelling. Have you ever made promises in your time as a candidate?

Ms KOBI SHETTY: Absolutely not to a particular project that is that specific.

The Hon. MARK BUTTIGIEG: You made no promises?

Ms KOBI SHETTY: No, absolutely not.

The Hon. MARK BUTTIGIEG: It's highly unusual that candidates would go around promising things for their electorate if their party gets into government?

Ms KOBI SHETTY: I don't think it's unusual to promise the things that you would like to see done, but to make very specific grant funding promises with no program in place is, I think, unusual.

The Hon. MARK BUTTIGIEG: Isn't it prudent to ask the electorate what they think would be suitable for them if you gain government? Isn't that part of the democratic process?

Ms KOBI SHETTY: I don't believe that that's in line with what took place.

The Hon. Dr SARAH KAINE: Do The Greens get any costings for any of their policies?

Ms KOBI SHETTY: I certainly didn't get any costings for anything within my own electorate. I can't speak more broadly. I'm a relatively new member of Parliament. I don't know about how that might operate.

The Hon. Dr SARAH KAINE: So costings aren't really a consideration?

Ms KOBI SHETTY: I wouldn't say that. That would be a very different interpretation of what I said.

The Hon. CHRIS RATH: That's not in the terms of reference.

The Hon. SARAH MITCHELL: That's not related to this.

The CHAIR: Sorry, this may help: No other party is allowed to get costings, other than the Liberal and Labor parties.

The Hon. Dr SARAH KAINE: No, but you can get your own costings.

The CHAIR: With all the money—

The Hon. MARK LATHAM: I suppose you can pay a consulting firm. Who's going to do that?

The Hon. Dr SARAH KAINE: Sorry, is there anything else you need to say to me, Chair, before I continue with my legitimate questions?

The CHAIR: I'm just clarifying that you knew what the answer was.

The Hon. Dr SARAH KAINE: I'm asking that question because Mr Williams sat here earlier and talked about the importance of getting costings for making promises.

The Hon. SARAH MITCHELL: Is there a question to the witness or is this just a conversation?

The CHAIR: Order!

The Hon. Dr SARAH KAINE: I'm responding to a comment by the Chair as to how that relates, and it relates directly to the evidence that Mr Williams gave earlier. Thank you, Ms Shetty, for that. I appreciate your answer to that question. I'll hand over to my colleague.

The Hon. MARK BUTTIGIEG: Just back on this P&C thread, do you know the reason why they subsequently withdrew? They proactively approached the Labor campaign for money, then they seek your advice, then they withdraw.

Ms KOBI SHETTY: I don't know that that's the right characterisation, that they proactively—

The Hon. MARK BUTTIGIEG: Well, what is the right characterisation?

Ms KOBI SHETTY: They asked advice about where they might be able to get funding from. I think approaching them and actually asking them for money is very different.

The Hon. MARK BUTTIGIEG: No, I'm sorry, but let's just clarify this because it's important.

Ms KOBI SHETTY: Yes, it is important.

The Hon. MARK BUTTIGIEG: In your evidence—and I think the questioning I had teased this out—you agreed that the P&C, whose president at the time was this Zoi Flannery, proactively approached the Labor campaign, asking for funding.

Ms KOBI SHETTY: Perhaps I might have missed the context here.

The Hon. MARK BUTTIGIEG: Okay.

Ms KOBI SHETTY: The Labor candidate hosted a public education forum with a Labor shadow Minister, and it was under those circumstances that they asked whether there was a way to fund a public education related expenditure.

The Hon. MARK BUTTIGIEG: So in the context of the forum, they were approached, then they sought your advice. You said you weren't able to give any advice. Is that your evidence?

Ms KOBI SHETTY: Yes, that's correct.

The Hon. MARK BUTTIGIEG: And then they subsequently withdrew.

Ms KOBI SHETTY: They had never applied for anything in the first instance. They had asked the Labor candidate during this public education forum—I think near the end—how to fund public education projects, because there was a lack of funding for these types of works. After that conversation, they were proactively reached out to by the Labor campaign manager, who offered them \$20,000 in return for a 20-minute speech at the P&C meeting and in return for a photo so that they could share that publicly and make this commitment.

The Hon. SARAH MITCHELL: Sounds very transactional to me: cash for comments.

The CHAIR: Order!

The Hon. MARK BUTTIGIEG: And then the P&C said no?

Ms KOBI SHETTY: The P&C declined to give them that opportunity because they were concerned that that process did not have integrity.

The Hon. MARK BUTTIGIEG: And then it ended up in the media.

Ms KOBI SHETTY: Yes.

The CHAIR: Thank you very much, Ms Shetty, for appearing today. It was incredibly useful. To the extent there were questions taken on notice, which there were, and also if there are any supplementary questions, the Committee secretariat will be in touch.

(The witness withdrew.)

(Luncheon adjournment)

Ms ALISON MORGAN, Executive Director, Grant Program Office, NSW Premier's Department, sworn and examined

Ms SIMONE WALKER, Deputy Secretary, Corporate Services, NSW Premier's Department, affirmed and examined

The CHAIR: Welcome back. We now have our next set of witnesses. Would you like to commence by making a short opening statement?

ALISON MORGAN: No, I don't think so. We made a submission and we are happy to answer any questions.

The CHAIR: Thank you. We will get straight down to business then. Mr Rath?

The Hon. CHRIS RATH: Thank you both for appearing today and for your submission as well. First, I just want to ask: Who first approached you to project manage this scheme?

SIMONE WALKER: I think it is best if I hand that to Ms Morgan, who has been here since those early stages.

ALISON MORGAN: I was first approached by, from memory, Julia Carland in the governance team in what was then DPC, now the Cabinet Office, at the time that a Cabinet submission was being prepared around the program after the election.

The Hon. CHRIS RATH: And the Premier's office would have spoken to her about it first?

ALISON MORGAN: I'm imagining so, yes.

The Hon. CHRIS RATH: Was it ever explained to you who invented the program?

ALISON MORGAN: Not in terms of individual people, no.

The Hon. CHRIS RATH: Or what the genesis of the scheme was?

ALISON MORGAN: Yes. I was advised in the meetings that were then set up with the Premier's office that the program had been designed as an election commitment by the Labor Party as part of their election, yes.

The Hon. CHRIS RATH: Sure. As part of that, did the Premier's Department ever have to talk to Labor head office, for instance?

ALISON MORGAN: No. I certainly haven't.

The Hon. CHRIS RATH: Sure. But did they have to talk to individual Labor candidates at the election?

ALISON MORGAN: The only contact I've had with Labor candidates was later, when we undertook the conflict-of-interest review process and we reached out to the 17 candidates that were involved in that process.

The Hon. CHRIS RATH: So the 17 that put forward the conflicts of interest, that was a self-declared process, was it, of the Labor candidates that had nominated projects? They had to determine whether they may have had a conflict and, if they did, they had to put forward a conflict of interest.

ALISON MORGAN: They had to complete an interest declaration form, which outlined what the interest was that they had with the nominated organisations, and they were then assessed by both a team within my group and our independent probity advisers. We made a decision then around whether or not those conflicts, or those interests, represented a low, medium or high probity risk.

The Hon. CHRIS RATH: But not all 93 Labor candidates put in a conflict of interest?

ALISON MORGAN: The Minister only asked us to review the interests in 17 electorates.

The Hon. CHRIS RATH: So it was 17 forms that came back, essentially.

ALISON MORGAN: Yes.

The Hon. CHRIS RATH: But the remaining of the 93 that didn't put in a conflict-of-interest form, was that because they felt that they didn't have a conflict? It was like a self-declaration.

ALISON MORGAN: I didn't reach out to them and ask them for the form.

The Hon. CHRIS RATH: Right.

ALISON MORGAN: And I did not have any of them approach me.

The Hon. CHRIS RATH: Was Riverstone one of the 17 that put in a conflict-of-interest declaration?

ALISON MORGAN: No, it was not.

The Hon. CHRIS RATH: Okay. Excluding the 17, how do we have confidence that there weren't conflicts with the ones that didn't put in a conflict-of-interest declaration?

ALISON MORGAN: I can't answer that. You're talking about conflicts related to the nomination process?

The Hon. CHRIS RATH: Yes.

ALISON MORGAN: That all took place prior to the Labor Party being elected and prior to the department having any engagement or any involvement.

The Hon. SARAH MITCHELL: Can I clarify?

The Hon. CHRIS RATH: Yes.

The Hon. SARAH MITCHELL: To be clear, Ms Morgan, when you received the list of the commitments, the only involvement with your agency was post-election? So there's no visibility, I suppose, from your end whether any conflict of interest was done prior to that, because that doesn't start until post-election.

ALISON MORGAN: Correct.

The Hon. CHRIS RATH: Do you know why only 17 electorates were chosen as part of the conflict-of-interest process?

ALISON MORGAN: The advice I was given by the Minister was that he asked us to review those 17 electorates because a question about a conflict had arisen, either publicly, in the Parliament or possibly to him—I'm not sure, but there was a question around a potential conflict—and he also asked us to include those electorates where the candidate was part of a local council, was a councillor, and the local council had been nominated to receive some funds.

The Hon. CHRIS RATH: Let's walk through the process during where you kicked in versus what was before the department taking over the process. Before you taking over, it was individual candidates and Labor candidates and Labor MPs that would nominate projects. That doesn't fit with you at all. That was pre the department coming in. Then after the election at some point a decision was made to hand not the nomination process but essentially the probity process to the Premier's Department, for which you've used independent probity officers.

SIMONE WALKER: The probity and the assessment.

The Hon. CHRIS RATH: I suppose the list of election commitments that was determined during the election campaign was essentially given to the department.

ALISON MORGAN: Yes.

The Hon. CHRIS RATH: So you knew what you were working with and what the projects were in each?

ALISON MORGAN: Yes.

The Hon. CHRIS RATH: Who gave you that list?

ALISON MORGAN: It came from the Premier's office. It came to us in July.

The Hon. CHRIS RATH: Who in the Premier's office?

ALISON MORGAN: It came to me from Cherie Burton.

The Hon. CHRIS RATH: To clarify, your understanding is that it was only Labor MPs and candidates? So it wasn't that in a particular electorate if a Liberal or National or a Green, for instance, got elected in that particular seat, they weren't able to nominate projects? It was only the Labor candidate in that particular electorate that could nominate a project. That's where the election commitments came from.

ALISON MORGAN: That was my understanding, but I did not interrogate that in any depth because it all happened before the election and prior to them becoming the Government.

The Hon. CHRIS RATH: Did anyone in your department ever raise any concerns about the nomination process?

ALISON MORGAN: I didn't. I can't speak for anybody else.

The Hon. CHRIS RATH: To go back—and you just sort of touched on it—were you aware of any candidate or member of Parliament that didn't put in a conflict-of-interest declaration but should have?

ALISON MORGAN: The 17 that I was asked to review all provided me with the declaration. I can't speak about any other declaration or conflict processes.

The Hon. SARAH MITCHELL: On that, did you ever give advice to the Minister that it might be useful to have those declaration processes for all 93 seats?

ALISON MORGAN: I did not give that specific advice to the Minister. We did flag for the Minister that we could do that if he wanted us to, but it would hold up the process of the grants administration assessment.

The Hon. SARAH MITCHELL: When you flagged that that was a possibility, what was the response from the Minister or his office?

ALISON MORGAN: The response from the Minister was that it wasn't necessary. We had 17 electorates where there were some raised questions around conflicts of interest, and would we please also have a look at the electorates where candidates also sat on the council and had nominated council projects?

The Hon. SARAH MITCHELL: I appreciate your point about the assessment process happening now, but my understanding is that there are some projects that were announced but have not been approved because they either didn't meet the criteria or that conflict was deemed too high a risk. How many projects that were commitments have not been approved?

ALISON MORGAN: I'll give you that figure. Just one moment, please. Seventy-six projects will not proceed.

The Hon. SARAH MITCHELL: Were they all flagged through those 17 conflict-of-interest processes?

ALISON MORGAN: No. There's a whole raft of reasons why projects will not proceed.

The Hon. SARAH MITCHELL: In the 17 conflict-of-interest declarations in those electorates, how many of those projects were found to be too high risk and then knocked back?

ALISON MORGAN: Two.

The Hon. SARAH MITCHELL: Only two from 17?

ALISON MORGAN: Two.

The Hon. CHRIS RATH: In terms of how the nomination process fits in later with the assessment and probity process, you were given the list of election commitments of projects. I assume you needed to in some way chase up contact details for the candidates that made the commitments and/or the individual community groups that were scheduled to potentially receive the funding. Is that right?

ALISON MORGAN: We didn't make any contact with the candidates. That wasn't necessary. We only needed the list of nominated projects, the organisations and a contact detail for those organisations. That was provided to us. There were some gaps, but generally that was provided to us on the master list that we received from the Premier's office in late July. That was the information we needed. We then worked directly with the organisations.

The Hon. CHRIS RATH: Were each of the community groups or community organisations that you were in contact with well aware of the process and why they had been nominated or scheduled for funding?

ALISON MORGAN: There was a variety of levels of understanding. There's a very broad spectrum of organisations that were nominated. Some of them are quite small volunteer groups. There were some questions around the scope of some of the projects. There were some projects that had already been completed by the time we got to the organisations. There were some questions backwards and forwards. It's very difficult to make any kind of general statement around that.

The Hon. CHRIS RATH: As you probably would appreciate, through the documents we've received from the SO 52—I'm happy to table this for all members even though it's in the public documents. I just want to read something that you've written, and I'll ask for a bit more context or for an explanation. This was in an email to David Mehan. He's been involved in this program as well, has he?

ALISON MORGAN: David was the Parliamentary Secretary supporting the Treasurer. Because this program is funded from the Community Services and Facilities Fund, the Treasurer ultimately had delegation. David was assisting from that perspective.

The Hon. CHRIS RATH: In the email—and I'll provide you with a copy now—you've just said that you've spoken with all of the community organisations. There are two lines where you've said:

We do think there are some organisations that will not manage to lodge an application at all – regardless of the time line. Some are not interested and don't understand what/why they were nominated.

Should I table that, Chair? That might be best.

The CHAIR: Yes, thank you.

The Hon. CHRIS RATH: What were the problems behind that? Could you explain that in more detail? Why were some of these community groups—they clearly didn't even know they'd been nominated for funding in your contact with them.

ALISON MORGAN: Again, I'm generalising across a number of them. I might start that by saying that all projects that were nominated have either been formally withdrawn or have now been lodged. We were able to resolve all of those projects one way or the other. At the time, we certainly had some where either the office holders of volunteer organisations had moved on or they had new office holders. As I said, some of them had projects that they'd found alternate sources of funding for. There's a very wide variety of circumstances, around the over 600 projects that we were dealing with, around why some of them might have had difficulty deciding to go ahead and apply for the grant. Some organisations did not understand that they would need to fill in an application form and that it would need to be assessed. There was a spectrum of questions that came in from those organisations, without a doubt.

The Hon. CHRIS RATH: Did some just not have any idea at all that they were nominated for the funding?

ALISON MORGAN: I think it's fair to say that we may have spoken to some individuals who didn't know, but in most cases they were then able to go back to their organisation and find out who had spoken to a candidate and what was the background to it.

The Hon. CHRIS RATH: Could we just turn to Newcastle. Again, in the public documents there's What Were You Wearing? Australia. The email that came into the department basically was saying that they feel as if they were falsely used to get Mr Crakanthorp into Parliament. Once you received that email from this particular organisation, what was the process in the department after that? Was it flagged? Was it escalated? Was it looked at in more detail? This was a pretty serious allegation from this particular community group.

ALISON MORGAN: The main purpose for the exchange of emails with that organisation was to try to assist them to be able to provide sufficient documentation to show us that they were eligible to apply. We had had backwards and forwards with the organisation over a couple of months seeking ABNs, bank account numbers, constitutions—some kind of evidence that they were registered as a not-for-profit organisation. There'd been a number of phone calls trying to work through with them the sorts of documents that would be sufficient for us. They weren't able to provide any of those, so I would have to say that our focus was on whether we can get them to a point where we believe that we can accept an application and assess it for them. We weren't able to do that. That was the focus for us of those emails, and the only actions that I took were around trying to get them to a point where they could have been assessed as eligible.

The Hon. CHRIS RATH: So it didn't trigger an escalation to the probity assessors, for instance—the comments that they made in the email?

ALISON MORGAN: The comments were to do with the nomination process, which wasn't a process that we'd had anything to do with managing or directing, or any involvement in.

The Hon. CHRIS RATH: So it would be more for the Minister or the Minister's office, or the Premier or the Premier's office, to determine if any further action should have been taken on that.

ALISON MORGAN: Indeed.

The Hon. CHRIS RATH: Do you know if it was raised with them?

ALISON MORGAN: I don't know whether the nominated organisation raised it with them or not. I didn't.

The Hon. SARAH MITCHELL: In terms of the eligibility criteria, Ms Morgan, earlier you said that it was an election commitment from the Labor Party and their candidate. Did the criteria make it clear that these projects needed to be announced prior to the election and in the public arena as a commitment of an incoming government?

ALISON MORGAN: Allow me to open up the guidelines so I can be accurate. The eligibility requirements are outlined in section 3 of the guidelines. It says that it must be a nominated organisation invited to submit a project identified as an election commitment prior to 25 March 2023.

The Hon. SARAH MITCHELL: When you say, "identified as an election commitment", do you mean in some public way—a social media post or a press release?

ALISON MORGAN: In the list that was provided to us by the Premier's office.

The Hon. SARAH MITCHELL: If the full \$400,000 hadn't been allocated, then the money would go to a council. Was that decision made pre-election or post-election, to your knowledge?

ALISON MORGAN: To my knowledge it was made pre-election. In the very early discussions as we were developing the guidelines—because the guidelines document was not written and produced until, of course, after they were elected—in those conversations, they had said to us that that was the plan where either there had been no Labor candidate or there had been some projects nominated but they did not take up the whole 400,000. Any of what we called residual funds—any funds that were left in an electorate—were then to be provided to local councils for playground and park upgrades.

The Hon. SARAH MITCHELL: I want to draw a specific example to your attention, an allocation that was made in the seat of Barwon. One of the commitments that says, "NSW Labor to deliver up to \$520,000 to"—or maybe that is incorrect, sorry. But to deliver to Flourish Australia to support upgrades for their free laundry service for homeless people within the community. In the document that we have that came through the call for papers, it says that that person was notified on 26 July 2023. How could a group be told post-election that they were getting that money if it was required to be an election commitment to be eligible?

ALISON MORGAN: They were told by us. After we received the list of all nominated organisations, we then created an application form for every one of those projects within our grants administration system. We then reached out to each of those organisations to say, "We've been advised you've been nominated as part of the election program. Here are the guidelines and here is the application process. We need a contact name and an email address so we can set you up as a user in the system so you can lodge your application." We certainly reached out to every one of those organisations in order to make contact and get the right details we needed for our administrative processes to then commence.

The Hon. SARAH MITCHELL: With that particular example, it was \$20,000. Sorry, I misread my own notes. Can you confirm—and I'm happy for you to take it on notice—that that was publicly announced prior to the election?

ALISON MORGAN: No, I can't. That was before they were elected and before we had any involvement or engagement in the program.

The Hon. SARAH MITCHELL: But isn't that part of the eligibility criteria, to check that they were announced as election commitments?

ALISON MORGAN: The source of truth for us for the eligibility assessment was the list that was provided by the Premier's office on 28 July.

The Hon. SARAH MITCHELL: That came from Cherie Burton?

ALISON MORGAN: Yes.

The Hon. CHRIS RATH: We might need to call Cherie Burton.

The CHAIR: On that, if I can pick up on that line of questioning, when we look at what is an eligible project under 3.2 of the guidelines, there are a bunch of things in there that presumably you do check, like you being told whether or not they have public liability insurance or whether the project can be delivered within two years. Were they things that you were responsible for checking?

ALISON MORGAN: Yes.

The CHAIR: But when it came to the checking it had been nominated as an election commitment, why were you permitted to just look at the list that had been given to you from the Premier's office and not required to go beyond that to verify the accuracy of the list?

ALISON MORGAN: To my knowledge, government departments are not normally involved with political parties around the way they frame election commitments.

The CHAIR: But right here it says that an eligible project must have been nominated as an election commitment prior to the March 2023 election. This whole process was put in place to put some sort of probity around where this money was going. At what point or under what authority was it decided to not actually investigate that part of the eligibility guidelines and instead just to take the Premier's word for it?

ALISON MORGAN: We relied on advice from the Premier, as the head of the Government, that they were the election commitments they had made.

The CHAIR: Did you draft the guidelines?

ALISON MORGAN: A part of them, yes, certainly.

The CHAIR: So why does the guideline not say instead "must be on the list provided to us from the Premier as being an election commitment made prior to the March 2023 election", which you could then easily verify by saying, "Here's the list." What we have here is a guideline that says very clearly that the commitment needed to have been made before the election.

ALISON MORGAN: I can't answer why we didn't use that exact wording. We were reliant on the Government to advise us about what their election commitments had been. For us, that was the list that came in on 28 July.

The CHAIR: To be honest, I find it interesting. Obviously we have had other grant schemes and we have got a lot of documents out of SO 52s, but we have looked at the process for grant schemes and how you meet each one of those eligibility criteria. Even just a provision of "Here is the email that I sent the organisation during the election", would be an easy way to tick off this criteria. But instead, a decision was made not to apply any probity around that aspect of the eligibility guidelines.

ALISON MORGAN: It was something that had been undertaken prior to the department being involved and prior to them being elected. We did not go back to review the activity undertaken by a political party prior to the election.

The CHAIR: I understand that. But when you look at the eligibility guidelines, it would imply to the average person that there had been some probity around whether or not those election commitments were actually made during that time.

ALISON MORGAN: I have no opinion on that.

The CHAIR: In hindsight, do you think that was an adequate way to proceed, based on the fact that there is an eligible project guideline here that you can't now say has actually been met in relation to any of those commitments?

ALISON MORGAN: The advice that we received from the Government was that these were their election commitments, so that is how we proceeded.

The CHAIR: I understand that. We will ask other questions of other people, then, as to how that has impacted on the veracity of the process. That list came to you in July. Did you ever get a subsequent list?

ALISON MORGAN: We did not get a subsequent list, but we did get a number of corrections to the list over some time.

The CHAIR: Did those corrections come with an explanation that they were also election commitments prior to the March election?

ALISON MORGAN: Certainly, that was our understanding, yes—that all the corrections to the list were also a part of the election commitments.

The CHAIR: In the electorate of Sydney, were there any changes proposed in relation to that list of nominated projects you got in July?

ALISON MORGAN: Yes, there were.

The CHAIR: Was there an explanation for why those projects had changed?

ALISON MORGAN: The advice we were given was that they were incorrectly entered into the sheet, and here were the corrections.

The CHAIR: That's very interesting. Thank you. To your knowledge, are you aware of whether those Sydney electorate nominated projects were announced during the election?

ALISON MORGAN: I didn't interrogate whether any electorates had their election commitments announced prior to the election, as I've already outlined for you. I had the list from the Premier's office. When I received some kind of advice from the Premier's office that there was a correction to it, in some cases the Premier's office initiated those corrections, and in some cases we went back to seek clarification following a question from a nominated organisation. In the electorate of Sydney, we were advised that there were some changes.

The CHAIR: Can you tell us what the changes were?

ALISON MORGAN: Yes, I can. I have a list of them here. There were a number of them. Most of them were funding alterations. The original commitment to the City of Sydney, as provided to us on 28 July, had said that Labor will deliver up to \$400,000 to housing and homelessness support organisations within the Sydney electorate towards providing essential services to some of our most vulnerable. The commitment comprises \$50,000 each to Shelter NSW, Homeless NSW, Matthew Talbot Hostel, St Vincent de Paul, St Patrick's Church Hill, Wayside Chapel and Canice's Kitchen, and \$100,000 to Will2Live. They then came back and advised us that there were some changes to the organisations to receive funding and to the amount of money to receive funding.

The CHAIR: What were the new organisations that were receiving funding?

ALISON MORGAN: St Patrick's Church, Church Hill, for homelessness work, the correction was—let me just double-check that I can read this correctly. The allocated expenditure was increased to \$50,000. Wayside Chapel, the funding was reduced to \$50,000 from the original \$100,000. Canice's Kitchen was reduced down to \$25,000. Will2Live, their funding was increased to \$100,000.

The CHAIR: Sorry, because you said \$100,000 before to Will2Live. Can you just clarify which of these organisations were new on the amended list?

ALISON MORGAN: Let me have a look. Who were new? No LSCA funding for that one—Rough Edges and Streetlevel, if I'm reading—I can take on notice and provide a detailed list for you of the changes. That would be the best way to do it.

The CHAIR: If you could, and who dropped off. That would be very useful, thank you. In relation to the projects in Rockdale, the original document that I received about the nominated projects had \$400,000 already allocated for Rockdale. Now I see that the residual amount that was then distributed to councils includes \$76,000 from that Rockdale amount. Is that because there was a project on the original Rockdale list that failed to meet the guidelines? Do you know?

ALISON MORGAN: Sorry, I need to find the right list. We have a lot of projects that we are managing. You're asking if any of the nominated projects did not proceed in Rockdale? Is that what you're asking?

The CHAIR: Yes.

ALISON MORGAN: Okay, let me check the final list in the Rockdale electorate.

The CHAIR: While you're finding that, could I ask you, Ms Walker, if you have any knowledge of why the Sydney projects were changed? Was there any kind of oversight of this process from your level? Do you have any sort of extra insight that you can give us into the nominated list?

SIMONE WALKER: No, I don't have any additional information for that. I wasn't in this role during that period of time. But there is a fairly standardised process of updating and correcting. That's what Ms Morgan has just outlined. The master list was the source of truth that we could consistently go back to. That's why there were points of clarification from both sides.

The CHAIR: On notice, could you tell us the dates that new lists were provided and what the changes were on each of those dates? That would be really useful. If you are able to provide us with the original list as well, that would be interesting.

SIMONE WALKER: There was a time frame between two points where corrections were made. We can give you those.

The CHAIR: That would be very useful. Thank you.

ALISON MORGAN: I am just double-checking what has come out of the Rockdale electorate. We had a project that had been nominated to Bayside Council for the trial of anti-hoon noise cameras in Rockdale.

The CHAIR: Was that around \$76,000?

ALISON MORGAN: Yes, it was \$80,000.

The CHAIR: Thank you. That does explain that.

ALISON MORGAN: The project is being delivered by the NSW Environment Protection Authority. That funding came back into what we call residual funds and has then been allocated to the council for parks and playgrounds.

The Hon. MARK LATHAM: Thank you to the witnesses for your appearance today. I want to take you to two other questions, away from process and individual grants. They are questions of overall costs and the ethics

of what you are doing. On the cost matter, is it possible to provide the Committee with some detail about the number of staff who have been involved in the administration of this program, the staff hours that have been involved, the cost of devising probity and guidelines, and the use of any consultants? Also, will there be an evaluation process internally about the cost effectiveness of this rather unique scheme?

ALISON MORGAN: Yes, certainly. I can take the question on notice to provide you with a quite detailed budget of expenditure to date for the program. We have had three staff working full-time on this program since it started.

The Hon. MARK LATHAM: Since July 2023?

ALISON MORGAN: Earlier than that—since June, I would say.

The Hon. MARK LATHAM: Since June 2023, you've had three staff working on it full-time?

ALISON MORGAN: Yes. We've also used some of our internal expertise around governance, as you say. We have an evaluation expert within the team. Some of their time has been used on this as well. I am happy to take that on notice and provide a budget for you around how much the administrative costs for this program have been.

The Hon. MARK LATHAM: What is that approximately so far?

ALISON MORGAN: I didn't bring that information with me.

The Hon. MARK LATHAM: You can take it on notice to be accurate. I put to you a general proposition that it is a uniquely political and partisan program. Only ALP candidates have been able to be involved in the identification of the spending of public money. Because of the obvious impropriety of that, it has been incumbent upon the public service to spend a huge amount of time, resources and money to put together probity guidelines and other safeguards to ensure there is some degree of proper process around this unique scheme. Is that what you have found?

ALISON MORGAN: There certainly are costs associated with making sure grant programs are administered properly and in line with the *Grants Administration Guide*.

The Hon. MARK LATHAM: But this is a non-competitive program devised by Labor Party people only out there before the last election trying to be elected to Parliament. By its nature, it has an element that surely has required stronger probity and safeguards to make sure that there's some decency here in the expenditure of public money. Has that been your experience?

ALISON MORGAN: We've certainly run the program from the time in which we were involved—so that was post the nomination process—in accordance with the *Grants Administration Guide*, the same as we would any other program. There are certainly other non-competitive programs. That's not particularly unusual. It happens under some circumstances. But, yes, there are definitely costs associated with running a program that way. We've undertaken a solid and robust assessment process for every one of these individual projects, certainly, to make sure that they represent value for money for the taxpayer as individual projects.

The Hon. MARK LATHAM: Have you faced unique challenges in trying to establish what was promised prior to the last election, who it was promised to, the purpose of the promise, is the group a legitimate organisation to receive funding, is this some attempt to buy off an ethnic group for votes? Does that fit the guidelines? Haven't you had a nightmarish experience in trying to work through all of that to establish some decent use of public money?

ALISON MORGAN: I certainly wouldn't say that. We had a list of nominated organisations. Some of those organisations have less internal capability than others. That, again, is not unusual for us. We manage some other grant programs that work with often very small community organisations who need quite a lot of hand-holding. We were able to assist them with that. The way we do that looks very different, obviously, between a competitive and a non-competitive program. But, in this case, we were able to reach out to organisations that didn't have a lot of internal capability to help them with the application process. But, from our point of view, post-nomination we have a list of projects that have to be assessed. We followed our normal procedures.

The Hon. MARK LATHAM: How many part-time staff have been involved in addition to the three full-time?

ALISON MORGAN: One of those was four days a week for a while. I also have, as I said, some subject matter experts, including management myself, where we're partially funding my role against that grant program.

The Hon. MARK LATHAM: So you're not in the three full-time staff? You're on top of that as a manager?

ALISON MORGAN: I'm on top of that as a manager. Some hours for my governance associate director is included in that. Some hours from my monitoring and evaluation associate director is included in that as well.

The Hon. MARK LATHAM: Can we get on notice a full list of all these different people who've been involved?

ALISON MORGAN: We will definitely.

The Hon. MARK LATHAM: Ms Morgan, in the hierarchy of the Premier's Department, who do you answer to?

ALISON MORGAN: I answer to Simone.

The Hon. MARK LATHAM: Why is this regarded as a corporate service?

SIMONE WALKER: Because, when I came into the role, I took over Ms Morgan's team, who looks after the grants administration process, which has everything from the Western Sydney Infrastructure Grants, community-based program grants. In a way, it sits comfortably in corporate services because it's a fairly structured process and that's what we do well.

The Hon. MARK LATHAM: But who are you serving?

SIMONE WALKER: I'm serving the government of the day, always.

The Hon. MARK LATHAM: But given this is an elect-the-Labor-Party grants program, you're servicing the Labor Party, aren't you?

The Hon. Dr SARAH KAINE: Across 93 electorates.

SIMONE WALKER: I think, as Ms Morgan has really outlined well, our involvement began post-election, as it always would. Our jurisdiction doesn't allow us to do anything pre. I feel really confident about the rigour of the process that was brought in, which is what we hold ourselves to account to and what we should be held to account for.

The Hon. MARK LATHAM: It seems to me you're doing the best anyone could to add rigour to this unique scheme. In the hierarchy who do you answer to, Ms Walker?

SIMONE WALKER: Simon Draper.

The Hon. MARK LATHAM: Could I ask both the witnesses, has there been any disquiet about jeopardising the independence of the public service in an elect-the-Labor-Party grants program administration?

SIMONE WALKER: As we've both described, we are very confident and proud of the work that we do as public servants to bring, as I said, rigour and transparency. Tens of thousands of documents have gone into the public record and that's our role and responsibility, and we do that for the government of the day.

The Hon. MARK LATHAM: But, ethically, do you feel like the longstanding principles of an independent public service have been jeopardised by the Premier and Mr Draper asking you to administer an elect-the-Labor-Party grants program?

SIMONE WALKER: I don't accept the premise of the question, that it's as you would describe it. What I see us doing is following through on administering, through well-developed grant administration guidelines, the work that we would do for any elected party.

The Hon. MARK LATHAM: But do you feel like it's compromised the independence of the public servants working on it?

SIMONE WALKER: I don't think it's compromised the independence of the public service, no.

The Hon. MARK LATHAM: And if you question my depiction of it, how would you depict a program devised by the Labor Party, in an election campaign environment, that is solely available to Labor Party candidates to be administered only if Labor got into government? How would you depict it?

SIMONE WALKER: I think we're really clear these are election commitments, and for any government that was elected, there are election commitments that the public service follows through on.

The Hon. MARK LATHAM: Are you aware of the code of ethics directive by the Public Service Commissioner in 2022 which said you should only provide apolitical and nonpartisan advice?

SIMONE WALKER: I am aware of the—yes, absolutely, and that's what we live and work by.

The Hon. MARK LATHAM: Has there been any questioning of whether public servants should be involved in this scheme given that you're in liaison with the caucus liaison unit, which is there for the re-election? I think it's a terrible waste of public sector money to have four people working on the re-election of a Labor government when that's a Labor Party expense that should be met privately. Has there been a concern about working hand in glove with them in the administration of this scheme given their political role?

SIMONE WALKER: We're very clear about the separation. We absolutely take the opportunity to make sure that we get great outcomes for the people of New South Wales by following through on these processes.

The Hon. MARK LATHAM: What is the separation?

SIMONE WALKER: We are the public service, as you specified, and we sit separately to the government of the day.

The Hon. MARK LATHAM: You know that Cherie Burton, who heads the caucus liaison unit, is Chris Minns' campaign director and her sole role is to get Labor re-elected? That's not a concern to you?

SIMONE WALKER: I'm actually not aware or engaged in any of that, I'm sorry, Mr Latham.

The Hon. MARK LATHAM: You genuinely believe you're still providing an apolitical and nonpartisan role as public servants with this scheme?

SIMONE WALKER: I strongly believe that we are providing a non-political role.

The Hon. MARK LATHAM: Nobody at any point has said "This is so blatantly political and so blatantly wrong, ethically, we should not be involved"?

SIMONE WALKER: We are absolutely working from the guidelines. We are working from the—

The Hon. MARK LATHAM: My question is has anyone ever raised this and expressed that concern in the administration of this program?

SIMONE WALKER: I'll just go back to my point—the fact that we are working through a process, which is actually really well defined and applies to just about every grants process I've ever been involved with across my public service career, I am very confident that we are clear about our roles and our responsibilities.

The Hon. MARK LATHAM: That's not the question I've asked, which is, in the discussion internally about the administration of this scheme, has it been raised that this is so blatantly political and so blatantly wrong—

SIMONE WALKER: No, it hasn't been raised.

The Hon. MARK LATHAM: Mr Draper hasn't raised any concerns as the head of the Premier's Department?

SIMONE WALKER: He hasn't raised anything directly with me.

The Hon. MARK LATHAM: No, well, he wouldn't.

The CHAIR: In the last 12 seconds—I understand there's been 34 tranches of this particular grants program. Is that normal?

ALISON MORGAN: Yes. It depends on how many applications. We've had over 500-and-something nominated projects plus, then, the residual funds were offered to all those councils to do playground and park upgrades, so every single one of those has to be assessed as a separate project. Rather than sending them all up to the Minister in one great big—we've sent them up in tranches so that we could spread out the administrative load.

The Hon. MARK BUTTIGIEG: Ms Walker, I pick up on some of your evidence from the previous line of questioning and tease this out because it's an interesting analogy. Given your experience under previous governments, what was your impression of the qualitative difference between a candidate or a local member requesting a project during the course of election campaign and then the subsequent government putting in an administrative process to carry out that promise? In your view, what's different with this particular scheme to what would happen in the course of any previous election?

SIMONE WALKER: I haven't seen any remarkable differences from the fact that what has come out of this election commitment is actually a program of one-off grants. Often election commitments have a whole range of activities that the public service engages in to meet those election commitments because they're working for the government of the day. Other grants processes may be recurrent grants where we're working, they're well established and they exist regardless of who is in power. They're the most regular grants that we would deal with.

The Hon. MARK BUTTIGIEG: So it's highly unremarkable, isn't it, that a political party would go to the electorate and say, "If we get elected to government, we will deliver you the XYZ project, or you'll get this funding, and we will get the public service to administer it and make sure it ticks off all the probity boxes." That's fast-breaking news, right?

SIMONE WALKER: Look, I think there are some standard procedures in that but, again, the only bit where our work and role comes in—we actually stay as far away from that nomination process or what you've described as possible. Our work comes to the fore in making sure that these things are administered well.

The Hon. Dr SARAH KAINÉ: Can I just follow up on that? That means, during any election and any promise that is given by any candidate from any party, that's never your domain.

SIMONE WALKER: No.

The Hon. Dr SARAH KAINÉ: It's always after the election.

SIMONE WALKER: Yes.

The Hon. Dr SARAH KAINÉ: When those promises for the party that becomes government—it's then you get involved with the appropriate probity, the appropriate criteria, the appropriate selection and then delivery of that.

SIMONE WALKER: I think it's fair to say every public servant I know is very careful about anything in that pre-election period—and we were in caretaker mode as well. The nature of our role changes during that period of time. But yes, we don't act until we are directed by the government of the day.

The Hon. Dr SARAH KAINÉ: And that's every election.

SIMONE WALKER: Every election I've been involved in.

The Hon. PETER PRIMROSE: Is what you're suggesting that, when governments have changed during the election period, previous governments have actually made undertakings? After the election, public servants are then asked by the new government to implement, according to all of your profiles and protocols, those undertakings. So this is not a new—

SIMONE WALKER: I think if you're describing an undertaking as an election commitment, yes, we monitor and track election commitments as we would for any government.

The Hon. PETER PRIMROSE: So this has occurred before? That, when governments change—

SIMONE WALKER: I think all governments make election commitments and we follow through with the public service.

The Hon. PETER PRIMROSE: My goodness. Okay. Thank you.

The Hon. MARK LATHAM: Have you thought about billing the Labor Party for the costs—

The CHAIR: Order!

The Hon. MARK LATHAM: —of administering their scheme?

The CHAIR: Order!

The Hon. PETER PRIMROSE: Or the Liberal Party or the National Party.

The CHAIR: Order!

The Hon. MARK LATHAM: There are no Liberals involved in this scheme, mate. It's yours. It's outrageous.

The CHAIR: Order!

The Hon. MARK BUTTIGIEG: Can I tease out this process whereby some MPs we've heard on evidence this morning were mystified by the process, lack of transparency—they didn't know what it was all about. Can I tease out some of the communications in that respect? Is it true that all MPs were contacted after the fact, regardless of their political persuasion, in terms of the projects that were being delivered?

SIMONE WALKER: I'll just ask Ms Morgan to look at that, as she was—

ALISON MORGAN: When the guidelines were approved, they were provided to all local MPs so that they knew how the program was going to work. In some cases, we knew that community organisations who'd been nominated had approached MPs' offices for some support and assistance with their application. That's not

unusual. We certainly advised all MPs around the process. The guidelines and everything were also made publicly available on the website, so we had some contact with all local MPs.

The Hon. MARK BUTTIGIEG: Did you hear back from MPs Williams or Shetty regarding any clarification on that correspondence?

ALISON MORGAN: I'd have to take that on notice.

The Hon. MARK BUTTIGIEG: Could you please?

ALISON MORGAN: We have tabled every email and document that we have around this program, so it's quite likely it's in the thousands of documents we've tabled. But I will take on notice to see whether I can bring up any contact with that. It's quite possible someone in the team might well have. Sometimes electoral office staff will make inquiries of us on behalf of a community organisation to try to clarify things, so that's not at all unusual.

The Hon. MARK BUTTIGIEG: In terms of the content of that residual piece where the leftover of the 400 was allocated to councils for parks and playgrounds, I think there was an explicit reference in the correspondence that councils are expected to work with the local MP to identify the projects. Is that correct?

ALISON MORGAN: Yes. The Special Minister of State had specifically asked us to make sure that was included in the process, in recognition of the role of local MPs understanding the needs of the community. They wanted all local MPs, where there were these residual funds that councils had been offered, to participate in the process of prioritising which playgrounds and parks would be upgraded.

The Hon. MARK BUTTIGIEG: Are you aware of any feedback or correspondence to the effect that councils didn't do that?

ALISON MORGAN: No, not that I'm aware of. In the application process in our online system, they were asked to put in the dates that they'd spoken with the local MP. It hasn't come to our attention that that was a significantly difficult problem or created any problems.

The Hon. MARK BUTTIGIEG: In terms of this list of nominated projects—and I think it was the Chair's line of questioning regarding checking the veracity of the list in terms of whether or not there'd be election promises—would it be fair to say that your view was that if the Premier's Department is telling us that this was an election commitment—because they would know, given that they were the party campaigning for election—then we'll take it at face value that they're telling the truth? I think, to be fair, the line of questioning was that you shouldn't have believed them because they're liars, and check it.

The Hon. SARAH MITCHELL: Point of order: The word "liars" was not used, and no-one said you shouldn't have believed them. We were asking questions about—

The Hon. MARK BUTTIGIEG: I didn't say it was used. I was characterising it as—

The Hon. SARAH MITCHELL: Well, don't use it. The word "liar" is unparliamentary. We're allowed to ask probity questions about it. That's what we did.

The Hon. MARK BUTTIGIEG: I'm allowed to use whatever words I want.

The CHAIR: Order! In relation to the point of order, this is the Public Accountability and Works Committee and we will hold people to account. That is the purpose here. No-one ever said anything about lies. We talked about accountability.

The Hon. MARK BUTTIGIEG: Just to clarify again, because I think your evidence was quite clear: As a proxy for the veracity of correlating an election promise with the list, you took it at face value that the Premier's Department was telling the truth, correct?

ALISON MORGAN: That the Premier's office had provided?

The Hon. MARK BUTTIGIEG: Yes.

ALISON MORGAN: Yes. They were telling us that this was the list of election commitments that had been made by their candidates.

The Hon. Dr SARAH KAINE: Could I ask a question by going back a bit and perhaps getting a bit more explanation? I think, Ms Morgan, that you were talking about the broader role that you play. You spoke about there being competitive and non-competitive grants processes. Could you speak a bit more about that? I think part of the suggestion might be that it's very unusual to have non-competitive funding awarded.

ALISON MORGAN: Well, there certainly are circumstances where a grant program—and the *Grants Administration Guide* makes provision for this. You might have an agreement that a Cabinet or ministerial

portfolio may decide that they've got a particular amount of money that they want to target at something very specific. It may be that it's only available to sporting clubs to upgrade toilet facilities, or it may be only available to do some kind of an intervention in a particular small local community around an event. So it's not always appropriate to open up to complete open competition every single grant program. What's most important, though, is to be clear around what purpose the grant program is supposed to be achieving, and then designing the program so that you achieve those outcomes for the community.

The Hon. MARK BUTTIGIEG: Could you outline some of the criteria that you had to tick off in terms of the promise and the allocation meeting the criteria that was necessary? Some of the evidence we've heard today in the questioning implies that it was just, "Here's the money, do what you want with it," but there were quite strict criteria around the approvals, weren't there?

The Hon. PETER PRIMROSE: The three assessors and how that process actually worked.

ALISON MORGAN: Yes, certainly. The project itself was defined, and that was given to us in the list. So we released a form electronically in the online system. The organisation was then asked to go in and fill in an application form. We had a number of criteria that they had to address, and they had to provide supporting material. We made it clear that we would assess it against three main criteria: The project will enhance the wellbeing and deliver benefits to the local community, so there was one section in the form where the organisation was asked to explain to us how they would do that; the project is an efficient, effective, economical and ethical use of money that delivers value for money, so, again, there was a form there with some prompt questions around how they would tell us that, including a requirement that they give us budgets and that sort of information; and the project can be delivered by the organisation, so we were asking for information around had they done these sorts of projects before and what was their internal capability.

Once we'd received that application, it was then sent to two assessors who are contracted from outside the department; they're ex-public servants. They then made an assessment. If there was a significant variation in their scoring, we held what we called a moderation session, where we brought them together with a probity adviser to explore why one of them had interpreted something one way and one another way.

Once the scoring was then agreed, we wrote a report on that project outlining the scoring and the reasons for the way it was going to be scored. I then reviewed most of those. There was one where I had a conflict of interest, so I was removed from the process entirely. I then made a decision as to whether or not I would recommend it to the Minister for approval. That's what was then written up in the 35 briefs that the Chair referred to. Those briefs were then sent to the Minister for approval.

The Hon. MARK BUTTIGIEG: In terms of some of the subject matter that has been traversed today with regard to *The Sydney Morning Herald* article on the Newcastle one, are you able to walk us through why that was ultimately deemed ineligible? The claim is, "You promised us you were going to give us this. We got you elected to Parliament. Then you withdrew the money." But I want to give it a bit of a reality check in terms of the probity—

The Hon. CHRIS RATH: That's not why they were ineligible.

The Hon. SARAH MITCHELL: That's not right.

The Hon. MARK BUTTIGIEG: I'm sorry, Chair. Am I questioning or is this their time now?

The CHAIR: Did you want to raise a point of order about that?

The Hon. SARAH MITCHELL: No, sorry, I was just making a comment. I didn't realise I was so audible. I apologise.

The Hon. MARK BUTTIGIEG: Raise a point of order if you've got one. The question is, can you walk us through the requirements and the probity processes that led to this application ultimately being rejected?

ALISON MORGAN: They couldn't meet the requirement to show us that they were a not-for-profit organisation. There are a number of ways that an organisation could do that. They were unable to provide us with evidence that that was their status. That's why they were deemed as ineligible. Therefore, they didn't lodge an application and therefore it was not assessed.

The Hon. MARK BUTTIGIEG: There was a process for explaining that rejection?

ALISON MORGAN: Yes, there were multiple phone calls and a number of emails, which culminated in the final email I sent, which I understand is the one that was in the Herald.

The Hon. PETER PRIMROSE: In terms of the assessment process, is it the case that any Ministers, local members of Parliament or their staff were involved in that process at all?

ALISON MORGAN: No. No Ministers, members of Parliament or any of their staff were involved at all. The arrangements for that were set up-front, right at the beginning of the grant program.

The CHAIR: Could I ask a point of clarification? You talked before about the list from Cherie Burton coming to you in July. Can you tell me again what the exact date was?

ALISON MORGAN: The 28th.

The CHAIR: On 28 July—thank you. We heard from Kobi Shetty earlier, and she said that she'd received an email asking for contact details. That was on 13 July. Is it your understanding that was to then inform the details on the list?

ALISON MORGAN: Yes. The Premier's office, I understand, went through a process of—because we had said to them, "We can't start to process these until we know who the contact person is for each of these organisations." I didn't have any staff stood up at that stage. They undertook to reach out to all of these organisations, as they were their election commitments, and get the contact details and include them in the list. They were elected in April and, hence, it was July when we got the final list.

The CHAIR: Your understanding is that all of those MPs would have been contacted before that list was—

ALISON MORGAN: All I know is that we required a contact detail for every organisation. How the Premier's office went about obtaining that—whether it was through candidates or local members—I don't know. But we had said to them, "They're your election commitments. We need you to tell us who the nominated organisation is and what their contact details are."

The CHAIR: We heard from Mr Williams that he hadn't been contacted, presumably because no-one needed any details.

ALISON MORGAN: Quite possibly.

The CHAIR: I understand. It's not your understanding that every single local MP was contacted in relation to that process of then finalising those details?

ALISON MORGAN: That's not my understanding, but we didn't undertake that process.

The Hon. SARAH MITCHELL: Ms Morgan, earlier I think you said that there were two projects that were deemed unsuitable or not to go ahead through that conflict of interest. Can you tell us what those two are and the reasons why they were knocked back?

ALISON MORGAN: I can. You mean because of the conflict of interest question?

The Hon. SARAH MITCHELL: Yes.

ALISON MORGAN: Two came out with a very high conflict of interest. One of them was in Drummoyne. This was to deliver a transformation of the Drummoyne Community Centre's corridors into a permanent art gallery. Both the candidate and a family member of the candidate were active in the governance structure of the organisation, and therefore that came out as a high probity risk. The project was recommended to not be approved because of that. The other one was, I think, in your patch of the woods, which was up to \$100,000 to partner with the Gunnedah Urban Landcare Group for research and for the koala preservation. Again, because the candidate who had nominated it had been the council's nominated rep on the governance board of that organisation, unfortunately I had to recommend that the project not be approved because of the probity risk.

The CHAIR: You were saying before—I believe it was you saying it; tell me if I'm misremembering—that there were some people who didn't make an application because they didn't necessarily know. Was it part of your evidence that there were some people, who were contacted, who didn't know that they had been—

ALISON MORGAN: We did have one or two people we spoke to who said, "What's this about? We're not quite sure." In most cases, they then went back to other members of their board or their group or their organisation to find out who'd had conversations around this and how had they been nominated.

The CHAIR: Were there any that, after all of that, still had no idea that they had been nominated?

ALISON MORGAN: I don't think so. I think most of them were able to find someone who had understood what the process had been. I personally didn't speak with most of them; my staff did that. We ended up with a number of projects that did not proceed—76 projects did not proceed for a variety of reasons. There may have been one or two in there where an organisation either didn't want—well, all sorts of reasons that they did not want to go ahead.

The CHAIR: Given that election commitments are supposed to be public—again, one of the criteria for this program was that it had to have been an election commitment before the election—did that not raise any red flags for you, that maybe that aspect of the guidelines needed to go beyond the list that had been provided by the Premier's office?

ALISON MORGAN: The nomination process was completed by the time we were handed the program and asked to develop it. Our guidelines did not go into how they'd nominated them. The source of truth for us was the list that was provided by the Premier's office.

The CHAIR: Which, again, begs that question of why it was written like that in 3.2, then.

ALISON MORGAN: It seemed to make sense to us, and it hasn't raised an issue, that wording. We've made it clear that the list of election commitments is the one provided to us by the Government after they were elected.

The Hon. CHRIS RATH: What role throughout this entire process have the caucus liaison officers had?

ALISON MORGAN: We've spoken with a number of staff in the Premier's office over the whole time since the program started. I don't know exactly which positions they hold within the Premier's office. Some of the staff we've spoken to are no longer there. There are a lot of queries that come in around all sorts of grants programs. Some of them go to the Premier's office. Sometimes they're generally just referred to us to manage.

The Hon. MARK LATHAM: They're in your correspondence. There seems to be four caucus liaison officers. Cherie Burton is the director. There's Matthew Iemma, a very familiar—

ALISON MORGAN: He was there for a while.

The Hon. MARK LATHAM: He was there for a while.

ALISON MORGAN: Yes. There's a number of them.

The Hon. MARK LATHAM: There's Paul Mills and Scott Callow.

ALISON MORGAN: Staff move around, yes.

The Hon. SARAH MITCHELL: Some of them are who the project appears to be notified to. Paul Mills's name comes up, for instance, in relation to the Sydney electorate approvals—date notified, 26 July 2023. The organiser person notified of approval for all of those projects is Paul Mills, who I understand works in the Premier's office.

ALISON MORGAN: I understand that he was the person who was leading the process to identify who were the contact people for every one of those organisations. That's my understanding, from his name on that list.

The CHAIR: Unfortunately our time has run out. We may consider bringing you back again for a future hearing once we've heard from other witnesses. Thank you so much for your evidence. To the extent there were questions taken on notice or there are supplementary questions, the Committee secretariat will be in touch. That concludes this panel. Thank you.

(The witnesses withdrew.)

Ms SUSIE HARWOOD, Assistant Auditor-General, Performance Audit, Audit Office NSW, affirmed and examined

Ms CLAUDIA MIGOTTO, Deputy Auditor-General for New South Wales, Audit Office NSW, affirmed and examined

Mr AARON GREEN, Assistant Auditor-General, Financial Audit, Audit Office NSW, affirmed and examined

The CHAIR: I now welcome our next witnesses. You now have the opportunity to make a short opening statement, if you like.

CLAUDIA MIGOTTO: I will, thank you. Thank you for the invitation to provide evidence to this inquiry. The Auditor-General, Mr Bola Oyetunji, sends his apologies today. He is travelling back from a meeting with a regional council and unfortunately was unable to reschedule on this occasion. The Audit Office's financial and performance audits consider whether public funds are used efficiently, effectively, economically and in compliance with relevant laws. Our current and recent work programs have had a strong focus on the integrity of grants administration. I would like to take this opportunity to share some insights from key audit reports on this topic. These insights are primarily drawn from three audits on grants administration: the integrity of grant program administration, which was tabled in February 2022; bushfire recovery grants, which was tabled in 2023; and on the design and administration of the WestInvest program, which was tabled in February 2024.

The audit of the integrity of grants administration examined the administration of the \$252 million Stronger Communities Fund and the \$100 million Regional Cultural Fund. The audit of bushfire recovery grants examined the administration of rounds one and two of the Bushfire Local Economic Recovery program, which committed \$463 million to bushfire-affected areas in New South Wales and was co-funded by the Commonwealth and New South Wales governments. The audit of the design and administration of the WestInvest Program assessed the administration of \$1.6 billion of grants for community projects and \$400 million in grants for local government projects.

Common insights from these reports include the importance of clear guidance and documented processes and criteria for how assessments will be made; the need for transparent assessment processes, including clearly documenting the rationale for recommendations and decisions; the importance of managing conflicts of interest effectively; and the need to demonstrate that the delivery of funding through a grants program is the most effective use of public resources to achieve a particular objective.

I would also like to provide a quick update on other relevant audits that are underway. The Audit Office is now conducting a compliance audit on the Local Small Commitments Allocation process. This audit will assess whether it has been implemented by the New South Wales Premier's Department in line with the principles and mandatory requirements of the *Grants Administration Guide* and in line with the program's own guidelines. As the audit has recently commenced and is not complete, we will be limited in what observations we can make about the LSCA today. At this stage, I anticipate that the audit will be tabled in Parliament towards the end of this financial year.

In addition to this audit, we've also been asked by the Special Minister of State under section 27B (3) (c) of the Government Sector Audit Act to perform a recurring performance audit of emergency relief grants. The first audit will be completed in around May of this year and will assess whether the Rural Assistance Authority and the NSW Reconstruction Authority have implemented the Special Disaster Assistance program following the August and September 2022 floods, in line with the principles and mandatory requirements outlined in the *Grants Administration Guide* and in line with the program's own guidelines. We're pleased to assist with any questions you might have.

The Hon. CHRIS RATH: Thank you so much for appearing today and for the very important work that you do for the New South Wales Government. Thank you for also agreeing to my request for a compliance audit of the Local Small Commitments Allocation. I know, as you said in your opening statement, you probably can't go into all of the detail about exactly what you've found and what you're looking at yet, but we eagerly await the report when it comes out. You touched on this in your opening statement, but I was wondering if you could go into a little bit more detail about what sort of things a compliance audit will look at?

CLAUDIA MIGOTTO: We actually haven't developed a full scope for this audit. If you're asking in a general sense, the obvious framework that we have regard to for an audit of grants administration—any audit of grants administration—including from a compliance perspective, would be within the authorising environment: how was the allocation enabled for the grants administration, and were relevant delegations and appropriate instruments followed? And then, of course, the *Grants Administration Guide*—we would have regard to how the implementation and administration of grants would align with the guide.

The Hon. CHRIS RATH: Would you normally look at conflicts of interest as part of that audit process?

CLAUDIA MIGOTTO: Conflicts of interest would be a standard aspect of a compliance audit, where we're looking, again, at the controls and governance environment. The *Grants Administration Guide* also has regard to how those should be identified and managed as well.

The Hon. CHRIS RATH: Value for money, transparency—things like that as well?

CLAUDIA MIGOTTO: I don't want to step out of scope in its entirety for this particular audit today. As I mentioned, we're still at the phase where we're scoping it. I can't really give you a clear answer on whether we would have regard to things like value for money within the context of a compliance audit. But as it's an element of the *Grants Administration Guide*, we'll certainly consider it and have regard to it.

The Hon. CHRIS RATH: Why did you determine there should be a compliance audit into the Local Small Commitments Allocation, besides my very polite request that there should be one? Was there a threshold that needed to be reached to get to that point?

CLAUDIA MIGOTTO: The Audit Office is regularly making choices about the particular topics that we can and should pursue, particularly as part of our performance audit program, where we have a limited amount of funding that we can allocate to particular pieces of work. For this audit, as with other audits where we have accepted referrals from members of Parliament, we were persuaded by the arguments in your correspondence. Also, as it's a grants program, there's an inherent level of risk that applies when you're choosing to deliver a program via grants, as opposed to other mechanisms to deliver infrastructure or projects to communities as well. So I think overall we were happy to take on this topic and pursue it.

The Hon. CHRIS RATH: What are the risks with developing an eligibility criteria retrospectively by the department after the election commitments were made and before the Premier's Department was handed the program to look after?

CLAUDIA MIGOTTO: I can't really comment specifically on those risks. The main reason that I don't want to do that is because I really do not want to prejudice the objectivity of the audit that we now have underway in that space. I would anticipate that that audit might identify particular risks, and will report on those risks if they arise from a factual basis, but I don't want to hypothesise here on what they might be.

The Hon. SARAH MITCHELL: You said you're scoping that process now, but earlier in your evidence, I think you said you hope to have that finalised and tabled by the end of this financial year?

CLAUDIA MIGOTTO: Yes.

The Hon. SARAH MITCHELL: So by end of June 2025 is the time frame you're working on?

CLAUDIA MIGOTTO: Roughly, yes.

The Hon. SARAH MITCHELL: I just wanted to check.

The Hon. CHRIS RATH: Have you seen previous grants schemes where the criteria were developed after the commitments were made—that's probably a better way of asking it—rather than specifically about the Local Small Commitments?

CLAUDIA MIGOTTO: Yes, we have. The Stronger Communities fund. The \$255 million Stronger Communities fund was administered in that way. Applications or potential projects had been identified, and then a grants guideline process was developed after the initial identification process.

The Hon. CHRIS RATH: But it was a competitive process?

CLAUDIA MIGOTTO: The Stronger Communities funding was not a competitive process, no.

The Hon. CHRIS RATH: All MPs could have input.

CLAUDIA MIGOTTO: All MPs had input? With the Stronger Communities funding, I don't think all MPs had the opportunity to have input because it was directed towards councils that had experienced amalgamations. It related to State electorates that had councils that had experienced amalgamations within their boundaries.

The Hon. CHRIS RATH: I'll ask two questions, but you might not be able to answer the first one. The first one is, will you look at the cost-benefit analysis of the Local Small Commitments Allocation as part of the compliance audit?

CLAUDIA MIGOTTO: Do you mean at a project level or overall?

The Hon. CHRIS RATH: Project by project and overall. Both, I suppose, because it might be too granular to do it project by project.

CLAUDIA MIGOTTO: It may be. That may be too granular a question for me at this stage of the audit process. If I can just beg your patience, we don't actually have a full scope and an audit procedure for that. I would say that, ordinarily, if there are cost-benefit analyses that have been used for grants administration, we would generally have regard to them.

The Hon. CHRIS RATH: What oversight mechanisms have you seen as best practice to ensure that grant allocations are not influenced by political considerations?

CLAUDIA MIGOTTO: Broadly what we would be looking to see as an oversight mechanism is objectivity in the guidance and therefore in the assessment process. For example, with WestInvest and with the community competitive grants, there are around 29 individual panels that made assessments of funding for those particular grants. The main control there is independence and objectivity that can be documented as well. Another key factor, which is now reflected in the *Grants Administration Guide* as a result of some of the work that we've done in this area, is the documentation of decisions by Ministers, including where Ministers might have chosen to deviate from the recommendation of a panel. That information, or the reasons for that deviation, now need to be documented as well.

The Hon. CHRIS RATH: Was the Audit Office ever involved, or was your advice sought, on the design of the scheme?

CLAUDIA MIGOTTO: I can't say emphatically whether or not our advice was ever sought. I would have to take that on notice and check, just for completeness. I'm not aware that it was. Were it, I think that we would have given the advice that the *Grants Administration Guide* provides a robust framework to administer grants against. We are inherently conflicted if we give advice about government administration where we might be then auditing our own advice.

The Hon. SARAH MITCHELL: In your submission you talked about the integrity of grant program administration that you tabled in February 2022. The Stronger Communities fund was part of that. In here, you say it:

... lacked integrity because it lacked transparency, did not include a merit assessment process, and did not document the reasons for funding allocations.

My reading of that is that any sort of grant program, in the opinion of your office, should have a merit assessment process, reasons for funding allocation and full transparency. Is that best practice for a grant program?

CLAUDIA MIGOTTO: I think that best practice is identified in the *Grants Administration Guide*. When it comes to merit assessment, there is, within the guide and broadly, the provision for grants in a non-competitive environment to be made as well. When you're talking about merit assessment, you're not necessarily always talking about a judgement in choosing one grant proponent over another. But, broadly, what you've described are good-practice elements as described in the *Grants Administration Guide*, and we would agree with those.

The Hon. SARAH MITCHELL: So if a project is going to be nominated for a grant by the government of the day, at a very minimum there should be some sort of assessment process as to why that particular project was chosen and a documented reason for that particular funding allocation.

CLAUDIA MIGOTTO: I would agree with that as a general statement, yes.

The Hon. CHRIS RATH: Just to be clear—I think I know the answer to this—your office hasn't been given the opportunity to review any of the individual projects, nor the scheme overall, prior to the request for the compliance audit that came from me.

CLAUDIA MIGOTTO: I wouldn't agree that we hadn't been given the opportunity. We do, through our audits of financial statements, have visibility over allocations, including grant allocations. Mr Green can provide a little bit of further detail on how that looks if you would like it. Of course, through our audit process, we can requisition information that we deem is relevant to any audit that we're doing.

AARON GREEN: Within the scope of a financial audit, we obviously do audit the grant payments that have occurred. There have been some grant payments related to this particular program that were in the 24 accounts. That said, the purpose of a financial audit is very different to looking at the eligibility criteria for each grant program and the approval process. Obviously, it's a sample-based audit. We wouldn't, in this case, have looked at the details of this scheme, nor did we seek it.

The Hon. CHRIS RATH: This question probably stems from when I was liaising with the Auditor-General about the compliance audit. The Audit Office does a fantastic job in so many of the things that

you do, but I'm a little bit worried about the small grants. Maybe you can run through the threshold for an audit. It's probably not a good use of your time, for instance, where there's \$5,000 spent on printing booklets in Summer Hill or \$30,000 on a table tennis table in Burwood. It would be unfair to suggest that every time we had a concern about a single \$5,000 or \$30,000 project, I should go to the Audit Office requesting an audit of that project. You would do your own cost-benefit analysis. What is the threshold to get an audit? Is there some concern about these smaller projects that they might not be able to be audited in the same way that a major project or major department would be?

CLAUDIA MIGOTTO: I think you're right. Every dollar of government money spent matters, and the Audit Office has a mixed approach to how it selects particular pieces of work. Financial materiality is a big part of that picture in that, if billions of dollars are being spent inefficiently in one area, there's obviously a significant community impact with that inefficiency, or an opportunity cost, if you like. Financial materiality thresholds are a consideration for us, as they are in the financial audit process as well. But having said that, if the Audit Office becomes aware of issues that may be entrenched as governance risks or probity risks, then that is balanced against those financial materiality thresholds. We don't presume, when we go into these audits, that we're going to find that those risks have actually eventuated. But certainly it's enough for us to consider a deep dive into a particular area.

The CHAIR: I know you were in the room when I was asking the previous witnesses about the guidelines, and particularly section 3.2 around eligible projects. It states "all projects must" and then has five particular criteria. The top one is that all projects must "have been nominated as an election commitment prior to the March 2023 election". If that was one of the eligibility criteria, would it be standard for those administering the grants program to investigate or check that further than a list from the Premier's Department?

CLAUDIA MIGOTTO: I don't think I could tell you if it was standard or non-standard. With our audits, we don't look at every single grants program. I can't give you a sense of patterns of governance arrangements or standard practices.

The CHAIR: Would it be your expectation that that sort of eligibility criteria would be investigated for each project?

CLAUDIA MIGOTTO: It's not a common parameter. I don't think I could reasonably say that I have an expectation or otherwise around that particular requirement.

The CHAIR: It goes on about the other eligibility criteria, including that the project must have commenced after 26 March and be delivered in the New South Wales electorate for which funding was allocated. Presumably it wouldn't be acceptable, or it would seem perhaps not very rigorous, to just accept the word of the Premier's office for those aspects of the eligible project criteria as well.

CLAUDIA MIGOTTO: I might need to take that as an observation, if I can. Certainly, it's an element that we may have regard to in our piece of work.

The CHAIR: In the report that was referred to by my colleague earlier—I will just find it for you—there's a section there called risks and grants administration. This is the February 2022 report. It talks about the risk of grant programs with ministerial discretion that overrides an objective assessment process. Do you think that reliance on a document coming out of the Premier's office has overridden any objective assessment process when it comes to whether or not there was an election commitment prior to the election?

CLAUDIA MIGOTTO: As a general statement, I would agree that that's the case. We have seen similar issues with previous grants administration—again, with stronger communities. Direction was given from the then Premier's and Deputy Premier's office around which grants were to be funded. We commented through that report that, because those decisions were largely undocumented, other than describing which councils were going to receive grants, there was a gap in documentation there. If that is a helpful threshold for you in this context, you're welcome to apply it. But, again, we're still looking at this.

The CHAIR: I do understand that it's difficult to then pre-empt any findings. The question then is, when you're doing your audit, would you ordinarily then have access to those broader documents that might back up independently the idea that projects do, in fact, meet this eligibility criteria?

CLAUDIA MIGOTTO: We don't have the mandate to request information from Ministers' offices or the offices of political representatives. What we would be looking to see, if we were to be looking for evidence around how that was managed, would be on the Premier's Department side, like what documentation was actually received there. And then, if a documentation gap exists, we can comment on that as well.

The CHAIR: So it's up to us to try and find that documentation, is what it sounds like to me.

The Hon. MARK LATHAM: Thank you to the witnesses. I will start with an observation to put to you, that one of the very creative aspects of New South Wales politics in the long term has been the outsourcing by political parties of the cost of their operation. If you add up electoral funding, admin funding, the four people working for re-election in the Premier's office, the cost of this program, the cost of administering it, and different electoral and communication allowances in MLA offices, there's probably close to \$100 million in a parliamentary term that the Labor Party benefits from in public money allocated for its re-election purposes. The amount I got was \$98.7 million. Is the Audit Office aware of this long-term trend of a cost-shifting exercise from things that the Labor Party would normally pay for, if they had the money, that are now paid for by the taxpayer?

CLAUDIA MIGOTTO: That's not a trend that we have regard to through our financial and performance audits.

The Hon. MARK LATHAM: Have you ever considered the trend and thought that given the average New South Wales worker pays their taxes and works really hard to do so, they'd be completely disgusted at the idea that nearly \$100 million just goes to one political party for re-election? It must be well over \$200 million, if you're taking in all the political parties. There's obviously a major party consensus that if we can cost shift onto the taxpayer, that helps us all. Have you ever thought about an audit along those lines to put a cap on this and shine some light on it?

CLAUDIA MIGOTTO: No, we haven't. That's because, as the Audit Office of New South Wales, our role is to audit the New South Wales Government, as in government entities and local councils and universities. We don't audit the flow of money between government and political operations in the way that you've described.

The Hon. MARK LATHAM: Someone needs to. I don't know if you remember, but in Canberra there was once a unit called the NMLS, the National Media Liaison Service, which was the same sort of thing—publicly funded re-election work. The National Audit Office had a look at them, and that was the end of them because it became clear this was an unreasonable burden on the taxpayer. Are you able to look at the four staff in the Premier's office, who are the modern equivalent of these NMLS, working under the name of the Caucus Liaison Unit, which is not really for any public policy purpose, but just the re-election of the Labor Party?

CLAUDIA MIGOTTO: Without fully accepting the premise of your question, if they are staff within a government agency, then we would have the ability to look at them, as a hypothetical.

The Hon. MARK LATHAM: In the Premier's office.

CLAUDIA MIGOTTO: Sorry, I misunderstood your question.

The Hon. MARK LATHAM: You can't do that?

CLAUDIA MIGOTTO: No, we can't look at the Premier's office.

The Hon. MARK LATHAM: In your audit of this particular re-elect the Labor Party grant program, the Local Small Commitments Allocation, are you going to also have a look at what seems to be very high costs of administration? That will be part of it because it's a very political program. Only Labor Party candidates had input to it. To give it some probity and guidelines and some street credibility, they've done a huge amount of work through the public service. Will you give us a final measure on the cost effectiveness of it?

CLAUDIA MIGOTTO: No, I'm not going to commit to that today. We certainly consider costs of administration from time to time as part of our performance audits.

The Hon. MARK LATHAM: But you'll look at cost of administration—all the different probity and guidelines and extraordinary amount of paperwork toing and froing to try and establish what the grants even were seat by seat. You will look at admin costs and audit those?

CLAUDIA MIGOTTO: I am not going to commit to that because, as I've explained a couple of times already, we haven't yet fully scoped this particular piece of work. It is generally focused around the compliance of the program with the *Grants Administration Guide*. The costs of administration don't fall squarely within that. But again, at this point in time, we're open to sources of input about what would be a good idea for us to look at.

The Hon. MARK LATHAM: My input would be that given that the program was solely designed to win votes, it would be much more cost effective if it was legal to stand on a couple of dozen street corners and just throw the money in the air and let people know that this is the Labor Party making that cash donation to you. I think the admin costs need to be looked at in terms of cost effectiveness because it's all just about politics.

CLAUDIA MIGOTTO: We can certainly take your point away as a point of consideration.

The Hon. MARK LATHAM: You can, and compare it to throwing the money in the air on the street corner? That'll be a very colourful and useful report, for which I thank you.

The CHAIR: Would it ordinarily be part of the scope of an audit like this to look into the costs—not just the efficiency of where the money is going, but those back office costs?

The Hon. MARK LATHAM: Yes, the extraordinary cost to try to make it look half credible.

CLAUDIA MIGOTTO: In terms of "ordinarily", in some of the past audits that I've described to you today, we haven't looked necessarily at back office costs because the materiality of those costs as compared with the total cost funding pool for the grants program is quite low by comparison. But I'm certainly happy to take the points away from today around whether there is an efficiency consideration that could be looked at for this audit, and we'll absolutely consider that as part of our scoping process.

The Hon. MARK BUTTIGIEG: In terms of a MP's responsibility to report to the AG if they have a concern, is it an expectation of the Audit Office that if an MP has a concern over probity, proper process, transparency or, dare I say, corruption, they would report it to the Auditor-General's office?

CLAUDIA MIGOTTO: That is not a standing expectation or requirement of the Auditor-General's office. It's certainly helpful at any time if any member of Parliament wants to bring a concern to our attention. But the ICAC would be the primary agency responsible for receiving reports of concerns, particularly around corruption and probity.

The Hon. MARK BUTTIGIEG: In terms of efficacy and the proper process, would it be unusual for an MP to make a referral?

CLAUDIA MIGOTTO: To the Audit Office?

The Hon. MARK BUTTIGIEG: Yes.

CLAUDIA MIGOTTO: No, it's not unusual at all. We regularly receive referrals from MPs with concerns around governance and the management of government programs.

The Hon. MARK BUTTIGIEG: This morning in evidence we heard from Mr Williams, who had quite a number of issues with the program in terms of its transparency and efficacy. He basically called it a rort. Have you heard from Mr Williams in terms of a referral?

CLAUDIA MIGOTTO: I don't believe that we have heard from Mr Williams for a referral. Again, I would say that it would not necessarily be our expectation. It's more if MPs would like to give us some helpful information or make a referral.

The Hon. MARK BUTTIGIEG: But it does happen fairly frequently?

CLAUDIA MIGOTTO: It does happen regularly, yes.

The Hon. MARK BUTTIGIEG: I would like to hear the Audit Office's view of this particular program compared historically to some of the things we've seen in terms of the Stronger Communities Fund, which was touched on earlier. I suppose the emblematic example is the \$90 million that turned up in Hornsby council's account during the last election cycle. In terms of your view of how this particular grant program is being carried out—we had \$400,000 per electorate across all electorates, compared to the skewed approach which occurred under the previous Government—I want to understand the Audit Office's initial view of this process compared to what happened previously. I know you've done a lot of work on how grants were administered previously.

The Hon. CHRIS RATH: Point of order: I think that's a fair question, but this isn't an inquiry into previous schemes by the previous Government. I want to be absolutely clear that it is an inquiry into the integrity, efficacy and value for money of the Local Small Commitments Allocation process. It's a fair question about if the Audit Office has looked into the Local Small Commitments Allocation process vis-a-vis other processes, but it should not be a line of questioning into previous schemes. I don't think that would be appropriate, given the terms of reference.

The Hon. PETER PRIMROSE: To the point of order: I would argue that given that term of reference No. 1 (d) refers to "any other related matter", in this case it is an issue that has been raised by members. They've been very keen to look at whether or not there are precedents for this and have asked about that. How can you ask about precedents and consider whether a particular program has propriety or not without looking at those other programs?

The Hon. CHRIS RATH: Further to the point of order: Yes and, as I said, I think it is fair to make a comparison between the Local Small Commitments Allocation and other potential schemes. But I'm just putting it out there that it's not appropriate or within the terms of reference to start going down an examination of other schemes—

The CHAIR: I think I've heard enough.

The Hon. PETER PRIMROSE: I am very grateful that Mr Rath raised this, because I hadn't thought of the connection. But he raised it. I think that's appropriate. We may even need to consider talking with people who were involved in that program.

The CHAIR: I have heard enough. We're now going into commentary. There's no current point of order. I think we all understand what was raised but, at the end of the day, this is the Public Accountability and Works Committee. That goes beyond the current Government. I am happy with the line of questioning as it is.

CLAUDIA MIGOTTO: Sorry, could I have the question again or could I have a reframe of it?

The Hon. MARK BUTTIGIEG: I suppose the notorious emblematic example was the \$90 million which turned up in the Hornsby council account under the auspices of the Stronger Communities grants program. It received a lot of media, a lot of attention. To be frank, the Government's view is that we went out of our way to make sure that those things wouldn't happen again. I just want to get the Audit Office's view of the probity, transparency, accountability around this particular program in the context of previous programs like the Stronger Communities Fund.

CLAUDIA MIGOTTO: With apologies for having made you reiterate that question, I think my answer will be, again, that that is a view that we'll come to absolutely at the end of this compliance audit that we're currently conducting. If I were to share an observation with you now on that, it would not be based on the objective facts that we've gathered because we're yet to gather those.

The Hon. MARK BUTTIGIEG: Do you have an initial view on the basic threshold parameter of this particular program, whereby every single electorate was allocated \$400,000, which we all know from previous iterations of grant programs, particularly that one—I pointed out the Stronger Communities grants program and the bushfire program. That skewing has been obviated by the fact that the \$400,000 has been distributed right across the State evenly.

CLAUDIA MIGOTTO: That is certainly something that we will have regard to. Our basic thresholds for the piece of work that we're going to do are set within the *Grants Administration Guide* and those are the thresholds we'll have regard to.

The CHAIR: Thank you so much for your time. I'm sure that the Auditor-General has been watching or will hear about it and will be very pleased with the responses. To the extent that there were questions taken on notice or supplementary questions, the Committee secretariat will be in touch. That concludes our hearing for today.

(The witnesses withdrew.)

The Committee adjourned at 15:45.