

**Submission
No 8**

**FOLLOW UP OF THE AUDITOR-GENERAL'S
PERFORMANCE AUDITS SEPTEMBER 2012 -
MARCH 2013**

Organisation: Department of Planning and Environment
Name: Ms Carolyn McNally
Position: Acting Secretary
Date Received: 30/05/2014



Office of the Secretary

Mr Jonathon O'Dea
Chair
Public Accounts Committee
Legislative Assembly
Parliament of New South Wales
Macquarie Street
SYDNEY NSW 2000

Dear Mr O'Dea

I refer to your letter concerning Auditor General's Performance Audit Report No 255 "Monitoring Local Government".

Please find attached a submission and the completed pro-forma for reporting the Office of Local Government's response to the specific recommendations contained in the report.

Should you have any further enquiries about this matter, I have arranged for Mr Graeme Gibbs of the Office of Local Government to assist. Mr Gibbs can be contacted on [REDACTED]

Yours sincerely

[REDACTED]

Carolyn McNally
Acting Secretary

30.5.14

SUBMISSION

AUDITOR-GENERAL'S PERFORMANCE AUDIT REPORT no. 225

"MONITORING LOCAL GOVERNMENT"

The "Monitoring Local Government" report contained eight recommendations which were all accepted by the Division of Local Government, now Office of Local Government.

The Performance Audit was a valuable exercise which identified a number of areas that required strengthening. Since the Audit was completed:

- 1) The Local Government Amendment (Early Intervention) Act 2013 was passed in June 2013. This Act amended the Local Government Act 1993 to enable the Minister to issue a council with a performance improvement order. It also enables the Minister to suspend a council for up to three months with an option to extend this for a further three months if required.
- 2) The Office of Local Government publication "*Comparative Information on NSW Local Government*" has been completely revised. The new look publication now provides a whole of sector report along with individual reports for each council. The report provides information in a more accessible way.
- 3) In January 2014 the Office released its "*Improvement and Intervention Framework*" on the website. The Framework is to assist NSW councils to meet good practice and ensure they comply with relevant legislation and standards and provides a diagnostic tool to guide the Office of Local Government in identifying appropriate Improvement and Intervention strategies in relation to NSW councils.

There are two significant projects currently underway:

Firstly a new Financial Sustainability Program will set out a framework to deliver a series of projects over the short and medium term to improve the sustainability of NSW councils. The Program will have a particular focus on developing the capacity of councils to effectively plan for and deliver services to their local communities. The program is being developed in consultation with a number of local government stakeholders.

Secondly the Office is developing a suite of performance indicators covering the areas of finance; asset management; governance; and service delivery. The Office is working with local government stakeholders in developing these. The new performance measures will eventually form part of the "*Comparative*" publication.

At the time the audit was conducted the NSW Independent Local Government Review Panel and the Local Government Acts Taskforce were underway. The Panel and the Taskforce have now concluded their work and their respective reports were released for public comment in early January 2014. These reports are available on the Office website www.dlg.nsw.gov.au .

The Government is currently considering its response to the Panel and Taskforce reports. Both reports include a number of recommendations which complement the recommendations made in the Monitoring Local Government Report. To some extent, some timeframes in the Performance Audit Report recommendations have not been met because of the need to take the Panel and Taskforce outcomes into account.

Subject to the Government's decision, a number of the Panel recommendations could require amendments to the Local Government Act. These changes would be considered as part of a new Local Government Act.

A number of the "Monitoring Local Government" report recommendations involve amendments to the Local Government Act 1993. Rather than amend the existing Act it is proposed that these amendments will also be considered as part of a new Local Government Act. It is expected that this work will be finalised during 2015/16.

Attached is the completed pro-forma for reporting the Office of Local Government's response to the specific recommendations.

IMPLEMENTATION OF RECOMMENDATIONS

AGENCY: OFFICE OF LOCAL GOVERNMENT (OLG)

AUDIT: MONITORING LOCAL GOVERNMENT

RECOMMENDATION	ACCEPTED /REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS and COMMENT
1 By September 2013 the Division of Local Government should propose amendments to the Local Government Act 1993, or consider other initiatives, that clarify who monitors councils to ensure compliance with the Act	ACCEPTED	To be considered as part of the review of the Local Government Act.	2015/16	The final reports of the Independent Local Government Review Panel and the Local Government Acts Taskforce have been released for public comment. Both reports envisage the need for legislative change. The Reports are currently being considered by the Government.
2 By September 2013 the Division of Local Government should propose amendments to the Local Government Act 1993, or consider other initiatives, that strengthen public reporting on the financial viability of councils and the efficiency and effectiveness of council performance.	ACCEPTED	2(a) Treasury Corporation (TCorp) financial assessments for all councils have been finalised and available on OLG website. 2(b) OLG is developing a new suite of performance indicators to provide a balanced picture of council performance.	Complete 2014/15	The Indicators are being developed in consultation with the sector, NSW agencies and other experts.

			<p>The new indicators will cover the areas of financial performance, asset management, community leadership and service delivery.</p> <p>The indicators will be incorporated in a new "Your Council" publication.</p> <p>2(c) Amendments to be considered as part of a new Local Government Act.</p>	<p>2015/16</p>	<p>The measures will be tested with a pilot group of councils.</p> <p>The final report of the Independent Local Government Review Panel recommends that the NSW Auditor-General takes responsibility for local government audits. The Government is currently considering the report.</p>
3	<p>By September 2013 the Division of Local Government should propose amendments to the Local Government Act 1993, or consider other initiatives, that empower DLG to make directions such as requiring councils to have an Audit and Risk Committee, an internal audit function and fraud control procedures.</p>	ACCEPTED	<p>To be considered in the proposed new Local Government Act.</p>	2015/16	<p>The Independent Local Government Review Panel Report (Rec 22) recommends strengthening requirements for internal auditing. The Government is currently considering the report.</p>
4	<p>By September 2013 the Division of Local Government should propose amendments to the Local Government Act 1993, or consider other initiatives, that include a suite of penalties for non-</p>	ACCEPTED	<p>New early intervention powers contained in the Local Government Act commenced on 25 June 2013.</p>	Complete	<p>The provisions include ministerial power to issue a performance improvement order and power to suspend</p>

	compliance with legislative requirements and DLG directives.				councillors and appoint an interim Administrator.
5	The Division of Local Government complete its work to establish a risk-based framework for assessing council performance and determining how to respond to performance issues by February 2013.	ACCEPTED	The Office's Improvement & Intervention Framework has been developed and is available on the Office's website: www.olg.nsw.gov.au	Complete	
6	The Division of Local Government complete its work to establish improved measures to identify councils at financial risk by July 2013.	ACCEPTED	6 The OLG Financial Risk matrix will be reviewed and made available on its website. This work will follow finalisation of: <ul style="list-style-type: none"> a) The Performance Measurement Framework, which is scheduled to be completed by June 2015 b) a new Financial Sustainability Program. This Program aims to utilise current resources in a more efficient and effective way to improve the sustainability of the local government sector. 	June 2015	The Financial Sustainability Program is being developed in consultation with local government stakeholders. Roll-out of the Program is subject to the Government's consideration of the Panel and Taskforce Reports.
7	The Division of Local Government complete its work to establish non-	ACCEPTED	Performance Measurement Framework is currently in	June 2015	The indicators are being developed in consultation

	<p>financial performance indicators for councils so it can monitor how well they are delivering services by July 2013.</p>		<p>development. It will be a suite of performance indicators for the following areas:</p> <ul style="list-style-type: none"> o Community Leadership o Financial Performance o Asset Management o Service Delivery 		<p>with the Local Government sector and other stakeholders. Next steps will include piloting the measures and considering legislative change. The indicators will be published in "Your Council" which will take the place of the Comparative Information publication (see 2c above).</p>
8	<p>The Division of Local Government complete its work to establish systems to better use the data it has to identify sector wide trends and risks by July 2013.</p>	ACCEPTED	<p>The Comparative Information publication has been overhauled and a new publication produced for the 2011/12 period that makes better use of existing data. This publication will continue to be refined and improved.</p>	Complete	<p>An internal group has been established to share information, identify trends and consider improvement and intervention for individual councils. This group considers intervention options under the Improvement and Intervention Framework. The Group's work is informed by complaints data and media monitoring.</p>