

**EXAMINATION OF AUDITOR-GENERAL'S PERFORMANCE AUDIT  
REPORTS FEBRUARY 2018 - JULY 2018**

**Organisation:** Office of Local Government NSW

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## Office of Local Government

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Mr G Piper MP  
Temporary Speaker  
Chair  
Legislative Assembly Public Accounts Committee

PublicAccountsCommittee.PAC@parliament.nsw.gov.au

Dear Mr Piper

Thank you for your letters of 28 June 2019 to the Secretary of the Department of Planning, Industry and Environment, requesting a submission outlining the Department's response to the Auditor-General's performance audit reports: *Fraud Controls in Local Councils* (22 June 2018), *Shared Services in Local Government* (21 June 2018) and *Council Reporting on Service Delivery* (1 February 2018).

The Secretary has asked me to respond on his behalf, as they fall within my responsibilities regarding the Office of Local Government (OLG).

The performance reports were welcomed by OLG, and provided valuable guidance about how to strengthen the local government sector in NSW, and will help councils to efficiently respond to the needs of the community. For your convenience, I have enclosed copies of my correspondence to the Auditor-General, responding to each report soon after its release.

Since receiving the Auditor-General's reports in 2018, considerable progress has been made in implementing the recommendations. I have enclosed a report on progress against each report's recommendations in the format you provided, and would like to take this opportunity to summarise progress against the substance of each report.

### **Fraud Controls in Local Councils**

OLG has issued advice to councils, informing them that they must adopt an internal policy for managing public interest disclosures, and referring them to the model internal reporting policy for councils on the NSW Ombudsman's website.

Further, as part of OLG's continuing collaboration with other relevant agencies, we have enhanced our recording systems by refining key word attribution to records metadata, and exchanged key words with both the Independent Commission Against Corruption and the NSW Ombudsman. OLG maintains ongoing relationships with both ICAC and the NSW Ombudsman as part of a continuous improvement approach to information sharing and maintaining a best-practice approach in record keeping. Information sharing with these agencies is guided by memoranda of understanding to ensure that any data exchanges are appropriate within the relevant legislative frameworks.





As with any government organisations, councils should ensure that they remain vigilant in detecting and managing fraud. In 2018, OLG established a Council Engagement Team that works with senior managers in councils to identify emerging issues, ensure that councils are aware of their responsibilities and promote best practice in council governance.

#### **Shared Services in Local Government**

In 2018 the Government established a new Joint Organisation model that provided a framework for rural and regional councils to collaborate, which they can choose to use to realise the benefits available from shared services. The 13 Joint Organisations, established under the *Local Government Act 1993*, also provide a coordinated avenue for engaging with OLG and other government agencies, while complementing the work of OLG's Council Engagement Team (which also provides support for regular meetings between the Joint Organisations, to facilitate the identification and discussion of mutually significant issues).

#### **Council Reporting on Service Delivery**

To provide further guidance on best practice on council reporting, substantial work has been undertaken on updating the Integrated Planning and Reporting Guidelines (IP&R), which links the development of each council's Community Strategic Plan with resource planning, community consultation and other council strategic plans to ensure a cohesive approach to council management.

A revised delivery date of October 2019 has been targeted, to ensure that the release of the Guidelines is aligned with the established IP&R preparation timelines, and was decided following consultation with the local government sector.

OLG has reactivated the development of a Performance Measurement Framework with the sector, which will include a comprehensive measurement and reporting framework, complemented by the release of a new, community-focused website that includes council performance data. This will enhance transparency and assist all stakeholders in understanding council performance.

Progress has also been made in implementing other recommendations, including assisting with the development of councils' reporting capabilities by providing guidance on annual reporting, conducting workshops on financial reporting, establishing support and guidance to Joint Organisations and working with individual councils to improve their reporting performance.

I note that in your correspondence you requested feedback on the audit process and suggestions for any improvement. It is OLG's view that the performance reports were each useful for OLG and the local government sector, and undertaken in a professional manner. OLG has a constructive relationship with the Auditor-General and her office, and I look forward to our continuing cooperation to support high standards of governance and performance in councils across NSW.

Thank you for the opportunity to report to the Committee on our implementation of the recommendations in the Auditor-General's performance reports.

Yours sincerely



**Tim Hurst**  
Deputy Secretary  
Local Government, Planning and Policy

16/8/19

## IMPLEMENTATION OF RECOMMENDATIONS

Department of Planning, Industry and Environment

Performance Audit – Council reporting on Service Delivery

	RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
1	Issue additional guidance on good practice in council reporting, with specific information on: <ul style="list-style-type: none"> <li>a. reporting on performance against targets</li> <li>b. reporting on performance against outcomes</li> <li>c. assessing and reporting on efficiency and cost effectiveness</li> <li>d. reporting performance over time</li> <li>e. clearer integration of all reports and plans that are required by the Framework, particularly the role of End of Term Reporting</li> <li>f. defining reporting terms to encourage consistency.</li> </ul>	Accepted	It is proposed to include addressing these recommendations in the coming update of the integrated planning and reporting (IP&R) guidelines.	Mid-2018	<p>Delayed.</p> <p>Work on the Guidelines and supporting guidance material is continuing. Preliminary work has been completed including the relevant material as necessary.</p> <p>The Office of Local Government is looking to release the Guidelines to align with Council IP&amp;R preparation timelines.</p> <p>The change in timeframes and further work comes from a reconsideration of how we approach providing support and guidance to councils in relation to IP&amp;R following sector feedback and consultation.</p>	Policy and Sector Development
2	Commence work to consolidate the information reported by individual councils to NSW Government agencies as part of their compliance requirements.	Accepted	The NSW Government has established a dedicated Council Engagement Team to improve interactions between the State government and councils.	Mid-2018	<p>Completed</p> <p>OLG has significantly reduced the reporting obligations upon local councils within their annual financial statements, on the water and sewer businesses. This will have the benefit of reducing the reporting burden upon councils as well as reducing their compliance costs. A range of other disclosures within financial statements have been removed reducing the compliance burden and cost of Audit.</p>	Policy and Sector Development

	RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
					<p>Complementary to this, the NSW Government also recently released for public consultation the IPART Final Report on its Review of Reporting and Compliance Burdens upon Local Government. Preparation of a final response will occur following the conclusion of the consultation process.</p> <p>Liaison with councils is an ongoing process that will, amongst other things, continue to identify opportunities to streamline reporting and positive engagement between the State Government and local government.</p>	
3	Progress work on the development of a Performance Measurement Framework, and associated performance indicators, that can be used by councils and the NSW Government in sector-wide performance reporting.	Accepted	Work began on the development of a performance measurement framework during 2013 and 2014. The project was placed on hold while other local government reforms were being pursued. The NSW Government has previously committed to the development of a performance measurement framework for NSW councils and provision for such a framework has been made in previous amendments to the Local Government Act 1993.	2019	<p>Delayed.</p> <p>The aim of the project is to deliver a comprehensive performance measurement framework for the local government sector. Development was delayed due to the priority given to other local government reforms.</p> <p>OLG will soon release the 'Your Council' Website, which will provide a new community focused website showing individual council performance. This will assist with engagement with councils and the community on key measures.</p>	Policy and Sector Development
4	Assist rural councils to develop their reporting capability.	Accepted	OLG issued an Annual Report Checklist to assist councils compile data for the 2018 Annual Report. This will be	Mid-2018	<p>Completed</p> <p>In 2017-18 The Office of Local Government delivered financial reporting workshops across metropolitan and rural</p>	Policy and Sector Development

	RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
			<p>prepared and issued again for the 2019 Annual Report.</p> <p>OLG is also currently working with the Administrator at Central Darling Shire Council to assist Council with prioritising and meeting reporting requirements.</p> <p>OLG is holding workshops in rural and regional areas in NSW to assist councils implement new Australian Accounting Standards required to be implemented in financial statements that form part of their annual reports.</p>		<p>NSW to assist councils with their financial reporting obligations. This was also delivered as a webinar to assist those councils.</p> <p>This was followed by 17 financial reporting workshops across NSW to assist councils with the implementation of the new Accounting Standards, in 2018-19. Most councils in NSW sent one or more staff to the relevant sessions. OLG has also prepared a range of support materials available on the OLG website to assist councils with this task. Preparation of further materials is continuing.</p> <p>OLG has also prepared tailored guidance for the preparation of financial statements for Joint Organisations, which only are in place in rural and regional NSW. These statements are modified financial statements under the relevant Accounting Standards and have a reduced reporting burden given the role and status of Joint Organisations.</p> <p>OLG issues an annual Calendar of Compliance and Reporting obligations to assist councils in managing their reporting cycle and timeframes.</p> <p>The relevant teams within OLG also provide ongoing support to a range of local councils to assist with their reporting obligations.</p>	

