

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

Organisation: Department of Planning, Industry and Environment

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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 – Fraud Controls in Local Councils

	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	Work with councils to ensure they comply with the <i>Public Interest Disclosure Act 1994</i>	Accepted	Circular issued to councils advising councils of the requirement to adopt an internal reporting policy for the management of public interest disclosures and providing a link to the model internal reporting policy for councils on the NSW Ombudsman's website.	April 2019	Completed	Policy and Sector Development
2	<p>Work with State entities and councils to develop a common approach to how fraud complaints and incidences are defined and categorised so that they can:</p> <ul style="list-style-type: none"> • better use data to provide a clearer picture of the level of fraud within councils • measure the effectiveness of, and drive improvement in councils' fraud control systems. 	Accepted	<p>OLG has included a fraud keyword in its metadata so that fraud complaints can be categorised and searched for. OLG's keywords have been provided to ICAC and the NSW Ombudsman. Those agencies are currently considering a review of their categorisation of complaints to ensure there is some consistency between the agencies. ICAC already has fraud identified, and NSW Ombudsman is reviewing to provide a number of keywords that will be consistent.</p> <p>OLG will continue to work with other investigative agencies, and information sharing within them is guided by memoranda</p>	April 2019	<p>Completed</p> <p>Following the Audit Office's sector-wide performance audit of fraud controls in councils, OLG issued a circular asking councils to review their fraud controls and assess their efficacy against the Audit Office's Fraud Control Improvement Kit. This kit contains a common set of fraud categories.</p> <p>There are many categories of fraud and one simple definition does not suffice to capture the extent of what constitutes fraud. These are set out in the Fraud Control Implementation Kit.</p>	Sector Performance and Intervention

	RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
			of understanding to ensure that any data exchanges are appropriate			