

**Submission  
No 115**

## **INQUIRY INTO ABILITY OF LOCAL GOVERNMENTS TO FUND INFRASTRUCTURE AND SERVICES**

**Organisation:** Audit Office of New South Wales

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Ms Emily Suvaal  
Chair  
Standing Committee on State Development  
Parliament House, Macquarie Street  
SYDNEY NSW 2000

Contact: Bola Oyetunji

16 May 2024

Dear Ms Suvaal

### **Inquiry into the ability of local governments to fund infrastructure and services**

Thank you for the opportunity to make a submission to the Standing Committee on State Development – Inquiry into the ability of local governments to fund infrastructure and services.

By way of background, the Audit Office of NSW conducts financial and performance audits of the NSW Government, local government and universities sectors. Our financial audits provide independent opinions on the financial statements of NSW councils. Our opinions provide assurance about whether their financial statements comply with accounting standards and relevant laws, regulations and government directions.

Our performance audits examine the effectiveness, efficiency and economy of selected activities and areas of service delivery.

The Auditor-General is not entitled to question the merits of government policy decisions<sup>1</sup>, including policy decisions that relate to funding levels to the local government sector. For example, the Audit Office cannot comment on the merits or otherwise of a council's decision to apply for a special rate variation nor the efficacy of the rate peg.

I wish to draw your attention to the recommendations of our past performance audits that may be relevant to the Inquiry's terms of reference. While these reports included specific councils as auditees, their findings have relevance across the local government sector.

Our report on [Financial Management and Governance in MidCoast Council](#) assessed whether MidCoast Council had effective financial management arrangements that supported councillors and management to fulfill their financial stewardship responsibilities.

We recommended that MidCoast Council ensure its long-term financial plan meets legislative and policy requirements by ensuring it complies with guidance from the Office of Local Government. We also recommended that the plan is regularly updated, and in doing this, the Council monitors and addresses changes in the external environment that would impact on the Council's financial sustainability. We recommended that the Council obtain a complete understanding of the net cost of services and improve the quality of asset management information to inform decisions on budget and financial planning.

Our report on [Governance and Internal Controls for Local Infrastructure Contributions](#) assessed the effectiveness of governance and internal controls over Local Infrastructure Contributions (LICs) collected by four councils during the 2017-18 and 2018-19 financial years.

The report found that Local Infrastructure Contributions were spent in accordance with plans in three out of four councils. The audit found that monitoring and reporting on LIC cash flow was insufficient in all councils and that not all councils reviewed their contributions plans that outline how LICs will be

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<sup>1</sup> *Government Sector Audit Act 1983*, Section 27B(6): 'Nothing in this Act entitles the Auditor-General to question the merits of policy objectives of the Government...'

spent across different types of infrastructure within the suggested timeframe. Not all audited councils' controls adequately addressed risks that can arise in the administration of LICs. We made recommendations to each of the councils involved in the audit to address the gaps identified.

[Our report on Domestic Waste Management in Fairfield Council and Campbelltown City Council](#) assessed how effectively and economically these two councils were managing domestic kerbside waste collection, transportation and processing. Among other things, the audit examined whether councils have effective and economical arrangements to collect, transport and process domestic kerbside waste to maximise recycling rates and minimise costs, and whether councils were increasing the domestic kerbside recycling rates and meeting their targets. Our recommendations included that the councils should obtain more information on the costs of other viable options for waste collection, transportation, processing, and disposal, in order to determine if there is a need to change existing arrangements.

Thank you once again for the invitation to make a submission to the Committee's inquiry.

Yours sincerely

Bola Oyetunji  
Auditor-General for New South Wales