



LOCAL GOVERNMENT ASSURANCE ONLINE FORUM

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Making the most of Performance Audits

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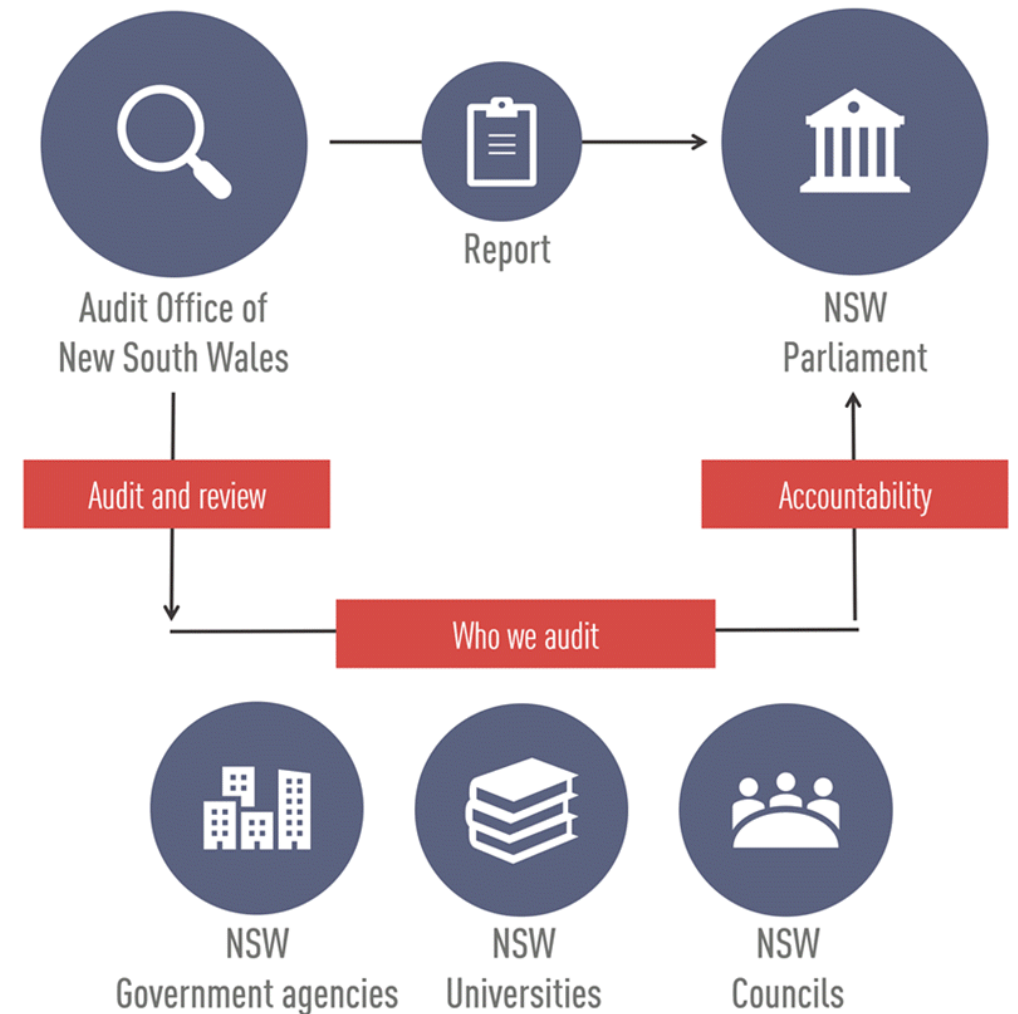
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Performance audit overview

What are performance audits?

- Assess efficiency, effectiveness and economy of all or part of a government entity or specific program
- Also examine compliance with relevant laws and regulations
- Aim to transparently report government performance, identify opportunities for improvements and provide recommendations
- Reports are tabled in Parliament and made publicly available
- Public Accounts Committee reviews outcomes from audits after 12 months
- Each year the Audit Office seeks input from stakeholders on entities and topics to form the performance audit program
- Auditor-General has mandate to choose entities and topics for review, and to access information required



We have published 8 performance audits in the local government sector

Year	Number of reports	Coverage	Topics
2017-18	3	<ul style="list-style-type: none">• Desktop analysis of 105 council annual reports• Survey covering 150 local councils	<ul style="list-style-type: none">• Council reporting on service delivery• Shared Services in Local Government• Fraud Control in Local Government
2018-19	3	7 local councils	<ul style="list-style-type: none">• Workforce reform in three amalgamated councils• Domestic Waste Management• Development Assessment – pre-lodgement and lodgement
2019-20	2	10 local councils	<ul style="list-style-type: none">• Governance and internal controls over local infrastructure contributions• Credit management in local government



Insights from performance audits

Common findings from our local government performance audits

Lack of clarity in strategic purpose or direction, targets and desired outcomes for service delivery

- Domestic Waste Management
- Development Assessment: pre-lodgement and lodgement

Lack of transparency in demonstrating the records, evidence base and assumptions underpinning decision making

- Council reporting on service delivery
- Governance and internal controls over local infrastructure contributions

Gaps in governance for critical business processes, risk management practices, and compliance with laws and regulations

- Fraud control in local government
- Development Assessment: pre-lodgement and lodgement
- Credit card management in local government
- Governance and internal controls over local infrastructure contributions
- Shared services in local government

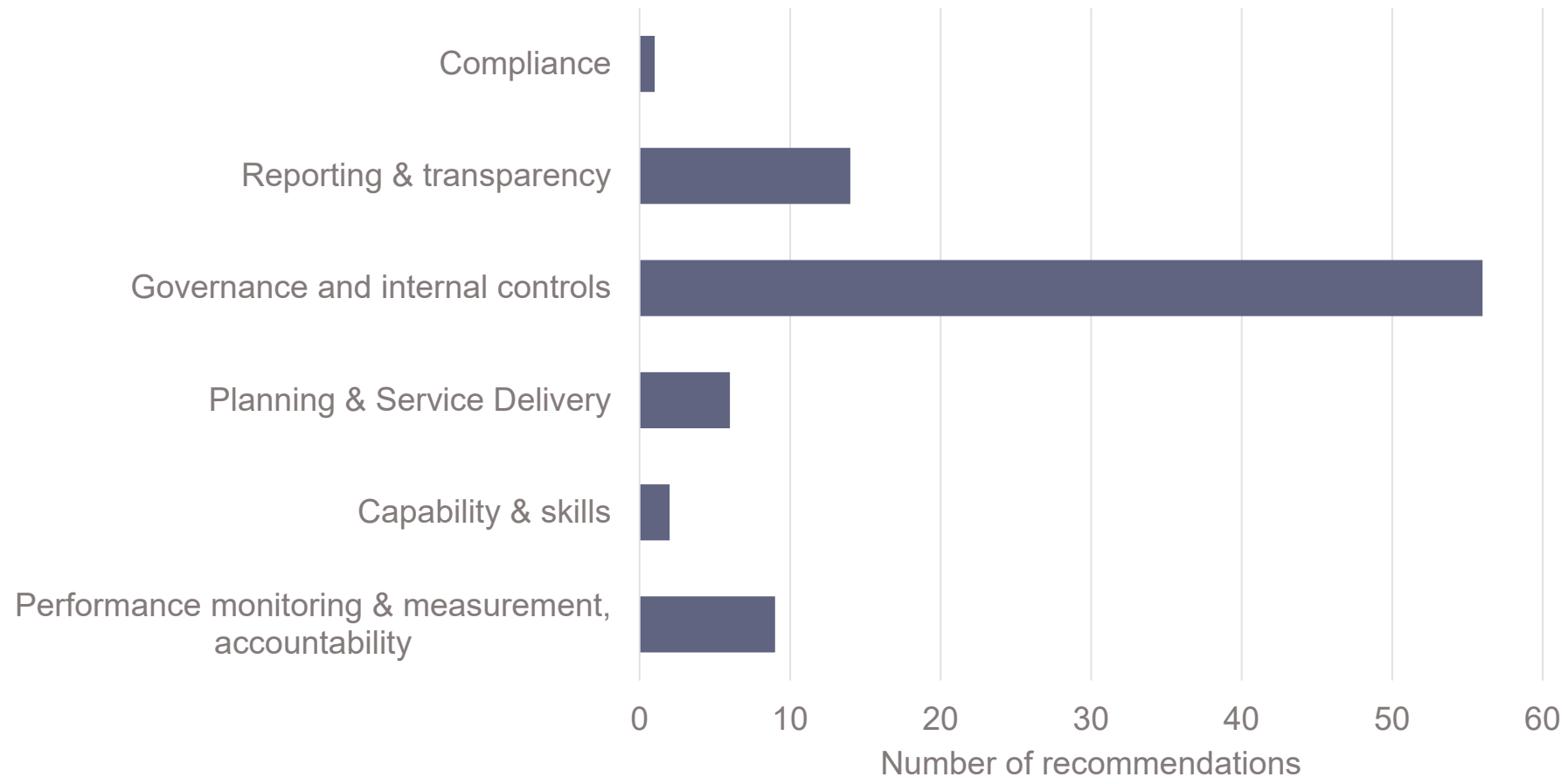
Need to strengthen focus on performance measurement and continuous improvement

- Council reporting on service delivery
- Workforce reform in three amalgamated councils



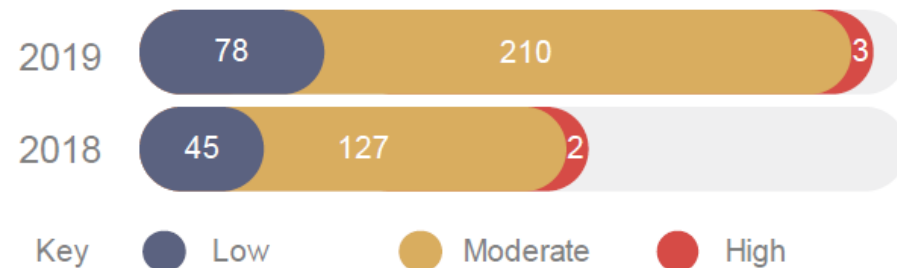
Performance audit recommendations: 2018-2020

Type of recommendations - sector and individual councils



Some similar issues are evident in financial audits

“Our audit identified 291 issues related to corporate governance (2017-18: 174 issues)”

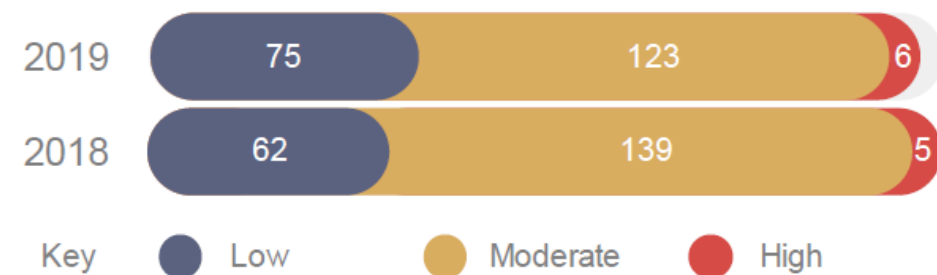


Source: Interim and final management letters for 30 June 2019 and 30 June 2018 audits.

38% of councils have a legislative compliance policy (2017-18: 34%)

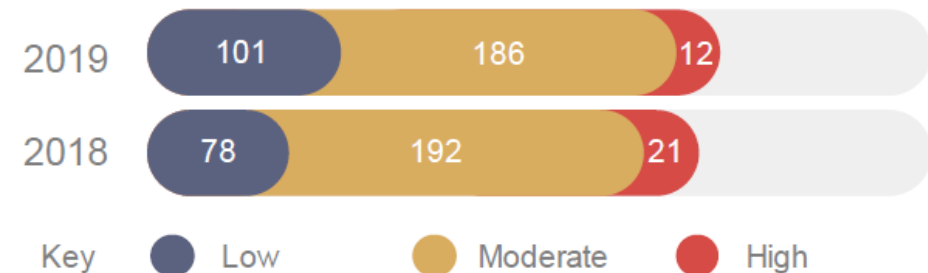
41% of councils have a legislative compliance register (2017-18: 36%)

“Our audit identified 204 issues related to purchasing processes (2017-18: 206 issues)”



Source: Interim and final management letters for 30 June 2019 and 30 June 2018 audits.

“Our audit identified 299 issues related to asset management (2017-18: 291 issues)”



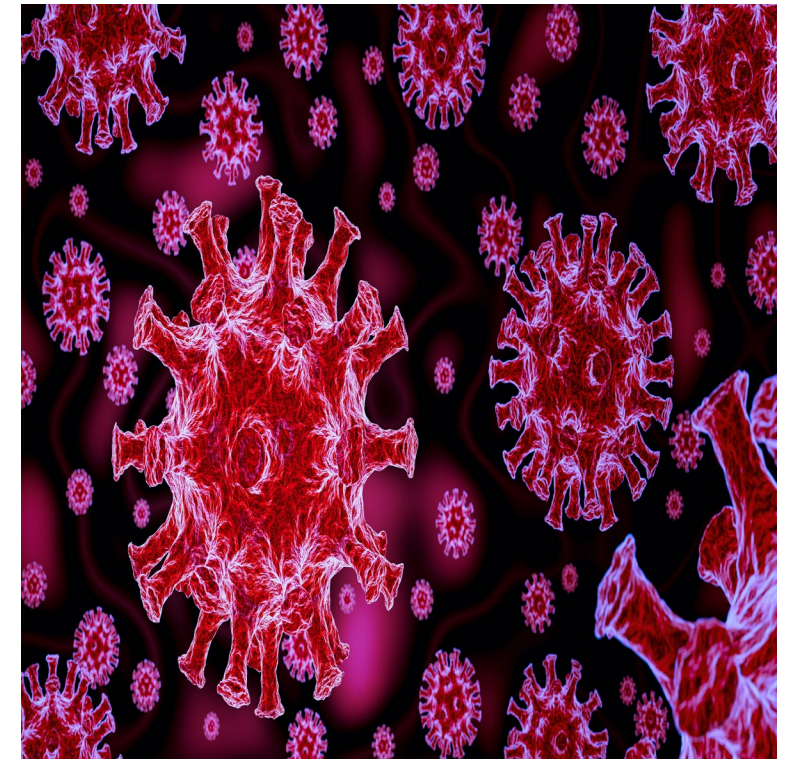
Source: Interim and final management letters for 30 June 2019 and 30 June 2018 audits.



Future approach to performance audits in councils

Annual Work Program 2020-21

Annual work program released on 24 July 2020



Annual Work Program 2020–21 and beyond

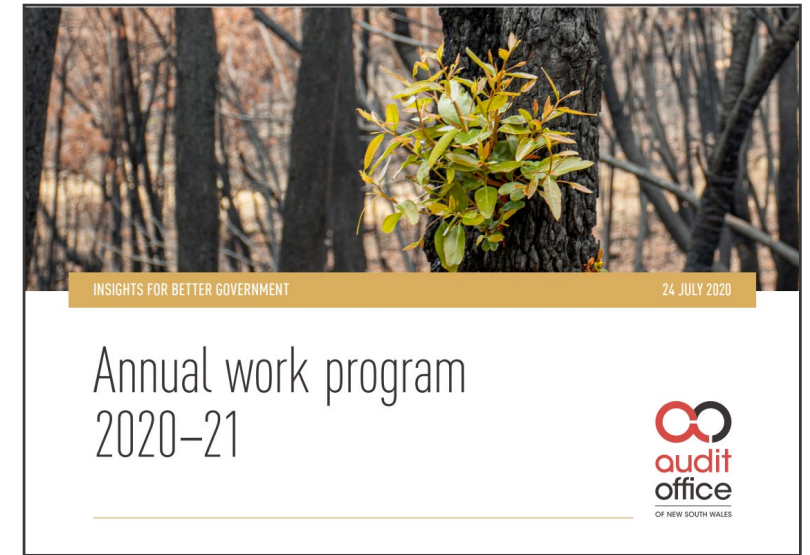
Planned Performance Audits – Local Government

2020-21

- Business continuity and disaster recovery planning
- Council annual charges
- Co-ordination of agencies in precinct planning

2021-22 to 2022-23

- Cybersecurity
- City Deals
- Road asset maintenance
- Development assessment process in local councils



Our approach to future performance audits

- What we have learnt from three years of local government performance audits
 - significant differences between metropolitan and rural/regional councils
 - lack of centralised guidance on good business and financial management practices
 - main performance gaps relate to governance and internal control issues
- We have a strong desire to:
 - more effectively engage with the local government sector
 - improve information sharing with the local government sector
 - assist the local government sector in lifting the economy, efficiency and effectiveness of operations.
- Options include:
 - use performance audits to delve deeper into known or suspected problems at specific councils based on insights from financial audits and other sources of information
 - identify material sector-wide themes and test them at specific councils.



Performance audit and internal audit

- Performance audits and internal audits have a different focus, but there are areas where they can complement each other:
 - Internal audits provide useful information when scoping performance audits
 - Performance audits could help guide decisions about internal audit plans
 - Similar or repeat findings across performance and internal audits may reinforce each other and highlight key issues for senior management and ARICs
 - The broader scope of performance audits can combine well with the more detailed findings of internal audits to build a case for change
- We would like to continue to build our engagement with internal audit in local government to realise the benefits



Thank you

Margaret Crawford | Auditor-General