

## **Session 2**

# **Local government performance expectations of the future**

### ***Presented by***

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# Local government performance expectations of the future

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# About Us

## Our vision:

Our insights inform and challenge government to improve outcomes for citizens.

## Our mission:

To help parliament hold government accountable for its use of public resources

Proud history of independent public sector auditing

Report to Parliament – not the Executive

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*Margaret Crawford (front left), Auditor-General of NSW and the Audit Office Exec Team.*

# The new local government audit mandate

- *Local Government Amendment (Governance and Planning) Act 2016* made the Auditor-General the auditor of local government from 1 July 2016
- Comprises:
  - Financial audit of all councils
  - Performance audit - sector wide or individual councils
  - Sector report to parliament - annual report on the results of financial audits



# What we don't do

## **The Auditor-General does not:**

- x** comment on merits of council or government policy
- x** develop policy or guidelines for state or local government agencies
- x** audit private sector organizations
- x** provide advisory/consulting services

# Why change the audit arrangements?

- Supports reforms to strengthen governance and financial oversight
- Greater consistency in financial reporting and external auditing
- Improve financial management, fiscal responsibility and public accountability.
- 2013 Independent Review Panel recommendation

“ This is a major reform that brings New South Wales into line with most other Australian jurisdictions and New Zealand, and that will provide greater consistency and certainty across the sector.

It will also ensure that reliable financial information is available that can be used to assess councils' performance and for benchmarking. ”

*Minister for Local Government, 2016*

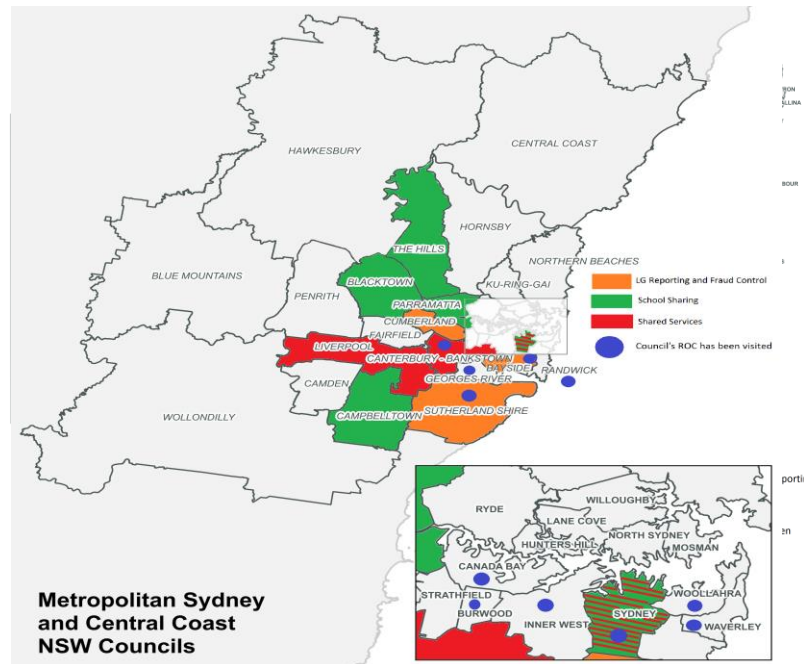
# Our approach to the change

Transitioning with care.

- Partnering
- Collaborative engagement
- Active involvement
- Listening to ideas



# Engagement with stakeholders



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# Internal Audit and Audit Committees

- Audit Committees and Internal Audit not required but better practice
- Less than half of currently councils have or share an ARIC
- OLG guidelines
- Joint functions and committees
- Positioning of Internal Audit

## How we audit

- Contemporary risk based audit methodology
- Strong focus on understanding councils business risk and control environment
- Adopt a controls approach (where possible)
- Strong focus on IT controls
- Increasing focus on data analytics

## How we partner with Internal Audit

- Mutual objectives of good governance and performance
- Identify and respond to risk
- Engage with each other's work
- Follow-up of findings from data analytics
- Development of continuous control monitoring through data analytics

# How We Support an Audit Committee

- Attendance at the Audit Committee meeting
- Collaborate with Chairs
- Share Better Practice guides and Audit Office toolkits
- Discuss audit reports and management letters
- Facilitate workshops and foster networking
- Directly accessible for Chairs.



# Financial Audit - Observations

- Valuation of infrastructure assets (e.g. community land, land under roads, Crown land, fair value assessment)
- Documented accounting positions (e.g. Rural Fire Service Assets)
- Depreciation methods and useful lives
- Focus on the impact of reported ratios
- Recognition of Financial Assistance Grants
- Overall quality of financial reporting

# Performance auditing – the basics

- Examines efficiency, effectiveness, economy and compliance
- Identifies trends, good practices and performance improvement opportunities
- Supports continuous improvement across the sector
- Funded by NSW Government
- Conducted to ASAE 3500 Assurance Standard

## The 3 Es

### Effectiveness

- meeting the objectives that have been set

### Efficiency

- getting the most from the available resources

### Economy

- minimising the cost of resources used

# Performance auditing – the basics continued

- The Auditor-General decides on topics using robust research and consultation process
- We can audit issues within councils or across sector
- Look at functions, services, operations, programs, systems etc.
- Can't question government policy objectives
- 2-3 a year specifically on local government, plus others covering state and local government
- Reports are tabled in parliament and published on our website



# Development of Performance Audit Program

- Premier's and State Priorities
- Themes in public administration
- Coverage of clusters and the three E's
- Consultation and external input
- Internal strategic audit planning.

# Performance audit topic matrix 2017-18

## **Risks and challenges for governments**

- Meeting community expectations on delivering key services
- Ensuring good governance and transparency
- Planning for the future
- Managing the environment and natural resources
- Digital disruption

## **Themes in public sector management**

- Commissioning and contestability
- Building capability
- Coordinated government responses and effective partnering
- Measuring outcomes
- Citizen engagement and co-design
- Ensuring fair and equitable outcomes

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# Local Government Performance Audit

Fraud control

Reporting on service delivery



Shared services

**3 Topics**

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# Sector Report to Parliament



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# Our Better Practice Guides and Tools

- We have a range of better practice tools available in areas such as:
- Governance
- Fraud Control
- Risk Maturity
- Contract Management
- Procurement
- These can be found on our website.

# Questions?



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