



Appendix three – About the audit

Audit objective

To determine how efficiently and effectively councils engage in shared service arrangements.

Audit criteria

We addressed the audit objective with the following criteria:

Are local councils efficiently and effectively engaging in shared service arrangements?

1. Councils have a sound understanding of the benefits and costs of a shared service arrangement.
2. Shared service arrangements have good governance in place, including transparency and accountability in decision-making.
3. Shared service arrangements have effective project management practices, including planning, budgeting, scheduling, managing risks and resolving issues.
4. Councils have effective monitoring, evaluation and reporting to demonstrate the achievement of expected shared services outcomes.
5. Councils engage with organisations for support and guidance.

Audit scope and focus

In assessing the criteria, we carried out:

- interviews with the Office of Local Government and other NSW Government agencies involved in shared services
- interviews with relevant staff in NSW councils, Regional Organisations of Councils and a council-owned company
- survey of all general-purpose councils in NSW
- review of documents, best practices, relevant policies and procedures, interviews, and data analyses.

Audit exclusions

The audit did not assess:

- the amalgamation process
- in-depth assessment of Joint Organisations
- outsourcing of services by one council
- activities of a county council
- the effectiveness and efficiency of shared services in place
- public-private partnerships
- service delivery other than shared service arrangements.

Audit approach

Our procedures included:

- interviews with more than 100 stakeholders, including 48 current or former council staff, Office of Local Government staff and local government sector organisations
- 5 case studies of different shared service arrangements, including three Regional Organisation of Councils, one council and one company
- consultation with a group of eight selected councils in various locations of NSW
- data collected from survey of local councils (52 per cent of council participation rate)
- review and analysis of documents.

The audit approach was complemented by quality assurance processes within the Audit Office to ensure compliance with professional standards and technical advice from an expert consultant.

Audit methodology

Our performance audit methodology is designed to satisfy Australian Audit Standards ASAE 3500 on performance auditing. The Standard requires the audit team to comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance and draw a conclusion on the audit objective. Our processes have also been designed to comply with the auditing requirements specified in the *Public Finance and Audit Act 1983*.

Acknowledgements

We gratefully acknowledge the co-operation and assistance provided by local councils, the Office of Local Government, Central NSW Councils, Southern Sydney Regional Organisation of Councils Inc., Strategic Services Australia, Armidale Regional Council, and others who participated in interviews and discussions held during the audit.

We would also like to thank other stakeholders that spoke with us and provided insights into the topic.

Audit cost

Including staff costs, travel and overheads, the estimated cost of the audit is \$501,000.