



Appendix one – Response from the Office of Local Government



Office of
Local Government

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Our Reference: A638505
Your Reference: D1902650
Contact: Sonja Hammond
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Ms Margaret Crawford
Auditor-General of New South Wales
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Sydney NSW 2001

By email: mail@audit.nsw.gov.au

Dear Ms Crawford

Thank you for your letter dated 8 February 2019 and for the opportunity to respond to your proposed Report on Local Government 2018 that is to be tabled in Parliament.

The Office of Local Government welcomes the contribution of the Audit Office towards strengthening governance, financial management and reporting in the local government sector, and notes your findings and recommendations.

OLG is pleased to note that more councils have appointed audit risk and improvement committees (ARIC) in anticipation of the commencement of section 428A of the *Local Government Act 1993* (Act).

Work has continued on the design of the regulatory framework for internal audit and risk management in councils, which will support the commencement of section 428A. OLG has prepared a position paper outlining the proposed framework and has sought preliminary comment from the Audit Office, other Government partners and industry experts. It is anticipated that the position paper will be issued for public consultation in the first half of 2019 with regulations and guidelines informed by the consultation outcomes to follow.

During the past year OLG has worked towards addressing the recommendations from the Report on Local Government 2017. In this regard OLG has provided information essential for financial reporting, such as the Local Government Code of Accounting Practice and Financial Reporting (Code) which was released on 18 April 2018, before the 30 April date suggested in the Report. OLG intends to also release the update for the 2018-19 Code within this timeframe. OLG has reviewed the Code and confirms that it aligns with the Australian Accounting Standards.

The Report on Local Government 2017 also recommended that OLG should address the different practices across the Local Government sector in accounting for rural fire-fighting equipment before 30 June 2018. I can advise that OLG has amended the Code for councils to record their rural fire-fighting equipment when they determine they have control, consistent with the relevant Accounting Standard, and the Code was released to councils on 18 April 2018. OLG has also

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engaged with NSW Treasury and Rural Fire Service representatives throughout the reporting period to progress the issue of accounting for rural fire-fighting equipment.

With regard to entities, draft financial reporting templates have been developed for the newly formed Joint Organisations and I appreciate that representatives from the Audit Office Technical Team have been asked to provide feedback. A register of entities approved under section 358 of the Act has also been updated and will be maintained by OLG.

We look forward to continuing this important work with the Audit Office to ensure that both local and state government work together to better serve local communities in NSW.

Yours sincerely



Tim Hurst
Chief Executive
Office of Local Government

27/2/19