
Appendix 1 – Response from the Office of Local Government within the Department of Planning, Housing and Infrastructure

Department of Planning, Housing and Infrastructure



Our ref: A952405

Mr Bola Oyetunji
Auditor General for New South Wales
GPO Box 12
SYDNEY NSW 2001

26 March 2025

Subject: Draft NSW Auditor-General's Report - Local Government 2024

Dear Mr Oyetunji

Thank you for your email of 19 February 2025 and the opportunity to respond to your draft Report on Local Government 2024 (the Report).

In the first instance, I wish to acknowledge the active role you have taken since becoming the Auditor General, your strong engagement with the sector to consider the views, opportunities and challenges faced by councils in NSW.

I recognise the critical role of the Audit Office of NSW in strengthening governance, financial management, and reporting in the local government sector.

It is pleasing to see the significant improvement in the reduction of councils seeking extensions to lodge their financial statements and the number of unqualified audit reports for 2024. I thank you for your role in supporting this improvement.

I note the Report's recommendations to the Department of Planning, Housing, and Infrastructure and outline our response below.

Reduction in financial reporting burden

I have noted your recommendation that the Department should continue to reduce the financial reporting burden for councils and remove non-value adding disclosures from financial statements.

The Legislative Council's State Development Committee Inquiry into the ability of local government to fund infrastructure and services has made a similar finding, recommending a review of the financial reporting guidelines and accounting model for local government. The NSW Government is considering its response to the Inquiry.

Each year the Office of Local Government (OLG) develops the Code of Accounting Practice and Financial Reporting (the Code). The Code must be used by councils and Joint Organisations to prepare their annual financial statements in a consistent, easy to read and comparable manner.

Your report acknowledges that OLG has taken steps to declutter the financial reporting requirements in the Code and reduce the number of additional assurance engagements. I thank the Audit Office for actively working with OLG, and as member of a consultative Code Working Group including senior finance staff from a range of NSW councils, to continue to refine and improve the Code each year.

OLG is actively considering the recommendation to remove the Special Purpose Financial Statements (the Statements) from the Code. I have been advised OLG had a number of conversations last year with the Audit Office on this matter, and that OLG will continue to further consult with the Audit Office, the broader Code Working Group, and with relevant Government agencies to determine the removal of the Statements from the Code.

I also recognise your suggestion that OLG bring together select general managers and chief financial officers to discuss the best approach to review a range of financial policy matters. I intend to convene these round tables during 2025, and I will ensure that OLG will keep you apprised of the outcomes.

Robust month-end processes

I have also noted your recommendation that councils should perform more robust month-end processes, quality reviews of financial statements and supporting working papers before they are submitted for audit.

On 6 March 2025, OLG released draft Quarterly Budget Review Statement Guidelines and an accompanying Consultation Guide. The proposed framework has been designed to ensure councillors and their communities are provided with clear, consistent, and valuable information that enables elected officials to have effective oversight and be visibly in control of the financial performance of their council.

The draft Guidelines put in place mandatory reporting requirements for all NSW councils including standardised Quarterly Budget Review Statement reporting to be presented to councillors, the community and to the OLG on a quarterly basis. It is anticipated that this reporting requirement will encourage councils to implement quality reviews of the financial reporting and the working papers prior to audit. These changes will also address concerns that the governing body and communities are not receiving clear, relevant and meaningful financial information.

In late 2024, the Audit Office collaborated with OLG to develop a suite of training videos aimed to improve council financial and accounting practices. I understand these videos include insights and advice including a 'Meet the Auditor-General', 'Tips and Tricks for End of Year Processes' and 'Early Close Procedures'. OLG intends to publish the videos in the coming months. This is a great initiative to complement OLG's existing financial training resources and will be valuable tools to support councils in addressing your recommendation.

Further, the Audit Risk and Improvement Committee framework has been established to ensure councils have effective systems and controls in place for statutory compliance, risk management, fraud control, financial management, and governance. Councils are encouraged to leverage their committee to provide independent advice about how the council is functioning and a view on its performance.

Status of previous recommendations

I note Appendix 2 sets out the status of previous recommendations. OLG will continue to work with councils in addressing these matters. As noted in the Report, updated Cyber Security Guidelines were released for the sector in January 2025 in conjunction with Cyber Security NSW.

Should you require further assistance in relation to these matters, please do not hesitate to contact Brett Whitworth, Deputy Secretary, Office of Local Government on [REDACTED] or by email at olg@olg.nsw.gov.au.

Yours sincerely,



Kiersten Fishburn

Secretary