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# Appendix 4 – About the audit

## Audit objective

This audit assessed how effectively Clarence Valley Council, Gwydir Shire Council and Wollondilly Shire Council managed their road assets to meet the needs of their communities.

## Audit criteria

We addressed the audit objective with the following questions and criteria:

1. Do councils have a strategic framework in place for managing road assets?
  - a) Councils meet requirements for strategic asset management in line with IP&R requirements and international standards
  - b) Councils have an up-to-date road asset management plan that is informed by an understanding of its road asset conditions and costs
  - c) Councils have informed and consulted with the community regarding road quality and associated costs.
2. Do councils have effective governance, data and systems for managing road assets?
  - a) Councils have established effective governance arrangements, risk management and internal controls for road asset management
  - b) Councils regularly collect, manage and assure road asset condition, service level and maintenance data
  - c) Councils have an accurate and integrated information system and/or register that effectively supports road asset management
  - d) Road asset data is interrogated, tailored and presented to leadership and stakeholders to support decision-making on funding, resourcing, grants and maintenance activities
  - e) Councils understand and obtain necessary expertise and resources to plan for and implement road asset management.
3. Are councils managing their road assets in line with planned service levels and quality outcomes?
  - a) Councils have identified and adopted benchmarks for the required level of quality and service delivery
  - b) Councils regularly assess and report road quality against agreed benchmarks
  - c) Roads have been maintained and/or renewed in line with councils' road asset management plans
  - d) Unplanned road asset management works are documented, prioritised and reflected in road asset management plans.

## Audit scope and focus

Under these questions and criteria, we considered:

- frameworks, processes, systems and registers used to manage local and regional roads
- resource planning, procurement and contract management (including Road Maintenance Council Contracts)
- collection and presentation of road asset data, including process and practices to improve efficiency and increase knowledge base of road asset management data
- impacts of natural disasters on delivering and reporting on planned actions for road assets
- examination of whether the road asset management systems and data supports reporting requirements for cost recovery through federal disaster recovery funding arrangements.

This audit focused on the selected councils' road asset management from 1 July 2021 to 30 June 2024.

The audit also considered policy and guidance provided by the OLG (within the Department of Planning, Housing and Infrastructure) regarding asset management in local government.

## Audit exclusions

The audit did not:

- assess the effectiveness of individual circumstances and actions to respond to damaged road assets
- provide assurance over NSW Government and Commonwealth disaster recovery payment acquittal requirements (e.g. DRFA) and NSW Disaster Assistance Guidelines
- question the merits of government policy objectives.

## Audit approach

Our audit procedures for examining council performance included:

- interviewing key staff from each council
- walkthroughs of key systems and information used in asset management by the councils
- site visits and inspections of various kinds of road assets
- examining a range of documents
- analysing data used to support road asset conditions and reporting.

The audit team spent one week on site at each council between February and March 2024.

Our audit procedures involving the OLG included:

- examination of policy, guidance issued to local councils for
  - integrated planning and reporting requirements, including long-term financial planning, asset management and community consultation
  - financial management and reporting of council assets
- interviews with OLG team members for further context.

The audit approach was complemented by quality assurance processes within the Audit Office to ensure compliance with professional standards.

## Audit methodology

Our performance audit methodology is designed to satisfy Australian Auditing Standard ASAE 3500 Performance Engagements and other professional standards. The standards require 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 requirements specified in the *Government Sector Audit Act 1983* and the *Local Government Act 1993*.

## Acknowledgements

We gratefully acknowledge the cooperation and assistance provided by Clarence Valley Council, Gwydir Shire Council, Wollondilly Shire Council and the OLG (within the Department of Planning, Housing and Infrastructure).

## Audit cost

The estimated cost of the audit is \$856,000.