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# Appendix three – About the audit

## Audit objective

This audit assessed the effectiveness of governance and internal controls over local infrastructure contributions (LICs) collected by councils.

## Audit criteria

We addressed the audit objective by answering the following questions:

1. Are effective governance arrangements and internal controls in place over the collection, management and disbursement of local infrastructure contributions including accountability for each part of the process?
2. Do councils regularly report to those charged with governance or other senior officers on the status, investment performance and risks related to local infrastructure contributions?
3. Can councils demonstrate that local infrastructure contributions have been spent or are being used for their intended purpose, as described in the development contribution plan?
4. Are local infrastructure contributions managed by individuals with appropriate knowledge and skills to perform their duties?

## Audit scope and focus

In assessing the criteria, the audit focused on the 2017–18 and 2018–19 financial years and the four councils that had the largest balances of local infrastructure contributions at 30 June 2018: Blacktown City Council, City of Sydney Council, Central Coast Council, and Liverpool City Council. We included all developer contributions reported in the financial statements note for the four councils. These comprise financial contributions collected under:

1. Section 7.11 of the EP&A Act
2. Section 7.12 of the EP&A Act
3. Section 7.4 of the EP&A Act
4. Section 61 of the City of Sydney Act (City of Sydney Council only)
5. Section 64 of the LG Act (Central Coast Council only).

In February 2019, the then Department of Planning and Environment re-numbered the EP&A Act and EP&A Regulation. The Practice Note and Ministerial Directions still refer to the old numbering. New numbering is used throughout this audit report.

Old number	New number
Section 93F	Section 7.4
Section 94	Section 7.11
Section 94A	Section 7.12

## Audit exclusions

The audit did not:

- replicate the work of financial auditors
- examine financial planning and budgeting processes for local infrastructure contributions
- validate the calculation of contributions collected from developers
- examine the preparation and negotiation of planning agreements
- question the merits of government policy decisions.

## Audit approach

Our procedures included:

- interviewing staff at councils included in the audit
- consulting with other stakeholders
- examining documents relating to governance and controls of LICs. These included:
  - strategies and statutory reporting
  - policies and procedures
  - local infrastructure contribution expenditure for 2017–18 and 2018–19
  - minutes of meetings
  - management reporting as well as reporting to Audit, Risk and Improvement Committees, councillors and the public
  - relevant internal audit reports
  - samples of work
  - position descriptions and organisation charts
  - delegations manuals.

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 Audit 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 PF&A Act and the LG Act.

## Acknowledgements

We gratefully acknowledge the cooperation and assistance provided by staff at the four audited councils, IPART, and the Department of Planning, Industry and Environment.

## Audit cost

The audit cost is \$486,000 including travel and expenses.