
Appendix three – About the audit

Audit objective

This audit assessed whether the Office of Local Government (OLG), as part of the Department of Planning and Environment (the department), is effectively monitoring and regulating the NSW local government sector under the *Local Government Act 1993* (NSW) (the LG Act).

Audit criteria

We addressed the audit objective by assessing whether:

1. The department has effective arrangements for the OLG to undertake its regulatory functions, including:
 - a) appropriate governance arrangements for the OLG to manage the operation and performance of its regulatory functions
 - b) strategic planning that establishes clear objectives and adequate resources for the OLG's regulatory functions
 - c) monitoring and reporting on the performance of the OLG's regulatory activities.
2. The OLG has effective mechanisms to monitor and respond to compliance and performance risks and issues, including:
 - a) robust policies and procedures for monitoring, identifying and responding to compliance and performance risks and issues
 - b) that staff have clear roles and responsibilities and have access to sufficient training
 - c) strategies to strengthen sector compliance and performance
 - d) monitoring and reporting on the performance of its regulatory activities
 - e) mechanisms to identify and respond to opportunities to improve its regulatory activities and approach.

Audit scope and focus

This audit focused on the administrative arrangements and processes that support the Secretary of the Department of Planning and Environment and Minister for Local Government to hold councils to account using the statutory powers available under Chapter 13, Parts 5 to 8, and related activities to monitor and strengthen compliance and performance in the sector.

This audit focused on activities from 1 July 2019. This covers the time from when the OLG's functions were transferred to the department following the 2019 Machinery of Government changes.

Audit exclusions

The audit did not assess:

- the OLG's broader functions and activities, or regulatory activities relating to the councillor misconduct framework under Chapter 14 of the LG Act
- the performance or compliance of individual councils
- the merits or impact of decisions to about the use of investigation and intervention powers in relation to councils.

Audit approach

Our procedures included:

1. Interviewing:

- relevant departmental officers, including from the OLG
 - officers from other State entities
 - sector stakeholders, groups and experts.
2. Examining a range of documents held by the department, including:
 - strategic plans
 - operational plans and reports
 - risk registers and risk management information
 - documents about governance and reporting arrangements
 - records of executive and operational meetings, for example terms of reference, agendas and minutes
 - performance reporting information
 - policies and procedures for regulatory activities, including intervention frameworks
 - internal controls relevant to regulatory activities
 - records relating to interventions and investigations, including briefing notes.
 3. Analysing website submissions.
 4. Analysing literature on good practice regulation and local government regulatory approaches in other jurisdictions.

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 *Government Sector Audit Act 1983* and the *Local Government Act 1993*.

Acknowledgements

We gratefully acknowledge the cooperation and assistance provided by the Department of Planning and Environment. In particular, we would like to thank our liaison officers from the OLG who participated in interviews and provided evidence for the audit.

Audit cost

The estimated cost of this audit including disbursements is \$555,000.