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# Appendix one – Response from the Department of Planning, Industry and Environment



Ms Margaret Crawford  
Auditor-General for New South Wales  
GPO Box 12  
SYDNEY NSW 2001

26 May 2021

Dear Ms Crawford

Thank you for your letter of 14 April 2021 and for the opportunity to respond to your *Report on Local Government 2020*. I would like to recognise the contribution of the Audit Office towards strengthening governance, financial management and reporting in the local government sector.

The Department notes the report's recommendation, that the Department '*should communicate the State's view that rural fire-fighting equipment is controlled by Councils in the local government sector, and therefore this equipment should be properly recorded in their financial statements*'.

The Department will communicate to the local government sector the State position that the Rural Fire Service (RFS) should not recognise these assets notwithstanding that councils generally enter into agreements with the RFS for the management of this council owned fire fighting equipment.

I also note the recommendation that the Department should provide certainty regarding the legal framework relating to restrictions of water, sewerage and drainage funds (restricted reserves). It is also noted that the preferred view of the Crown Solicitor is that monies received under the *Water Management Act 2000* reside within the scope of s.409(3) of the *Local Government Act 1993*. The Department proposes to issue guidance consistent with the preferred view above, to support Councils in preparing their financial statements.

Throughout the past year the Department has worked towards addressing the recommendations from your *Report on Local Government 2019*, with particular regard to cyber security. The Department is continuing to work with Cyber Security NSW and the local government sector to identify the best way to address this issue.

I am encouraged by the constructive feedback provided by the Audit Office and look forward to continuing this important work to ensure that both local and state government work together to best serve local communities in NSW.

Yours sincerely

A handwritten signature in black ink that reads 'Jim Betts'.

**Jim Betts**  
Secretary