

OFFICE OF THE AUDITOR GENERAL — LOCAL GOVERNMENT AUDITING REQUIREMENTS

**1547. Hon COLIN TINCKNELL to the minister representing the Treasurer:**

I refer to the changes that have been brought about by the enactment of the Local Government Amendment (Auditing) Bill 2017, in particular the requirement for the Office of the Auditor General to audit local councils. I also note that the OAG has reported in its 2018–19 annual report an estimated increase in workload of 80 per cent as there are currently 148 local governments.

- (1) How has this increase in entities requiring audit by the OAG been factored into the department's —
  - (a) budget; and
  - (b) human resources?
- (2) Have there been any significant findings from the 48 audits already done on local governments?
- (3) What mechanisms exist to ensure that local governments act on OAG audit recommendations?

**Hon STEPHEN DAWSON replied:**

I thank the honourable member for some notice of the question. The question before me refers to (1), (2) and (3), but there is no part (a) or (b) so I will answer it accordingly.

- (1) Budgets have provided annual appropriation funding for the OAG's local government performance auditing function starting at \$1.01 million in 2017–18 and building to \$2.06 million per annum by 2020–21. Annual funding recovered via financial auditing fees will grow to approximately \$7 million per annum in 2021–22, by which time the OAG's financial audit responsibilities will cover all 148 local government entities. In terms of human resource implications funded from fees from local governments, the OAG took on nine additional financial audit staff last year—including four additional graduates compared with previous years, two level 9 positions, two level 7 positions and a level 6 position—and a significant number of contract audit firms. The staffing mix depends on the level of contracting in any one year and is therefore subject to change. Appropriation funding has resulted in the OAG receiving funding for an additional nine performance auditors and three support staff.
- (2) Yes.
- (3) Under section 7.12A of the Local Government Act 1995, all sampled entities are required to prepare an action plan addressing significant matters relevant to their entity for submission to the Minister for Local Government within three months of an OAG performance audit report being tabled in Parliament. This action plan, which is also for publication on the audited entity's website, should address the recommendations as they are relevant to that entity, as indicated in the report.

The OAG's financial audit management letters, which are provided with the local government's financial audit opinions to the CEO and mayor/president and forwarded to the Minister for Local Government, often include findings relating to financial, management and information systems controls weaknesses. Each finding is assigned a rating—significant, moderate or minor—and the possible implications for the entity's business of failing to address the findings are explained. The OAG includes a recommendation designed to help address the finding, and in reply the audited entity indicates whether it agrees to implement the recommendation and provides the name of a responsible officer and an agreed implementation deadline. The minister can request the OAG to provide a copy of a management letter to the Department of Local Government, Sport and Cultural Industries.

Parliamentary committees may ask entities about matters raised in the OAG's financial and performance audit reports, including actions taken in response to recommendations.