

Regional planning and performance audit for Local Land Services

Local Land Services – February 2013

Issues for discussion

Purpose

- This paper describes possible Local Land Service (LLS) regional planning and performance audit arrangements.
- This paper assumes that the Audit Office of NSW will audit LLS finances, meeting the Minister's need for financial assurance and in-line with standard NSW Government procedures. Therefore, this paper focusses on the role of performance audits in the LLS model.

Background

- Regional plans and independent performance audits are elements of the LLS governance structure, as discussed by the Reference Panel.
- The planning and audit arrangements will need to reflect the different revenue sources for LLSs – rates and levies, state and federal government funding and private investment – and, in particular, give rate payers confidence that their contributions are being used effectively.

Regional strategic planning

- One of the responsibilities of the LLS Boards will be to develop long-term (10 year) strategic plans for their region, integrating all LLS functions.
- These regional strategic plans should be independently reviewed and approved by the Minister following endorsement by relevant agencies. The regional plans should:
 - outline objectives and how they will be met
 - reflect landholder, community and industry needs
 - include requirements of national and state-level policies and local priorities
 - recognise and align with other existing local and regional strategic plans (such as council Community Strategic Plans, etc)
 - ensure coherent planning and delivery across all LLS functions, integrating services and functions
 - be based on sound science, research and knowledge
 - provide the basis for delivering triple bottom line outcomes to landholders, community, government and industry
 - provide a framework for more detailed planning, monitoring and reporting.

- The Board will have a critical role in aligning the top-down requirements for regional delivery of state and national priorities, and the bottom-up preferences of communities, so that national and state-wide strategies are delivered in regionally appropriate ways.
- Regional plans will also become the framework for LLS Board accountability to government investors, rate-payers and the community, against which they will report achievements, and be held accountable and audited.
- Each LLS would develop nested four-year business plans and annual plans, detailing specific actions, roles, responsibilities and resources to implement the strategic plans. The business plans would be approved at the individual LLS Board level.
- Each LLS will also develop annual reports to report on their achievements and finances. These reports will be aggregated with the other LLS regions into one consolidated report for Parliament.
- It is anticipated that implementation of a number of existing agriculture and biosecurity plans and policies will continue in the transition to the new LLS organisations to ensure the continuity of service provision.
- Catchment action plans should continue to be implemented and have status as transitional strategic plans for the natural resource management component of LLS operations, until regional strategic plans incorporating all LLS functions are developed to replace them.

Role of performance audits

- The Minister's brief for the Local Land Services governance structure includes independent performance audits.¹
- Performance audits play an important role in measuring the effectiveness of public sector organisations in meeting their objectives and using resources efficiently² and driving continuous improvement.
- Performance audits of the implementation of LLS regional plans will benefit community, industry and government by:
 - supporting performance improvement
 - verifying outcomes being achieved
 - providing assurance to investors, rate-payers and communities about the effectiveness and efficiency of regional service delivery, including return on investment
 - managing risks.
- The benefits for LLS Boards will include:
 - improved organisational self-awareness, and a catalyst for change and continuous improvement
 - assistance to properly discharge their governance responsibilities
 - independent review of triple-bottom line outcomes.

What should be audited in LLSs?

- Performance audits of how well LLSs are delivering their regional plans could cover:
 - governance
 - delivery of outcomes and return on investment
 - critical process issues such as service delivery, community engagement, collaboration across LLSs, and risk management.
- Performance would be audited against relevant standards, for example the *Standard for Quality Natural Resource Management* and the *National Animal Health Performance Standards*.

¹ http://www.dpi.nsw.gov.au/__data/assets/pdf_file/0004/444802/local-land-services-governance-structure.pdf

² ANAO, Panel Discussion: Performance audit reports – an Auditor General's perspective, 2007

- An overall performance standard covering all LLS functions would also be developed and audited against to ensure high-quality regional service delivery, strong governance and best practice management.
- Key principles for developing the audit scope and program include:
 - focussing audits on areas of highest risk
 - designing audits to meet the assurance needs at different stages of organisational development
 - ensuring audits are streamlined and outcomes focussed.
- Targeting audits to areas of high risk will ensure accountability and continuous improvement, and avoid burdening each LLS with repetitive audit processes and red tape.
- Performance audits would cover all LLS functions. The current performance audit program for natural resource management should be reviewed to determine which aspects are appropriate to be applied to audits covering all LLS functions, including agriculture, biosecurity and emergency management.
- The results of performance audits can also inform the distribution of government investment funding, thereby driving performance improvement.

Who should audit performance?

- Efficiency and strong customer delivery of the combined LLS responsibilities will require effective integration of varying functions and services. Performance auditing across the whole organisation will avoid siloing of LLS functions, improve integrated service provision, reduce duplication and ensure economies of scale.
- Appointing a single performance auditor:
 - reduces the audit burden on LLS management and staff – one point of contact, better relationships
 - improves corporate knowledge of auditors over time as they become more familiar with the entire operation of LLSs
 - provides a single source of advice to government on governance and performance
 - does not preclude the auditor from completing function, theme or issued-based audits with narrow scope to address specific risks or stakeholder needs
 - does not preclude contracting out or seconding specialist expertise required for individual audits.
- There is also a need to review and integrate pre-existing compliance audit needs of Australian and NSW Governments for LLS functions, for example in animal health. A single auditor could integrate these multiple requirements, and look for efficiency and alignment where possible.
- The existing provisions of the *Catchment Management Act 2003* (Section 26 (3)) as they relate to regional planning and audit could be incorporated into the LLS legislation. It specifies that audits of catchment action plans are to be carried out by the NRC or by an independent audit panel appointed by the Minister.
- Similarly, the NRC or an equivalent independent panel could be charged with reviewing the regional strategic plans and advising the Minister (Section 23 (2)).

Timetable

- Figure 1 illustrates a possible phased approach to implementation of a rolling program of performance audits for LLSs. This timetable proposes that:
 - governance is audited state-wide in the second year of LLSs, as this is a critical foundational issue that needs to be right early – auditing governance in the second year will allow the Boards time to establish structures and systems
 - the Minister can request spot audits on particular issues and risks at any time
 - integrated regional strategic plans will be developed and independently reviewed in the second and third years of operation

- risk identification and consultation on the audit lines of inquiry for agricultural advice, plant and invasive species biosecurity and emergency management are planned for the third year of operation; however audits of animal biosecurity will occur earlier as planning and the identification of Key Performance Indicators are already well developed as part of NSW's commitments to the *National Animal Health Performance Standards*
- a full program of risk-based audits across all LLSs and all functions begins in the fourth year of operation, providing time for outcomes to be achieved and an audit program to be tailored to the needs of multiple investors, ratepayers and functions
- outcomes-based audits of natural resource management continue over the first two years of operation.

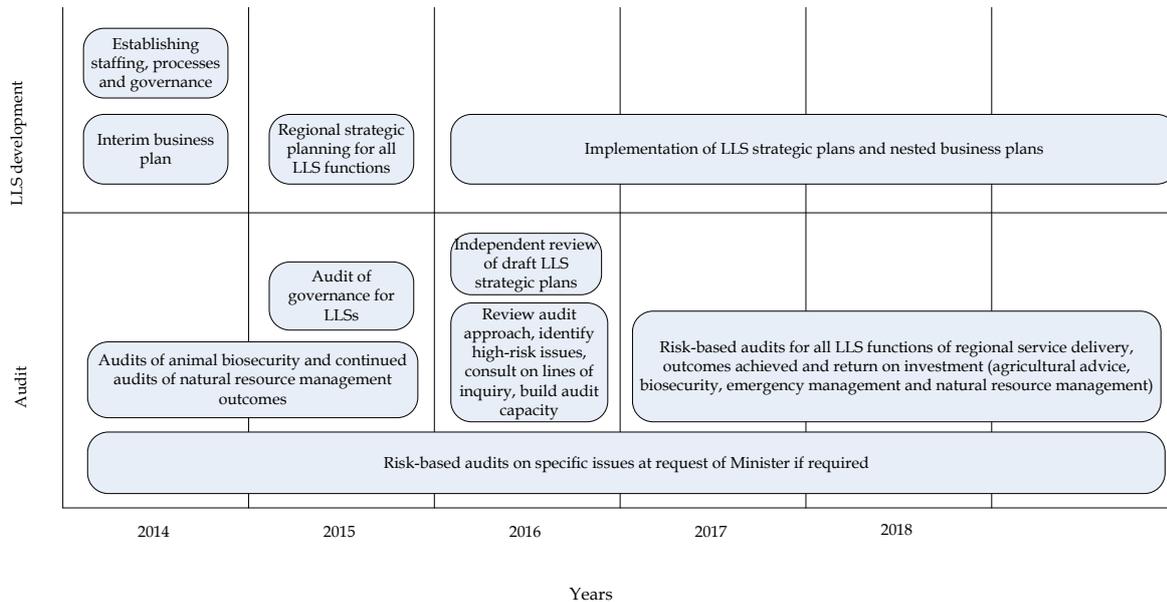


Figure 1: Possible phased implementation of audits for LLSs for discussion

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