



Councillor Darriea Turley AM  
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5 July 2023

Dear Ms Turley

*Darriea*

### Re: Audit Costs for Local Government

Thank you for your letter dated 27 June 2023 expressing concerns over increases in financial statement audit fees.

We acknowledge the proposed 2022-23 audit fees have, for some councils, increased. There are appropriate reasons for any increases. In some, but not all cases, more significant increases were required to correct the historically low fee setting for some councils' financial statements audits that were not commensurate with the actual cost to conduct an audit in accordance with Australian Auditing Standards, and which has resulted in Audit Office fee write-offs. The Audit Office is an independent integrity agency and operates on a cost recovery basis and our audit effort is commensurate with legislative and professional requirements required of an independent external audit. Over time, standard setters have also expanded audit requirements, increasing audit effort and costs. We are not subsidised for the conduct of our financial audits, and councils do receive the services of our performance auditors free of charge.

We understand the importance of having value for money arrangements in place. This is why we appoint our Audit Service Providers (ASPs) through an open tender process, grouping several councils together to achieve economies of scale. Before appointing an ASP, we also compare the proposed audit hours and fees against similar audits and other providers. This gives us confidence that the audit effort and costs quoted are reasonable relative to the legislative and professional standards expected of auditors. We also consider factors specific to each individual audit, recognising each audit is unique with different risks, different systems, different levels of financial reporting maturity and governance arrangements.

We look forward to working constructively with councils to provide quality audit services. It is our view that a quality audit adds value and gives the citizens confidence in the robustness of each council's financial management and of the local government sector as a whole.

If you wish to discuss this matter further, please contact Alison Brown, Assistant Auditor-General on 02 9275 7226.

Yours sincerely

Margaret Crawford PSM  
Auditor-General of New South Wales

Cc: Brett Whitworth, Office of Local Government