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Most local governments received clear financial audit opinions but control weaknesses and non-compliance found

The Auditor General today tabled in Parliament [the *Audit Results Report - Annual 2019-20 Financial Audits of Local Government Entities*](#) which summarises the audits of 117 entities.

Auditor General Ms Caroline Spencer said unprecedented delays were experienced in finalising the audits.

'The local government entities' assessment and adoption of new Local Government (Financial Management) Regulations 1996 and 3 new accounting standards meant there was significant additional audit work and consequential delays in recasting and finalising audits for both the entities and my office,' Ms Spencer said.

We issued 1 qualified opinion to the Shire of Goomalling as we identified that the balances for rates revenue and corresponding expenses are not comparable to the balances for the previous year. We also were unable to obtain sufficient appropriate audit evidence to confirm that some infrastructure assets were reported at fair value.

The other 116 local government entities received unqualified (clear) opinions, but the audits identified 704 control weaknesses in financial management and 328 information systems control weaknesses.

Of these weaknesses, 890 rated as significant or moderate risk and require entities to take prompt action to improve policies, practices and procedures to maintain or enhance the integrity of financial reporting. Our management letters to entities include guidance on remedial action.

In addition, we reported 101 material matters of non-compliance with the *Local Government Act 1995*, regulations or other written laws in the auditor's report for 45 entities. Examples include controls over financial journal entries, procurement, revenue, reconciliations and masterfile changes, as well as asset ratios not reported.

Ms Spencer said the quality of financial statements and in-house financial expertise continues to be a significant problem for some entities.

'We continue to support the need for Department of Local Government, Sport and Cultural Industries to streamline financial reporting requirements for the sector to ensure financial statements are fit-for-purpose for entities of varying sizes.

'And also recommend that the Department assess whether the current financial ratios remain valid criteria for fairly measuring and reporting the performance of each entity,' Ms Spencer said.

Report resources

- [PDF version](#)