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Challenging transition results in improved local government financial reporting

The Auditor General today tabled in Parliament the [*Financial Audit Results – Local Government 2020-21*](#).

Ms Spencer said this was the final year of the four-year transition to bring the financial auditing of 148 local government entities within the responsibility of my Office.

‘We found the quality of audits and levels of transparency were not what they should have been, and that Parliament was right to bring us in to try and lift that baseline.

‘The transition has been challenging for us and local governments to adapt but there are signs of improvement driven by our more robust sector-wide approach and local governments’ willingness to learn and improve,’ Ms Spencer said.

In 2020-21, two entities received a qualified opinion on their financial reports and there may be further qualifications as there were 16 audits outstanding on 30 June.

Over the past two financial years there has been a decrease in financial management controls weaknesses.

Ms Spencer said this is a positive trend and shows a comprehensive response by the sector to improve their current practices and strengthen the integrity of their financial reporting environment.

‘Although the upward trend in material matters of non-compliance and information system control weaknesses indicates there is still improvement needed,’ Ms Spencer said.

The report also includes outstanding opinions from 2019-20 for the shires of Wiluna and Yalgoo. Both were issued with a disclaimer of opinion as we were unable to obtain sufficient appropriate audit evidence on their books and records because of deficiencies in their internal controls and record keeping. A disclaimer of audit opinion is a serious matter.

Ms Spencer said to support continuous improvement in the local government sector, I encourage entities to review the findings of their audits, as well as this report and consider our recommendations in the context of their own operating environments and governance frameworks.

‘I also note the newfound willingness and leadership of the Department of Local Government, Sport and Cultural Industries to enhance financial reporting, reduce complexity and cost, and enable improved governance for the sector,’ Ms Spencer said.

Report resources

- [PDF version](#)



Local government results over the transition:

Audit year	2017-18	2018-19	2019-20	2020-21
Number of entities subject to OAG audit	46	112	132	148
Clear audit opinions	44	107	129	130*
Qualified opinions	2	5	1	2*
Disclaimers of opinion	0	0	2	0*
Material matters of non-compliance	36	93	101	193*
Management control issues	198	802	704	601*
<i>* Results for 132 entities only, 16 outstanding</i>				