















# Appendix three – Status of previous recommendations

Our previous reports to Parliament focusing on Local Government made recommendations to the Department of Planning, Housing and Infrastructure and councils. The current status of implementation of our recommendations is summarised below with the relevant audit findings for 2022–23.

Recommendations to the department	Comment	Current status
<b>Rural firefighting equipment (repeat issue)</b>		
<p>Consistent with the NSW Government’s accounting position on the control of vested rural firefighting equipment and the department’s role to assess council’s compliance with legislative responsibilities, standards or guidelines, the department should intervene where councils do not recognise rural firefighting equipment vested to them under section 119(2) of the <i>Rural Fires Act 1997</i>.</p>	<p>We continue to recommend the department should intervene where councils do not recognise vested rural firefighting equipment.</p> <p>Since 2017, the Audit Office has recommended that the Office of Local Government (OLG) and then the department address the different practices across the local government sector in accounting for rural firefighting equipment.</p> <p>It is the department’s role to assess whether intervention is appropriate with respect to councils’ compliance with and performance against legislative responsibilities, standards or guidelines.</p> <p>The department has communicated the Government’s position to the sector and confirmed it will take a stronger regulatory stance to require councils to include rural firefighting equipment in their future financial statements. The ‘Local Government Code of Accounting Practice and Financial Reporting for 2023–24’ requires councils to recognise material rural firefighting equipment in their financial statements.</p> <p>The department has worked with NSW Treasury, the NSW Rural Fire Service (RFS) and the Audit Office of NSW on the following:</p> <ul style="list-style-type: none"> <li>• NSW Treasury shared its position paper and guidance with the local government sector</li> <li>• RFS shared its asset listing and costings, and encouraged its brigades to provide councils with access to the assets</li> <li>• The department delivered an information webinar, to provide Treasury, the RFS and the Audit Office the opportunity to provide advice and guidance to the sector about reporting vested rural firefighting equipment</li> </ul>	

Recommendations to the department	Comment	Current status
	<ul style="list-style-type: none"> <li>wrote to all councils that had received a qualified independent audit opinion on their 2021–22 financial statements requesting these councils provide the OLG with the strategies implemented to address the qualified audit opinion, to address any significant audit risks raised and provide a copy of the Audit Office’s 2021–22 management letter and Council’s response.</li> </ul> <p>Thirty-six councils with completed audits received qualified audit opinions on their 2023 financial statements in relation to this issue.</p> <p>It is our view that this situation is unlikely to be resolved in the absence of regulatory intervention.</p> <p>Refer to <a href="#">Section 2.1</a> for further information on this issue.</p>	
<b>Early financial reporting procedures (repeat issue)</b>		
<p>The department should consider requiring early financial reporting procedures across the local government sector.</p>	<p>We continue to recommend the department consider requiring early financial reporting procedures across the local government sector.</p> <p>In February 2024, the department reminded councils to start the asset valuation process earlier, to ensure it is completed prior to the commencement of the audit.</p>	
<b>Legal framework (repeat issue)</b>		
<p>The department should clarify the legal framework relating to restrictions of water, sewerage and drainage funds (restricted reserves) by either seeking an amendment to the relevant legislation or by issuing a policy instrument to remove ambiguity from the current framework.</p>	<p>This recommendation has not been implemented.</p>	
<p><b>Key:</b></p>	 Fully addressed  Partially addressed	 Not addressed

Recommendations to councils	Comment	Current status
<b>Rural firefighting equipment (repeat issue)</b>		
<p>Councils should perform a full asset stocktake of rural firefighting equipment, including a condition assessment for financial reporting purposes.</p> <p>Consistent with the requirements of the Australian Accounting Standards and the 'Local Government Code of Accounting Practice and Financial Reporting for 2023–24', councils should recognise this equipment as assets in their financial statements.</p>	<p>We continue to recommend councils perform procedures to confirm completeness, accuracy and condition of rural firefighting equipment and recognise this as assets in their financial statements.</p> <p>Forty-nine councils out of the 106 councils with vested rural firefighting equipment have recognised these assets in their 2022–23 financial statements. One audit is in progress.</p> <p>Seventy-one councils performed some procedures to confirm the accuracy and completeness of rural firefighting equipment.</p> <p>Refer to <a href="#">Section 2.1</a> and <a href="#">Appendix three</a> for further details.</p>	
<b>Asset valuations (repeat issue)</b>		
<p>Councils should complete asset revaluations before financial year-end.</p>	<p>We continue to recommend councils complete asset valuations before financial year-end to help improve quality and timeliness of financial reporting.</p> <p>Common issues with asset valuation include:</p> <ul style="list-style-type: none"> <li>• using inappropriate valuation assumptions</li> <li>• inadequate documentation to support key assumptions and judgements including useful lives, condition assessments and unit rates</li> <li>• inaccurate calculations and/or recording of adjustments</li> <li>• incorrect classifications</li> <li>• providing incorrect data to the valuer</li> <li>• no quality review performed by management</li> <li>• commencing valuation process too late which delayed the preparation of the financial statements.</li> </ul> <p>Forty-three of the 121 completed audits of councils have partially implemented these recommendations in 2022–23.</p>	
<b>Asset source records (repeat issue)</b>		
<p>Councils should improve controls and processes to ensure integrity and completeness of asset source records.</p>	<p>We continue to recommend councils improve controls and processes to ensure integrity and completeness of asset source records.</p> <p>Forty-three councils had weak processes over maintenance, completeness and security of fixed asset registers as reported in <a href="#">Section 3.2</a>.</p>	

Recommendations to councils	Comment	Current status
	<p>Common issues identified include:</p> <ul style="list-style-type: none"> <li>• inaccurate and incomplete data in asset registers such as duplicate or missing assets</li> <li>• assets recorded that are no longer controlled</li> <li>• asset incorrectly classified.</li> </ul>	
<b>Tracking recommendations (repeat issue)</b>		
<p>Councils should focus on tracking audit recommendations and prioritise high-risk repeat issues.</p>	<p>We continue to recommend councils track audit recommendations and prioritise high-risk repeat issues.</p> <p>More councils are tracking audit recommendations.</p> <p>Forty per cent (2021–22: 52%) of total findings reported in 2022–23 audit management letters were repeat findings from prior years, tracking of status and implementation plans continues to be important.</p>	
<b>Cyber security (repeat issue)</b>		
<p>Councils should prioritise planning and governing cyber security to ensure cyber security risks over key data and IT assets are appropriately managed and key data is safeguarded.</p> <p>Councils should refer to the 'Cyber Security Guidelines – Local Government' released by the Office of Local Government.</p>	<p>We continue to recommend councils focus on improving cyber security governance and controls.</p> <p>Cyber security findings were reported in 50 councils (2021–22: 63 councils) as they did not have at least one of the following basic governance and internal controls to manage cyber security such as having a:</p> <ul style="list-style-type: none"> <li>• cyber security framework, policy and procedure</li> <li>• register of cyber incidents</li> <li>• simulated cyber-attack testing (penetration testing)</li> <li>• cyber security training and awareness program.</li> </ul>	
<p><b>Key:</b>  Fully addressed</p>	<p> Partially addressed</p>	<p> Not addressed</p>