

Report highlights

This report is about

Results of the local government sector financial statement audits for the year ended 30 June 2022.

What we found

Unqualified audit opinions were issued for 83 councils, 11 joint organisations and nine county councils' financial statements.

The financial audits for two councils and two joint organisations are in progress due to accounting issues.

Fifty-seven councils and joint organisations (2021: 41) required extensions to submit their financial statements to the Office of Local Government (OLG), within the Department of Planning and Environment (the department).

The audit opinion on Kiama Municipal Council's 30 June 2021 financial statements was disclaimed due to deficient books and records.

Qualified audit opinions were issued on 43 councils' financial statements due to non-recognition of rural firefighting equipment vested under section 119 (2)

of the *Rural Fires Act 1997*. Forty-seven councils appropriately recognised this equipment.

What we recommended

Consistent with the NSW Government's accounting position and the department's role of assessing councils' compliance with legislative responsibilities, standards or guidelines, the department should intervene where councils do not recognise vested rural firefighting equipment.

The key issues

There were 1,045 audit findings reported to councils in audit management letters, with 52% being unresolved from prior years.

What we recommended

Councils need to track progress of implementing audit recommendations, giving priority to high-risk and repeat issues.

Ninety-three high-risk matters were identified across the sector mainly relating to asset management, information technology, financial

accounting and council governance procedures.

Asset valuations

Audit management letters reported 267 findings relating to asset management. Fifty-three councils had deficiencies in processes that ensure assets are fairly stated.

What we recommended

Councils need to complete timely asset valuations (repeat recommendation).

Integrity and completeness of asset source records

Fifty-two councils had weak processes over the integrity of fixed asset registers.

What we recommended

Councils need to improve controls that ensure integrity of asset records (repeat recommendation).

Cybersecurity

Our audits found that 47% of councils did not have a cyber security plan.

What we recommended

All councils need to prioritise creation of a cyber security plan to ensure data and assets are safeguarded.

Fast facts and key financial information

70%

unqualified audit opinions issued for the 30 June 2022 financial statements

438

monetary misstatements reported in 2021–22

93

high risk management letter findings identified

In 2021–22, councils:

collected

\$7.8b

rates and annual charges

held

\$16.8b

of cash and investments

managed

\$175.2b

of infrastructure, property, plant and equipment