



# LGAlert

## Significant Matters Reported by the Auditor in an Audit Report

If the Auditor General or a local government's appointed auditor reports a significant matter in an audit report, section 7.12A of the Local Government Act 1995 (the Act) requires a response from the local government. The requirements of this response are:

- a. Upon receipt of the auditor's report, the local government must prepare a report for its Audit Committee to address the significant matters raised and outline what action(s) the local government has taken or intends to take in respect of each of the matters raised.
- b. The Audit Committee minutes and the report to the Minister are referred to Council for proper review and endorsement of any proposed actions.
- c. Within 3 months of receipt of the auditor's report, a copy of the Council-endorsed report must be provided to the Minister.
- d. Within 14 days of providing a copy of the report to the Minister, a copy must be published on the local government's website.

A local government is not considered compliant with its statutory obligations until all of the above actions have been completed.

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### Additional information

The Act requires local governments to have an Audit Committee. The functions of the Audit Committee are laid out in Regulation 16 of the Local Government (Audit) Regulations. These functions cover audits, therefore any matters relating to audits are required to be considered by the Audit Committee before going to Council. The timing of Audit Committee Meetings should be cognisant of the local governments audit timeframes, including any performance audits.

An audit report encompasses the following reports::

- Performance Audit Report tabled in Parliament by the Auditor General; and
- Independent Auditor's Report provided for the annual financial statement audit.

Audit management letters do not meet the definition of an audit report for the purpose of reporting significant matters to the Minister (Audit Reg. 10(4)). They should still be considered by the Audit Committee to determine if any action should be taken (refer 7.12A(3)) and for the audit committee to oversee the implementation of any action the local government has taken or intends to take in a report required to be prepared in accordance with section 7.12A(4)(a).

If a local government does not agree with the auditor's assessment, they have the opportunity to engage with the auditor to argue their case. The report to the Minister should not explain why the local government disagrees with the auditor but should focus on the actions taken/to be taken.

The current prescribed financial ratios are being reviewed as part of the Local Government Act Review. Until that work has been finalised and any amendments endorsed, the existing ratios will remain.

The Auditor General's work program includes a Better Practice Guide – Public Sector Audit Committees (state and local government) report which is scheduled for tabling in Parliament in the second quarter of 2020. Non-essential amendments to an Audit Committee's terms of reference would best be left until after tabling of the Auditor General's report.

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