

# Report on a page

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## Financial statements are reliable, but timeliness has deteriorated since 2018–19

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As of the date of this report, we have certified the financial statements of 75 of 77 (2019–20: 75 of 77) local governments (councils). The financial statements of these councils, and the entities they control, are reliable and comply with relevant laws and standards.

For several years, we have stressed the importance of councils having us certify their financial statements within a reasonable time frame after 30 June. This ensures timely information is available to decision makers and their communities. Substantial improvement was seen in the 2018–19 financial year, when 58 councils had their statements certified at least 2 weeks prior to their legislative deadline of 31 October.

In 2019–20, this number had dropped to 47 councils, in the face of the COVID-19 pandemic, local government elections, and the need to implement new accounting standards. In 2020–21, despite not facing these sorts of challenges, only 36 councils had their financial statements certified 2 weeks prior to the statutory deadline.

## Controls over financial systems and processes have improved, but most high-risk issues have not been resolved after more than a year

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Councils have made efforts to reduce the number of significant deficiencies we have identified with their control environments in recent years (significant deficiencies are of high risk and need to be addressed immediately). As at 30 June 2021, the number of unresolved significant deficiencies was the lowest in 5 years. However, 86 significant deficiencies (68 per cent of all unresolved significant deficiencies) are still unresolved more than one year after being identified.

For the last few years, we have seen persistent problems with councils' information systems, risk management, and procurement and contract management practices.

For several years we have recommended councils strengthen their governance. Despite this:

- 15 councils (2019–20: 16 councils) do not have an audit committee. Of those who do, there are 3 councils whose committees did not meet in the 2020–21 financial year, and 2 councils whose committees met only once
- 12 councils were in breach of their legislation – 6 councils (30 June 2020: 7 councils) did not have an internal audit function and another 6 councils (7 in 2019–20) with an internal audit function did not have any audit activity during the 2020–21 financial year.

## Financial sustainability has marginally improved

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Councils are recovering from the financial impacts of the COVID-19 pandemic. For the 2020–21 financial year, 35 councils (2019–20: 21 councils) generated an operating surplus. As a result, fewer councils are at a moderate or high risk of not being financially sustainable (see [Appendix I](#)).

Although this is encouraging, 45 councils (approximately 60 per cent of the sector) are still at either a moderate or a high risk of not being financially sustainable.

