

Appendix H:

Prior-year recommendations

Figure H1 provides an update on action taken in relation to recommendations from our *Results of 2023–24 Audits: Local Government* report.

Figure H2 provides an update on action taken in relation to recommendations from our *Results of 2022–23 Audits: Local Government* report.

Figure H1: Status of recommendations from our *Results of 2023–24 Audits: Local Government* report

Who	Recommendation	Recommendation addressed
Councils	<p>1 For councils that did not prepare draft financial reports or performance statements by the timelines agreed with their auditor:</p> <ul style="list-style-type: none"> assess their resources and expertise to confirm they can meet reporting obligations. If additional resources or support are required, they should explore how to secure the necessary support to successfully fulfill the requirements of the <i>Local Government Act 2020</i> strengthen their annual report plan to better align with legislative obligations, focusing on: <ul style="list-style-type: none"> clear task allocation and achievable timelines enhanced coordination with other business units engaging with subject matter experts quality assurance processes. 	<p>In progress:</p> <ul style="list-style-type: none"> 13 councils yet to fully address the recommendation <p>See Section 1 for details about the 2024–25 financial reports' timeliness and quality.</p>
	<p>2 Councils take the lead in the formation of a 'developer non-cash contribution' working party to create guidance materials that will strengthen internal processes.</p> <p>Councils could also consider hosting workshops to support the sector in applying the guidance effectively.</p>	<p>In progress:</p> <ul style="list-style-type: none"> 28 councils yet to fully address the recommendation
	<p>3 Councils resolve the open recommendations from the <i>Results of 2022–23 Audits: Local Government</i> report.</p>	<p>In progress:</p> <ul style="list-style-type: none"> 21 councils yet to resolve open findings from our earlier report
	<p>4 Councils that have not yet done so:</p> <ul style="list-style-type: none"> ensure they have a thorough understanding of the AASB 13 amendments update their valuation policy to reflect the impact of the AASB 13 amendments consider the impact of the AASB 13 amendments on related entities (such as subsidiaries or joint ventures) where they adopt the same fair value policy conduct valuations with careful attention to AASB 13 amendments: <ul style="list-style-type: none"> ensure the valuation methodologies are aligned with the revised standard engage assistance where required 	<p>In progress:</p> <ul style="list-style-type: none"> 36 councils yet to fully address the recommendation <p>See Sections 1 and 3 for more details about asset valuations.</p>

Who	Recommendation	Recommendation addressed
	<ul style="list-style-type: none"> for more contentious areas, engage with valuers or relevant industry sub groups to stay updated on new practices occurring as a result of the amendments, namely: <ul style="list-style-type: none"> application of economic obsolescence how the new areas are being factored into the valuations (for example, disruption costs), problems arising and practical application challenges update internal policies and procedures to reflect any changes in processes (for example, changes to using unobservable inputs, benchmarking with others) develop a clear communications strategy to brief key stakeholders – including senior management, their audit and risk committee, councillors – on the material changes introduced by the AASB 13 amendments. This should cover the impact on valuation practices, financial reporting, and any new disclosure requirements. Also, where material, impacts to the asset management plan, long-term financial plan, operating and capital expenditure budgets engage with their auditors as soon as possible to discuss their impact assessment ensure financial report disclosures are aligned based on impact keep a record of key discussions and decisions made regarding valuation methodologies, disclosures and changes in accounting policies. This will help in future valuations. 	
Local Government Victoria	5 Formally advise and remind the councils of their annual reporting obligations.	Completed
Municipal Association of Victoria	6 Develop and deliver the intended councillor development program with input from Local Government Victoria, as applicable.	In progress

Note: Status based on actions completed at the time of finalising the individual audits.
Source: VAGO.

Figure H2: Status of recommendations from our *Results of 2022–23 Audits: Local Government* report

Who	Recommendation	Recommendation addressed
Councils	<p>1 We recommend that all councils:</p> <ul style="list-style-type: none"> arrange for training or briefing sessions to be held with key internal stakeholders before 30 June 2024 to enhance their understanding of the financial reporting process and their legislative obligations assess the adequacy of their financial reporting plan given their legislative obligations, namely: <ul style="list-style-type: none"> task allocation and timelines the nature and timing of liaison with other business units quality assurance processes critically assess whether they have the resources and expertise to fulfil their financial reporting obligations throughout the year and, if not, that they consider engaging an external party. 	<p>In progress:</p> <ul style="list-style-type: none"> 11 councils yet to fully address the recommendation
	<p>2 We recommend that finance teams prepare and present a paper to their audit and risk committee prior to 30 June each year that outlines the:</p> <ul style="list-style-type: none"> council’s accounting policy requirements with respect to property, infrastructure assets, plant and equipment 	<p>In progress:</p> <ul style="list-style-type: none"> 9 councils yet to fully address the recommendation

Who	Recommendation	Recommendation addressed
	<ul style="list-style-type: none"> • approach to assessing each property class's fair value, infrastructure assets, plant and equipment, including engaging an expert valuer and key milestones • likely outcomes for the respective reporting cycle (expected movements in fair value and impact on the financial report). 	
	<p>3 We recommend that audit and risk committees:</p> <ul style="list-style-type: none"> • review the finance team's accounting paper prior to balance date • after balance date, when reviewing the draft financial report: <ul style="list-style-type: none"> • determine whether there have been any changes to circumstances which would indicate that key assumptions behind the finance team's initial advice and key judgements are no longer true • assess whether the valuation and fair value assessment outcomes are reasonable • update their annual work plan to include the above tasks. 	<p>In progress:</p> <ul style="list-style-type: none"> • 13 councils yet to fully address the recommendation
	<p>4 We recommend that councils:</p> <ul style="list-style-type: none"> • prioritise and promptly address the internal control and financial reporting issues we raise with them and that their audit and risk committee monitor this • review the actions and timelines established to resolve internal control weaknesses, with a focus on older and higher-risk findings • for longer-term action plans, ensure adequate compensating safeguards are in place. 	<p>In progress:</p> <ul style="list-style-type: none"> • 11 councils yet to fully address the recommendation • Senior management and their audit and risk committees need to provide stronger oversight to ensure timely implementation of accepted recommendations. Until councils address open issues, they remain exposed to financial and operational risks.
<p>Local Government Victoria and/or the Municipal Association of Victoria</p>	<p>5 We recommend that Local Government Victoria or the Municipal Association of Victoria, or both in partnership, deliver a governance training program, which may include tailored resource material, to support councillors and their audit and risk committee members throughout their term of appointment.</p>	<p>In progress</p>

Note: Status based on actions completed at the time of finalising the individual audits.
Source: VAGO.