

EF21/429



22 June 2021

Margaret Crawford
Auditor General
The Audit Office
GPO Box 12
SYDNEY. NSW 2001

Dear Ms Crawford

I write to express my concern and disappointment with your 2020 Report on Local Government to Parliament which was delivered on the 27th May, 2021.

In my opinion your report was in part factually incorrect, evasive, lacked independence and carefully avoided stating the AO opinion regarding the control of Rural Fire Service assets.

Further, your report lacked (what I would call) balance as you did not refer to the extensive work performed and position determined by local government generally (and Councils individually) as enunciated in their position papers that have surely been presented to your staff during their Council audit duties.

The abovementioned factors may arguably have mislead the NSW Parliament.

Your report triggers many questions that demand answers from the NSW Audit Office (AO). I detail them below.

Question 1

Does the NSW AO accept the fact that Local Government financial statements are prepared solely in accordance with:

- The Local Government Act 1993 (NSW) (as amended) and the regulations made thereunder,
- The Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board,
- The Local Government Code of Accounting and Financial Reporting

and that the provisions of the Rural Fire Act 1997 have no standing nor relevance in the preparation of LG Financial Statements ?

Question 2

Should the NSW AO have answered NO to Question 1, it appears then as though the NSW AO has relied almost solely on the Rural Fire Service Act stating that rural fire fighting equipment “vests” with Councils.

If so please advise:

- Where is “vesting” defined in the Act ?
- Did the NSW AO in conducting the audits of the RFS merely accept the literal word “vested” in the RFS Act and not conduct further investigation into circumstances surrounding control and who actually controls the RFS assets ?
- What audit work was undertaken to determine control in accordance with Australian Accounting Standards SAC 4 and AASB 116 ?

Question 3

Why has the NSW AO ignored to report in their 2020 Report on Local Government to Parliament the various work performed by local government to determine control and their stated accounting policy positions that Councils do not control RFS assets ?

Question 4

As auditors, the NSW AO must have formed an opinion on who owns/controls the RFS assets based on the information and evidence at hand to them and gathered by them.

The NSW AO 2020 Report on Local Government to Parliament appears to be very carefully worded and for all intents and purposes seems to have avoided stating the NSW AO’s actual opinion on control in relation to the RFS assets.

In particular the report stated:

“NSW Treasury and the NSW Rural Fire Service have stated that rural fire service fighting equipment is not controlled by the State.”

“The Department of Planning, Industry and Environment, which includes OLG has confirmed that the NSW Rural Fire Service does not control rural fire fighting equipment.”

“The Office of Local Government should communicate the State’s view that rural fire fighting equipment is controlled by councils in the local government sector, and therefore this equipment should be properly recorded in their financial statements.”

Question 4.1

Is there any reason that the NSW AO 2020 Report on Local Government to Parliament failed to provide the NSW AO's actual own opinion on who controls the RFS assets ?

Instead the NSW AO 2020 Report on Local Government to Parliament seems to be based purely on advice from NSW Treasury, Dept. of Planning, Industry and Environment and the NSW Rural Fire Service all of whom would appear to have a vested interest in keeping RFS assets in the financial statements of Local Government.

Question 4.2

What is the NSW AO's actual own opinion in relation to RFS assets (based on the evidence they obtained in conducting their local government audits and based on the requirements of the Australian Accounting Standards) ?

Does the NSW AO opinion conclude that the RFS assets are controlled by the RFS or by Councils?

Question 4.3

Has the OLG ever advised the NSW AO (or provided any 3rd party independent report to the NSW AO) with a conclusion that rural fire service assets were **NOT** controlled by local government Councils ?

If YES then why was this advice ignored/over turned by the Dept. of Planning, Industry and Environment ?

If YES then why was this advice not conveyed by the NSW AO in their 2020 Report on Local Government to Parliament ?

Question 5

Has the NSW AO ever held discussions (or direct correspondence) with the OLG regarding the control of RFS assets? If so what was the OLG's position and has it changed over the years ?

Question 6

The RFS accounting policy P4.1.6 "Financial Accounting for NSW RFS Assets" (which is available on their web site) specifically excludes from that policy any assets that are vested in a Local Government Authority (Clause 1.4).

As the NSW AO would appreciate, a simple statement to exclude RFS assets vested in a Local Government Authority from their IPP&E accounting policy is not what could be called sufficient and appropriate audit evidence justifying the RFS position of not accounting for assets vested in a Local Government Authority.

We presume then that the RFS must have another specific accounting policy that deals directly with assets vested in a Local Government Authority and which details their evidence and professional judgements that lead them to conclude that they do not control and therefore do not have to account for RFS assets vested in a Local Government Authority.

We request that the NSW AO provide the RFS's specific accounting policy in relation to "assets vested in local government authorities" which should include their evidence and professional thought process that has made them conclude that they do not control the assets and are therefore not required to account for them in their balance sheet and which the NSW AO must have relied upon in conducting their audits of the Rural Fire Service over numerous years.

Question 7

Is it possible that the current NSW AO RFS asset stance (as conveyed in its 2020 Report on Local Government to Parliament) is directly influenced by its past audit work relating to the RFS where plant and equipment assets "vested" in Local Government Authorities have not been brought to account in the RFS's financial statements ?

Having to now correct this prior period error would have a massive impact on the Rural Fire Service accounts and make for a very embarrassing conversation with the NSW Government and Parliament.

Your immediate response to my concerns would be appreciated.

Yours faithfully,



Graham Bradley FCA
Independent Chair
Leeton Shire Council ARIC