

Queensland Audit Office overview for local government

May 2020

About QAO

The Queensland Audit Office (QAO) is parliament's independent auditor of the local government and state sectors. Our vision is for better public services for Queenslanders. Our purpose is independent, valued assurance and insights.

Our clients are local governments and state public sector entities we audit and the Queensland Parliament. We also work with many other stakeholders such as industry bodies and state central agencies, accounting standards boards and academia.

The Auditor-General is fully independent, appointed by the Queensland Governor in Council for a seven-year term. Our work is governed by the *Auditor-General Act 2009*, and guided by auditing and accounting standards.

Our work

Through our professional audit services, we provide audit opinions about the reliability of our clients' financial statements. We also provide insights on financial performance, risk, governance and internal controls.

We conduct performance audits on the efficiency, effectiveness and economy of important aspects of public services.

From our audits, we table reports to parliament with our results, insights and advice, and recommendations for improvement.

We also conduct investigations about financial waste and mismanagement raised by elected members, local government and public service employees, and the public.

We continually share information about best practice and wider learnings.

You can find out more about our work on our [website](#).

Our operating model

Purpose: Independent valued assurance and insights

Auditor-General
Brendan Worrall

Assistant Auditors-General

Client services

Parliamentary services

Patrick Flemming

Whole of government
& departments
P Brahman

GOCs &
statutory bodies
Rachel Vagg

Local government & the
regions
Damon Olive

Audit practice*

Karen Johnson

Better public
services

Client service delivery

Approach: Think and Act OneQAO

Outcome: Value creation and trust

*Deputy Auditor-General as required

Our strategic audit planning

Each year, we publish a three-year plan of the performance audits we are planning to undertake. Our strategic audit plan reflects the challenges facing local governments and state public sector entities across a wide range of industries.

Audits currently planned for local government include asset management, and development applications and approvals. For more information on our topics for 2020–23, please see our [Audit program](#) on our website. We are also exploring new or alternative topics in response to COVID-19.

All our reports contain insights and learnings from across government that are valuable for councils. Some examples include:

- [Managing cyber security risks](#) (Report 3: 2019–20)
- [Managing the sustainability of local government services](#) (Report 2: 2019–20)
- [Managing consumer food safety in Queensland](#) (Report 17: 2018–19)
- [Managing local government rates and charges](#) (Report 17: 2017–18)
- [Forecasting long-term sustainability of local government](#) (Report 2: 2016–17)

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Local government audit

Each year, we audit each local government's financial statements. Annually, we table a report to parliament that summarises the audit results of Queensland's 77 local government entities and the entities they control. In this report, we also highlight the key findings and share wider learnings. We tabled our latest report, [Local government entities: 2018–19 results of financial audits](#) (Report 13: 2019–20), in February 2020.

Either a QAO team, or a QAO selected audit service provider, will visit your local government to consult, learn about your entity and build relationships.

Our primary touch point with council is through your audit committee, where established. We also engage with your chief executive and chief finance officer from our planning and testing phases through to audit conclusion.

Considering current circumstances surrounding COVID-19 and social distancing restrictions, our engagement this financial year will be more reliant on remote access, and video and teleconference meetings. We will still participate in audit committee meetings, hold management entry and exit meetings, and liaise with key audit contacts.

We have published a range of [blog articles](#) related to COVID-19 and what entities need to be aware of during this time.

What will you receive from us?

External audit plan

Outlines our plan for conducting the audit, including any problems we find with council's internal controls and any items that could lead to errors in your financial statements

Interim and final letters

Summarise the key audit findings, weaknesses in internal controls, and any non-compliance with accounting requirements and/or legislation

Audit committee briefs

Provide an update to your audit committee on audit progress, how our actual costs compared to our estimate, and topical issues for local government

Closing report

Concludes on the results of our audit, including our audit opinion on your financial statements, and our assessments of your controls and financial reporting processes

What does QAO look at during an audit?

- › **Understanding of operations**—financial reporting framework, council governance structure and nature of operations, business and financial reporting risks, and appropriateness of accounting policies and estimates.
- › **Internal control environment**—the number of breakdowns in the council's checks and balances that could lead to errors and misstatements or make council susceptible to fraud.
- › **Accountability for the use of public moneys**—compliance with relevant acts, regulations, policies and prescribed requirements; acts or omissions that result in a waste of public resources; and the probity and propriety of matters associated with the management of council.
- › **Financial statements**—risk of material misstatement whether due to fraud or error, and the appropriateness of disclosures including council's use of the going concern basis of accounting.
- › **Financial sustainability ratios**—the current year sustainability statement, and a comparison of how your council's ratios compare with like councils.
- › **Financial statement preparation process**—we measure and report on the effectiveness of year end processes, timeliness and quality of council's financial statements.

Financial statement preparation maturity model self-assessment tool

This tool helps entities determine their expected level of maturity against QAO's financial reporting maturity model. It's a scalable assessment, that is responsive to entity-specific factors. Your council should set the level of maturity that reflects its size, complexity, age, and structure.

You can download the [better practice tool](#) including instructions and our [fact sheet](#) for more information.



2019 Local government financial information dashboard

Our interactive dashboard allows you to search and compare councils to view their financial performance, including revenue, expenses, assets, liabilities, and sustainability indicators.

To help you navigate the dashboard and its functions, watch our 'how to' video on our [website](#). You can see all our interactive dashboards as they are developed at: www.qao.qld.gov.au/reports-resources/interactive-dashboards

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Topical issues for local government

Financial sustainability

Over half of Queensland's councils continue to spend more delivering services to their community than they receive in revenue from rates, fees and charges, and grants. This is particularly the case in rural, remote and Indigenous areas.

Over recent years we completed a number of audits with a focus on helping councils improve sustainability. Key focus areas from these audits include:

- implementing and using effective asset management plans to understand the performance, cost and age of assets. This also informs decisions about asset renewal, maintenance and replacement
- service planning and monitoring to ensure councils can measure and manage the true costs of the services they provide and determine if services meet existing and future community needs and expectations
- using appropriate community engagement to determine the nature and level of services the community wants their council to provide.

Asset management

Councils are responsible for maintaining and renewing over \$100 billion in infrastructure assets. Effective asset management helps councils to plan for future costs and budget accordingly, so that future generations are not disadvantaged. Not only is asset management critical to financial sustainability, but good asset data and valuation processes are critical to meeting year end reporting deadlines.

Governance

The number and the significance of control issues raised with councils indicates systematic issues with council control environments. Common issues raised across councils included managing and monitoring infrastructure charges, following approved purchasing processes, managing conflicts of interest, asset management, weak information system controls, and poor management of system implementations.

Audit committees—we continue to advocate that all councils have an audit committee with an independent chair. Councils without an audit committee reported a disproportionately higher number of the internal control weaknesses. An effective audit committee has the right mix of skills, experience, and independence. An audit committee that leverages the skills and experience of its members helps the council and its management fulfil their responsibilities relating to financial reporting, internal control systems, risk management systems and internal audit.

Fraud

We have seen an increasing number of fraudulent attempts at councils, with a number of these attempts being successful in the last financial year. Tightening controls over employee and supplier bank account changes are critical to help prevent loss.

Resources at www.qao.qld.gov.au

Blog

Our regular blog posts provide insights, advice and technical information for all entities.

Better practice

We develop 'how to' guides and checklists in response to the issues, challenges and opportunities we identify.

Fact sheets

Our fact sheets and practice statements share our insights and explain our role and services.

Events

We host events including an annual technical update for finance managers and a biennial briefing for audit committee chairs.

Subscribe

To be notified when we publish new blog articles, better practice resources or table a report in parliament, [subscribe to emails from QAO](#).

 You can also follow QAO on [LinkedIn](#).

Contact us

Your primary contact will be your QAO engagement leader. Their contact details will be included in all our communications with your council.

Damon Olive is the Assistant Auditor-General for local government and the regions, and can be contacted at damon.olive@qao.qld.gov.au