

# Report summary

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Queensland's local governments are responsible for delivering essential community services, including water, waste, and roads. To ensure the continued provision of these services, councils must manage their financial resources well and adopt good governance practices. The community's trust in local government increases when councils can demonstrate that they deliver the critical services their community needs in a transparent and financially responsible way.

Audit committees are fundamental to good governance and can assist councils in building and maintaining community trust through:

- accessing cost-effective expertise – by supplementing the skills and local knowledge of councillors with specific technical, governance, or industry expertise, at a relatively low cost. This allows informed, independent challenge of management's strategies, processes, systems, and information
- improving accountability and transparency – by fostering a culture of questioning and challenge. Robust oversight of financial management, reporting, and internal controls enhances the integrity and effectiveness of operations
- increasing access to funding – by monitoring management's actions to improve a council's financial management (including project and asset management practices). Where funding bodies have confidence in the governance practices of councils, it may be easier for these councils to secure grants and other financial support
- managing risk better – by providing timely oversight of a council's risks and risk mitigation strategies, thereby safeguarding the council's assets, information, and reputation. The earlier significant risks are identified and managed, the less they are likely to cost to rectify.

We have been recommending to councils and the Department of Local Government, Water and Volunteers (the department) since 2017 that all councils should have an audit committee. In 2023–24, there were still 12 councils in regional and remote areas of Queensland without audit committees.

In *Local government 2023* (Report 8: 2023–24), we reported that councils without active audit committees or internal audit functions were more often late signing their financial statements and took longer to resolve significant deficiencies in their systems of internal control than those with one.

We also reported that more than 62 per cent of councils are at a moderate or high risk of not being financially sustainable. Of the 12 councils without audit committees, 9 councils were rated as high risk of not being financially sustainable. It is crucial that these councils maintain appropriate oversight of and accountability for their finances.

Stakeholders told us that maintaining an audit committee is too costly for smaller councils. These costs include council resources to prepare information, paying independent member fees, and reimbursing travel costs. Councils are entrusted with managing significant public funds, making robust financial oversight essential. While they do not receive dedicated funding for their audit committees, the 12 councils without committees collectively receive over \$200 million each year to fund their operations.

Queensland is the only state that does not require all councils to have audit committees. It also does not require a majority of independent members on the committee, whereas most states do. To overcome the perceived cost burden of audit committees, New South Wales, Western Australia, and South Australia allow small neighbouring councils to use joint audit committees that share members and resources.

In this report, we draw on the audit committee practices of 10 councils across Queensland to provide actions that councils should consider and implement to improve how their audit committee functions. We make 3 recommendations to the department to improve its role in promoting and facilitating good governance for Queensland's local governments.

We prepared this report using the information we gathered through our audits. Our report does not provide assurance on the effectiveness of audit committees in local governments.

