

I. Our assessment of councils' financial governance

Auditing internal controls

Entities design, implement, and maintain internal controls (people, systems, and processes) to deliver reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations.

In undertaking our audit, we are required under the Australian auditing standards to obtain an understanding of an entity's internal controls relevant to the preparation of the financial report.

We assess internal controls to ensure they are suitably designed to:

- prevent, or detect and correct, material misstatements in the financial report (which could influence a user's decision-making)
- achieve compliance with legislative requirements and make appropriate use of public resources.

Our assessment determines the nature, timing, and extent of the testing we perform to address the risk of significant mistakes in the financial statements.

If we believe the design and implementation of controls is effective, we select the controls we intend to test further. We do this by considering a balance of factors including:

- the significance of the related risks
- the characteristics of balances, transactions, or disclosures (volume, value, and complexity)
- the nature and complexity of the entity's information systems
- whether the design of the controls addresses the risk of material misstatement and facilitates an efficient audit.

If we identify deficiencies in internal controls, we determine the impact on our audit approach, considering whether additional audit procedures are necessary.

We design our audit procedures to address the risk of material (major) misstatement so we can express an opinion on the financial report. We do not express an opinion on the effectiveness of internal controls.

The deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the entity. They are reported here because they impacted on the overall system of control during 2023–24.

Financial statement preparation processes

We assess the strength of councils' financial statement preparation processes using a maturity model (which is available on our website at www.qao.qld.gov.au/reports-resources/better-practice).

The model is entity-driven and is scalable to each entity's size and complexity. It aims to bring flexibility in responding to the qualitative factors that influence entities' practices, which the previous assessment criteria did not take into account.

The model facilitates sharing of better practices across the public sector. It also brings focus to entities' areas of development to allow them to reach their targeted positioning.



The 4 components for effective financial statement preparation processes are:

Quality month-end processes and reporting	
<ul style="list-style-type: none"> • Reconciliation • Reporting • Internal quality controls 	Month-end processes refer to the close-out of the current posting period and preparation of analysis reports. Quality month-end activities provide greater efficiencies in the preparation of year-end reporting. Data quality, quality checking, and internal reporting are the areas of focus.
Early financial statement close processes	
<ul style="list-style-type: none"> • Early close • Audit and audit committee relationships • Asset valuation • Stocktakes • Supporting policies and procedures 	These are the accounting procedures undertaken to close out future account balances in the current posting period. Early close processes are performed before the balance date and are not fully re-performed during the financial statement preparation process. They usually include fair value measurement for property, plant and equipment; major estimates and judgements; material note preparation; and stocktakes.
Skilled financial statement preparation processes and use of appropriate technology	
<ul style="list-style-type: none"> • System • Staff skills • Data quality • Internal controls • Tailored disclosure 	High quality, timely financial statements are prepared using skilled staff, appropriate systems, and sufficient processes that rely on high-quality data sources and effective internal controls.
Timely identification and resolution of financial reporting matters	
<ul style="list-style-type: none"> • Matters are identified • Analysis performed • Consultation 	The timely resolution of financial reporting matters relates to areas of accounting and presentation that require judgement and have a range of potential solutions. Financial reporting matters include the application of new accounting standards, and reporting of new and/or complex transactions in a timely manner.

Levels of financial statement maturity

Each of these 4 components has elements describing the level of maturity within the financial statement preparation maturity model.

The 4 levels of maturity per component are:

- developing – an entity does not have key components of effective financial reporting, or they are limited
- established – an entity shows basic competency for financial reporting
- integrated – an entity’s financial reporting practices are fundamentally sound, but some elements could be improved
- optimised – an entity is a leader of best practice for financial reporting.

Where a council has different maturity levels for each of the 4 components, its overall maturity may sit between 2 levels and be reported as a range, for example, established to integrated.

Each council’s desired level of maturity will differ. What works for a council in a large city may not necessarily work for a smaller council in a regional town.

However, because councils have had stable business models without restructures for more than 10 years, they should be able to at least reach an established maturity level.

In 2020–21, we asked councils to self-assess their financial statement preparation processes using this model.

In 2022–23, we assessed the maturity levels of councils’ financial reporting ourselves to make sure they reflect the reality of the strengths and weaknesses of their processes.



We will undertake an assessment of council's maturity levels in the 2024–25 year and include this in our report. In this appendix, we report our assessment of the overall maturity of each council's financial statement preparation processes as determined in our assessment from the 2022–23 financial year.

Results summary

The following tables summarise the results of our assessment of the 77 councils' internal controls and financial statement process maturity, by tier.

Figure I1
Our assessment of the financial governance of councils by tier

Key:

Total SD = Total significant deficiencies

O/S SD = Number of significant deficiencies outstanding longer than 12 months as of 30 June 2024

FS maturity = Financial statement maturity levels

Days = Number of days to have audit opinion certified from 30 June 2024. (The number of days between 30 June and 31 October is 123.)

Council	Internal controls		Financial statement maturity for 2022–23	2023–24 Days to complete	2022–23 Days to complete
	Total SD	O/S SD			
Tier 1					
Brisbane City Council	-	-	Integrated to optimised	47	49
Tier 2					
Cairns Regional Council	-	-	Optimised	75	77
Council of the City of Gold Coast	2	-	Established to integrated	102	74
Fraser Coast Regional Council	5	-	Integrated	88	91
Ipswich City Council	3	-	Integrated	110	108
Logan City Council	1	-	Established to integrated	95	87
Mackay Regional Council	3	-	Integrated	103	110
Moreton Bay City Council	1	1	Integrated	103	101
Redland City Council	1	-	Integrated	82	74
Sunshine Coast Regional Council	1	1	Established to integrated	123	103
Toowoomba Regional Council	3	1	Established to integrated	89	91
Townsville City Council	4	2	Established to integrated	115	111
Tier 3					
Bundaberg Regional Council	-	-	Integrated to optimised	96	104
Gladstone Regional Council	-	-	Integrated	117	122
Gympie Regional Council	3	3	Established to integrated	123	153
Lockyer Valley Regional Council	1	-	Integrated	123	116

Council	Internal controls		Financial statement maturity for 2022–23	2023–24 Days to complete	2022–23 Days to complete
	Total SD	O/S SD			
Noosa Shire Council	1	1	Established	123	117
Rockhampton Regional Council	2	1	Integrated	108	118
Scenic Rim Regional Council	1	1	Established to integrated	106	98
Tier 4					
Cassowary Coast Regional Council	1	-	Established to integrated	103	105
Central Highlands Regional Council	1	-	Integrated	121	117
Isaac Regional Council	1	1	Established to integrated	108	123
Livingstone Shire Council	-	-	Established to integrated	102	122
Mareeba Shire Council	3	-	Established	95	96
Somerset Regional Council	2	-	Established	121	112
South Burnett Regional Council	-	-	Established to integrated	107	109
Southern Downs Regional Council	-	-	Integrated	109	123
Tablelands Regional Council	2	1	Integrated	123	123
Western Downs Regional Council	-	-	Integrated	114	110
Whitsunday Regional Council	2	-	Established to optimised	52	46
Tier 5					
Banana Shire Council	-	-	Established	121	119
Burdekin Shire Council	-	-	Integrated	71	70
Charters Towers Regional Council	1	-	Established	115	122
Douglas Shire Council	-	-	Integrated	122	104
Goondiwindi Regional Council	-	-	Integrated	60	61
Hinchinbrook Shire Council*	1	-	Established	124	123
Maranoa Regional Council	1	1	Established	108	96
Mount Isa City Council*	8	8	Established to integrated	166	123
North Burnett Regional Council	4	4	Established	113	118
Tier 6					
Balonne Shire Council	-	-	Integrated to established	121	118
Barcaldine Regional Council	-	-	Established	120	231
Cloncurry Shire Council	2	2	Developing to established	122	290
Cook Shire Council	5	3	Established	123	168

Council	Internal controls		Financial statement maturity for 2022–23	2023–24 Days to complete	2022–23 Days to complete
	Total SD	O/S SD			
Longreach Regional Council	-	-	Established	108	116
Murweh Shire Council	-	-	Established to integrated	107	115
Torres Shire Council	7	4	Developing to established	123	123
Tier 7					
Barcoo Shire Council	-	-	Established	116	110
Blackall-Tambo Regional Council	-	-	Established	121	165
Boulia Shire Council	-	-	Integrated	123	123
Bulloo Shire Council	1	1	Established	95	95
Burke Shire Council	-	-	Established to integrated	123	153
Carpentaria Shire Council	3	3	Established	115	122
Croydon Shire Council	1	1	Developing	117	118
Diamantina Shire Council*	-	-	Established	Not complete	215
Etheridge Shire Council	3	2	Developing	121	138
Flinders Shire Council	-	-	Established	102	123
McKinlay Shire Council	-	-	Integrated	122	118
Paroo Shire Council	2	1	Established to integrated	121	105
Quilpie Shire Council	-	-	Established	74	74
Richmond Shire Council	1	1	Developing to established	115	118
Winton Shire Council	-	-	Integrated	122	116
Tier 8					
Aurukun Shire Council*	-	-	Established	172	118
Cherbourg Aboriginal Shire Council	1	-	Established	114	119
Doomadgee Aboriginal Shire Council	-	-	Established	115	123
Hope Vale Aboriginal Shire Council	-	-	Optimised	31	28
Kowanyama Aboriginal Shire Council	1	1	Established	149	118
Lockhart River Aboriginal Shire Council*	3	2	Established to integrated	159	137
Mapoon Aboriginal Shire Council*	3	1	Established	153	123
Mornington Shire Council	11	11	Established ²	Not complete	539
Napranum Aboriginal Shire Council*	6	6	Established	163	123
Northern Peninsula Area Regional Council*	17	17	Established ²	Not complete	Not complete

Council	Internal controls		Financial statement maturity for 2022–23	2023–24 Days to complete	2022–23 Days to complete
	Total SD	O/S SD			
Palm Island Aboriginal Shire Council*	21	21	Developing ²	Not complete	Not complete
Pormpuraaw Aboriginal Shire Council	-	-	Integrated	72	70
Torres Strait Island Regional Council	3	1	Established to integrated	120	116
Woorabinda Aboriginal Shire Council*	8	8	Developing ¹	Not complete	Not complete
Wujal Wujal Aboriginal Shire Council*	2	1	Developing	Not complete	165
Yarrabah Aboriginal Shire Council	1	1	Integrated	113	105

Notes:

* For councils who had not completed their financial statements by 31 October 2024 the total unresolved significant deficiencies include only those reported by 31 October. These numbers are expected to increase as these councils complete their financial statements. Details of weaknesses reported to each council and the updates on the status of these issues are generally available on individual council websites.

¹ Because the 2022 audit of Woorabinda Aboriginal Shire Council is not complete, we were unable to assess the financial statement maturity of this council. We have instead reported its self-assessed financial statement maturity from 2021.

² The 2022 audits of Mornington Shire Council, Palm Island Aboriginal Shire Council, and Northern Peninsula Area Regional Council were completed this year. Because the 2023 audits of these councils were not complete by 31 October, we were unable to assess the financial statement maturity of these councils. We have instead reported their self-assessed financial statement maturity from 2021.

Source: Queensland Audit Office.

