



Queensland Audit Office
better public services

Local government entities: 2016–17 results of financial audits

Report 13: 2017–18

Summary



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Front cover image is an edited photograph of Queensland Parliament, taken by QAO.

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Reference to comments

In accordance with section 64 of the *Auditor-General Act 2009*, we provided a copy of this report to all 77 councils and the Department of Local Government, Racing and Multicultural Affairs. In reaching our audit conclusions, we have considered their views and represented them to the extent we deemed relevant and warranted in preparing this report.

Responses were received from the Department of Local Government, Racing and Multicultural Affairs. The responses are in Appendix A.

Report cost

This audit report cost \$235,000 to produce.



Your ref:
Our ref: 11800



22 March 2018

The Honourable C Pitt MP
Speaker of the Legislative Assembly
Parliament House
BRISBANE QLD 4000

Dear Mr Speaker

Report to Parliament

This report is prepared under Part 3 Division 3 of the *Auditor-General Act 2009*, and is titled *Local government entities: 2016–17 results of financial audits* (Report 13: 2017–18).

In accordance with s.67 of the Act, would you please arrange for the report to be tabled in the Legislative Assembly.

Yours sincerely

A handwritten signature in black ink, appearing to read 'B. Worrall', is positioned above the printed name.

Brendan Worrall
Auditor-General

Report structure

CHAPTER 1

Provides a sector overview to assist readers in understanding the audit findings and conclusions.

CHAPTER 2

Delivers the audit opinion results and evaluates the timeliness and quality of reporting.

CHAPTER 3

Analyses the financial performance, position, and sustainability of Queensland councils.

CHAPTER 4

Assesses the strength of the internal controls designed, implemented and maintained by councils.

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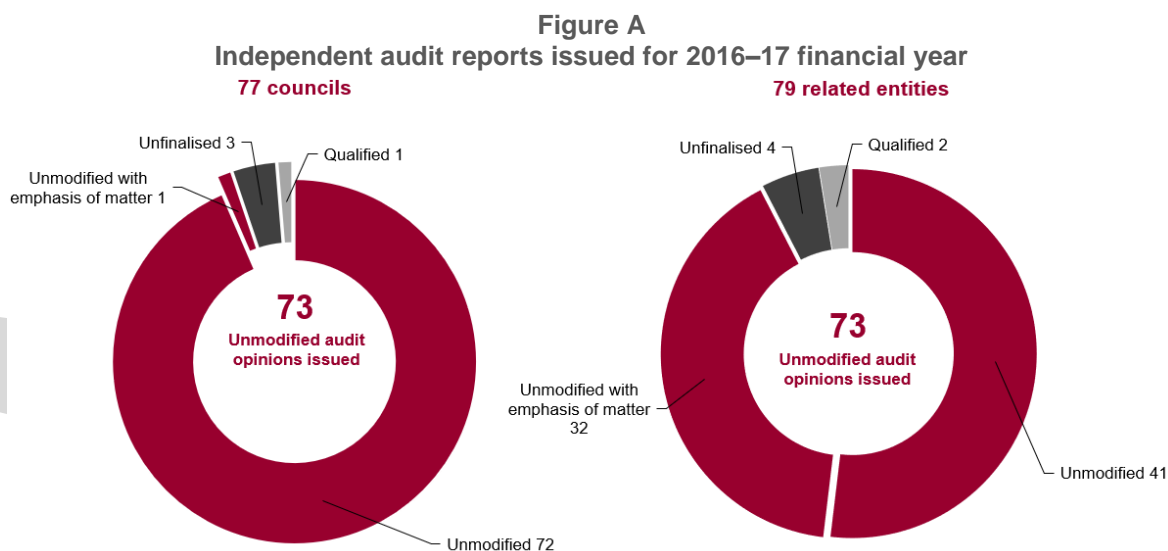
Summary

This report summarises the financial audit results of the 77 Queensland local governments (councils). It also summarises the financial audit results of the 79 entities they control that produced financial statements for the financial year ending 30 June 2017.

Councils vary widely in their size and location and in the broad range of community services they provide. To enable like for like comparisons, we group them in the same way the Local Government Association of Queensland did in its 2013 report *Factors Impacting Local Government Financial Sustainability: A Council Segment Approach*—as Coastal, Indigenous, Resources, Rural/Regional, Rural/Remote, and South East Queensland (SEQ) councils.

Results of our audits

As at 19 February 2018, we had issued audit opinions on the 2016–17 financial statements of 95.5 per cent of local government entities. This is slight improvement from last year.



Source: Queensland Audit Office.

We issued unmodified opinions on 98 per cent of audited financial statements completed for the 2016–17 financial year. This is a slight improvement on 2015–16 when 97 per cent were unmodified.

We issued one qualified opinion for councils and two for related entities this year (2015–16: two and five). Kowanyama Aboriginal Shire Council was qualified due to its inability to provide sufficient and appropriate audit evidence over certain comparative revenue balances. However, this council has made improvements in its financial reporting this year. It met the statutory reporting deadline of 31 October for the first time in seven years. It achieved this by prioritising financial reporting and actively resolving internal control weaknesses. Its current year figures are also unqualified for the first time in seven years.

An *unmodified opinion* is expressed when the financial statements are prepared in accordance with the relevant legislative requirements and Australian accounting standards.

A *qualified opinion* is expressed when financial statements generally comply with the relevant legislative requirements or Australian accounting standards, but with exceptions. This means that parts of the financial statements are not accurate or reliable.

Three councils are yet to finalise their 2016–17 financial statements. They are Northern Peninsula Area Regional Council, Doomadgee Aboriginal Shire Council, and Wujal Wujal Aboriginal Shire Council. All three of these councils' 2015–16 financial statements were also unfinished at this time last year.

This year, we also issued audit opinions on 11 of the 12 outstanding financial statements from previous reporting periods. All received unmodified opinions except for Northern Peninsula Area Regional Council and Woorabinda Pastoral Company Pty Ltd.

This council received a qualified opinion for its 2015–16 financial statements and 2015–16 current year financial sustainability statement. It has now received a qualified opinion for the last three consecutive years due to significant financial reporting issues. Northern Peninsula Area Regional Council has not completed its 2016–17 audit, which means it has missed its legislative deadline for the seventh consecutive year.

Woorabinda Pastoral Company Pty Ltd received a qualified opinion for prior year comparatives in relation to existence and completeness of cattle and associated market value adjustments.

Quality and timeliness of reporting

Of the 77 councils, 73 met their statutory deadline or their ministerially approved extended deadline (2015–16: 70 councils). This year, councils decreased the average time taken to finalise their financial statements by 1.78 weeks from the prior year. This indicates a substantial improvement in financial statement preparation processes.

While we noted improvements in the timeliness of council financial statements provided to audit, some councils still need to significantly improve the quality of financial statements and the ways in which they manage year end processes.

The valuation of infrastructure assets continues to have the greatest impact on whether councils meet agreed timeframes for the delivery of financial statements to audit. When councils don't manage the asset valuation processes well, it often affects the quality of their financial statements.

Twenty-nine councils made material adjustments to their draft financial statements after they were provided to audit. Seven councils corrected prior period errors that were material to the financial statements. Primarily, these adjustments resulted from infrastructure asset valuations and the incorrect or untimely recognition of assets. This affected depreciation expense. These errors and adjustments indicate that councils' internal review of financial statements and asset valuations needs to be improved.

Errors or adjustments are material if the information is misstated or not disclosed, and if that information could affect the decisions of users.

Incomplete asset registers remain an issue for the sector with 17 councils making adjustments for assets in each of the last two years. Without complete and accurate asset information councils cannot adequately plan and manage their activities.

Councils can reduce the likelihood of errors or adjustments in their financial statements by ensuring they have robust consistent month and year end processes and effective review. Many councils still don't prepare monthly accrual-based statements or provide good analysis that enable councillors and senior executives to better understand their council's financial performance and outlook. Year end reporting becomes simpler when standardised monthly accrual accounting processes are implemented.

Our review of controlled entity financial statements identified that only 51 per cent (2015–16: 38 per cent) are made publicly available. While this is an improvement in transparency and accountability, nearly half of the sector's controlled entities' audited financial statements are still unavailable to their communities.

Financial performance, position, and sustainability

Figure B
Councils financial snapshot 2016–17

OPERATING RESULT		NET ASSETS	
2015	\$194m	2015	\$100 543b
2016	\$271m	2016	\$103 322b
2017	\$613m +126%	2017	\$106 323b +3%

TOTAL REVENUE		TOTAL ASSETS	
2015	\$11 516b	2015	\$108 796b
2016	\$11 586b	2016	\$111 068b
2017	\$12 300b +6%	2017	\$114 485b +3%

TOTAL EXPENSES		TOTAL LIABILITIES	
2015	\$9 905b	2015	\$8 254b
2016	\$9 726b	2016	\$7 746b
2017	\$9 918b +2%	2017	\$8 162b +5%

Source: Queensland Audit Office.

Understanding financial performance

At face value, the performance of the local government sector has improved over the last year. However, this has largely been driven by advance payments to councils of the 2017–18 Financial Assistance Grants to Local Government (2017–18 FAG advance) from the Australian Government. (The Australian Government has been providing these grants to local government since 1974–75.) If this advance were excluded, the overall operating result would have been \$384 million instead of \$613 million.

While the sector operating result is positive, 26 councils had operating losses, and if the 2017–18 FAG advance were excluded, 54 per cent of councils would have had operating losses. While financial assistance grants allow councils to spend monies as they choose, continued advance payment is not guaranteed by the Australian Government.

Councils need to continue their focus on long-term planning and on managing the costs for delivery of services. While councils continue to have operating losses, they will be dependent on grant funding to maintain service delivery to their communities.

Understanding financial position

The net position of councils has increased by \$3 billion to \$106 billion. Property, plant and equipment increased by \$2.2 billion. This was mainly as a result of acquisitions and constructions, contributions of assets by developers, and increases to asset values from revaluations, offset by depreciation charges.

The total cash held increased by 19 per cent (\$932 million). This was largely due to the 2017–18 FAG advance received in June 2017 and increases in cash holdings by Brisbane City Council due to better than planned cash from operations and changes in the timing of capital projects. Brisbane City Council took out a \$500 million loan during the year, which contributed to the five per cent increase in liabilities.

This year, we reported on issues we identified in relation to the non-recognition or calculation of the landfill provisions of 12 councils. The future costs of managing the landfill during operation and after closure are known as 'rehabilitation liabilities'. The rehabilitation liabilities for landfills recognised in 2016–17 statements totalled \$506 million (2016: \$458 million).

Of the 72 councils who operate a Department of Environment and Science authorised landfill, only 42 have recognised in their 2016–17 statements the need to provide for landfills in future. As licence holders, councils have an obligation to incur future expenditure to rehabilitate the land. When that future expenditure can be reliably estimated and is material, a provision should be recognised.

Accounting for landfills is complex and their valuation involves significant judgement and estimates. Landfill accounting will be a continued focus of our audits in 2017–18.

Financial sustainability

We analysed three financial sustainability indicators (ratios) relating to councils' operating surpluses, net financial liabilities, and asset sustainability:

- The operating surplus ratio indicates the extent to which operating revenues cover operating expenses.
- The net financial liabilities ratio indicates the extent to which a council's operating revenues can service its net liabilities while maintaining its assets and service levels.
- The asset sustainability ratio approximates the extent to which a council is replacing its assets as they reach the end of their useful lives.

Figure C outlines the sector-wide average sustainability ratios and the target range expected by the Department of Local Government, Racing and Multicultural Affairs (DLGRMA). For the asset sustainability ratio, comparative information is only available from 2012–13 (four years of data), as that was the first year councils' renewals expenditure was audited.

Figure C
Sector sustainability ratios

Sustainability ratios	2017	2016	Target range
Five-year average sector operating surplus ratio	-4.13%	-4.06%	0 to 10%
Annual average sector net financial liabilities ratio	-38.78%	-33.58%	Less than 60%
Five-year average sector asset sustainability ratio	126.36%	129.16%	Greater than 90%

Source: Queensland Audit Office.

Long-term financial sustainability remains a major risk for many councils. While our analysis shows that the five-year average operating surplus ratio is consistent with the prior year, the sector is still spending more than it earns. This concerns us, because breaking even or making a small surplus over the long term is an important part of being financially sustainable.

Indigenous councils have a higher risk of becoming unsustainable compared to the other council segments. This is due to their inability to raise their own revenue and their reliance on grant funding. Costs of living in these council areas are also higher due to the remoteness of their locations.

Forty-five councils have a negative five-year average operating surplus ratio. Of these councils, 11 have incurred negative operating surplus ratios in each of the last five years. They are listed in Figure D.

Figure D
Councils with five consecutive years of negative operating surplus ratios

Indigenous	Rural/Remote	Resources
Kowanyama Aboriginal Shire Council	Balonne Shire Council	Cook Shire Council
Mapoon Aboriginal Shire Council	Barcaldine Regional Council	Maranoa Regional Council
Mornington Shire Council	Paroo Shire Council	
Torres Shire Council		
Torres Strait Island Regional Council		
Yarrabah Aboriginal Shire Council		

Source: Queensland Audit Office.

Councils with persistent operating losses are not charging ratepayers for a portion of the services that have been provided to them during the year. This can result in burdens being placed on future generations to fund the renewal of infrastructure assets.

All councils can presently service their liabilities. Consistent with the prior year, councils continue to increase their financial assets to replace or renew assets rather than use debt. Local governments with negative ratios and adequate levels of rates revenue may have the capacity to increase debt for asset renewal projects.

Councils' five-year average sector asset sustainability ratio indicates that, as a sector, councils are likely to be sufficiently maintaining, replacing and renewing infrastructure assets as they reach the end of their useful life. Coastal and SEQ segments continue to be below the DLGRMA's target. In growing regions with significant new capital works, a ratio below target is not an area of concern where robust asset management planning is in place.

The long-term results of all these measures should be used as planning tools to reassess a council's long-term sustainability strategy.

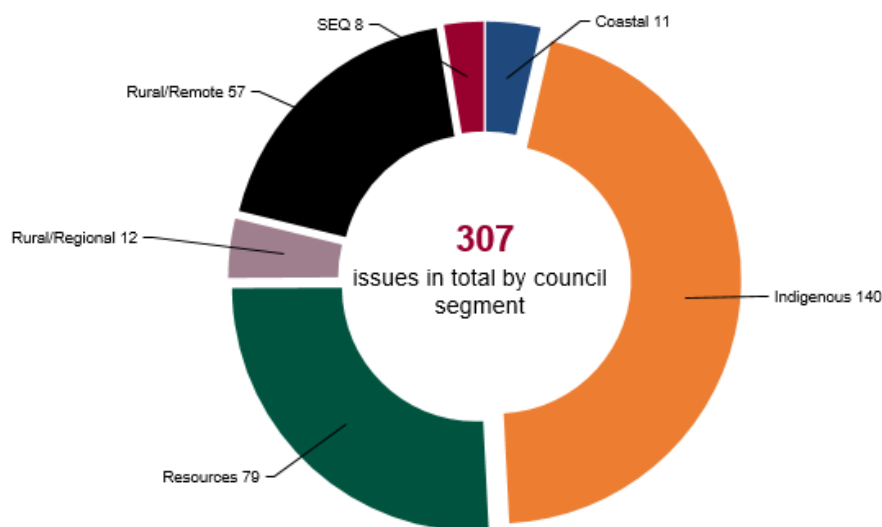
Internal controls

Good internal controls provide reasonable assurance that an entity is achieving its operational, reporting, and compliance objectives.

This year, we identified 307 significant deficiencies at 59 of the 77 councils (2016: 262 at 58 councils). Of the significant issues we identified, 159 (51.8 per cent) were also raised in the prior year's audit. Twenty of these issues were initially raised in 2012–13 and are still unresolved. This means councils, in some instances, are taking over four years to rectify significant internal control weaknesses. This leaves them unnecessarily exposed to fraud and error.

As with last year, the majority of the significant deficiencies are within the Indigenous, Resources and Rural/Remote segments. They account for 90 per cent of total significant issues identified.

Figure E
Analysis of significant deficiencies by council segment



Source: Queensland Audit Office.

The most common weaknesses identified include:

- incomplete or non-existent asset management plans, risk registers, and business continuity and disaster recovery plans
- lack of identification or assessment of fraud risks and lack of fraud control plans
- lack of review of journals and changes to masterfiles (which contain key data on unit rates, fees and charges, and employee and supplier details)
- poor management of user access for information technology systems.

Inadequate internal controls increase the risk of fraud and errors going undetected and losses being incurred. Last year, we reported on a malicious fraud scheme that targeted councils and recommended specific actions for councils to take. Despite this, we identified significant deficiencies for similar issues in 20 councils this year. These related to the lack of appropriate controls over masterfile data changes in relation to expenditure.

Councils will remain vulnerable if they do not mitigate their risks, secure their systems, improve their controls and put plans in place to recover from business disruptions, natural disasters, and cyber attacks.

Audit committees

Audit committees have a key role in ensuring management takes timely and effective action to address control deficiencies. However, audit committees are no longer mandated for all councils.

At the time of preparing this report, 12 councils had disbanded their audit committee, or their audit committee had not met during 2016–17. These 12 councils had a total of 114 significant deficiencies reported in 2016–17 (37 per cent of total significant deficiencies) with 64 of these audit issues remaining unresolved for at least 12 months.

In our *Results of audit: Local government entities 2014–15* (Report 17: 2015–16) we recommended to the then Department of Infrastructure, Local Government and Planning that audit committees be mandated for all councils. The department is still currently consulting with stakeholders on this.

Controlled entities

We identified 12 councils with controlled entities who have not yet established policies for the review of their controlled entities' activities.

As councils often appoint councillors or senior executives to their companies' boards they need to have appropriate mechanisms for effective oversight and to manage the inherent conflicts of interest between the council's own activities and those of its controlled entities.

Recommendations

As part of each audit, we make recommendations to councils about how to improve their financial management.

We recommend that councils take prompt action to address individual recommendations and resolve internal control deficiencies, with a focus on those outstanding since prior years. This is to help mitigate the risk of fraud or error.

In addition, we recommend the DLGRMA mandate:

1. financial statements of controlled entities be made publicly available.
2. audit committees for all councils.

We also recommend that councils:

3. continue to assess their processes for ensuring that asset registers are complete and remain current over time.
4. review and update their month end close processes to include:
 - monthly accrual statements of comprehensive income and financial position and cash flow information
 - variance analysis, key ratios, trends and other non-financial information that will enable the councillors and council executives to better understand the council's financial performance and outlook.
5. review their accounting for rehabilitation of landfills. This should include:
 - assessing open and closed landfill sites and whether a liability has been recognised
 - ensuring all future costs associated with their obligations under their environmental authority are included in the provision.
6. review their monitoring controls and memberships of their controlled entities' boards and:
 - appoint independent directors to provide specialist skills, experience and diversity
 - establish appropriate mechanisms for oversight and to manage conflicts of interest.

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Appendix A—Full responses from entities

As mandated in section 64 of the *Auditor-General Act 2009*, the Queensland Audit Office gave a copy of this report with a request for comments to all 77 councils and the Department of Local Government, Racing and Multicultural Affairs.

The heads of these entities are responsible for the accuracy, fairness, and balance of their comments.

This appendix contains their detailed responses to our audit recommendations.

Comments received from Acting Director-General, Department of Local Government, Racing and Multicultural Affairs



Department of Local Government,
Racing and Multicultural Affairs

Our ref: MC18/1251

Your ref: 11800

14 MAR 2018

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
PO Box 15396
CITY EAST QLD 4002

Dear Mr Worrall

Thank you for your letter of 22 February 2018 to the Honourable Stirling Hinchliffe, Minister for Local Government, Minister for Racing and Minister for Multicultural Affairs about your Draft Report to Parliament titled '*Local government entities: 2016-17 results of financial audits*'.

I was particularly pleased to read about the continued improvement in the timeliness of Local Government financial statements.

Regarding your recommendations for the Department of Local Government, Racing and Multicultural Affairs, the Department will give them further comprehensive consideration. It should be noted, if there were to be changes as you propose, amendments to legislation would be required.

I support the four draft recommendations for Councils, and intend to write to each Council to emphasise the importance of implementing these recommendations.

If you require further information, I encourage you to contact Ms Kim Mahoney, Acting Director, Finance Funding in the Department on _____ or by email at _____

Yours sincerely

A handwritten signature in black ink, appearing to read "Greg Chemello". The signature is fluid and somewhat stylized, with a long horizontal stroke at the end.

Greg Chemello
Acting Director-General

1 William Street Brisbane
PO Box 15009 City East
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ABN 251 66 523 889

Appendix B—The Queensland Audit Office

The auditor-general, supported by the Queensland Audit Office, is the external auditor of the state's public sector. Each year, through our financial audit program, we form independent audit opinions about the reliability of financial statements produced by state and local government entities.

We provide independent assurance directly to parliament about public sector finances. We also help the public sector meet its accountability obligations. Our role and the work we do is critical to the integrity of our system of government.

The auditor-general must prepare reports to parliament on each audit conducted. These reports must state whether the financial statements of a public-sector entity have been audited. They may also draw attention to significant breakdowns in the financial management functions. This report satisfies these requirements.

Appendix C—Queensland local government by category

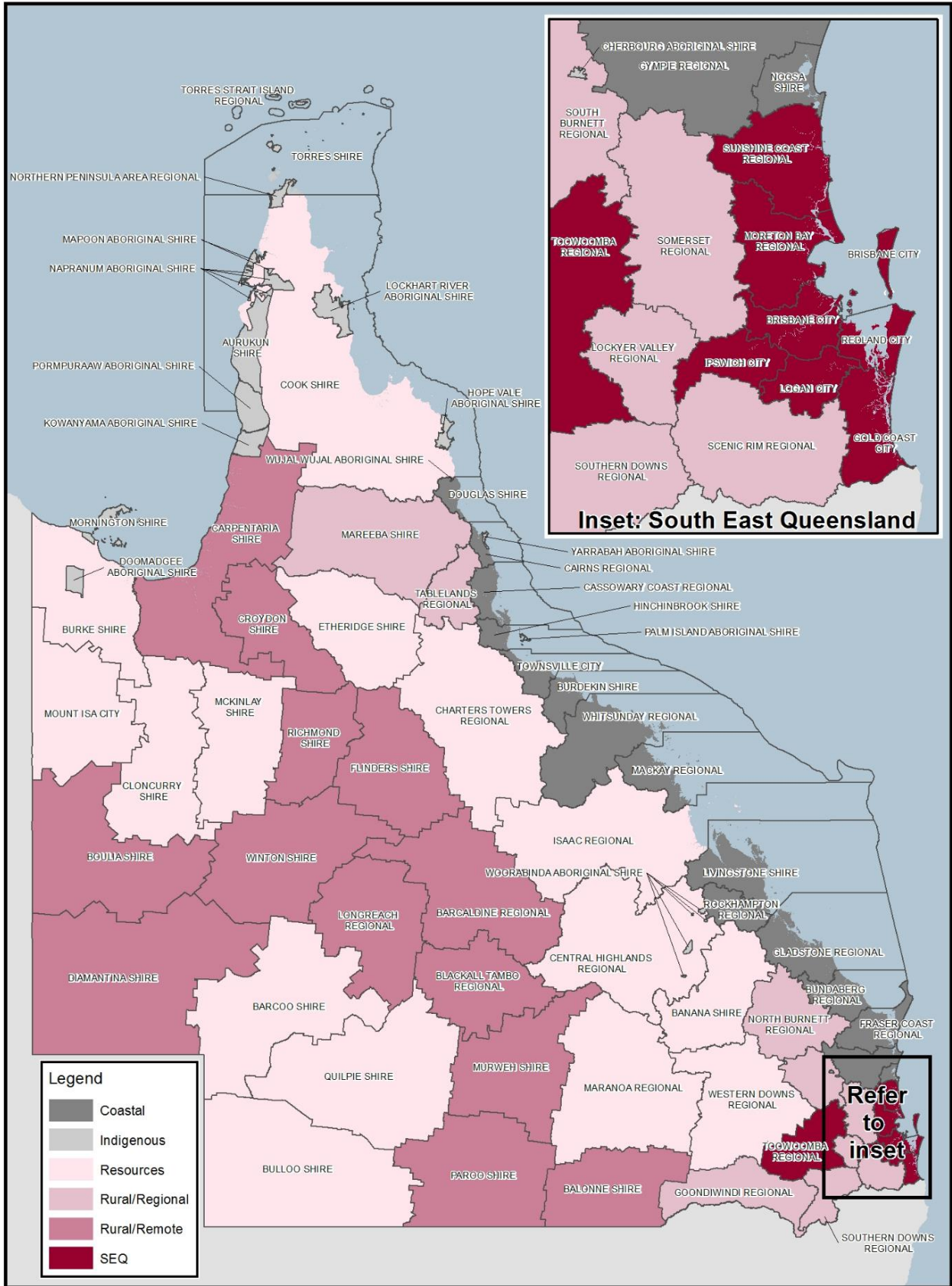
Councils vary widely in their size and location and in the range of community services they provide. To enable better comparison, we group them in the same way the Local Government Association of Queensland did in its 2013 report *Factors Impacting Local Government Financial Sustainability: A Council Segment Approach*—as Coastal, Indigenous, Resources, Rural/Regional, Rural/Remote, and South East Queensland (SEQ) councils.

This table summarises the reporting entities for this year compared to last year by category.

Category	Type of entities	2017	2016
Coastal	Councils	15	15
	Entities they control	7	8
Indigenous	Councils	17	17
	Entities they control	3	3
Resources	Councils	15	15
	Entities they control	6	8
Rural/Regional	Councils	9	9
	Entities they control	1	2
Rural/Remote	Councils	13	13
	Entities they control	2	2
South East Queensland	Councils	8	8
	Entities they control	32	30
Other	Jointly-controlled entities	25	25
	Audited by arrangement	3	3
Total	Councils	77	77
	Entities they control	51	53
	Jointly-controlled entities	25	25
	Audited by arrangement	3	3
Total		156	158

Source: Queensland Audit Office.

A further 39 controlled or jointly controlled entities are classified as non-reporting under the accounting standards and do not prepare financial statements. (Refer to Appendix G for more details.)



Source: Spatial Services, Department of State Development, Manufacturing, Infrastructure and Planning.

Appendix D—Legislative context

Framework

Under the *Constitution of Queensland 2001*, there must be a system of local government in Queensland that is made up of councils. A local government (council) is an elected body that has the power to make local laws suitable to the needs and resources of the area they represent.

Councils' legislative framework is the *Local Government Act 2009* (the Act) and the Local Government Regulation 2012.

The purpose of the Act is to specify the nature and extent of local government's responsibilities and powers. It requires the system of local government to be accountable, effective, efficient, and sustainable.

The regulation requires each council to prepare, by 31 October:

- a general purpose financial statement
- a current year financial sustainability statement
- a long-term financial sustainability statement.

Brisbane City Council has the *City of Brisbane Act 2010* and City of Brisbane Regulation 2012. The regulation imposes the same financial reporting time frames and financial reporting requirements on Brisbane City Council as for other councils.

Each council must release its annual report within one month of the audit opinion date. The Minister for Local Government, Racing and Multicultural Affairs may grant an extension to the deadlines where extraordinary circumstances exist.

Only the general purpose financial statement and the current year financial sustainability statement are subject to audit.

The current year financial sustainability statement includes the following three measures of financial sustainability:

- operating surplus ratio—which indicates the extent to which operating revenues cover operating expenses
- net financial liabilities ratio—which indicates the extent to which a council's operating revenues can service its net liabilities while maintaining its assets and service levels
- asset sustainability ratio—which approximates the extent to which a council is replacing its assets as they reach the end of their useful lives.

Accountability requirements

The *Local Government Act 2009* requires councils to establish financial management systems to identify and manage financial risks, including risks to reliable and timely reporting. The performance of financial management systems requires regular review.

Queensland local government financial statements

These financial statements are used by a broad range of parties, including parliamentarians, councillors, taxpayers, employees, and users of local government services. For these statements to be useful, the information reported must be accurate and timely.

The auditor-general's audit opinion on these entities' financial statements assures users that the statements are accurate and in accordance with relevant legislative requirements.

We express an *unmodified opinion* when the financial statements are prepared in accordance with the relevant legislative requirements and Australian accounting standards. We *qualify* our audit opinion where financial statements do not comply with the relevant legislative requirements and Australian accounting standards and are not accurate and reliable.

Sometimes we include an *emphasis of matter* in our audit reports to highlight an issue that will help users better understand the financial statements. These do not change the audit opinion.

Appendix E—Audit opinion results

Audit	Date financial statement opinion issued	Opinion	Ministerial extension issued to date ⁹	Date current year sustainability statements opinion issued ^A	Opinion
Councils and controlled entities					
Aurukun Shire Council	31.10.2017	U		31.10.2017	E*
Balonne Shire Council	19.10.2017	U		19.10.2017	E*
Banana Shire Council	11.10.2017	U		11.10.2017	E*
Barcaldine Regional Council	19.10.2017	U		19.10.2017	E*
Barcoo Shire Council	19.10.2017	U		19.10.2017	E*
Blackall-Tambo Regional Council	19.10.2017	U		19.10.2017	E*
Boulia Shire Council	19.10.2017	U		19.10.2017	E*
Brisbane City Council	17.08.2017	U		17.08.2017	E*
▪ Brisbane Green Heart CitySmart Pty Ltd	14.11.2017	U			
▪ Brisbane Marketing Pty Ltd	29.09.2017	U			
▪ Brisbane Powerhouse Foundation	04.10.2017	U			
▪ Brisbane Powerhouse Pty Ltd	04.10.2017	U			
▪ Brisdev Trust	01.08.2017	E*			
▪ City of Brisbane Investment Corporation Pty Ltd	01.08.2017	U			
▪ CBIC Investments Pty Ltd	01.08.2017	E*			
▪ City Parklands Services Pty Ltd	13.09.2017	U			
▪ Museum of Brisbane Pty Ltd	19.09.2017	U			
▪ Museum of Brisbane Trust	19.09.2017	E*			
▪ TradeCoast Land Pty Ltd	06.12.2017	U			
Bulloo Shire Council	27.10.2017	U		27.10.2017	E*
Bundaberg Regional Council	19.10.2017	U		19.10.2017	E*
Burdekin Shire Council	11.10.2017	U		11.10.2017	E*
Burke Shire Council	19.10.2017	U		19.10.2017	E*
Cairns Regional Council	11.10.2017	U		11.10.2017	E*

Audit	Date financial statement opinion issued	Opinion	Ministerial extension issued to date ⁹	Date current year sustainability statements opinion issued ^A	Opinion
▪ Cairns Regional Gallery Arts Trust	08.11.2017	Q E*			
▪ Cairns Regional Gallery Limited	08.11.2017	U			
Carpentaria Shire Council	30.11.2017	U	30.11.2017 [∞]	30.11.2017	E*
Cassowary Coast Regional Council	17.10.2017	U		17.10.2017	E*
Central Highlands Regional Council	19.10.2017	U		19.10.2017	E*
▪ Central Highlands (Qld) Housing Company Limited	19.10.2017	E*			
▪ Central Highlands Development Corporation Ltd	06.11.2017	E*			
Charters Towers Regional Council	31.10.2017	U		31.10.2017	E*
Cherbourg Aboriginal Shire Council	19.10.2017	U		19.10.2017	E*
Cloncurry Shire Council	19.10.2017	U		19.10.2017	E*
Cook Shire Council	18.10.2017	U		18.10.2017	E*
Council of the City of Gold Coast	17.10.2017	U		17.10.2017	E*
▪ Broadbeach Alliance Limited	29.09.2017	U			
▪ Connecting Southern Gold Coast Limited	17.10.2017	U			
▪ Gold Coast Arts Centre Pty Ltd	06.10.2017	U			
▪ Surfers Paradise Alliance Limited	30.10.2017	U			
Croydon Shire Council	16.10.2017	U		16.10.2017	E*
Diamantina Shire Council	19.10.2017	U		19.10.2017	E*
Doomadgee Aboriginal Shire Council	Not complete			Not complete	
Douglas Shire Council	12.10.2017	U		12.10.2017	E*
Etheridge Shire Council	28.09.2017	U		28.09.2017	E*
Flinders Shire Council	19.10.2017	U		19.10.2017	E*

Audit	Date financial statement opinion issued	Opinion	Ministerial extension issued to date ^Q	Date current year sustainability statements opinion issued ^A	Opinion
Fraser Coast Regional Council	19.10.2017	U		19.10.2017	E*
▪ Fraser Coast Tourism & Events Ltd	16.11.2017	E*			
Gladstone Regional Council	30.10.2017	U		30.10.2017	E*
▪ Gladstone Airport Corporation	17.10.2017	U			
Goondiwindi Regional Council	31.08.2017	U		31.08.2017	E*
Gympie Regional Council	25.10.2017	U		25.10.2017	E*
▪ Rattler Railway Company Ltd	19.02.2018	E*			
Hinchinbrook Shire Council	16.10.2017	U		16.10.2017	E*
Hope Vale Aboriginal Shire Council	08.08.2017	U		08.08.2017	E*
Ipswich City Council	30.11.2017	E	30.11.2017 [∞]	30.11.2017	E*
▪ Ipswich Arts Foundation	30.10.2017	U			
▪ Ipswich Arts Foundation Trust	30.10.2017	U			
▪ Ipswich City Developments Pty Ltd	30.11.2017	U			
▪ Ipswich City Enterprises Investments Pty Ltd	01.12.2017	U			
▪ Ipswich City Enterprises Pty Ltd	01.12.2017	U			
▪ Ipswich City Properties Pty Ltd	30.11.2017	U			
▪ Ipswich Motorsport Precinct Pty Ltd	01.12.2017	U			
Isaac Regional Council	18.10.2017	U		18.10.2017	E*
▪ Isaac Affordable Housing Fund Pty Ltd	15.12.2017	E*			
▪ Isaac Affordable Housing Trust	15.12.2017	E*			
▪ Moranbah Early Learning Centre Pty Ltd	14.12.2017	E*			
Kowanyama Aboriginal Shire Council	19.10.2017	Q		19.10.2017	E*
Livingstone Shire Council	19.10.2017	U		19.10.2017	E*

Audit	Date financial statement opinion issued	Opinion	Ministerial extension issued to date ⁹	Date current year sustainability statements opinion issued ^A	Opinion
Lockhart River Aboriginal Shire Council	19.10.2017	U		19.10.2017	E*
▪ Lockhart River Aerodrome Company Pty Ltd	19.10.2017	U			
Lockyer Valley Regional Council	06.10.2017	U		06.10.2017	E*
Logan City Council	26.09.2017	U		26.09.2017	E*
Longreach Regional Council	13.11.2017	U		13.11.2017	E*
Mackay Regional Council	13.10.2017	U		13.10.2017	E*
▪ Mackay Region Enterprises Pty Ltd	18.10.2017	E			
Mapoon Aboriginal Shire Council	19.10.2017	U		19.10.2017	E*
Maranoa Regional Council	19.10.2017	U		19.10.2017	E*
Mareeba Shire Council	12.10.2017	U		12.10.2017	E*
McKinlay Shire Council	17.10.2017	U		17.10.2017	E*
Moreton Bay Regional Council	11.10.2017	U		11.10.2017	E*
Mornington Shire Council	27.10.2017	U		27.10.2017	E*
Mount Isa City Council	31.10.2017	U		31.10.2017	E*
▪ Mount Isa City Council Owned Enterprises Pty Ltd	02.11.2017	U			
Murweh Shire Council	19.10.2017	U		19.10.2017	E*
Napranum Aboriginal Shire Council	31.10.2017	U		31.10.2017	E*
Noosa Shire Council	19.10.2017	U		19.10.2017	E*
North Burnett Regional Council	19.10.2017	U		19.10.2017	E*
Northern Peninsula Area Regional Council	Not complete		31.01.18 ⁹⁹	Not complete	
Palm Island Aboriginal Shire Council	31.10.2017	U		31.10.2017	E*
Paroo Shire Council	19.10.2017	U		19.10.2017	E*
Pompuraaw Aboriginal Shire Council	27.09.2017	U		27.09.2017	E*
Quilpie Shire Council	19.10.2017	U		19.10.2017	E*

Audit	Date financial statement opinion issued	Opinion	Ministerial extension issued to date ⁹	Date current year sustainability statements opinion issued ^A	Opinion
Redland City Council	19.10.2017	U		19.10.2017	E*
▪ Redland Investment Corporation Pty Ltd	31.10.2017	U			
Richmond Shire Council	20.12.2017	U	20.12.2017 [∞]	20.12.2017	E*
▪ The Kronosaurus Korner Board Inc.	31.10.2017	E*			
Rockhampton Regional Council	12.10.2017	U		12.10.2017	E*
Scenic Rim Regional Council	19.10.2017	U		19.10.2017	E*
Somerset Regional Council	13.10.2017	U		13.10.2017	E*
South Burnett Regional Council	13.10.2017	U		13.10.2017	E*
▪ South Burnett Community Hospital Foundation Limited	13.10.2017	U			
Southern Downs Regional Council	19.10.2017	U		19.10.2017	E*
Sunshine Coast Regional Council	16.10.2017	U		16.10.2017	E*
▪ SunCentral Maroochydore Pty Ltd	25.09.2017	U			
Tablelands Regional Council	26.09.2017	U		26.09.2017	E*
Toowoomba Regional Council	12.10.2017	U		12.10.2017	E*
▪ Empire Theatres Foundation	27.09.2017	U			
▪ Empire Theatre Projects Pty Ltd	27.09.2017	U			
▪ Empire Theatres Pty Ltd	27.09.2017	U			
▪ Jondaryan Woolshed Pty Ltd	Not complete				
▪ Toowoomba and Surat Basin Enterprise Pty Ltd	10.10.2017	U			
Torres Shire Council	31.10.2017	U		31.10.2017	E*
Torres Strait Island Regional Council	12.12.2017	U	31.12.17 [∞]	12.12.2017	E*
Townsville City Council	13.10.2017	U		13.10.2017	E*
Western Downs Regional Council	19.10.2017	U		19.10.2017	E*
Whitsunday Regional Council	22.09.2017	U		22.09.2017	E*

Audit	Date financial statement opinion issued	Opinion	Ministerial extension issued to date ⁹	Date current year sustainability statements opinion issued ^A	Opinion
Winton Shire Council	17.10.2017	U		17.10.2017	E*
▪ Waltzing Matilda Centre Ltd	18.10.2017	U			
Woorabinda Aboriginal Shire Council	31.10.2017	U		31.10.2017	E*
▪ Woorabinda Pastoral Company Pty Limited	31.10.2017	E*			
Wujal Wujal Aboriginal Shire Council	Not complete			Not complete	
Yarrabah Aboriginal Shire Council	16.10.2017	U		16.10.2017	E*
Jointly-controlled entities					
Council of Mayors (SEQ) Pty Ltd	30.10.2017	U			
Local Government Association of Queensland Ltd	05.10.2017	U			
▪ DDS Unit Trust	05.10.2017	E			
▪ Local Buy Trading Trust	05.10.2017	Q			
▪ Local Partnerships Services Pty Ltd	05.10.2017	E			
▪ Prewood Pty Ltd	05.10.2017	E*			
▪ QPG Shared Services Support Centres Joint Venture	05.10.2017	E*			
▪ LGE Operating Company Pty Ltd	05.10.2017	U			
▪ Services Queensland	05.10.2017	E			
▪ Northern Australia Services Unit Trust	05.10.2017	E*			
Queensland Local Government Mutual Liability Pool (LGM Queensland)	05.12.2017	U			
Queensland Local Government Workers Compensation Self-Insurance Scheme (trading as Local Government Workcare)	05.12.2017	U			
SEQ Regional Recreational Facilities Pty Ltd	10.10.2017	U			

Audit	Date financial statement opinion issued	Opinion	Ministerial extension issued to date [⊖]	Date current year sustainability statements opinion issued ^Δ	Opinion
South West Queensland Local Government Association [#]	01.09.2017	E*			
Townsville Breakwater Entertainment Centre Joint Venture	18.09.2017	E*			
Western Queensland Local Government Association	12.12.2017	E*			
Whitsunday ROC Limited	08.09.2017	U			
Audits by arrangement					
City of Ipswich Community Fund Trust	05.02.2018	E*			
Ipswich Carols by Candlelight Fund Inc.	05.02.2018	E*			
Ipswich Community Charity Fund Inc.	05.02.2018	E*			

* An emphasis of matter paragraph was issued to alert users of the statements to the fact that special purpose statements had been prepared.

The financial year of the South West Queensland Local Government Association was 1 April 2016 to 31 March 2017.

Δ Only councils prepare sustainability statements (not local government related entities).

⊖ Ministerial extensions may only be obtained for councils (not local government related entities).

∞ Ministerial approval was provided retrospectively.

Opinion key: U = unmodified; Q = qualified; A = adverse; E = emphasis of matter; D = disclaimer.

Source: Queensland Audit Office.

Appendix F—Entities exempt from audit by the auditor-general

Audit	Audit firm	Date opinion issued	Opinion
<i>Exempt local government entities—small in size and of low risk (s.30A of the Auditor-General Act 2009)</i>			
Artspace Mackay Foundation	Bennett Partners	16.08.2017	E*
Central Western Queensland Remote Area Planning and Development Board (RAPAD)	Walsh Accounting	16.10.2017	U
Far North Queensland Regional Organisation of Councils	Halpin Partners Pty Ltd	17.10.2017	E*
Gulf Savannah Development Inc.	Rekenen Accountants	07.12.2017	E*
Leichhardt Highway Promotions Association Inc.	VIDEN Group	14.09.2017	E*
Major Brisbane Festivals Pty Ltd ⁺	BDO Audit Pty Ltd	Not complete	
▪ Brisbane Festival Limited ⁺	BDO Audit Pty Ltd	Not complete	
North Queensland Local Government Association ⁺	Crowe Horwath	Not complete	
North West Queensland Regional Organisation of Councils	Rekenen Accountants	13.09.2017	U
Palm Island Community Company Limited	Crowe Horwath	30.10.2017	E*
South West Regional Economic Development Association	Condon Treasure	11.12.2017	E*
Wide Bay Burnett Regional Organisation of Councils Inc	All Income Tax	17.11.2017	E*
<i>Exempt local government entities—foreign-based controlled entity (s.32 of the Auditor-General Act 2009)</i>			
Gold Coast City Council Insurance Company Limited	Ernst & Young LLP	30.08.2017	U

* An emphasis of matter was issued to alert users of the financial statements to the fact that special purpose financial statements had been prepared.

+ The financial year of Brisbane Festival Limited, Major Brisbane Festival Pty Ltd, and the North Queensland Local Government Association was 1 January 2017 to 31 December 2017. All the remaining entities have 30 June 2017 year ends.

Opinion key: U = unmodified; Q = qualified; A = adverse; E = emphasis of matter; D = disclaimer.

Source: Queensland Audit Office

Appendix G—Local government entities for which we will not issue opinions

Entity	Parent entity	Reason
Controlled entities		
Aurukun Community Foundation Ltd	Aurukun Shire Council	Dormant
Brisbane Tolling Pty Ltd	Brisbane City Council	Dormant
City Super Pty Ltd	Brisbane City Council	Dormant
Oxley Creek Transformation Pty Ltd	Brisbane City Council	Dormant
Riverfestival Brisbane Pty Ltd	Brisbane City Council	Dormant
Brisdev Pty Ltd	City of Brisbane Investment Corporation Pty Ltd	Dormant
CBIC Valley Heart Pty Ltd	City of Brisbane Investment Corporation Pty Ltd	Dormant
Cook Shire Communities Renewables Ltd	Cook Shire Council	Dormant
Citipac International Pty Ltd	Council of the City of Gold Coast	Wound up
Wide Bay Water Corporation	Fraser Coast Regional Council	Wound up
Widelinx Pty Ltd	Fraser Coast Regional Council	Non-reporting
Mary Valley Rattler Community Holdings Ltd	Gympie Regional Council	Non-reporting
Invest Logan Pty Ltd	Logan City Council	Dormant
Artspace Mackay Foundation Ltd	Mackay Regional Council	Dormant
Outback @ Isa Pty Ltd	Mount Isa City Council	Dormant
Rodeo Capital Pty Ltd	Mount Isa City Council	Dormant
Napranum Foundation Limited	Napranum Aboriginal Shire Council	Dormant
Noosa Biosphere Limited	Noosa Shire Council	Wound up
Palm Island Economic Development Corporation	Palm Island Aboriginal Council	Dormant
Redheart Pty Ltd	Redland City Council	Dormant
Ava Terraces Pty Ltd	Redland Investment Corporation Pty Ltd	Dormant

Entity	Parent entity	Reason
RIC Toondah Pty Ltd	Redland Investment Corporation Pty Ltd	Non-reporting
Central Queensland Performing Arts Foundation	Rockhampton Regional Council	Wound up
The Rockhampton Art Gallery Trust	Rockhampton Regional Council	Wound up
Warwick Tourism and Events Pty Ltd	Southern Downs Regional Council	Wound up
Sunshine Coast Airport Pty Ltd	Sunshine Coast Regional Council	Dormant
Sunshine Coast Airport Trust	Sunshine Coast Regional Council	Dormant
Sunshine Coast Events Centre Pty Ltd	Sunshine Coast Regional Council	Non-reporting
Western Downs Housing Fund Pty Ltd	Western Downs Regional Council	Wound Up
Collinsville Independent Living Company Pty Ltd	Whitsunday Regional Council	Dormant
Whitsunday Coast Airport and Infrastructure Pty Ltd	Whitsunday Regional Council	Dormant
Winton Community Association Inc	Winton Shire Council	Dormant
Jointly-controlled entities		
LG Cloud Pty Ltd	Local Government Association of Queensland Ltd	Dormant
LG Disaster Recovery Services Pty Ltd	Local Government Association of Queensland Ltd	Dormant
LGE Holding Company Pty Ltd	Local Government Association of Queensland Ltd	Dormant
Local Buy Pty Ltd	Local Government Association of Queensland Ltd	Dormant
Northern Australia Services Pty Ltd	Local Government Association of Queensland Ltd	Dormant
Queensland Partnerships Group (LG Shared Services) Pty Ltd	Local Government Association of Queensland Ltd	Dormant
Resolute Information Technology Pty Ltd	Local Government Association of Queensland Ltd	Dormant

Source: Queensland Audit Office.

Appendix H—Audit opinions issued for prior financial years

Entity	Audit certification date	Opinion
Financial statements from 2015–16 financial year—Councils		
Doomadgee Aboriginal Shire Council	19.07.2017	U
Northern Peninsula Area Regional Council	06.12.2017	Q
Woorabinda Aboriginal Shire Council	06.10.2017	U
Wujal Wujal Aboriginal Shire Council	05.04.2017	U
Financial statements from 2015–16 financial year—Controlled entities		
Jondaryan Woolshed Pty Ltd	Not complete	
Woorabinda Pastoral Company Pty Ltd	19.09.2017	Q E*
Gulf Savannah Development Inc.	22.05.2017	E*
Major Brisbane Festivals Pty Ltd ⁺	31.05.2017	U
Brisbane Festival Ltd ⁺	12.07.2017	U
North Queensland Local Government Association ⁺	19.05.2017	E*
North West Queensland Regional Organisation of Councils	09.03.2017	U
South West Regional Economic Development Association	27.07.2017	E*

Entity	Date opinion issued	Opinion
Financial sustainability statements from 2015–16 financial year		
Doomadgee Aboriginal Shire Council	19.07.2017	U E*
Northern Peninsula Area Regional Council	06.12.2017	Q E*
Wujal Wujal Aboriginal Shire Council	06.10.2017	U E*
Woorabinda Aboriginal Shire Council	05.04.2017	U E*

* An emphasis of matter was issued to alert users of these statements that they have been prepared on a special purpose basis.

+ The financial year of Brisbane Festival Limited, Major Brisbane Festival Pty Ltd, and the North Queensland Local Government Association was 1 January 2016 to 31 December 2016.

Opinion key: U = unmodified; Q = qualified; A = adverse; E = emphasis of matter; D = disclaimer.

Source: Queensland Audit Office.

Appendix I—Financial sustainability measures

Figure I1 details the ratios reflecting short-term and long-term sustainability.

Figure I1
Financial sustainability measures for councils

Measure	Formula	Description	Target range
Operating surplus ratio	Net operating result divided by total operating revenue (excludes capital items) Expressed as a percentage	Indicates the extent to which operational revenues raised cover operational expenses	Between zero and 10 per cent (per department-issued guidelines*)
	<p>A negative result indicates an operating deficit, and the larger the negative percentage, the worse the result. Operating deficits cannot be sustained in the long term. A positive percentage indicates that surplus revenue is available to support the funding of capital expenditure, or to hold in reserve to offset past or expected future operating deficits.</p> <p>We consider councils that consistently achieve an operating surplus and expect that they can do so in the future, having regard to asset management and community service level needs, as financially sustainable.</p>		
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue Expressed as a percentage	Indicates the extent to which a council's operating revenues (including grants and subsidies) can cover its net financial liabilities (usually loans and leases)	Not greater than 60 per cent (per department-issued guidelines*)
	<p>If net financial liabilities are greater than 60 per cent of operating revenue, the council has limited capacity to increase loan borrowings and may experience stress in servicing current debt.</p>		
Asset sustainability ratio	Capital expenditure on replacement of assets (renewals) divided by depreciation expense Expressed as a percentage	Indicates the extent to which assets are being replaced as they reach the end of their useful lives	Greater than 90 per cent (per department-issued guidelines*)
	<p>If the asset sustainability ratio is greater than 90 per cent, the council is likely to be sufficiently maintaining, replacing, and/or renewing its assets as they reach the end of their useful lives.</p> <p>While a low percentage may indicate that the asset base is relatively new (which may result from rectifying extensive natural disaster damage) and does not require replacement, the lower the percentage, the more likely it is that the council has inadequate asset management plans and practices.</p>		

* Department of Local Government, Racing and Multicultural Affairs (DLGRMA).

Source: Queensland Audit Office.

Figure I2 details our risk assessment criteria for financial sustainability measures.

Figure I2
Our risk assessment criteria for financial sustainability measures

Relative risk rating measure	Operating surplus ratio	Net financial liabilities ratio	Asset sustainability ratio
Higher	Less than negative 10% (i.e. losses) ●	More than 80% ●	Less than 50% ●
	Insufficient revenue is being generated to fund operations and asset renewal	Potential long-term concern over ability to repay debt levels from operating revenue	Insufficient spending on asset replacement or renewal, resulting in reduced service levels and increased burden on future ratepayers
Moderate	Negative 10% to zero ●	60% to 80% ●	50% to 90% ●
	A risk of long-term reduction in cash reserves and inability to fund asset renewals	Some concern over the ability to repay debt from operating revenue	Irregular spending or insufficient asset management practices, creating a backlog of maintenance/renewal work
Lower	More than zero (i.e. surpluses) ●	Less than 60% ●	More than 90% ●
	Generating surpluses consistently	No concern over the ability to repay debt from operating revenue	Likely to be sufficiently replacing or renewing assets as they reach the end of their useful lives

Source: Queensland Audit Office.

We calculate our overall financial sustainability risk assessment using the ratings determined for each measure, as shown in Figure I2, and the assignment of the criteria, as shown in Figure I3.

Figure I3
Our overall financial sustainability relative risk assessment

Risk level	Detail of risk
Higher risk	There is a higher risk of sustainability issues arising in the short- to medium-term if current operating income and expenditure policies continue, as indicated by average operating deficits (losses) of more than 10 per cent of operating revenue.
Moderate risk	There is a moderate risk of sustainability issues over the longer term if current debt financing and capital investment policies continue, as indicated by: <ul style="list-style-type: none"> ▪ current net financial liabilities of more than 80 per cent of operating revenue, or ▪ an average asset sustainability ratio of less than 50 per cent, or ▪ average operating deficits (losses) of between two per cent and 10 per cent of operating revenue, or ▪ realising two or more of the ratios per the moderate risk assessment (Figure I2).
Lower risk	There is a lower risk of financial sustainability concerns based on current income, expenditure, asset investment, and debt financing policies.

Source: Queensland Audit Office.

Our assessment of financial sustainability risk factors does not consider councils' long-term forecasts or credit assessments undertaken by the Queensland Treasury Corporation.

Figure I4
Financial sustainability risk assessment by council category: Results at the end of 2016–17

Coastal councils	Current operating surplus ratio %	Avg. operating surplus ratio %	Avg. operating surplus ratio trend [^]	Net financial liabilities ratio %	Net financial liabilities ratio trend	Current asset sustainability ratio %	Avg. asset sustainability ratio %	Avg. asset sustainability ratio trend [^]	Relative risk assessment
Coastal councils									
Bundaberg Regional Council	10.06%	2.68%	● ↑	-8.87%	● ↑	82.00%	81.72%	● –	Lower
Burdekin Shire Council	13.77%	9.41%	● ↑	-56.99%	● ↑	68.90%	112.09%	● ↓	Lower
Cairns Regional Council	2.21%	-0.18%	● –	38.85%	● ↓	101.00%	107.56%	● ↓	Lower
Cassowary Coast Regional Council	-3.76%	0.21%	● ↓	-46.07%	● –	61.00%	145.17%	● ↓	Lower
Douglas Shire Council*	-4.56%	-6.90%	● –	-65.46%	● ↑	59.00%	97.26%	● ↓	Moderate
Fraser Coast Regional Council	12.69%	6.25%	● ↑	-44.88%	● ↑	73.68%	72.99%	● –	Lower
Gladstone Regional Council	5.51%	2.97%	● ↓	9.98%	● ↑	44.00%	120.07%	● ↓	Lower
Gympie Regional Council	0.38%	2.40%	● ↓	-25.61%	● ↓	144.23%	143.61%	● –	Lower
Hinchinbrook Shire Council	1.76%	-1.91%	● –	-79.52%	● ↑	61.00%	97.59%	● ↓	Lower
Livingstone Shire Council*	2.51%	-4.63%	● ↑	58.35%	● ↓	48.00%	44.96%	● ↑	Moderate
Mackay Regional Council	-0.75%	-1.08%	● ↑	17.30%	● ↑	49.30%	79.57%	● ↓	Moderate
Noosa Shire Council*	9.16%	6.74%	● –	-11.60%	● ↑	81.94%	66.81%	● ↑	Lower
Rockhampton Regional Council	4.37%	3.78%	● ↑	34.77%	● ↑	86.50%	76.29%	● ↑	Lower
Townsville City Council	-4.48%	0.31%	● –	86.20%	● ↑	92.00%	91.70%	● –	Moderate
Whitsunday Regional Council	0.94%	1.19%	● –	-0.72%	● ↑	78.77%	67.41%	● ↑	Lower
Coastal average**	3.32%	1.42%		-6.28%		75.42%	93.65%		
Coastal—combined risk assessment		Lower		Lower			Lower		Lower

* De-amalgamated council (established 1 January 2014) average ratios are based on 42-month actual financial results. Refer to Chapter 3 for further ratio analysis.

** Coastal average includes de-amalgamated council results.

[^] Average ratio trend compares the average ratio from 2016–17 with the average ratio from 2015–16. Trends should be considered in conjunction with the Department of Local Government, Racing and Multicultural Affairs' set benchmarks, and the analysis performed and explained in Chapter 3.

Refer also to Figures I1, I2, and I3, which explain the financial sustainability measures and associated benchmarks.

Legend: ↑ An improving trend; – No substantial change; ↓ A deteriorating trend.

Indigenous councils	Current operating surplus ratio %	Avg. operating surplus ratio %	Avg. operating surplus ratio trend [^]	Net financial liabilities ratio %	Net financial liabilities ratio trend	Current asset sustainability ratio %	Avg. asset sustainability ratio %	Avg. asset sustainability ratio trend [^]	Relative risk assessment
Indigenous councils									
Aurukun Shire Council	-19.39%	-8.95%	● ↓	-52.58%	● ↑	0.00%	114.01%	● ↓	Moderate
Cherbourg Aboriginal Shire Council	-31.08%	-18.62%	● ↓	-68.22%	● ↑	53.00%	75.85%	● ↓	Higher
Doomadgee Aboriginal Shire Council [#]	-13.64%	-7.18%	● ↑	-62.06%	● ↓	76.44%	45.25%	● ↑	Moderate
Hope Vale Aboriginal Shire Council	7.64%	9.65%	● ↓	-76.65%	● ↑	140.00%	110.57%	● ↑	Lower
Kowanyama Aboriginal Shire Council [*]	-36.68%	-30.66%	● ↓	-26.91%	● ↑	13.00%	89.00%	● ↓	Higher
Lockhart River Aboriginal Shire Council	-21.01%	-5.66%	● ↓	-56.68%	● ↑	355.00%	213.82%	● ↑	Moderate
Mapoon Aboriginal Shire Council	-7.33%	-13.16%	● ↑	-66.39%	● ↑	26.11%	36.95%	● ↓	Higher
Mornington Shire Council	-15.76%	-35.54%	● ↓	-64.44%	● ↓	272.00%	114.39%	● ↑	Higher
Napranum Aboriginal Shire Council	-10.46%	-16.61%	● ↓	-47.71%	● ↑	103.00%	69.93%	● ↑	Higher
Northern Peninsula Area Regional Council ^{∞#}	-5.00%	-31.18%	● ↑	-26.89%	● ↑	120.00%	35.25%	● ↑	Higher
Palm Island Aboriginal Shire Council	-44.24%	-8.56%	● ↓	-41.18%	● ↑	110.00%	204.30%	● ↓	Moderate
Pompuraaw Aboriginal Shire Council	10.64%	-7.57%	● ↑	-122.96%	● ↑	100.00%	104.91%	● ↓	Moderate
Torres Shire Council	-2.65%	-13.79%	● ↓	-73.36%	● ↑	17.94%	51.04%	● ↓	Higher
Torres Strait Island Regional Council	-38.66%	-48.20%	● –	-33.39%	● ↑	27.70%	44.94%	● ↓	Higher
Woorabinda Aboriginal Shire Council	-38.89%	-3.54%	● ↓	-48.57%	● ↓	8.16%	15.12%	● ↓	Moderate
Wujal Wujal Aboriginal Shire Council [#]	-15.00%	-8.75%	● ↓	-36.61%	● ↓	42.00%	71.50%	● ↓	Moderate
Yarrabah Aboriginal Shire Council	-19.65%	-21.22%	● –	-31.76%	● ↑	36.00%	54.55%	● ↓	Higher
Indigenous average**	-19.11%	-16.03%		-57.91%		90.14%	92.81%		
Indigenous—combined risk assessment		Higher		Lower			Lower		Higher

* This council's sustainability statement was qualified from 2010–11 to 2015–16. The qualification impacts the average operating surplus ratio.

∞ This council's sustainability statement was qualified from 2013–14 to 2015–16. The qualification impacts all three ratios, both current and average.

2016–17 audit for council is unfinished. The sustainability measures reported are based on audited financial statements up to 2015–16.

** Indigenous council average includes 2015–16 results for unfinished councils.

^ Average ratio trend compares the average ratio from 2016–17 with the average ratio from 2015–16. Trends should be considered in conjunction with the Department of Local Government, Racing and Multicultural Affairs' set benchmarks, and the analysis performed and explained in Chapter 3.

Refer also to Figures I1, I2, and I3, which explain the financial sustainability measures and associated benchmarks.

Legend: ↑ An improving trend; – No substantial change; ↓ A deteriorating trend.

Resources councils	Current operating surplus ratio %	Avg. operating surplus ratio %	Avg. operating surplus ratio trend [^]	Net financial liabilities ratio %	Net financial liabilities ratio trend	Current asset sustainability ratio %	Avg. asset sustainability ratio %	Avg. asset sustainability ratio trend [^]	Relative risk assessment
Resources councils									
Banana Shire Council	3.56%	1.24%	● –	6.74%	● ↑	84.28%	108.17%	● ↓	Lower
Barcoo Shire Council	-10.95%	-5.71%	● ↓	-51.51%	● ↓	124.26%	108.09%	● ↑	Moderate
Bulloo Shire Council	17.88%	-5.74%	● –	-80.40%	● ↑	94.00%	212.88%	● ↓	Moderate
Burke Shire Council***	11.04%	-10.63%	● ↑	-81.15%	● ↓	90.00%	100.40%	● ↓	Higher
Central Highlands Regional Council	4.54%	10.62%	● ↑	-45.02%	● ↓	92.56%	93.46%	● –	Lower
Charters Towers Regional Council	1.85%	-5.96%	● ↓	-83.05%	● –	112.00%	110.68%	● –	Moderate
Cloncurry Shire Council	2.61%	2.79%	● –	-41.87%	● ↓	283.00%	150.62%	● ↑	Lower
Cook Shire Council	-27.64%	-41.88%	● ↓	-15.51%	● ↓	376.75%	305.44%	● ↑	Higher
Etheridge Shire Council	-21.16%	-9.40%	● ↓	-91.57%	● ↓	16.10%	105.73%	● ↓	Moderate
Isaac Regional Council	4.23%	-0.06%	● ↓	-60.61%	● ↑	151.71%	196.26%	● ↓	Lower
Maranoa Regional Council	-3.23%	-7.20%	● ↓	-63.30%	● ↓	39.32%	65.59%	● ↓	Moderate
McKinlay Shire Council	18.06%	-3.60%	● ↑	-68.01%	● ↓	324.80%	200.93%	● ↑	Moderate
Mount Isa City Council	12.78%	3.66%	● ↑	-32.54%	● ↑	34.31%	115.71%	● ↓	Lower
Quilpie Shire Council	13.38%	5.23%	● ↑	-92.85%	● ↑	71.00%	130.54%	● ↓	Lower
Western Downs Regional Council	10.94%	4.80%	● –	-51.84%	● ↑	98.18%	172.81%	● ↓	Lower
Resources average	2.53%	-4.12%		-56.83%		132.82%	145.15%		
Resources—combined risk assessment		Moderate		Lower			Lower		Moderate

***This council's 2012–13 sustainability statement was qualified in relation to the calculation of the asset sustainability ratio. This impacts the average ratio calculation for this measure.

[^] Average ratio trend compares the average ratio from 2016–17 with the average ratio from 2015–16. Trends should be considered in conjunction with the Department of Local Government, Racing and Multicultural Affairs' set benchmarks, and the analysis performed and explained in Chapter 3.

Refer also to Figures I1, I2, and I3, which explain the financial sustainability measures and associated benchmarks.

Legend: ↑ An improving trend; – No substantial change; ↓ A deteriorating trend.

Rural/Regional councils	Current operating surplus ratio %	Avg. operating surplus ratio %	Avg. operating surplus ratio trend [^]	Net financial liabilities ratio %	Net financial liabilities ratio trend	Current asset sustainability ratio %	Avg. asset sustainability ratio %	Avg. asset sustainability ratio trend [^]	Relative risk assessment
Rural/Regional councils									
Goondiwindi Regional Council	9.78%	2.24%	● –	-72.81%	● ↑	90.80%	98.14%	● ↓	Lower
Lockyer Valley Regional Council	8.79%	-6.12%	● ↑	60.15%	● ↑	89.49%	101.98%	● ↓	Moderate
Mareeba Shire Council*	20.97%	7.20%	● ↑	-56.90%	● ↑	291.00%	156.75%	● ↑	Lower
North Burnett Regional Council	7.15%	-9.08%	● ↑	-44.21%	● ↑	126.81%	164.48%	● ↓	Moderate
Scenic Rim Regional Council	11.48%	6.51%	● ↑	-6.84%	● ↑	159.00%	332.89%	● ↓	Lower
Somerset Regional Council	5.40%	3.86%	● ↑	-172.68%	● ↓	130.00%	348.81%	● ↓	Lower
South Burnett Regional Council [∞]	4.62%	-2.33%	● ↑	32.73%	● ↑	88.70%	166.90%	● ↓	Moderate
Southern Downs Regional Council	16.70%	-1.49%	● ↑	-6.03%	● ↑	105.40%	99.96%	● ↑	Lower
Tablelands Regional Council	10.91%	-2.84%	● –	-40.79%	● ↑	114.42%	104.43%	● ↑	Moderate
Rural/Regional average**	10.64%	-0.23%		-34.15%		132.85%	174.93%		
Rural/Regional—combined risk assessment		Moderate		Lower			Lower		Lower

* De-amalgamated council (established 1 January 2014) average ratios are based on 42-month actual financial results. Refer to Chapter 3 for further ratio analysis.

[∞] This council's sustainability statement was qualified in 2013–14. The qualification impacts the average operating surplus ratio and average asset sustainability ratio.

** Rural/Regional average includes de-amalgamated council results.

[^] Average ratio trend compares the average ratio from 2016–17 with the average ratio from 2015–16. Trends should be considered in conjunction with the Department of Local Government, Racing and Multicultural Affairs' set benchmarks, and the analysis performed and explained in Chapter 3.

Refer also to Figures I1, I2, and I3, which explain the financial sustainability measures and associated benchmarks.

Legend: ↑ An improving trend; – No substantial change; ↓ A deteriorating trend.

Rural/Remote councils	Current operating surplus ratio %	Avg. operating surplus ratio %	Avg. operating surplus ratio trend [^]	Net financial liabilities ratio %	Net financial liabilities ratio trend	Current asset sustainability ratio %	Avg. asset sustainability ratio %	Avg. asset sustainability ratio trend [^]	Relative risk assessment
Rural/Remote councils									
Balonne Shire Council	-1.09%	-9.37%	● ↓	-84.12%	● ↑	31.68%	163.65%	● ↓	Moderate
Barcaldine Regional Council	-8.61%	-7.81%	● ↓	-79.89%	● –	142.98%	108.32%	● ↑	Moderate
Blackall-Tambo Regional Council	2.06%	-7.48%	● –	-57.04%	● ↑	84.00%	102.20%	● ↓	Moderate
Boulia Shire Council	2.85%	-6.28%	● ↓	-80.05%	● ↑	10.82%	86.51%	● ↓	Moderate
Carpentaria Shire Council	1.94%	0.23%	● –	-27.78%	● ↑	88.20%	100.74%	● ↓	Lower
Croydon Shire Council	9.13%	5.27%	● –	-122.58%	● ↓	89.00%	121.09%	● ↓	Lower
Diamantina Shire Council	-21.37%	-4.44%	● ↓	-78.02%	● ↓	156.81%	210.14%	● ↓	Moderate
Flinders Shire Council	23.24%	8.53%	● –	-78.98%	● ↓	143.97%	162.20%	● ↓	Lower
Longreach Regional Council	19.01%	4.16%	● ↑	-50.02%	● ↓	160.92%	158.71%	● –	Lower
Murweh Shire Council	7.76%	-6.33%	● ↑	-13.56%	● ↑	151.00%	437.57%	● ↓	Moderate
Paroo Shire Council***	-8.71%	-18.21%	● ↓	-31.96%	● ↑	55.13%	303.11%	● ↓	Higher
Richmond Shire Council	-10.13%	-10.55%	● ↓	-36.83%	● ↓	194.93%	171.59%	● ↑	Higher
Winton Shire Council	10.30%	9.69%	● ↑	-184.37%	● ↓	126.21%	186.16%	● ↓	Lower
Rural/Remote average	2.03%	-3.28%		-71.17%		110.43%	177.85%		
Rural/Remote—combined risk assessment		Moderate		Lower			Lower		Moderate

***This council's sustainability statements were qualified from 2012–13 to 2014–15. The qualification impacts the calculation of the average operating surplus ratio and the average asset sustainability ratio.

[^] Average ratio trend compares the average ratio from 2016–17 with the average ratio from 2015–16. Trends should be considered in conjunction with the Department of Local Government, Racing and Multicultural Affairs' set benchmarks, and the analysis performed and explained in Chapter 3.

Refer also to Figures I1, I2, and I3, which explain the financial sustainability measures and associated benchmarks.

Legend: ↑ An improving trend; – No substantial change; ↓ A deteriorating trend.

South East Queensland councils	Current operating surplus ratio %	Avg. operating surplus ratio %	Avg. operating surplus ratio trend [^]	Net financial liabilities ratio %	Net financial liabilities ratio trend	Current asset sustainability ratio %	Avg. asset sustainability ratio %	Avg. asset sustainability ratio trend [^]	Relative risk assessment
South East Queensland (SEQ) councils									
Brisbane City Council	10.09%	1.08%	● ↑	66.55%	● ↑	82.50%	73.85%	● ↑	Moderate
Council of the City of Gold Coast	1.58%	-3.02%	● ↑	-15.36%	● ↑	49.60%	40.48%	● ↑	Moderate
Ipswich City Council	18.20%	6.53%	● ↑	62.59%	● ↑	67.74%	80.41%	● ↓	Moderate
Logan City Council	6.48%	4.02%	● –	-13.24%	● ↑	86.40%	79.14%	● ↑	Lower
Moreton Bay Regional Council	25.98%	16.96%	● ↑	3.87%	● ↑	59.90%	68.39%	● ↓	Lower
Redland City Council	-4.25%	-0.35%	● –	-33.12%	● –	53.22%	39.63%	● ↑	Moderate
Sunshine Coast Regional Council	12.99%	11.06%	● ↑	-0.49%	● ↑	83.00%	74.89%	● ↑	Lower
Toowoomba Regional Council	2.35%	0.39%	● –	49.26%	● ↑	44.27%	126.32%	● ↓	Lower
SEQ average	9.18%	4.59%		15.01%		65.83%	72.89%		
SEQ—combined risk assessment		Lower		Lower			Moderate		Lower

[^] Average ratio trend compares the average ratio from 2016–17 with the average ratio from 2015–16. Trends should be considered in conjunction with the Department of Local Government, Racing and Multicultural Affairs' set benchmarks, and the analysis performed and explained in Chapter 3.

Refer also to Figures I1, I2, and I3, which explain the financial sustainability measures and associated benchmarks.

Legend: ↑ An improving trend; – No substantial change; ↓ A deteriorating trend.

Source: Queensland Audit Office

Appendix J—Our assessment of financial governance

Auditing internal controls

Internal controls are designed, implemented, and maintained by entities to mitigate risks that may prevent them from achieving 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, and achieve compliance with legislative requirements and appropriate use of public resources.

Our assessment determines the nature, timing, and extent of testing we perform to address the management assertions at risk of material misstatement in the financial statements.

Where we believe the design and implementation of controls is effective, we select the controls we intend to test further by considering a balance of factors including:

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

Where we identify deficiencies in internal controls, we determine the impact on our audit approach, considering whether additional audit procedures are necessary to address the risk of material misstatement in the financial statements.

Our audit procedures are designed to address the risk of material misstatement, so we can express an opinion on the financial report. We do not express an opinion on the effectiveness of internal controls.

Internal controls framework

We categorise internal controls using the Committee of the Sponsoring Organisations of the Treadway Commission (COSO) internal controls framework, which is widely recognised as a benchmark for designing and evaluating internal controls.

The framework identifies five components for a successful internal control system. These components are explained in the following paragraphs.

Control environment



- Cultures & values
- Governance
- Organisational structure
- Policies
- Qualified & skilled people
- Management's integrity & operating style

The control environment is defined as the structures, policies, attitudes, and values that influence day-to-day operations. As the control environment is closely linked to an entity's overarching governance and culture, it is important that the control environment provides a strong foundation for the other components of internal control.

In assessing the design and implementation of the control environment we consider whether:

- those charged with governance are independent, appropriately qualified, experienced, and active in challenging management, ensuring they receive the right information at the right time to enable informed decision-making
- policies and procedures are established and communicated so people with the right qualifications and experiences are recruited, they understand their role in the organisation, and they also understand management's expectations towards internal controls, financial reporting, and misconduct, including fraud.

Risk assessment



- Strategic risk assessment
- Financial risk assessment
- Operational risk assessment

Risk assessment relates to management's processes for considering risks that may prevent an entity from achieving its objectives, and how management agree risks should be identified, assessed, and managed.

To achieve appropriate management of business risks, management can either accept the risk, if it is minor, or mitigate the risk to an acceptable level by implementing appropriately designed controls. Risks can also be eliminated entirely by choosing to exit from a risky business venture.

Control activities



- General information technology controls
- Automated controls
- Manual controls

Control activities are the actions taken to implement policies and procedures in accordance with management directives and ensure identified risks are addressed. These activities operate at all levels, and in all functions, and can be designed to prevent or detect errors entering financial systems.

The mix of control activities can be categorised into general information technology controls, automated controls and manual controls.

General information technology controls

General information technology controls form the basis of the automated systems control environment. They include controls over information systems security, user access, and system changes. These controls address the risk of unauthorised access and changes to systems and data.

Automated control activities

Automated controls are embedded within information technology systems. These controls can improve timeliness, availability, and accuracy of information by consistently applying predefined business rules. They enable entities to perform complex calculations in processing large volumes of transactions and improve the effectiveness of financial delegations and segregation of duties.

Manual control activities

Manual controls contain a human element, which can provide the opportunity to assess the reasonableness and appropriateness of transactions. However, these controls may be less reliable than automated elements as they can be more easily bypassed or overridden. They include activities such as approvals, authorisations, verifications, reconciliations, reviews of operating performance, and segregation of incompatible duties. Manual controls may be performed with the aid of information technology systems.

Information and communication



- Non-financial systems
- Financial systems
- Reporting systems

Information and communication controls are the systems used to provide information to employees, and the ways that control how responsibilities are communicated.

This aspect of internal control also considers how management generates financial reports, and how these reports are communicated to internal and external parties to support the functioning of internal controls.

Monitoring activities



- Management supervision
- Self-assessment
- Internal audit

Monitoring activities are the methods management uses to oversee and assess whether internal controls are present and operating effectively. This may be achieved through ongoing supervision, periodic self-assessments, and separate evaluations. They also concern the evaluation and communication of control deficiencies in a timely manner to effect corrective action.

Typically, the internal audit function and an independent audit and risk committee are responsible for implementing controls and resolving control deficiencies. These two functions work together to ensure that internal control deficiencies are identified and then resolved in a timely manner.

Assessment of internal controls

Our assessment of internal control effectiveness is based on the number of deficiencies and significant deficiencies identified during our audit. We assess each of the five components of a successful internal control system separately.

Rating scale	Assessment criteria—Internal controls
● Effective	No significant deficiencies identified in internal controls, so we can rely on internal controls to prevent, or detect and correct, material misstatements in the financial statements
● Partially effective	One significant deficiency identified in internal controls such that we are not able to rely on that internal control to prevent, or detect and correct, material misstatements in the financial statements
● Ineffective	Where more than one significant deficiency is identified in internal controls we are not able to rely on internal controls to prevent, or detect and correct, material misstatements in the financial statements.

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 the overall system of control during 2016–17.

Financial statement preparation

Our assessment of the effectiveness of financial statement preparation processes involved considering three components—the year end close process, and the timeliness, and quality of financial statements.

We assess financial statement preparation processes under the following criteria.

Year end close process

Local government entities should have a robust year end close process to enhance the quality and timeliness of the financial reporting processes. We identified five outcomes for entities to achieve. Early completion of these items means an entity has less risk that a financial report is not cleared in time for council signature, and certification by audit is achieved within statutory or agreed milestones. This year we assessed the following processes for year end financial statement preparation against agreed dates:

- preparation of pro-forma financial statements
- resolution of known accounting issues
- completion of non-current asset valuations
- final draft financial statements completed and reviewed
- final financial statement workpapers completed and reviewed.

Rating scale	Assessment criteria—Year end close process
● Effective	All key processes completed by the agreed date
● Generally effective	Three to four key processes completed by the agreed date
● Ineffective	Less than three key processes completed by the agreed date

Timeliness of financial statements

We assessed the timeliness of financial statements by comparing the date the independent auditors' report was issued against the legislative deadline of 31 October.

Rating scale	Assessment criteria—Timeliness of financial statements
● Timely	On or before 19 October
● Legally compliant	Between 20 October and 31 October
● Not timely	After 31 October

Note: Where the Minister for Local Government, Racing and Multicultural Affairs granted an extension of time to complete the financial statements and the council met this revised date, we assessed this as legally compliant, as the council was unable to meet the original statutory deadline. Where a council was unable to meet the extended date, we assessed this as not timely.

Quality of draft financial statements

We calculated the difference between the first draft financial statements submitted to audit and the final audited financial statements for the key financial statement components of total revenue, total expenses, and net assets. Our quality assessment is based on the percentage of adjustments across each of these components.

Rating scale	Assessment criteria—Quality of draft financial statements
● Good	Adjustments across each of the three components were less than one per cent
● Average	Adjustments for at least one of the three components of total revenue, total expenses, and net assets were between one and five per cent and no components were adjusted by more than five per cent
● Below average	Adjustments for at least one of the three components of total revenue, total expenses, and net assets were greater than five per cent

Financial sustainability relative risk assessment

The detailed criteria for assessing a council's financial sustainability are explained in Appendix I—Figures I1 and I2. The overall assessment criteria is shown in Figure I3. Colours used for the overall risk levels are lower risk (green), moderate risk (amber), and higher risk (red).

Result summary

The following tables summarise the results of our assessment of the 77 councils' internal controls by council segment.

Council	Internal controls ¹					Financial statement preparation ²			Financial sustainability ³
	CE	RA	CA	IC	MA	T	Q	EOFY	FS
Coastal councils									
Bundaberg Regional Council	●	●	●	●	●	●	●	●	●
Burdekin Shire Council	●	●	●	●	●	●	●	●	●
Cairns Regional Council	●	●	●	●	●	●	●	●	●
Cassowary Coast Regional Council	●	●	●	●	●	●	●	●	●
Douglas Shire Council	●	●	●	●	●	●	●	●	●
Fraser Coast Regional Council	●	●	●	●	●	●	●	●	●
Gladstone Regional Council	●	●	●	●	●	●	●	●	●
Gympie Regional Council	●	●	●	●	●	●	●	●	●
Hinchinbrook Shire Council	●	●	●	●	●	●	●	●	●
Livingstone Shire Council	●	●	●	●	●	●	●	●	●
Mackay Regional Council	●	●	●	●	●	●	●	●	●
Noosa Shire Council	●	●	●	●	●	●	●	●	●
Rockhampton Regional Council	●	●	●	●	●	●	●	●	●
Townsville City Council	●	●	●	●	●	●	●	●	●
Whitsunday Regional Council	●	●	●	●	●	●	●	●	●

¹ CE—Control environment; RA—Risk assessment; CA—Control activities; IC—Information and communication; MA—Monitoring activities.

² T—Timeliness; Q—Quality; EOFY—Year end processes.

³ FS—Financial sustainability—relative risk assessment (refer Figure I4).

Council	Internal controls ¹					Financial statement preparation ²			Financial sustainability ³
	CE	RA	CA	IC	MA	T	Q	EOFY	FS
Indigenous councils									
Aurukun Shire Council	●	●	●	●	●	●	●	●	●
Cherbourg Aboriginal Shire Council	●	●	●	●	●	●	●	●	●
Doomadgee Aboriginal Shire Council [#]	●	●	●	●	●	●	●	●	●
Hope Vale Aboriginal Shire Council	●	●	●	●	●	●	●	●	●
Kowanyama Aboriginal Shire Council	●	●	●	●	●	●	●	●	●
Lockhart River Aboriginal Shire Council	●	●	●	●	●	●	●	●	●
Mapoon Aboriginal Shire Council	●	●	●	●	●	●	●	●	●
Mornington Shire Council	●	●	●	●	●	●	●	●	●
Napranum Aboriginal Shire Council	●	●	●	●	●	●	●	●	●
Northern Peninsula Area Regional Council [#]	●	●	●	●	●	●	●	●	●
Palm Island Aboriginal Shire Council	●	●	●	●	●	●	●	●	●
Pormpuraaw Aboriginal Shire Council	●	●	●	●	●	●	●	●	●
Torres Shire Council	●	●	●	●	●	●	●	●	●
Torres Strait Island Regional Council	●	●	●	●	●	●	●	●	●
Woorabinda Aboriginal Shire Council	●	●	●	●	●	●	●	●	●
Wujal Wujal Aboriginal Shire Council [#]	●	●	●	●	●	●	●	●	●
Yarrabah Aboriginal Shire Council	●	●	●	●	●	●	●	●	●

¹ CE—Control environment; RA—Risk assessment; CA—Control activities; IC—Information and communication; MA—Monitoring activities.

² T—Timeliness; Q—Quality; EOFY—Year end processes.

³ FS—Financial sustainability—relative risk assessment (refer Figure I4).

[#] 2016–17 audit for these councils is unfinished.

Council	Internal controls ¹					Financial statement preparation ²			Financial sustainability ³
	CE	RA	CA	IC	MA	T	Q	EOFY	FS
Resources councils									
Banana Shire Council	●	●	●	●	●	●	●	●	●
Barcoo Shire Council	●	●	●	●	●	●	●	●	●
Bulloo Shire Council	●	●	●	●	●	●	●	●	●
Burke Shire Council	●	●	●	●	●	●	●	●	●
Central Highlands Regional Council	●	●	●	●	●	●	●	●	●
Charters Towers Regional Council	●	●	●	●	●	●	●	●	●
Cloncurry Shire Council	●	●	●	●	●	●	●	●	●
Cook Shire Council	●	●	●	●	●	●	●	●	●
Etheridge Shire Council	●	●	●	●	●	●	●	●	●
Isaac Regional Council	●	●	●	●	●	●	●	●	●
Maranoa Regional Council	●	●	●	●	●	●	●	●	●
McKinlay Shire Council	●	●	●	●	●	●	●	●	●
Mount Isa City Council	●	●	●	●	●	●	●	●	●
Quilpie Shire Council	●	●	●	●	●	●	●	●	●
Western Downs Regional Council	●	●	●	●	●	●	●	●	●

¹ CE—Control environment; RA—Risk assessment; CA—Control activities; IC—Information and communication; MA—Monitoring activities.

² T—Timeliness; Q—Quality; EOFY—Year end processes.

³ FS—Financial sustainability—relative risk assessment (refer Figure I4).

Council	Internal controls ¹					Financial statement preparation ²			Financial sustainability ³
	CE	RA	CA	IC	MA	T	Q	EOFY	FS
Rural/Regional councils									
Goondiwindi Regional Council	●	●	●	●	●	●	●	●	●
Lockyer Valley Regional Council	●	●	●	●	●	●	●	●	●
Mareeba Shire Council	●	●	●	●	●	●	●	●	●
North Burnett Regional Council	●	●	●	●	●	●	●	●	●
Scenic Rim Regional Council	●	●	●	●	●	●	●	●	●
Somerset Regional Council	●	●	●	●	●	●	●	●	●
South Burnett Regional Council	●	●	●	●	●	●	●	●	●
Southern Downs Regional Council	●	●	●	●	●	●	●	●	●
Tablelands Regional Council	●	●	●	●	●	●	●	●	●

¹ CE—Control environment; RA—Risk assessment; CA—Control activities; IC—Information and communication; MA—Monitoring activities.

² T—Timeliness; Q—Quality; EOFY—Year end processes.

³ FS—Financial sustainability—relative risk assessment (refer Figure I4).

Council	Internal controls ¹					Financial statement preparation ²			Financial sustainability ³
	CE	RA	CA	IC	MA	T	Q	EOFY	FS
Rural/Remote councils									
Balonne Shire Council	●	●	●	●	●	●	●	●	●
Barcaldine Regional Council	●	●	●	●	●	●	●	●	●
Blackall-Tambo Regional Council	●	●	●	●	●	●	●	●	●
Boulia Shire Council	●	●	●	●	●	●	●	●	●
Carpentaria Shire Council	●	●	●	●	●	●	●	●	●
Croydon Shire Council	●	●	●	●	●	●	●	●	●
Diamantina Shire Council	●	●	●	●	●	●	●	●	●
Flinders Shire Council	●	●	●	●	●	●	●	●	●
Longreach Regional Council	●	●	●	●	●	●	●	●	●
Murweh Shire Council	●	●	●	●	●	●	●	●	●
Paroo Shire Council	●	●	●	●	●	●	●	●	●
Richmond Shire Council	●	●	●	●	●	●	●	●	●
Winton Shire Council	●	●	●	●	●	●	●	●	●

¹ CE—Control environment; RA—Risk assessment; CA—Control activities; IC—Information and communication; MA—Monitoring activities.

² T—Timeliness; Q—Quality; EOFY—Year end processes.

³ FS—Financial sustainability—relative risk assessment (refer Figure I4).

Council	Internal controls ¹					Financial statement preparation ²			Financial sustainability ³
	CE	RA	CA	IC	MA	T	Q	EOFY	FS
South East Queensland (SEQ) councils									
Brisbane City Council	●	●	●	●	●	●	●	●	●
Council of the City of Gold Coast	●	●	●	●	●	●	●	●	●
Ipswich City Council	●	●	●	●	●	●	●	●	●
Logan City Council	●	●	●	●	●	●	●	●	●
Moreton Bay Regional Council	●	●	●	●	●	●	●	●	●
Redland City Council	●	●	●	●	●	●	●	●	●
Sunshine Coast Regional Council	●	●	●	●	●	●	●	●	●
Toowoomba Regional Council	●	●	●	●	●	●	●	●	●

¹ CE—Control environment; RA—Risk assessment; CA—Control activities; IC—Information and communication; MA—Monitoring activities.

² T—Timeliness; Q—Quality; EOFY—Year end processes.

³ FS—Financial sustainability—relative risk assessment (refer Figure I4).

Source: Queensland Audit Office.

Appendix K—Questions for management in reviewing asset valuations

Infrastructure assets are essential to the delivery of local government services, and are highly material. The correct valuation of these assets will allow councils to use this information to support decision making on their future management. The accounting standards require that infrastructure assets are reported at fair value. Councils most often employ valuers to perform the assessment of fair value for them. The following questions will aid management in their review and understanding of comprehensive and indexation valuations.

Questions for Management

Where a comprehensive revaluation has been performed:

Have you engaged directly with the valuer to understand the valuation report and key movements in asset values? For example:

- Has the valuer performed the work in accordance with agreed terms?
- Was a physical inspection of assets undertaken that amended their condition assessment? Is this consistent with your knowledge of your assets?
- Has there been a change in the asset useful lives applied by the valuer? Is this consistent with your historic use of these assets?
- Did the assumptions, valuation technique, or inputs change from prior valuations? Is this reasonable?
- Is there benchmark data to support the assumptions the valuers have adopted?
- Do the unit rates applied in the revaluation fall within a range of prices from recent projects?
- Where a material difference is noted to asset values following the revaluation exercise, has this been assessed for potential prior period errors? Are the explanations obtained reasonable given your knowledge of your assets?

Where indexation is used:

- Can you explain why the index developed or used is appropriate? Do you know the inputs used in creating the index?
- Can you explain the reason for the movement in the index?
- If your policy is to only adjust when there is a material movement, does it meet your expectations that there has or has not been a material movement?
- If you have indexed over the last few years, has the movement cumulatively been material?
- Have you compared the index movement to projects undertaken over the period of the index?

Appendix L—Glossary

Term	Definition
Accountability	Responsibility of public sector entities to achieve their objectives of reliable financial reporting, effective and efficient operations, compliance with applicable laws, and reporting to interested parties.
Acquisition	Establishing control of an asset, undertaking the risks and receiving the rights to future benefits as would be conferred with ownership, in exchange for the cost of procurement.
Asset valuation	The process of determining the fair value of an asset.
Audit by-arrangement	An audit by the auditor-general of an entity that is not a public sector entity, conducted at the request of a minister or a public sector entity and with the consent of the entity.
Audit committee	A committee intended to assist the council or board in discharging their obligations. Duties and responsibilities can involve oversight of all or a combination of the following: <ul style="list-style-type: none"> ▪ effectiveness and reliability of internal controls ▪ quality and integrity of accounting and reporting practices ▪ effectiveness of performance management ▪ legal and regulatory compliance ▪ auditor's qualifications and independence ▪ performance of the internal audit function and of external auditors.
<i>Auditor-General Act 2009</i>	An act of the State of Queensland that establishes the responsibilities of the auditor-general, the operation of the Queensland Audit Office, the nature and scope of audits to be conducted, and the relationship of the auditor-general with parliament.
Auditor's opinion	A written expression of the auditor's overall conclusion on the financial report based on audit evidence obtained.
Australian accounting standards	The rules by which financial statements are prepared in Australia. These standards ensure consistency in measuring and reporting on similar transactions.
Australian Accounting Standards Board (AASB)	An Australian Government agency that develops and maintains accounting standards applicable to entities in the private and public sectors of the Australian economy.
Capital expenditure	Expenditure to acquire assets or improve the service potential of existing assets. It is reported in an entity's balance sheet.
Contingent liability	A potential liability that may occur, depending on the outcome of an uncertain future event.
Controlled entity	Entity owned by one or more public sector entities.
Depreciation	The systematic allocation of a fixed asset's capital value as an expense over its expected useful life, to take account of normal usage, obsolescence, or the passage of time.

Term	Definition
Discount rate	Interest rate used to translate a future value into today's dollars (that is, a present-day value).
Emphasis of matter	A paragraph included with an audit opinion to highlight an issue of which the auditor believes the users of the financial statements need to be aware. The inclusion of an emphasis of matter paragraph does not modify the audit opinion.
Fair value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
Financial statement	Report on an entity's financial performance over a period of time, and financial position at a point in time, prepared in accordance with a financial reporting framework. This includes a profit and loss statement, balance sheet, cash flow statement, a statement of changes in equity, and accompanying notes disclosing how amounts have been recognised and measured.
Financial sustainability	The ability to meet current and future expenditures as they arise and capacity to absorb foreseeable changes and emerging risks.
Fraud	Any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.
Going concern	An entity is expected to be able to pay its debts as and when they fall due, and to continue to operate without any intention or necessity to liquidate or wind up its operations.
Governance	The arrangements in place at an entity to plan, direct, and control its activities to achieve its strategic and operational goals.
Internal audit	An appraisal activity established or provided as a service to an entity. Its functions include examining, evaluating, and monitoring the adequacy and effectiveness of internal control, and reporting deficiencies to management.
Legislative time frame	The date that is prescribed by legislation or date granted by the Minister for Local Government, Racing and Multicultural Affairs for a council to finalise its financial statements or annual report.
Management	Those with the executive responsibility for conducting an entity's operations.
Material misstatement	An error or omission from an entity's financial statements that has the potential to influence the decisions made by users of the financial statements.
Misstatement	A difference between the amount, classification, presentation, or disclosure of a reported financial report item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework. Misstatements can arise from error or fraud.

Term	Definition
Modified audit opinion	A modified opinion is expressed when financial statements do not comply with the relevant legislative requirements and Australian accounting standards, and are not accurate and reliable. There are three types of modified audit opinions—qualified, adverse, and disclaimer—and their use depends on circumstances and the severity of non-compliance.
Net assets	Total assets less total liabilities.
Net result	Calculated by subtracting an entity's total expenses from its total revenue. The net result is designed to show what the entity has earned or lost in a given period of time.
Non-current assets	An entity's long-term investments, where the full value will not be realised within the financial year. These assets are capitalised rather than expensed, meaning that the cost of the asset can be allocated over the number of years for which the asset will be in use, instead of allocating the entire cost to the financial year in which the asset was purchased.
Operating result	Calculated by subtracting continuing operations expenses from continuing operations revenue to show what the entity has earned or lost in a given period of time.
Prior period error	Omissions from, and misstatements in, an entity's financial statements caused by not using or misusing information that was available or could have been obtained and taken into account in preparing the financial statements.
Procurement	The acquisition of goods, services, or works from an external source.
Public sector entity	A department, statutory body, government owned entity, local government, or a controlled entity.
Qualified audit opinion	Opinion issued when financial statements as a whole comply with relevant accounting standards and legislative requirements, with the exceptions noted in the opinion. These exceptions could be the effect of a disagreement with those charged with governance, a conflict between applicable financial reporting frameworks, or a limitation on scope that is considered material to an element of the financial report.
Risk management	The systematic identification, analysis, treatment, and allocation of risks. The extent of risk management required will vary depending on the potential effect of the risks.
Significant deficiency	A deficiency, or combination of deficiencies, in internal control that requires immediate remedial action.
Special purpose financial statements	Financial statements that are designed to meet the financial information needs of a specific group of users.
Unmodified audit opinion	An unmodified opinion is expressed when financial statements are prepared in accordance with the relevant legislative requirements and Australian accounting standards.
Useful life	The number of years an entity expects to use an asset (not the maximum period possible for the asset to exist).

Auditor-General reports to parliament

Reports tabled in 2017–18

Number	Title	Date tabled in Legislative Assembly
1.	Follow-up of Report 15: 2013–14 Environmental regulation of the resources and waste industries	September 2017
2.	Managing the mental health of Queensland Police employees	October 2017
3.	Rail and ports: 2016–17 results of financial audits	December 2017
4.	Integrated transport planning	December 2017
5.	Water: 2016–17 results of financial audits	December 2017
6.	Fraud risk management	February 2018
7.	Health: 2016–17 results of financial audits	February 2018
8.	Confidentiality and disclosure of government contracts	February 2018
9.	Energy: 2016–17 results of financial audits	February 2018
10.	Finalising unpaid fines	February 2018
11.	Queensland state government: 2016–17 results of financial audits	February 2018
12.	Investing for success	March 2018
13.	Local government entities: 2016–17 results of financial audits	March 2018

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