

Report on a page

This report summarises the audit results of Queensland’s 77 local government entities (councils) and the entities they control. We also highlight the purpose and importance of accounting for depreciation expense.

Financial statements are reliable, but not timely

This year, **64** councils (2023: 63) had their financial statements completed by the statutory deadline of 31 October 2024. While the deadline was achieved by most councils, they are finalising their statements later. Over the last 2 financial years, more than **two-thirds** of the sector completed their financial statements in the last 2 weeks of October, or missed the 31 October statutory deadline. While a lack of adequate resources has played a part in this, weaknesses in councils’ processes have also contributed.

Allowing sufficient time for the financial statement preparation process will give councils opportunity to undertake a thorough review of the financial statements to identify and amend errors.

The sector’s control environment is weaker than before

The sector’s control environment (its systems and processes) has deteriorated this financial year, with more than **200** new or unresolved significant deficiencies – of these 52 were identified and reported this year. Almost **80** per cent of the significant deficiencies have been unresolved for more than 12 months.

We continue to find more weaknesses in information systems, and **49 councils** (2023: 45 councils) have at least one weakness. Councils need to address these in a timely manner to strengthen the security of their information systems. Weaknesses regarding procurement and contract management, and maintenance of policies and procedures have increased in the 2023–24 financial year.

Councils will need to consider the financial and operational impacts of climate-related risks and implement appropriate mitigation strategies.

There were many new elected members and executives due to the 2024 local government elections. These changes often result in changes to the governance structure and control environment in councils. They also meant that 10 councils combined paid **\$1.4 million** in termination benefits to their existing executives above what they were entitled to under their contractual terms.

Federal grants were not paid in advance, leading to losses

Unlike previous years, in 2023–24 councils did not receive any advance funding through federal financial assistance grants. The federal government determines the timing of these payments. As a result, **52** councils (81 per cent of those that completed their financial statements by 31 October 2024) recorded losses.

The sector’s water infrastructure assets need attention

One of the Department of Local Government, Water and Volunteers’ (the department) new sustainability measures is the asset consumption ratio (how much of a council’s asset is left to be consumed). This ratio is currently calculated for all of councils’ infrastructure assets. If this ratio is measured at an asset type (roads, water infrastructure, for example) level, it would provide better insights to councils on what assets need attention.

When this ratio is applied to the sector’s water infrastructure assets, the ratio indicates that roughly half (**35**) of the councils are at an increased risk of not being able to provide services to their community at the required levels.

