

# J. Our assessment of councils' financial governance

---

## Auditing internal controls

---

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

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

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

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

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

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

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

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

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

The deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the entity. They are reported here because they impacted on the overall system of control during 2024–25.

## Financial statement preparation processes

---

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

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

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



The 4 components for effective financial statement preparation processes are:

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

## Levels of financial statement maturity

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

The 4 levels of maturity per component are:

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

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

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

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

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

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

This year, we re-assessed the maturity levels of councils using our refreshed financial statement maturity model. In this appendix, we report on this.

In 2025–26 we will ask councils to perform their own assessment using the refreshed model and determine their desired level of maturity.

## Results summary

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

**Key:**

Total O/S SD = Total significant deficiencies outstanding as of 30 June 2025.

O/S SD = Number of significant deficiencies outstanding for longer than 12 months as of 30 June 2025.

FS maturity = Financial statement maturity levels.

Days = Number of days to have audit opinion certified from 30 June 2025 (the number of days between 30 June and 31 October is 123).

**Figure J1**  
**Our assessment of the financial governance of councils by tier**

Council	Internal controls		Financial statement maturity for 2024–25	2024–25 Days to complete	2023–24 Days to complete
	Total SD O/S	SD O/S >1 year			
<b>Tier 1</b>					
Brisbane City Council	-	-	Integrated to optimised	49	47
<b>Tier 2</b>					
Cairns Regional Council	-	-	Optimised	81	75
Council of the City of Gold Coast	4	1	Established to integrated	87	102
Fraser Coast Regional Council	2	2	Integrated	88	88
Ipswich City Council	1	1	Integrated to optimised	107	110
Logan City Council	2	-	Established to integrated	77	95
Mackay Regional Council	1	1	Integrated	107	103
Moreton Bay City Council	1	1	Integrated	101	103
Redland City Council	1	-	Integrated	102	82
Sunshine Coast Regional Council	1	1	Established	119	123
Toowoomba Regional Council	2	2	Established to integrated	91	89
Townsville City Council	3	2	Integrated	123	115
<b>Tier 3</b>					
Bundaberg Regional Council	1	-	Integrated	109	96
Gladstone Regional Council	2	-	Integrated	116	117
Gympie Regional Council*	4	4	Established to integrated <sup>3</sup>	Not complete	123
Lockyer Valley Regional Council	1	1	Established	105	123
Noosa Shire Council*	1	-	Established	205	123

Council	Internal controls		Financial statement maturity for 2024–25	2024–25 Days to complete	2023–24 Days to complete
	Total SD O/S	SD O/S >1 year			
Rockhampton Regional Council	2	2	Integrated	105	108
Scenic Rim Regional Council	1	1	Established to integrated	102	106
<b>Tier 4</b>					
Cassowary Coast Regional Council	-	-	Integrated	106	103
Central Highlands Regional Council	1	1	Integrated	121	121
Isaac Regional Council	-	-	Established to integrated	108	108
Livingstone Shire Council	1	-	Established to integrated	107	102
Mareeba Shire Council	1	1	Established to integrated	94	95
Somerset Regional Council*	2	2	Integrated	147	121
South Burnett Regional Council	-	-	Established to integrated	107	107
Southern Downs Regional Council	-	-	Integrated	122	109
Tablelands Regional Council	2	2	Integrated	123	123
Western Downs Regional Council	2	1	Established to integrated	122	114
Whitsunday Regional Council	2	1	Established to optimised	80	52
<b>Tier 5</b>					
Banana Shire Council	3	-	Established	123	121
Burdekin Shire Council	-	-	Integrated to optimised	70	71
Charters Towers Regional Council	2	1	Integrated	101	115
Douglas Shire Council	-	-	Established to integrated	107	122
Goondiwindi Regional Council	-	-	Established to integrated	60	60
Hinchinbrook Shire Council*	1	1	Established	214	124
Maranoa Regional Council	1	1	Established to integrated	108	108
Mount Isa City Council	11	7	Integrated	119	166
North Burnett Regional Council	3	3	Established to integrated	109	113
<b>Tier 6</b>					
Balonne Shire Council	-	-	Integrated	106	121
Barcaldine Regional Council	-	-	Developing to established	123	120
Cloncurry Shire Council	-	-	Integrated	123	122
Cook Shire Council	5	4	Established	123	123
Longreach Regional Council	1	-	Integrated to optimised	116	108
Murweh Shire Council	-	-	Established to integrated	121	107
Torres Shire Council	6	5	Established	123	123

Council	Internal controls		Financial statement maturity for 2024–25	2024–25 Days to complete	2023–24 Days to complete
	Total SD O/S	SD O/S >1 year			
<b>Tier 7</b>					
Barcoo Shire Council	-	-	Established	233	116
Blackall-Tambo Regional Council	-	-	Established	123	121
Boulia Shire Council*	-	-	Integrated <sup>3</sup>	Not complete	123
Bulloo Shire Council	4	1	Established	108	95
Burke Shire Council	-	-	Integrated	121	123
Carpentaria Shire Council	4	3	Established	119	115
Croydon Shire Council	-	-	Established	119	117
Diamantina Shire Council	5	-	Integrated to optimised	123	285
Etheridge Shire Council	-	-	Established to integrated	112	121
Flinders Shire Council	-	-	Established to integrated	113	102
McKinlay Shire Council	-	-	Integrated	123	122
Paroo Shire Council	2	1	Established to integrated	115	121
Quilpie Shire Council	1	1	Integrated	100	74
Richmond Shire Council	3	1	Developing to established	151	115
Winton Shire Council	2	-	Established	116	122
<b>Tier 8</b>					
Aurukun Shire Council*	1	1	Established	128	172
Cherbourg Aboriginal Shire Council	-	-	Established to integrated	105	114
Doomadgee Aboriginal Shire Council	1	-	Integrated	123	115
Hope Vale Aboriginal Shire Council	-	-	Integrated	32	31
Kowanyama Aboriginal Shire Council	-	-	Integrated	94	149
Lockhart River Aboriginal Shire Council*	5	3	Established to integrated	123	159
Mapoon Aboriginal Shire Council*	2	2	Established	123	153
Mornington Shire Council	14	14	Established <sup>2</sup>	Not complete	425
Napranum Aboriginal Shire Council*	10	7	Established	122	163
Northern Peninsula Area Regional Council*	22	22	Established <sup>2</sup>	Not complete	537
Palm Island Aboriginal Shire Council*	32	32	Developing <sup>2</sup>	Not complete	557
Pompuraaw Aboriginal Shire Council	-	-	Integrated	66	72
Torres Strait Island Regional Council	4	3	Established to integrated	154	120
Woorabinda Aboriginal Shire Council*	8	8	Developing <sup>1</sup>	Not complete	Not complete
Wujal Wujal Aboriginal Shire Council*	2	2	Developing <sup>3</sup>	Not complete	Not complete

Council	Internal controls		Financial statement maturity for 2024–25	2024–25 Days to complete	2023–24 Days to complete
	Total SD O/S	SD O/S >1 year			
Yarrabah Aboriginal Shire Council	2	1	Integrated	121	113

## Notes:

\* The total unresolved significant deficiencies do not include those of councils who had not completed their financial statements by 31 October 2025. These numbers are expected to increase as these councils complete their financial statements. Details of weaknesses reported to each council and the updates on the status of these issues are generally available on individual council websites.

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

<sup>2</sup> The 2023 audits of Northern Peninsula Area Regional Council and Palm Island Aboriginal Shire Council and the 2023 and 2024 audits of Mornington Aboriginal Shire Council were completed this year. Because the 2025 audits of these councils were not complete by 31 October, we were unable to assess the financial statement maturity of these councils. We have instead reported their self-assessed financial statement maturity from 2021.

<sup>3</sup> Because the 2025 audits of Boulia Shire Council, Gympie Regional Council, and Wujal Wujal Aboriginal Shire Council were not complete by the time this report was tabled, we were unable to assess the financial statement maturity of these councils. We have instead reported our assessment of their financial statement maturity from 2024.

Source: Queensland Audit Office.

