

A. Full responses from entities

As mandated in s.64 of the *Auditor-General Act 2009*, the Queensland Audit Office gave a copy of this report with a request for comments to the Director-General, Department of State Development, Infrastructure, Local Government and Planning. We also provided a copy to all 77 councils and gave them the option of providing a response.

This appendix contains the detailed responses we received.

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



Comments received from Director-General, Department of State Development, Infrastructure, Local Government and Planning

Our ref: MC23/2807

16 JUN 2023

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
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Department of
**State Development, Infrastructure,
Local Government and Planning**

Dear Mr Worrall

Thank you for your email of 24 May 2023 regarding the Draft Report to Parliament titled *Local Government 2022* (the draft report). I note you also emailed the Honourable Steven Miles MP, Deputy Premier and Minister for State Development, Infrastructure, Local Government and Planning and Minister Assisting the Premier on Olympic and Paralympic Games Infrastructure. Thank you for providing the Department of State Development, Infrastructure, Local Government and Planning (the department) with an opportunity to review the draft report.

I was pleased to note your comments that the financial statement of councils and council related entities for the 2021-22 financial year are reliable and complied with relevant laws and standards. It is also encouraging that 84 per cent of councils had their financials signed by their legislative deadline which was an increase from the previous year.

Councils' improvement in the reduction of new significant deficiencies in their financial statements is also reassuring despite the conditions councils face with staff turnover and natural disasters. Despite this, I note that the timeliness of producing financial statements remains a challenge for the sector and that some councils continue to need to resolve their outstanding audit deficiencies from prior years with the Queensland Audit Office (QAO).

I note that you made one recommendation to councils this year:

Recommendation 1: *Assess the maturity of their procurement and contract management processes using the QAO's 'Procure-to-pay' maturity model and implement identified opportunities to strengthen their practices.*

The department supports this recommendation and I intend to write to each council to emphasise the importance of implementing this recommendation. In addition, I will also remind councils of the importance of taking action to address outstanding deficiencies, as identified by the QAO.

With regards to your seven recommendations for the department, I provide the following comments:

Recommendation 2: *Provide necessary guidance and tools to councils to help improve their month-end financial reports.*

The department supports this recommendation. However, I note that there are other stakeholders such as the Local Government Finance Professionals (LGFP) that may be better placed, or already provide, guidance to the sector on these issues. The department will engage with the LGFP and other stakeholders to investigate opportunities to further support this recommendation.

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Recommendation 3: Provide a clear definition of 'extraordinary circumstances' for councils seeking ministerial extensions to their legislative time frame for financial reporting.

The department supports this recommendation and will investigate criteria that relates to what 'extraordinary circumstances' are in the context of extensions to councils' legislated deadlines for certifying financial statements, however the Minister will always retain discretion to ascertain what 'extraordinary circumstances' are and approve these requests.

Additionally, the department will write to the two councils that did not request an extension of time and remind them of this requirement under the *Local Government Act 2009*.

Recommendation 4: Measure the effectiveness of training programs provided to councils.

The department supports this recommendation in principle, noting that it is difficult to assess the effectiveness of individual training programs. As the local government sustainability framework is implemented, the effectiveness of the department's responses (including training) will be monitored and adjusted whilst continuing to evaluate individual training programs.

Recommendation 5: Provide training on financial reporting processes and support councils to meet their reporting deadlines in times of need.

The department supports this recommendation in principle noting that the LGFP provide regular webinars, with this included as a sector specific topic. This training, as well as assistance to engage financial reporting specialists, will be considered as part of a targeted responses implemented under the sustainability framework.

Recommendation 6: Make sure all councils have an effective internal audit function.

The department supports this recommendation and will write to each of the 14 councils identified in the report as not having an internal audit function to remind them of the requirements under the *Local Government Act 2009*.

Recommendation 7: Develop a strategy to uplift capability of the sector on cyber-related.

The department supports this recommendation and will work closely with the Queensland Government's Customer and Chief Digital Officer as the subject matter expert to deliver greater council awareness.

Recommendation 8: Publish a framework to assess the sustainability risk of councils by 1 July 2023.

The department supports this recommendation and is finalising the development of a proposed risk framework, which is proposed to be published in July 2023.

If you require any further information, please contact me or


who will be pleased to assist.

Yours sincerely




Mike Kaiser
Director-General

Comments received from Mayor, Moreton Bay Regional Council



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Cr Peter Flannery



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13 June 2023

Mr Brendan Worrall
Auditor-General
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Via e-mail: gao@gao.qld.gov.au

Dear Auditor-General

DRAFT REPORT TO QUEENSLAND PARLIAMENT - LOCAL GOVERNMENT 2022

Thank you for providing your draft report and for the opportunity to respond.

A major driver for the Queensland Government to establish regional councils through amalgamation was in response to a growing concern about the financial sustainability of local government.


Over a decade after amalgamation the financial sustainability of the local government sector is still a concern.

While I am pleased that Moreton Bay Regional Council (Council) continues to be in a sound financial position, it is becoming increasingly difficult to respond to the needs of our communities and keep rates affordable. As noted in the draft report, increases in the cost of labour, materials and services have challenged all councils, including Moreton Bay.

To help address some of the challenges, I would like to see consideration be given to the following:

- Increasing grant funding opportunities which take into account:
 - The need to recognise the impacts of high growth in the Moreton Bay region and the infrastructure needs that this generates;
 - A recent report commissioned by Council which found that on a per capita basis Moreton Bay is consistently amongst the lowest funded LGAs compared to similar regions within SEQ;
 - The need to provide cashflow certainty for grants as opposed to a year-on-year process, specifically through allocative programs like Works for Queensland (State) or the Local Roads and Community Infrastructure (Federal) Programs;

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- The decrease in its allocation of Financial Assistance Grants which Council had at a crucial time during the COVID response (one of 20 councils that received a reduced allocation as a result of the 2021 methodology review);
- Three decades of decline in the value of Financial Assistance Grants as a proportion of total Commonwealth taxation revenue (from 1% to 0.5%); and
- The delivery times for infrastructure grants which are becoming increasingly difficult to meet in the current market – often have cost increases that must be met by Council.
- The impact of the decreasing waste levy – was supposed to be cost neutral to residents but with rising construction, contract and labour costs, this is highly unlikely.

While I acknowledge the work being done to amend the financial sustainability framework, changing the approach to measuring financial sustainability does not effectively address the root cause of the risks around financial sustainability. Until councils are provided with a sustainable funding stream that keeps pace with total taxation revenue (80% collected by the Federal Government and 17% collected by the State Government), there will continue to be issues with the financial sustainability of the sector.

Yours sincerely



PETER FLANNERY
Mayor

Our ref: 67158243

cc: Scott Waters, Chief Executive Officer

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Moreton Bay
Regional Council



Comments received from Acting Chief Executive Officer, Balonne Shire Council

