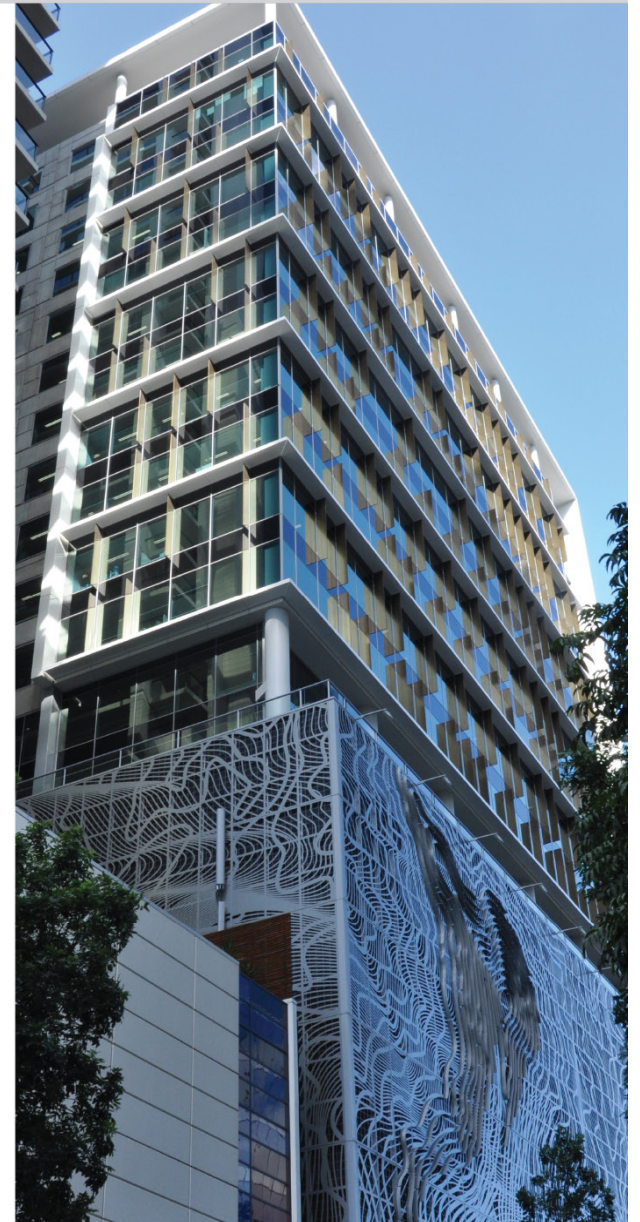


Queensland Audit Office

2011 Local Government Practitioners' Concourse

LG Financial Management –
A Work in Progress



Enhancing public sector accountability

Overview

- Trends evident in local government relating to financial management
- What are the positives
- What requires further attention
- How can we continue to improve



Outline

- Regulatory framework
- Future focus
- Recent audit observations
- Areas for improvement
- Other matters



Regulatory framework

- Local Government Act 2009
- Local Government (Finance, Plans and Reporting) Regulation 2010
- Bulletins issued by the Department of Local Government and Planning
- Tropical Financial Statements
- Accounting Standards
- Auditing Standards

Future Focus

- Long term strategic integrated planning
- Performance measurement
- Whole of life asset management
- Risk management
- Governance
 - Audit committees
 - Internal audit function



Recent Audit Observations

- Report to Parliament No. 2 for 2011 – Results of Local Government Audits
 - Continued improvement in quality and timeliness of financial statements
 - Positive impact of audit committees
 - Appropriate systems to manage potential conflicts of interest for discretionary funds
 - Councillors' remuneration in line with amounts prescribed by the LG Remuneration Tribunal



Recent Audit Observations (cont.)

- Modified audit opinions for 18 local governments and 8 related entities
 - Completeness of revenue
 - Documentary support for asset valuations
 - Inability to form an opinion - lack of records
 - Going concern
 - Significant uncertainty – water asset values

Recent Audit Observations (cont.)

- 516 moderate to high risk financial management issues raised
 - Non-current physical assets (104)
 - Employee expenses and benefits (85)
 - Expenditure and accounts payable (83)
 - Revenue and receivables (55)
 - Corporate governance (47)
 - Information systems security (29)
 - Cash and investments (25)
 - Financial statement related (17)

Recent Audit Observations (cont.)

- Three regional councils yet to consolidate accounting systems following amalgamation



Areas for Improvement

- Governance
 - Audit committees
 - Internal audit
 - Policies and procedures
 - IT governance
 - Risk management



Areas for Improvement (cont.)

- Financial statements
 - Adequacy of accounting policies
 - Explanations for material movements
 - Quality assurance review
 - Timeliness



Areas for Improvement (cont.)

- Non-current assets
 - Basic accounting records
 - Residual values and useful lives reviewed annually
 - Documentation to support decisions and assumptions in valuation process
 - Financial statement disclosures

Areas for Improvement (cont.)

- Use of Valuers or other experts
 - Appropriately instructed
 - Results reviewed and challenged



Other matters

- Auditor-General's mandate
 - Performance audits
 - “Follow the Dollar” powers
 - Audits of small, low risk entities
- Appointment of Auditor-General



Questions?



Enhancing public sector accountability