

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 Director-General, Department of Local Government, Racing and Multicultural Affairs



Department of Local Government,
Racing and Multicultural Affairs

Our ref: MC20/397, DGC20/75

12 February 2020

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

Dear Mr Worrall

I am writing regarding the email of 24 January 2020 from Ms Karen Johnson, Acting Auditor-General, about the Draft Report to Parliament titled *Local Government entities: 2018-19 results of financial audits*. I note that Ms Johnson also wrote to the Honourable Stirling Hinchliffe MP, Minister for Local Government, Minister for Racing and Minister for Multicultural Affairs about this matter.

I was once again particularly pleased about the continued improvement in the timeliness of Local Government financial statements. I was also pleased with the significant improvements in relation to Local Government asset management plans.

With regards to your recommendations for the Department of Local Government, Racing and Multicultural Affairs, I provide the following comments:

Recommendation 1: amend the Local Government Act 2009 to require all Councils to have audit committees and all audit committee chairs to be independent.

The Department supports both parts of this recommendation in principle, however each will require detailed consideration including consultation with stakeholders. If changes are endorsed, they will require regulatory amendments to be implemented.

Recommendation 2: review the current sustainability ratios to determine if they are the most relevant and effective ratios for measuring the financial sustainability of Councils and if supplementing them with additional ratios would provide a more comprehensive assessment.

The Department supports this recommendation. In this regard, the Department has proposed amendments to the Local Government regulations to prescribe that the required sustainability ratios are specified within the *Financial Management (Sustainability) Guideline 2013* (Sustainability Guideline), and that the Director-General of the Department may amend the Sustainability Guideline from time to time. This will allow greater flexibility for the Department to amend the required sustainability ratios to more accurately assess the financial sustainability of Councils.

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Recommendation 3: the financial statements of entities controlled by Councils to be publicly available.

The Department supports this recommendation and has proposed amendments to the Local Government regulations to mandate that the financial statements of controlled entities are published on their parent Councils' websites.

The legislative amendments noted under Recommendations 2 and 3 above, along with a number of other proposed amendments regarding financial management and reporting, have been included in a discussion paper for stakeholder consultation.

Additionally, I support the 10 recommendations for the Councils and intend to write to each Council to emphasise the importance of implementing these recommendations.

I will also write to the Councils you identified as not having an internal audit function to remind them of the requirements under the *Local Government Act 2009*.

If you require further information, I have asked for Mr Mark Askins, Director, Finance and Funding in the Department to assist you with any further queries. You may wish to contact Mr Askins on

Thank you for providing the Department with an opportunity to review the draft report.

Yours sincerely



Warwick Agnew
Director-General

