



Examination of Auditor-General Report 2: 2023-24

*Improving asset management in
local government*

Report No. 16, 57th Parliament
Housing, Big Build and Manufacturing Committee
June 2024

Housing, Big Build and Manufacturing Committee

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Chair's foreword

This report presents a summary of the Housing, Big Build and Manufacturing Committee's examination of the Auditor-General Report 2: 2023-24 Improving asset management in local government.

The committee is appreciative of the continued efforts of the Queensland Audit Office to highlight the importance of improving asset management performance in the local government sector, as well as the dedication of the local government sector and the Department of State Development, Infrastructure, Local Government and Planning to implement improved practices.

I commend this report to the House.

A handwritten signature in black ink, reading "C. Whiting". The signature is written in a cursive, flowing style.

Chris Whiting MP

Chair

Recommendations

Recommendation 1	2
The committee recommends that the Legislative Assembly notes the content of this report.	2

1 Introduction

1.1 Role of the Housing Big Build and Manufacturing Committee

The Housing, Big Build and Manufacturing Committee (the committee) of the 57th Parliament was established by the Queensland Legislative Assembly on 13 February 2024 through an amendment to Schedule 6 of the *Standing Rules and Orders of the Legislative Assembly*.¹

The committee has responsibility for the following portfolio areas:

- State Development, Infrastructure, Industrial Relations and Racing
- Housing, Local Government, Planning and Public Works
- Regional Development, Manufacturing and Water.

In relation to its areas of responsibility, the committee:

- examines Bills and subordinate legislation to consider the policy to be enacted and the application of the fundamental legislative principles set out in section 4 of the *Legislative Standards Act 1992* and compatibility with the *Human Rights Act 2019*
- examines the estimates of each department
- investigates any issue referred to it by the Legislative Assembly or under an Act, whether or not the issue is within the committee's areas of responsibility
- assesses public accounts in its portfolio area in regard to integrity, economy, efficiency and effectiveness of financial management
- assesses public works in its portfolio area in regard to the suitability of the works for the purpose.

1.2 Role of the Auditor-General

The Auditor-General is the independent auditor of the Queensland public sector, including local governments.

The Queensland Audit Office (QAO):

- provides professional audit services, which include audit opinions on the accuracy and reliability of the financial statements of public sector entities
- provides entities with insights on their financial performance, risk, and internal controls; and on the efficiency, effectiveness, and economy of public service delivery
- produces reports to parliament on the results of QAO audit work, insights and advice, and recommendations for improvement
- supports reports with graphics, tables, and other visualisations, which connect QAO insights to regions and communities
- conducts investigations into claims of financial waste and mismanagement raised by elected members, state and local government employees, and the public
- shares wider learnings and best practice from our work with state and local government entities, our professional networks, industry, and peers.²

¹ Parliament of Queensland Act 2001, s 88 and Standing Rules and Orders of the Legislative Assembly, Standing Order 194; Schedule 6.

² Queensland Audit Office, *Our Role*, <https://www.qao.qld.gov.au/about-us/our-role>

1.3 Committee examination of Auditor General reports

This report provides a summary of the committee's consideration of the Auditor-General Report 2: 2023-24 Improving asset management in local government.

Recommendation 1

The committee recommends that the Legislative Assembly notes the content of this report.

2 Examination of Auditor-General Report 2: 2023-24 Improving asset management in local government

2.1 Background

On 24 August 2023, the Legislative Assembly referred this Auditor-General report to the former State Development and Regional Industries Committee for consideration, in accordance with Standing Order 194B.

On 13 February 2024, the Legislative Assembly amended Schedule 6 of the *Standing Rules and Orders of the Legislative Assembly*, establishing the Housing, Big Build and Manufacturing Committee (the committee), and transferred this report accordingly.

2.2 Summary of Queensland Audit Office conclusions

Collectively, Queensland councils own and operate approximately \$114 billion worth of infrastructure assets.

The audit surveyed 5 councils across the state on the maturity of their approaches to asset management, compared to international better practice. As well, all councils were asked to self-assess their asset management approaches. The QAO intend to build on this survey, to develop a maturity model for asset management across all government sectors.³

The audit found that only 9.6 per cent of councils had an overall maturity average at or above the minimum requirements of the internationally recognised standard for asset management. From the QAO perspective, this highlighted the need for stronger leadership to embed asset management processes, including withstanding staff changes and helping councillors to deliver better community services.⁴

- *Gaps in asset management practices*

The audit found gaps in asset management practices. All 5 councils had developed asset management plans for most of their assets and were using asset information to inform investment decisions for asset projects. However, it was determined councils could improve the quality of the information used to make their decisions through:

- governance – putting in place formal governance groups to ensure asset, finance, and service managers consider and challenge asset plans and projects before going to council for approval
- asset information – regularly assessing if the asset information has changed because of revaluations, natural disasters, changes in condition, or obsolescence, to keep asset plans up to date
- reporting – developing measures and reporting on them so that councils are accountable for how assets contribute to the corporate priorities for the community.⁵

The audit identified a range of gaps in the approaches to asset management adopted in the 5 councils. This included among other things that asset data in management plans were not current, asset management plans were not aligned with services and budgets, councils were not reporting on the performance of assets and asset management training was not planned or coordinated.⁶

³ QAO, Report 2: 2023-24, pp 1-2.

⁴ QAO, Report 2: 2023-24, p 2.

⁵ QAO, Report 2: 2023-24, p 2.

⁶ QAO, Report 2: 2023-24, p 8.

- *Greater support needed to build asset management capability*

The audit found that more details are needed for how the department will support better asset management.

The 5 councils audited by the QAO had developed asset management plans as required by the *Local Government Act 2009* and the *Local Government Regulation 2012*. However, it was found that councils require more guidance from the department to move beyond compliance; they need to manage their assets effectively to deliver services to their communities, while understanding the full cost of owning the assets.⁷

The self-assessment survey results show that, on average, councils still have some way to go to meet the minimum (core) requirements of the international better practice standard.⁸

The QAO Report noted that the department has established principles for developing sustainability indicators and developed revised draft financial sustainability measures within the financial management guidelines. However, neither the framework nor the financial management guideline outline:

- the department's role in monitoring councils' performance through reviewing their asset sustainability measures
- remedial action that will be taken if compliance with asset management or the asset sustainability ratios are repeatedly not met.⁹

2.3 Queensland Audit Office recommendations

The QAO made 9 recommendations.

Five recommendations applied to local councils. The QAO recommended councils assess whether:

- 1) governance structures and cultures ensure a whole-of-council (finance, asset, and service teams) approach to asset management
- 2) asset management plans are current and cover all major asset classes
- 3) data is recorded in a way that can be and is reconciled to their financial asset register
- 4) workforce plans and strategies identify the necessary asset management capabilities and relevant training to be completed.

Local councils were also recommended to:

- 5) provide their assessments and action plans to address the above recommendations to their audit and risk committees.

Four recommendations applied to the department, and included:

- 6) development of a documented compliance strategy to monitor councils' asset management approach to meet the asset sustainability ratios
- 7) analysis of asset management plans when assessing grant applications for infrastructure projects
- 8) working with councils to enhance their asset management capability through a combination of identifying gaps in key capabilities needed by asset managers, developing relevant training, and evaluating the results

⁷ QAO, Report 2: 2023-24, p 3.

⁸ QAO, Report 2: 2023-24, p 4.

⁹ QAO, Report 2: 2023-24, p 18.

- 9) developing better practice guidance for local government on the minimum requirements for key asset management documents.¹⁰

2.4 Implementation of Queensland Audit Office recommendations

On 17 July 2023, the Director-General, Department of State Development, Infrastructure, Local Government and Planning (the department) advised the QAO that the department accepted recommendations 6, 8, 9 in full and recommendation 7 in principle.¹¹

Implementation timeframes were identified by the department as follows:

- Recommendation 6 (Q3 2024)
- Recommendation 7 (Commencing Q3 2024)
- Recommendation 8 (Commenced Q1 2023)
- Recommendation 9 (Commencing Q3 2024).¹²

The department's responses to recommendations are published at Appendix A, p 27, of the QAO, Report 2: 2023-24.

Six responding councils agreed to recommendations and provided timeframes for implementation and/or review of the recommendations. Comments and responses to recommendations from the responding councils are also published at Appendix A of the QAO, Report 2: 2023-24.

Committee comment

The committee notes the conclusions and recommendations of the QAO, and the responses from the department and councils.

The committee acknowledges the importance of asset management maturity and practices for sustainability and the support of growing and thriving communities.

The recommendations provided by the QAO will assist councils to improve planning and management of the assets they administer.

¹⁰ QAO, Report 2: 2023-24, p 6.

¹¹ QAO, Report 2: 2023-24, p 28.

¹² QAO, Report 2: 2023-24, p 28.