

## D. Status of recommendations from prior reports

The following tables provide the current status of the issues raised in *Local government entities: 2018–19 results of financial audits* (Report 13: 2019–20).

**Figure D1**  
**Status of recommendations for councils**

Recommendation	Current status
<b>Strengthen governance framework</b>	
<p><b>Councillor induction and continued professional development</b> Councils need to provide all councillors with detailed induction training and continuing professional development on their responsibilities.</p>	<p>Since the local government elections in March 2020, the department has provided councillors with induction training. There has been approximately a 50 per cent turnover in the elected members in the recent local government election. Continuing professional development is something councils will need to provide on an on-going basis to ensure that the councillors are well informed of their obligations.</p>
<p><b>Audit committees</b></p> <ul style="list-style-type: none"> <li>All councils should have an audit committee with an independent chair.</li> <li>All audit committee members must understand their roles and responsibilities and the risks the committee needs to monitor.</li> <li>Audit committees must hold management accountable for ensuring timely remedial actions are taken on audit issues. All extensions of agreed time frames for remedial action requires consideration by the audit committee, including management’s risk mitigation strategies, until remedial action is completed.</li> </ul>	<p>We continue to find councils that do not have audit committees. We continue to recommend to all of these councils that they establish an independent audit committee with appropriately qualified committee members.</p>
<p><b>Internal audit</b> All councils must establish and maintain an effective and efficient internal audit function, as required by the <i>Local Government Act 2009</i>.</p>	<p>We continue to find councils with no or an inactive internal audit function. We continue to recommend to all of these councils that they establish an internal audit function, as required by the <i>Local Government Act 2009</i>.</p>
<b>Strengthen controls and processes</b>	
<p><b>Resolve internal control deficiencies</b> Councils need to strengthen their controls and processes by acting on outstanding audit recommendations. We recommend they take prompt action to address individual recommendations and resolve internal control deficiencies, with a focus on the highest risk vulnerabilities and those outstanding from previous years.</p>	<p>Although we have noted improvements in recent years, in 2020 we identified an increase in the number of outstanding control deficiencies. While changes to working environments arising from the COVID-19 pandemic may have contributed to this, we continue to recommend that councils undertake an active program to fix outstanding control deficiencies.</p>



Recommendation	Current status
<p><b>Infrastructure charges</b></p> <p>Councils need to establish clear policies and procedures to manage and collect charges for the infrastructure required to support new developments.</p>	<p>The work undertaken by councils in preparing their 2019–20 financial statements included consideration of the establishment of policies and procedures relating to infrastructure charges.</p>
<b>Secure employee and supplier information</b>	
<ul style="list-style-type: none"> <li>• Councils must verify changes to employee and supplier bank account details through sources independent of the change request.</li> <li>• Councils need to ensure information systems are secure to prevent unauthorised access that may result in fraud or error. Security measures could include encryption of information, restriction of user access, regular monitoring by management, and appropriate segregation of duties.</li> </ul>	<p>In the current year, we identified 26 deficiencies across 21 councils (2019: 16 deficiencies across 15 councils) relating to the security of employee and supplier information.</p> <p>Given the ongoing deficiencies we identified, we continue to recommend that councils review their policies and practices with regards to updating and approving changes to employee and supplier information. This is particularly relevant for changes to bank account details, which we continue to see as an area subject to fraudulent activities.</p>
<b>Conduct mandatory cyber security awareness training</b>	
<p>Councils need to develop and implement mandatory cyber security awareness training for all staff, to be completed during induction and at regular periods during employment. This should include:</p> <ul style="list-style-type: none"> <li>• delivering targeted training to higher-risk user groups, such as senior management, staff who have access to sensitive data, software developers, system administrators, and third-party providers</li> <li>• recording and monitoring whether all staff have completed their required cyber security awareness training</li> <li>• conducting campaigns to test the adequacy of staff vigilance to risks, such as phishing (fraudulent emails) and tailgating (following a person into an office), so entities can assess and improve their awareness programs.</li> </ul>	<p>We continue to identify several control deficiencies related to information systems. Cyber attacks have increased in 2020 and are expected to increase further with changes in working environments due to COVID-19. We recommend councils continue to provide cyber security awareness training to their new and current employees on a regular basis.</p>
<b>Strengthen asset management</b>	
<ul style="list-style-type: none"> <li>• Councils need to use accurate information about their assets, including asset performance (for example, current performance compared to the future performance required by the community) and cost, to use in their long-term asset management strategies and budget decisions.</li> <li>• Councils need to strengthen how they control the recording of data on assets. They should regularly match the data in their financial records to the data in their geographic information systems, to ensure they are both complete and reliable.</li> <li>• Councils need to allocate enough time and resources early in the financial year to complete the asset valuation and asset accounting processes well before year end.</li> </ul>	<p>We continue to identify a number of issues with regards to the asset management policies and practices of councils.</p> <p>In line with these findings, we continue to recommend that councils strengthen their asset management policies and practices.</p>

Recommendation	Current status
<b>Improve financial management</b>	
<ul style="list-style-type: none"> <li>• Councils are encouraged to use the Queensland Audit Office’s financial statement preparation maturity model to assess their financial reporting processes and identify areas for improving the timeliness and quality of their financial reports.</li> <li>• All councils should complete a self-assessment of their management reporting maturity. Councils need to determine what the appropriate level of maturity is for their circumstances and user needs. This will help them identify the elements in which they need to mature. While desired and appropriate levels of maturity will vary across councils, all councils should ensure they:                             <ul style="list-style-type: none"> <li>– formally establish management accountabilities for reporting</li> <li>– tailor reporting to user needs</li> <li>– consult with users on a regular basis to ensure the reports meet their needs</li> <li>– provide training and ongoing guidance to report users to ensure they understand the reports</li> <li>– establish quality control and reporting processes that ensure accurate and reliable data is provided in the reports.</li> </ul> </li> </ul>	<p>In 2020, we noted only a limited number of councils had assessed their processes using the financial statement preparation maturity model, given the use of this model was not recommended for all councils to complete in 2020.</p> <p>In 2021, we recommend all councils complete this model, which has been raised as a recommendation in this report.</p>
<b>Improve timeliness of reporting to communities</b>	
<p>Councils need to continue to work towards more timely financial reporting to their communities.</p>	<p>For the 2019–20 reporting period, we noted a decrease in the timeliness of financial reporting by councils to their communities. We continue to recommend that councils focus on the timeliness of the delivery of their financial reporting.</p>
<b>Improve monitoring of entities controlled by councils</b>	
<p>Councils with existing controlled entities, or plans to create them, should have policies in place to ensure that:</p> <ul style="list-style-type: none"> <li>• council develops a business case establishing the need for and objectives of the entity prior to creating it</li> <li>• each controlled entity’s board has the right skill sets to deliver the objectives of the entity</li> <li>• where councillors or council management are appointed to the board of the controlled entity, potential conflicts of interest are appropriately managed</li> <li>• council implements monitoring controls over the entity’s key policies and procedures</li> <li>• the entity regularly reports to council governance committees.</li> </ul>	<p>During 2019–20, we have only identified a limited level of progress made by councils in addressing this recommendation. Across the sector, a number of controlled entities exist that are not effectively captured in the policies and financial reporting procedures of the parent council entities. We continue to recommend that councils review and update their financial reporting policies for the entities they control.</p>



Recommendation	Current status
<b>Monitor long-term obligations for landfill rehabilitation</b>	
<p>Councils with licences for landfill sites should review the way they account for their long-term liabilities for landfill rehabilitation.</p>	<p>The majority of the councils have now accounted for the landfill obligations or have determined that their obligations are not material to the financial statements.</p> <p>There are still nine councils that have not accounted for their landfill obligations. We recommend these councils review their license conditions and account for an obligation where required.</p>
<b>Improve new system implementations</b>	
<p>When implementing a new system, councils must:</p> <ul style="list-style-type: none"> <li>• define up front what is required for the project and what needs to be delivered by the contract</li> <li>• determine the need for specialist resources and determine the impact on staffing, both for the project team and for the backfill of positions for staff involved in the system implementation</li> <li>• clarify roles and establish the responsibilities of service providers during and after implementation, and establish reporting milestones and time frames</li> <li>• establish reporting requirements over the life of the project, including reporting on project status against milestones, budget versus actual expenditure, and the review and resolution of errors</li> <li>• identify and consider any early warning signs that would indicate a project is at risk of not meeting its objectives or not reaching the next milestone within time and budget</li> <li>• critically assess projects against changing business needs</li> <li>• for larger projects, consider implementing the changes in segments, as this provides more opportunity to review, to learn, and to assess risk</li> <li>• define system security settings and determine how to segregate duties before implementing the new system</li> <li>• identify what reports users will need once the system is implemented</li> <li>• establish a strategy to test that the new system processes transactions effectively and efficiently</li> <li>• train staff to effectively use the system</li> <li>• establish regular reporting on the implementation by the project team to both council and the audit committee.</li> </ul>	<p>During 2020, we only identified limited system implementation activity that had been undertaken during the year. However, for councils that had implemented new systems or improved their existing systems, we did not identify any significant deficiencies.</p> <p>Given the impact that the implementation of new systems can have on the operational and financial reporting functions of a council, we will continue to monitor the processes and controls undertaken by councils with respect to these activities.</p>

Source: Queensland Audit Office.



**Figure D2**  
**Status of recommendations for the Department of State Development, Infrastructure, Local Government and Planning**

Recommendation	Current status
<b>Make changes to legislation</b>	
We propose that the department amends the <i>Local Government Act 2009</i> to require all councils to have audit committees and all audit committee chairs to be independent.	The proposal continues to be considered by the department but has not as yet been progressed.
<b>Make changes to sustainability ratios</b>	
We recommend the department reviews the current sustainability ratios to determine if they are the most relevant and effective ways of measuring the financial sustainability of councils and if supplementing them with additional ratios would provide a more comprehensive assessment.	The department is currently in the process of establishing new financial sustainability ratios. We have requested in this report that these ratios are in place for 30 June 2022.
<b>Require published financial statements for entities controlled by councils</b>	
We recommend that the department continues to progress our previous recommendation to have entities controlled by councils make their financial statements publicly available.	<p><b>Recommendation addressed.</b></p> <p>On 1 October 2020, the department amended the Local Government Regulation 2012 and the City of Brisbane Regulation 2012 to prescribe that the audited financial statements of a controlled entity of a council must be published on the council’s website within 14 days of tabling at a council meeting.</p>

Source: Queensland Audit Office.

