

## C. Status of recommendations from prior reports

The following table provides the current status of the issues raised in *Local government entities: 2017–18 results of financial audits* (Report 18: 2018–19).

**Figure C1**  
**Status of recommendations from 2017–18**

Recommendation	Current status
<b>Strengthen controls and processes</b>	
All councils should take prompt action to address our recommendations to them about financial management and internal control, with a focus on addressing issues from prior years.	Councils have shown progress in addressing these vulnerabilities in their control environment, with the number of unresolved issues at the end of the year reducing to 417 (including 133 significant deficiencies).  Further progress is still required. Refer to Chapter 3: Internal controls for more details.
<b>Strengthen governance framework</b>	
The Department of Local Government, Racing and Multicultural Affairs should: <ul style="list-style-type: none"> <li>mandate audit committees for all councils</li> <li>mandate that the audit committee chair must be an independent member.</li> </ul>	Fifty-nine councils have audit committees in place this financial year, which is consistent with the prior year. Forty-one of these councils have an independent chair, with eight appointed since last year. Refer to Chapter 3: Internal controls for more details.  The Department of Local Government, Racing and Multicultural Affairs is considering the implications of changing the legislation.
<b>Improve monitoring of controlled entities</b>	
The Department of Local Government, Racing and Multicultural Affairs should require the financial statements of all council-controlled entities to be publicly available—preferably in a consistent location.	Of the 72 audit opinions issued to date, 30 controlled entities have made their financial statements publicly available.  The Department of Local Government, Racing and Multicultural Affairs is considering these recommendations and undertaking consultation with stakeholders. Refer to Chapter 3: Internal controls for more details.
Each local council should review its monitoring and membership of the boards of its controlled entities to ensure it has independent directors with appropriate skills, experience, and diversity. Councils must ensure they have appropriate mechanisms for oversight and for managing conflicts of interest.	We have found the level of oversight councils exercise over their controlled entities varies significantly. Refer to Chapter 3: Internal controls for more details.

Recommendation	Current status
<b>Changes to sustainability ratios</b>	
<p>The Department of Local Government, Racing and Multicultural Affairs should review the appropriateness of the net financial liabilities ratio, as most councils favour cash over debt.</p>	<p>The Department of Local Government, Racing and Multicultural Affairs is considering these recommendations and undertaking consultation with stakeholders. Refer to Chapter 4: Councils' financial performance for more details.</p>
<b>Strengthen asset management</b>	
<p>Each local council should continue to assess its processes for ensuring that asset registers are complete and remain current.</p>	<p>While the number of councils reporting found assets has reduced, there has been an increase in the number of prior period errors reported. Refer to Chapter 2: Results of our audits for more details.</p>
<b>Improve financial management</b>	
<p>Each local council should continue to review and update its month end close processes to enable councillors and council executives to better understand their council's financial performance. The processes should include monthly accrual statements, cash flow information, variance analysis, key ratios, trends, and other non-financial information.</p>	<p>The maturity of councils' management reporting varies across the sector and within the various council segments. Refer to Section 3: Internal controls for more details.</p>
<b>Monitor long-term obligations for landfill rehabilitation</b>	
<p>Each local council should review its accounting for the rehabilitation of landfills to assess whether a liability has been recognised and to ensure that all future costs associated with the environmental obligations have been taken into account.</p>	<p>There has been an increase in the number of councils assessing and reporting their future costs for landfill environmental obligations. Refer to Chapter 3: Internal controls for more details.</p>

Source: Queensland Audit Office.

