

D. Status of recommendations from prior reports

The following tables provide the current status of the recommendations raised in our prior reports.

Figure D1
Status of recommendations for councils from *Local government 2021* (Report 15: 2021–22)

Reassess the maturity levels of their financial statement preparation processes in line with recent experience to identify improvement opportunities that will help facilitate early certification of financial statements		Further action needs to be taken*
REC 1	<p>All councils should reassess their initial self-assessment against the financial statement maturity model and compare this to their recent financial statement preparation experiences.</p> <p>Councils should also reflect on their processes from the 2018–19 financial year that enabled them to have their financial statements certified earlier. Together, these reflections will identify improvement opportunities to assist elected members and their executives to improve the timeliness of certification of financial statements.</p>	<p>Most councils self-assessed their financial statement maturity level in the 2020–21 financial year, and this was reflective of their ability to generate timely financial statements. However, we found 22 councils self-assessed their maturity as high, but had their financial statements certified later. This suggested their self-assessment did not reflect actual practices.</p> <p>In the 2021–22 financial year, we focused on these 22 councils and found:</p> <ul style="list-style-type: none"> • 11 did not complete the recommended reassessment of their maturity • 7 revised their maturity downwards after reassessing their maturity • 4 reassessed no change to their maturity level. <p>We continue to encourage all councils to reassess the maturity of their financial statement processes.</p> <p>We are reviewing the maturity of councils' financial statement processes as part of our 2022–23 financial year audits to make sure they reflect their actual practices. We will report on the outcome in our <i>Local government 2023</i> report.</p>
Assess their audit committees against the actions in our 2020–21 audit committee report		Further action needs to be taken*
REC 2	<p>Those councils who have an audit committee function, and those that are looking to establish one, should consider implementing the actions we have identified in our report <i>Effectiveness of audit committees in state government entities</i> (Report 2: 2020–21). This would improve the effectiveness of their audit committees, with flow-on benefits to council governance and performance.</p>	<p>We are aware of some councils that have assessed their audit committee against the actions we identified. Those councils that have not had an opportunity to do so should complete their assessment in the 2023–24 financial year.</p>



Improve their overall control environment		Further action needs to be taken*
REC 3	All councils should use the annual internal control assessment tool available on our website to perform an initial self-assessment of the strengths and improvement opportunities of their internal controls. Where their results do not meet their performance expectations, they should develop and implement a plan to strengthen their internal controls over a specific period.	We are aware of some councils that have assessed their control environment against the internal control assessment tool. Those councils that have not had an opportunity to do so should complete their assessment in the 2023–24 financial year.
Asset management plans to include councils' planned spending on capital projects		Further action needs to be taken*
REC 4	All councils should review their asset management plans to confirm that these plans include the proposed timing and cost of their capital projects, including the cost of maintaining these assets over their whole lives. This would help councils identify their future funding needs and provide better information to the department on the timing of capital funding sought by councils.	Some councils who have good asset data have incorporated their planned spending on capital projects into their asset management plans. We recommend councils who have not yet had an opportunity to review their asset management plan, do so in the 2023–24 financial year.
Review the asset consumption ratio in preparation for the new sustainability framework. Assess whether the actual usage of assets is in line with the asset management plan		Further action needs to be taken*
REC 5	All councils should review their asset consumption ratio in preparation for the new sustainability framework to assess whether they are in line with the proposed benchmark. This ratio would inform councils whether their assets have been used in line with their asset management plans. Any variance between the expected and actual usage may either result in additional maintenance to improve the service levels of their assets or to reassess their expectation about asset usage.	Seven councils have improved their asset consumption ratio. However, there are 44 councils that have experienced a decline in this ratio. Of these 44 councils, 9 either do not meet the proposed benchmark (60 per cent) or are very close to not meeting the proposed benchmark in the next few years if they do not maintain their assets appropriately. We continue to recommend that councils monitor their asset consumption ratio and take steps to improve it. This will make sure their assets are maintained at an appropriate level to meet the future needs of their communities.



Enhance their liquidity management by reporting their unrestricted cash expense ratio and their unrestricted cash balance in monthly financial reports		Further action needs to be taken*
REC 6	All councils should enhance their liquidity management by reporting their unrestricted cash expense ratio and their unrestricted cash balance in the monthly financial reports they table in council meetings.	<p>We are aware of some of councils that are reporting their unrestricted cash expense ratio and their unrestricted cash balance in the monthly financial reports they table in council meetings.</p> <p>Those councils that do not report their unrestricted cash expense ratio and their unrestricted cash balance in their monthly financial reports tabled in council meetings should start to do so.</p>

Note: *Refer to recommendation status definitions later in this appendix.

Source: Queensland Audit Office.

Figure D2
Status of recommendations for councils from *Local government 2020* (Report 17: 2020–21)

Improve financial reporting by strengthening month-end and year-end financial reporting processes		Further action needs to be taken*
REC 1	<p>Councils should strengthen their month-end and year-end processes to assist with timely and accurate monthly internal financial reporting and their annual financial statements.</p> <p>We recommend all councils use their recent financial statement preparation experiences to perform an initial self-assessment against the maturity model available on our website.</p>	<p>We continue to find that month-end processes at councils are ineffective. This year, we identified 84 new deficiencies where improvements were required to ensure timely and reliable month-end and year-end reporting. In addition, 54 councils had at least one deficiency in their month-end and year-end reporting processes.</p> <p>We continue to recommend that councils improve their month-end processes.</p>
Improve valuation and asset management practices		Further action needs to be taken*
REC 2	<ul style="list-style-type: none"> • Councils need to engage with asset valuers early to complete the valuation of assets well before year end. • Councils need to use accurate information in their long-term asset management strategies and budget decisions. • Councils need to regularly match the asset data in their financial records to the asset data in their engineering/geographic information systems to ensure it is complete and reliable. 	<p>We continue to identify issues with the asset management policies and practices of councils.</p> <p>Councils also still need to improve processes for asset valuations. We observed several councils that did not meet their legislative deadlines because of errors and delays in asset valuations.</p> <p>In line with these findings, we continue to recommend that councils strengthen their asset management policies and practices.</p>

Strengthen security of information systems		Further action needs to be taken*
REC 3	<p>We recommend all councils strengthen the security of their information systems. Councils rely heavily on technology, and increasingly, they need to be prepared for cyber attacks. Any unauthorised access could result in fraud or error, and significant reputational damage.</p> <p>Councils' workplace culture, through their people and processes, must emphasise strong security practices to provide a foundation for the security of information systems.</p> <p>All entities across the local government sector should:</p> <ul style="list-style-type: none"> • provide security training for employees so they understand the importance of maintaining strong information systems, and their roles in keeping them secure • assign employees only the minimum access required to perform their job, and ensure important stages of each process are not performed by the same person • regularly review user access to ensure it remains appropriate • monitor activities performed by employees with privileged access (allowing them to access sensitive data and create and configure within the system) to ensure they are appropriately approved • implement strong password practices and multifactor authentication (for example, a username and password, plus a code sent to a mobile), particularly for systems that record sensitive information • encrypt sensitive information to protect it • patch vulnerabilities in systems in a timely manner, as upgrades and solutions are made available by software providers to address known security weaknesses that could be exploited by external parties. <p>Councils should also self-assess against all of the recommendations in our report – <i>Managing cyber security risks</i> (Report 3: 2019–20) – to ensure their systems are appropriately secured.</p>	<p>We continue to identify weaknesses in information systems controls, particularly regarding user access permissions.</p> <p>This year, we identified 63 new internal control issues in information systems. There are 48 councils who still have at least one unresolved deficiency in their information systems.</p> <p>The recommendation to strengthen the security of information systems remains.</p>



Improve risk management processes		Further action needs to be taken*
REC 4	<p>Councils should have a complete and up to date risk management framework including:</p> <ul style="list-style-type: none"> comprehensive risk registers that identify risks (including the risk of fraud) and appropriate risk mitigation strategies current and relevant business continuity and disaster recovery plans. These plans should be tested periodically. 	<p>This year, 25 councils did not have adequate risk management processes in place. This is up from 22 councils in 2020–21 and is almost a third of the sector. This recommendation remains.</p>
Enhance procurement and contract management practices		Further action needs to be taken*
REC 5	<ul style="list-style-type: none"> Councils need to ensure they obtain value for money for the goods and services they procure and that they have the appropriate approvals to procure the goods and services. To effectively manage their contractual obligations, councils should ensure their contract registers are complete and contain up to date information. 	<p>We have identified issues relating to procurement and contract management practices at 34 councils this year. This is more than the 29 councils with these issues in 2020–21.</p> <p>Councils have not actioned this recommendation and still need to do so.</p> <p>To help councils improve their procurement and contract management practices, in this report we have made a further recommendation. This is for councils to assess the maturity of their procurement and contract management processes using our procure-to-pay maturity model.</p> <p>This will assist councils in identifying opportunities to strengthen their procurement and contract management practices.</p>

Note: *Refer to recommendation status definitions later in this appendix.

Source: Queensland Audit Office.



Figure D3
Status of recommendations for councils from
Local government entities: 2018–19 results of financial audits (Report 13: 2019–20)

Audit committees	Further action needs to be taken*
<ul style="list-style-type: none"> • All councils should have an audit committee with an independent chair. • All audit committee members must understand their roles and responsibilities and the risks the committee needs to monitor. • 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 require consideration by the audit committee, including management’s risk mitigation strategies, until remedial action is completed. 	<p>As at 30 June 2022, there were still 15 councils (30 June 2021: 15 councils) that did not have an audit committee.</p> <p>Councils without an effective audit committee have 55 significant deficiencies that have been unresolved for more than 12 months (68 per cent of the sector).</p> <p>We continue to recommend these councils establish an independent audit committee with appropriately qualified committee members.</p>
Internal audit	Further action needs to be taken*
<ul style="list-style-type: none"> • All councils must establish and maintain an effective and efficient internal audit function, as required by the <i>Local Government Act 2009</i>. 	<p>As at 30 June 2022, there were 7 councils (30 June 2021: 6 councils) that still did not have an internal audit function. In addition, 7 councils (30 June 2021: 6 councils) that had an internal audit function established at 30 June 2022 did not have any audit activity during the 2021–22 financial year.</p> <p>We continue to recommend these councils establish an effective internal audit function as required by the <i>Local Government Act 2009</i>. This year we have also recommended the department educate councils about the legislated requirement and the benefit of an effective internal audit function, and regularly monitor their compliance.</p>
Secure employee and supplier information	Further action needs to be taken*
<ul style="list-style-type: none"> • Councils must verify changes to employee and supplier bank account details through sources independent of the change request. • 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. 	<p>We continue to find deficiencies at councils with regards to securing employee and supplier information. Similarly, we continue to find weaknesses with information systems security.</p> <p>In line with these findings, we continue to recommend councils secure their employee and supplier information.</p>



Conduct mandatory cyber security awareness training	Further action needs to be taken*
<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"> • 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 • recording and monitoring whether all staff have completed their required cyber security awareness training • 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. 	<p>As at 30 June 2021, 20 councils had not provided cyber security awareness training to their employees.</p> <p>We understand there has been minimal progress by councils in 2022 to upskill their staff and equip them with the necessary training and continuous education about cyber security.</p> <p>We continue to recommend that all councils provide cyber security awareness training to their new and current employees.</p>

Note: *Refer to recommendation status definitions later in this appendix.

Source: Queensland Audit Office.



Figure D4
Status of recommendations for the department from *Local government 2020* (Report 17: 2020–21)

Require all councils to establish audit committees		Not implemented – Recommendation accepted*
REC 6	We continue to recommend that the department requires all councils to establish an audit committee and ensures that each chairperson of the committee is independent of council and management. In light of the difficulties some councils have faced with internal control weaknesses, fraud, ransomware, and achieving financial sustainability, this is more important now than ever.	The proposal continues to be considered by the department but has not yet been progressed.
Make changes to sustainability ratios		Implemented*
REC 7	We recommend the department develops new financial sustainability ratios for Queensland councils. In developing these ratios and associated targets, we recommend the department considers the different sizes, services, and circumstances of the various councils. We also recommend that new financial sustainability ratios be established in time for the year ending 30 June 2022.	The department has developed a new framework that is expected to be implemented for the 2023–24 financial year.
Provide greater certainty over long-term funding		Partially implemented*
REC 8	We recommend the department reviews its current funding model to identify opportunities to provide funding certainty to councils beyond one financial year. A 3-year to 5-year funding model would assist councils, especially those heavily reliant on grants, to develop and implement more sustainable medium- to long-term plans.	The department has partially implemented this, and some grants in the 2020–21 year were multi-year grants. The department is looking at extending long-term funding options for other grant programs in the coming years.
Provide training to councillors and senior leadership teams around financial governance		Partially implemented*
REC 9	We recommend the department provides periodic training to councillors and senior leadership teams for councils that are highly reliant on grants. The training should focus on helping these councils: <ul style="list-style-type: none"> • establish strong leadership and governance • enhance internal controls and oversight • improve financial sustainability in the long term. 	The department has made online training available to councillors and council employees. This training includes modules about accountability, decision-making, and other responsibilities. The department also delivered a series of financial management workshops for elected local government members covering financial governance and management concepts.

Note: *Refer to recommendation status definitions later in this appendix.

Source: Queensland Audit Office.



Recommendation status definitions

If a recommendation is specific to an entity, we have reported on the action that entity has taken and whether the issue is *fully implemented*, *partially implemented*, *not implemented*, or *no longer applicable*.

Status	Definition	
Fully implemented	Recommendation has been implemented, or alternative action has been taken that addresses the underlying issues and no further action is required. Any further actions are business as usual.	
Partially implemented	Significant progress has been made in implementing the recommendation or taking alternative action, but further work is required before it can be considered business as usual. This also includes where the action taken was less extensive than recommended, as it only addressed some of the underlying issues that led to the recommendation.	
Not implemented	Recommendation accepted	No or minimal actions have been taken to implement the recommendation, or the action taken does not address the underlying issues that led to the recommendation.
	Recommendation not accepted	The entity did not accept the recommendation.
No longer applicable	Circumstances have fundamentally changed, making the recommendation no longer applicable. For example, a change in government policy or program has meant the recommendation is no longer relevant.	

If a general recommendation was made for all entities to consider, we have assessed action on issues reported to specific entities in the prior year, as well as any further issues identified in the current year. On this basis, we have determined whether *appropriate action has been taken* across the sector, or if *further action needs to be taken* to address the risk identified.

Status	Definition
Appropriate action has been taken	Recommendations made to individual entities have been implemented, or alternative action has been taken that addresses the underlying issues, and no further action is required. No new issues have been identified across the sector that indicate an ongoing underlying risk to the sector that requires reporting to parliament.
Further action needs to be taken	Recommendations made to individual entities have not been fully implemented, and/or new recommendations have been made to individual entities, indicating further action is required by entities in the sector to address the underlying risk.

