



Examination of Auditor-General Reports

Report 15: 2022-23 Local Government 2022

Report 8: 2023-24 Local Government 2023

Report No. 15, 57th Parliament
Housing, Big Build and Manufacturing Committee
June 2024

Housing, Big Build and Manufacturing Committee

Chair	Mr Chris Whiting MP, Member for Bancroft
Deputy Chair	Mr Jim McDonald MP, Member for Lockyer
Members	Mr Don Brown MP, Member for Capalaba
	Mr Michael Hart MP, Member for Burleigh
	Mr Robbie Katter MP, Member for Traeger
	Mr Tom Smith MP, Member for Bundaberg

Committee Secretariat

Telephone	+61 7 3553 6662
Email	hbbmc@parliament.qld.gov.au
Committee webpage	www.parliament.qld.gov.au/hbbmc

All web address references are current at the time of publishing.

Contents

Chair's foreword	ii
Recommendations	iii
1 Introduction	1
1.1 Role of the Housing Big Build and Manufacturing Committee	1
1.2 Role of the Auditor-General	1
1.3 Committee examination of Auditor General reports	2
2 Examination of Auditor-General Report 15: 2022-23 Local Government 2022	3
2.1 Background	3
2.2 Summary of Queensland Audit Office findings	3
2.3 Queensland Audit Office recommendations	4
2.4 Implementation of Queensland Audit Office recommendations	5
3 Examination of Auditor-General Report 8: 2023-24 Local Government 2023	6
3.1 Background	6
3.2 Summary of Queensland Audit Office findings	6
3.3 Queensland Audit Office recommendations	7
3.4 Implementation of Queensland Audit Office recommendations	8
3.5 Implementation status of recommendations from previous Auditor-General reports	8
Committee comment	9
Appendix A - Implementation status of recommendations from previous QAO Reports	10

Chair's foreword

This report presents a summary of the Housing, Big Build and Manufacturing Committee's examination of the Auditor-General Report 15: 2022-23 – Local Government 2022 and the Auditor-General Report 8: 2023-24.

The committee has previously emphasised the Queensland Audit Office's findings that councils need to increase their capacity to manage any financial and cyber security vulnerabilities, and encouraged the Department of State Development, Infrastructure, Local Government and Planning to work with Councils to help build that resilience. Once again, we stress to all stakeholders to continue taking actions in this area.

I commend this report to the House.

A handwritten signature in black ink, appearing to read 'C. Whiting', with a stylized flourish at the end.

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 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 work with state and local government entities, the QAO's 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 following Auditor-General reports as referred to the committee:

- Auditor-General Report 15: 2022-23 – Local Government 2022
- Auditor-General Report 8: 2023-24 – Local Government 2023

Recommendation 1

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

2 Examination of Auditor-General Report 15: 2022-23 Local Government 2022

2.1 Background

The Committee of the Legislative Assembly referred Report 15: 2022-23 Local Government 2022 (the Report) to the former State Development and Regional Industries Committee on 24 August 2023.

The committee noted the referral on 11 September 2023. No further motions were moved at this time.

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 findings

The report examines the financial performance and reporting mechanisms of Queensland's local councils. The report found:

- *Financial statements are reliable, but fewer councils prioritised and achieved timely financial reporting.*

External factors such as staff shortages and natural disaster have negatively impacted on the sector's ability to achieve timely financial reporting.³

Early financial reporting means current and relevant information is provided to decision-makers and members of the community. In 2021–22, only 32 councils (2020–21: 36 councils) achieved early financial reporting, meaning – having their financial statements certified at least two weeks before their 31 October legislative deadline. In recent years, the QAO have found fewer councils are planning for early completion of their financial statements. In 2022-23, only 48 councils planned to certify their financial statements early. In prior years, these numbers were substantially higher (62 councils in 2020–21 and 70 councils in 2019–20).⁴

External factors such as staff shortages and natural disasters have negatively impacted on the sector's ability to achieve timely financial reporting. However, these issues would be better managed if councils improved the persistent issues the QAO find in their month-end and year-end reporting processes, and their asset management practices.⁵

In this report, the QAO make several recommendations to the Department of State Development, Infrastructure, Local Government and Planning (the department), as regulator of the sector, to help build capability in the local government sector that will improve timely financial reporting.⁶

- *Councils are taking too long to resolve high-risk issues.*

Many councils with significant deficiencies do not have an audit committee (16 councils) or an internal audit function (14 councils) – these councils are in breach of the legislation.⁷

Significant deficiencies are those that have substantial financial or reputational risk for councils and need to be addressed immediately. Continued efforts by councils have reduced the number of unresolved significant deficiencies to 114 as at 30 June 2022 (2021: 127). However, 65 per cent (2021:

³ QAO, Report 15: 2022-23, p 1.

⁴ QAO, Report 15: 2022-23, p 1.

⁵ QAO, Report 15: 2022-23, p 1.

⁶ QAO, Report 15: 2022-23, p 1.

⁷ QAO, Report 15: 2022-23, p 1.

67 per cent) of these significant deficiencies remain unresolved more than 12 months after the QAO identified them.⁸

The QAO recommended the department make sure all councils establish an effective internal audit function, as required under the legislation.⁹

Almost two-thirds of councils still have significant deficiencies in their information systems, at a time when cyber-attacks across the public sector keep rising. The department could collaborate with other state government agencies and develop a framework to help councils better manage their information systems security.¹⁰

- *Grant funding received in advance has masked the full extent of the sector's decline in financial sustainability.*

The sector's operating results were favourably impacted by receiving a large portion of one of its grants in advance.¹¹

In 2022-23, 35 councils generated an operating surplus. Although this is consistent with last year, the sector's operating results were favourably impacted by receiving a large portion of one of its grants in advance. In the absence of this advance grant funding, only 28 councils would have generated an operating surplus in 2021-22.¹²

2.3 Queensland Audit Office recommendations

The QAO made 8 recommendations.

QAO recommendation for councils:¹³

- 1) We recommend all councils assess the maturity of their procurement and contract management processes using our procure-to-pay maturity model. Councils should identify their desired level of maturity and compare this to the maturity level that best represents their current practices. This assessment will help them identify and implement practical improvement opportunities for their procurement and contract management processes.

QAO recommendations for the department:¹⁴

- 2) The department should provide guidance and tools such as monthly management reporting pack templates and checklists for the completion of month-end financial reports. These tools should set the minimum standard of information that councillors will need to be provided with to make informed financial decisions. This in turn would help them improve the quality of their month-end financial reports and their month-end processes.
- 3) The department should clearly define what 'extraordinary circumstances' are in the context of extensions to councils' legislated deadlines for certifying financial statements. This will provide consistent criteria for assessing council applications for extensions.
- 4) The department should measure the effectiveness of the training programs it provides to councils. This would help the department identify remedial actions when desired outcomes are not achieved.

⁸ QAO, Report 15: 2022-23, p 1.

⁹ QAO, Report 15: 2022-23, p 1.

¹⁰ QAO, Report 15: 2022-23, p 1.

¹¹ QAO, Report 15: 2022-23, p 1.

¹² QAO, Report 15: 2022-23, p 1.

¹³ QAO, Report 15: 2022-23, p 2.

¹⁴ QAO, Report 15: 2022-23, p 4.

5) The department should, for councils that do not consistently achieve early financial reporting:

- provide training to finance staff that covers matters such as
 - basic financial statement preparation
 - analysing and interpreting financial statements
 - preparing and delivering on a year-end time table
 - accounting concepts and application of relevant accounting standards.

This should be in addition to the tropical financial reporting workshop provided by the department each year

- make available a panel of financial reporting specialists that councils can call upon in times of need to help with their financial reporting processes. For this to work effectively, the department should establish ground rules that put the onus on councils to plan for their financial reporting early. This support should only be made available to councils on an exception basis
- 6) The department should monitor whether all councils have an internal audit function and that appropriate internal audit activities are undertaken each year. To help councils meet their legislative requirements the department should:
- educate councillors and senior executives on the benefits of an internal audit function and how this adds value to council operations
 - make internal audit guidelines available on the department's website and provide example templates (such as a model internal audit charter) to help councils understand and meet their obligations.
- 7) The department, in collaboration with the Queensland Government's Customer and Chief Digital Officer, develops a strategy to increase awareness and improve capability in the sector on cyber-related matters. This will help councils strengthen their information security controls.
- 8) The department should publish a framework to assess the financial sustainability risk of councils. This framework should be made available to the sector from 1 July 2023 to align with the effective date of the department's new financial sustainability guideline.

2.4 Implementation of Queensland Audit Office recommendations

The department indicated support for the recommendation to all councils and undertook to write to the councils to emphasise the importance of the recommendation to all councils.

The department outlined its support for recommendations 2,3,6,7 and 8; and in principle support for recommendations 4 and 5.¹⁵

The implementation status of these recommendations is provided in Appendix A.

¹⁵ QAO, Report 15: 2022-23, pp 36-37.

3 Examination of Auditor-General Report 8: 2023-24 Local Government 2023

3.1 Background

On 15 February 2024, Report 8: 2023-24 Local Government 2023 (the Report) was tabled in the Legislative Assembly and the Committee of the Legislative Assembly referred the Report to the HBBMC for consideration, in accordance with Standing Order 194B.

The Report summarises the audit results of Queensland's 77 local government entities (councils) and the entities they control.

3.2 Summary of Queensland Audit Office findings

- *Financial statements are reliable, but less timely.*

Communities need timely financial information to evaluate their council's performance, especially when local government elections occur. Despite the election occurring on 16 March 2024, 14 councils had not completed their 2023 financial statements by their 31 October (2023) statutory reporting deadline, and 7 of these councils had not completed them as at the date of this report.¹⁶

Of the 14 councils that did not complete their financial statements by 31 October 2023, 10 of these had also missed the deadline in at least 2 of the last 3 years.¹⁷

Poor accounting practices are the primary driver for councils not being able to complete their financial statements in a timely manner. Being able to attract and retain skilled staff also contributes. Having the right skills and capability in key positions and a strong framework for financial controls would help councils mitigate financial and operational risks.¹⁸

- *More action is needed on outstanding high-risk issues.*

There are still 121 unresolved significant (high-risk) issues (2022: 114) at councils. This will increase as the QAO finalise the audits of the 14 councils who failed to meet the statutory deadline. The QAO continue to see a greater proportion of long-outstanding issues in councils that do not have an audit committee or internal audit function.¹⁹

Councils face many external threats in their day-to-day operations, including cyber security. Yet two-thirds of the sector have weaknesses in the security of its information systems, and 24 per cent of councils have not provided cyber security training to their staff.²⁰

Having good policies and procedures would help councils mitigate some of these external threats. However, 34 councils (2022: 25 councils) either do not have some of their policies and procedures in place, or they are outdated and not relevant to their operations anymore. As a result, some councils may have difficulties transitioning any newly elected members or staff into their organisation.²¹

- *Having extra advance funding continues to affect results.*

For the second year, councils have received more of their (federal) financial assistance grants for the next year in advance and reported this as revenue (as required under accounting principles). Despite this, 24 per cent of the 63 councils that had completed their financial statements by 31 October

¹⁶ QAO, Report 8:2023-24, p 1.

¹⁷ QAO, Report 8:2023-24, p 1.

¹⁸ QAO, Report 8:2023-24, p 1.

¹⁹ QAO, Report 8:2023-24, p 1.

²⁰ QAO, Report 8:2023-24, p 1.

²¹ QAO, Report 8:2023-24, p 1.

generated operating losses, and over half would have made losses without the extra funding they received.²²

Councils need good budget and cash management processes to handle their increasing costs and cope with changes to the timing of grant funding, which is outside of their control.²³

- *New sustainability measures are in effect, but the risk framework needs improvement.*

As at 30 June 2023, 48 councils (2021–22: 46 councils) were still at either a moderate or a high risk of not being financially sustainable. The department's new financial sustainability framework is in place for the 2024 financial year. However, the associated risk framework can be refined to more clearly define how it will help the department, communities, and councils, evaluate a council's overall financial sustainability risk.²⁴

3.3 Queensland Audit Office recommendations

The QAO made 7 recommendations, with 3 recommendations for councils and 4 for the Department of Housing, Local Government, Planning and Public Works (the department).

QAO recommendations for councils:

- 1) Councils should regularly review and update their policies and procedures to ensure they are up to date and meet the needs of their operations.

Each council should develop a work plan to ensure all policies are reviewed at least every 3 years or when there are significant changes to the council's structure.

- 2) Councils should educate all elected councillors and mayors on matters that are specific to their council, including unique challenges of their council and its strategic objectives and operations. This will ensure there is a smooth transition to the new council.

It should also reinforce their understanding of their responsibilities and encourage mayors and councillors to work effectively together and with council staff

- 3) Review the registration status of employees undertaking engineering services to make sure they are complying with the *Professional Engineers Act 2002*. Councils should do this on an annual basis.²⁵

QAO recommendations for the department:

- 4) Amend the Local Government Regulation 2012 to require the head of finance to confirm whether the financial controls used to prepare the annual financial statements are effective each year. The confirmation should be provided to the mayor and chief executive officer each year before they sign the financial statements and should include:

- a summary of the council's internal control framework – the people, systems, and processes that council uses to prepare reliable financial reports – and whether these controls were effective for the period the financial statements relate to
- any significant areas of concern and their potential impact, and what action council has taken to address them
- the status of issues reported in previous years
- changes and improvements to internal controls during the year.

²² QAO, Report 8:2023-24, p 1.

²³ QAO, Report 8:2023-24, p 1.

²⁴ QAO, Report 8:2023-24, p 1.

²⁵ QAO, Report 8: 2023-24, p 2.

- 5) Develop a template that councils can use to annually validate the effectiveness of their internal controls. This will help councils and heads of finance identify their key financial internal controls and determine whether these controls have operated effectively throughout the year. The department may benefit from Queensland Treasury's help, and using practices that are already in place in the state sector.
- 6) Amend the sustainability framework for Queensland councils to:
 - include the qualitative (non-financial) indicators the department will use to measure councils
 - define and publish the minimum expected requirements for these qualitative indicators.

This will give councils a clear understanding of the qualitative elements they are being assessed against, and will help councils prioritise actions to improve them.

- 7) Develop a methodology to determine the overall sustainability risk of councils.

The methodology should assess the ratios in the department's sustainability framework in combination so an overall financial sustainability risk profile can be determined for each council.

The methodology should also consider the impact on the overall financial sustainability if any of the benchmarks (identified for each ratio in the sustainability framework) are not met.

This will help the department prioritise its resources for councils or groups of councils that need attention more urgently than others.

It will also help councils understand what good looks like and how the department intends to use the ratios in total to assess the financial sustainability of councils.

3.4 Implementation of Queensland Audit Office recommendations

The department outlined its support for Recommendations 4 and 5 and provided in principle support for Recommendations 6 and 7.²⁶

The department also indicated its support for Recommendations 1, 2 and 3 to councils and noted that it will write to all councils emphasising the importance of implementing the recommendations.²⁷

3.5 Implementation status of recommendations from previous Auditor-General reports

Report 8: 2023-24 Local Government 2023 also provides a summary of the implementation status of the recommendations raised by the Auditor-General in previous reports relating to the local government sector. Recommendations identified as requiring further action are summarised in Appendix A of this report.

Very broadly, the summary indicates that despite some progress, the QAO continues to be of the view that councils need to take action in the following areas:

financial reporting, audit committees, internal control environments, cyber security, asset management sustainability, liquidity management, security of information systems, risk management and procurement practices.

The summary indicates, in relation to recommendations to the department, there are a number of recommendations that the department has not had time to fully implement or have partially implemented.

²⁶ QAO, Report 8: 2023-24, p 40.

²⁷ QAO, Report 8: 2023-24, p 40.

The summary also notes that Recommendation 6 from Report 17: 2020-21 Local Government 2020 - the department *requires* all councils to establish an audit committee and ensure that each chairperson is independent of council - continues to be considered by the department but has not yet been progressed.²⁸

Committee comment

The committee notes the findings and recommendations of Report 15: 2022-23 Local Government 2022 and Report 8: 2023-24 Local Government 2023.

The committee and its predecessors have previously stated and reiterated how vitally important it is for each council to have an audit and risk committee to help manage any vulnerabilities. In particular, the threat of cyber security attacks mean that each council must take proactive steps to raise their preparedness and resilience. Whilst we understand the challenges for some councils in initiating and maintaining an audit and risk committee, the committee has previously suggested that Regional Organisations of Councils can play a role in creating these bodies across a number of councils.

The committee looks forward to considering the results for the year 2024-25, anticipating they reflect further actions taken to implement the QAO's recommendations.

²⁸ QAO, Report 8: 2023-24, p 59.

Appendix A - Implementation status of recommendations from previous QAO Reports

Recommendations to councils that require further attention		
Local government 2022 (Report 15: 2022-23)		
Rec 1	All councils assess the maturity of their procurement and contract management processes using our procure-to-pay maturity model.	Recommendation made in June 2023. Councils have not yet had time to implement it. QAO will assess progress and report on outcome in next year's local government report. ²⁹
Local government 2021 (Report 15: 2021-22)		
Rec 1	All councils should reassess their initial self-assessment against the financial statement maturity model and compare this to their recent financial statement preparation experiences.	Only 46 councils (63 % of those responding to survey) reassessed the maturity level of their financial statement preparation processes. QAO found some councils, and particularly those in the Indigenous, Resources and Rural/Remote segments, had overstated the level of maturity when performing their own assessments. ³⁰
REC 2	Those councils who have an audit committee function, and those that are looking to establish one, should consider implementing the actions identified in QAO report into the Effectiveness of audit committees.	Of the 64 councils with an audit committee who responded to survey, only 30 have fully implemented our recommendations, and 4 councils have not implemented our recommendations at all. ³¹
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.	Only 13 councils have assessed their control environment using the QAO internal control assessment tool. Of these 13 councils, only 7 have developed and implemented plans to improve their internal controls. Those councils that have not assessed maturity of their internal controls should do so this year. ³²
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.	49 councils have incorporated their planned spending on capital projects into their asset management plans. QAO recommend that councils who have not yet reviewed their asset management plan, do so in 2023-24. ³³
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.	29 councils have either not yet reviewed their asset consumption ratio, or where it is under 60 per cent, have not yet taken actions to improve it. Based on 2023 results, 6 would not meet the benchmark of 60 per cent for the future ratio that applies from 1 July 2023. A further 12 are close to not meeting the benchmark in the next few years

²⁹ QAO, Report 8: 2023-24, p 49.

³⁰ QAO, Report 8: 2023-24, p 50.

³¹ QAO, Report 8: 2023-24, p 50.

³² QAO, Report 8: 2023-24, p 50.

³³ QAO, Report 8: 2023-24, p 51.

		if they do not maintain their assets appropriately. ³⁴
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.	Only 33 councils (less than half of the sector) are reporting their unrestricted cash expense ratio and their unrestricted cash balance in the monthly financial reports they table in council meetings. Those councils that do not report these metrics in their monthly reports tabled in council meetings should start to do so. ³⁵
Local government 2020 (Report 17: 2020-21)		
REC 1	Councils should strengthen their month-end and year-end processes to assist with timely and accurate monthly financial reporting and annual financial statements.	QAO continue to find that month-end processes at councils are ineffective. This year, 70 new deficiencies where improvements were required to ensure timely and reliable month-end and year-end reporting were identified. ³⁶
REC 2	In summary – Councils should improve valuation and asset management practices. (Various recommendations made)	QAO continue to identify issues with the asset management policies and practices at two-thirds of councils. Councils also need to improve processes for asset valuations. QAO observed several councils that did not meet their legislative deadlines because of errors and delays in asset valuations. ³⁷
REC 3	In summary – Councils should strengthen security of information systems (Various recommendations made)	QAO continue to identify weaknesses in information systems controls, particularly regarding user access permissions. This year, QAO identified 66 new internal control issues in information systems. There are 45 councils who still have at least one unresolved deficiency in their information systems. ³⁸
REC 4	In summary - Councils should have a complete and up-to-date risk management framework including: (Various recommendations made)	This year, 16 councils did not have adequate risk management processes in place. This is down from 25 councils in 2021–22 but is still roughly a quarter of the sector. This recommendation continues to need further action by councils. ³⁹
REC 5	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	QAO have identified issues relating to procurement and contract management practices at 26 councils this year (2021–22: 34 councils). Although this is an improvement on last year, councils still have not taken enough action for this recommendation. ⁴⁰

³⁴ QAO, Report 8: 2023-24, p 51.

³⁵ QAO, Report 8: 2023-24, p 51.

³⁶ QAO, Report 8: 2023-24, p 52.

³⁷ QAO, Report 8: 2023-24, p 52.

³⁸ QAO, Report 8: 2023-24, p 53.

³⁹ QAO, Report 8: 2023-24, p 54.

⁴⁰ QAO, Report 8: 2023-24, p 54.

	contract registers are complete and contain up-to-date information.	
Local government entities: 2018–19 results of financial audits (Report 13: 2019–20)		
<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.	As at 30 June 2023, there were still 13 councils (30 June 2022: 15 councils) that did not have an audit committee. A further 3 councils (30 June 2022: one council) had an audit committee that did not meet during the year. These councils combined had 46 unresolved significant deficiencies (38 per cent of all unresolved significant deficiencies). ⁴¹	
All councils must establish and maintain an effective and efficient internal audit function, as required by the <i>Local Government Act 2009</i>	As at 30 June 2023, 5 councils (30 June 2022: 7 councils) still did not have an internal audit function. In addition, 4 councils (30 June 2022: 7 councils) that had an internal audit function established at 30 June 2023 did not have any audit activity during the 2022–23 financial year. ⁴²	
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.	QAO continue to find deficiencies at councils – at roughly 20 per cent of the sector – with securing employee and supplier information. Similarly, we continue to find weaknesses with information systems security. ⁴³	
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.	As at 30 June 2023, 17 councils still had not provided cyber security awareness training to their employees. ⁴⁴	
Recommendations to the department that have not been implemented or are partially implemented		
Local government 2022 (Report 15: 2022–23)		
REC 2	The department should provide guidance and tools such as monthly management reporting pack templates and checklists for the completion of month-end financial reports.	This recommendation was made in June 2023 and at the time of writing the report, the department has not yet had time to implement. ⁴⁵
REC3	The department should clearly define what 'extraordinary circumstances' are in the context of extensions to councils'	This recommendation was made in June 2023 and at the time of writing this report, the department has not yet had time to implement. ⁴⁶

⁴¹ QAO, Report 8: 2023-24, p 55.

⁴² QAO, Report 8: 2023-24, p 55.

⁴³ QAO, Report 8: 2023-24, p 56.

⁴⁴ QAO, Report 8: 2023-24, p 57.

⁴⁵ QAO, Report 8: 2023-24, p 57.

⁴⁶ QAO, Report 8: 2023-24, p 57.

	legislated deadlines for certifying financial statements.	
REC 4	The department should measure the effectiveness of the training programs it provides to councils.	This recommendation was made in June 2023 and at the time of writing this report, the department has not yet had time to implement. ⁴⁷
REC 5	<p>Summary - The department should, for councils that do not consistently achieve early financial reporting:</p> <ul style="list-style-type: none"> provide training to finance staff that covers matters such as – (various aspects identified) make available a panel of financial reporting specialists that councils can call upon in times of need to help with their financial reporting processes. 	This recommendation was made in June 2023 and at the time of writing this report, the department has not yet had time to implement the recommendation. ⁴⁸
REC 6	<p>The department should monitor whether all councils have an internal audit function and whether appropriate internal audit activities are undertaken each year.</p> <p>To help councils meet their legislative requirements, the department should:</p> <ul style="list-style-type: none"> educate councillors and senior executives on the benefits of an internal audit function and how this adds value to council operations make internal audit guidelines available on the department's website and provide example templates (such as a model internal audit charter) to help councils understand and meet their obligations. 	<p>This recommendation was made in June 2023 and at the time of writing this report, the department has not yet had time to fully implement the recommendation.</p> <p>However, in July 2023, the department wrote to councils without an effective internal audit function to remind them of their legislative requirements. It has published guidance about these legislative requirements on its online portal of council resources.⁴⁹</p>
REC 7	QAO recommend the department, in collaboration with the Queensland Government's Customer and Chief Digital Officer, develops a strategy to increase awareness and improve capability in the sector on cyber-related matters.	This recommendation was made in June 2023 and at the time of writing this report, the department has not yet had time to fully implement the recommendation. However, since recommendation made, the department has worked with the Queensland Government's Customer and Chief Digital Officer and the Australian Security Intelligence Organisation to provide greater awareness of cyber related matters across the sector. ⁵⁰
Local government 2020 (Report 17: 2020-21)		
REC 6	QAO continue to recommend that the department requires all councils to	The proposal continues to be considered by the department but has not yet been progressed. ⁵¹

⁴⁷ QAO, Report 8: 2023-24, p 57.

⁴⁸ QAO, Report 8: 2023-24, p 57.

⁴⁹ QAO, Report 8: 2023-24, p 58.

⁵⁰ QAO, Report 8: 2023-24, p 58.

⁵¹ QAO, Report 8: 2023-24, p 59.

	establish an audit committee and ensures that each chairperson of the committee is independent of council and management.	
REC 8	QAO recommend the department reviews its current funding model to identify opportunities to provide funding certainty to councils beyond one financial year.	Partially implemented - The department has been providing multi-year grant programs since 2020–21. The \$200 million Works for Queensland Program (2021–24) and the \$100 million South East Queensland Community Stimulus Program (2024–27) are both 3-year rounds which will provide funding certainty for councils in the medium term. ⁵²
REC 9	<p>QAO recommend the department provides periodic training to councillors and senior leadership teams for councils that are highly reliant on grants.</p> <p>The training should focus on helping these councils:</p> <ul style="list-style-type: none"> • establish strong leadership and governance • enhance internal controls and oversight • improve financial sustainability in the long term. 	Partially implemented - The department – in partnership with Queensland Treasury Corporation and the University of Queensland – delivered workshops and training sessions to councillors and council staff in 2022–23 with a focus on financial management and service planning. The department has advised 388 councillors and council staff participated in these workshops and training sessions. The department also holds Finance Officers’ Network sessions. The department plans to support the running of these workshops and training sessions over the 2024–2028 council term. Providing this training to new councillors will be critical following the March 2024 council elections. ⁵³

⁵² QAO, Report 8: 2023-24, p 59.

⁵³ QAO, Report 8: 2023-24, p 59.