

22 October 2021

Councillor Matt Burnett
Mayor
Gladstone Regional Council
PO Box 29 GLADSTONE QLD 4680

Dear Councillor Burnett,

Final Management Report for Gladstone Regional Council

We have completed our 2021 financial audit for Gladstone Regional Council and issued an unmodified audit opinion on your financial statements.

This letter provides you with details on audit matters and other important information related to the audited financial statements.

Please note that under section 213 of the *Local Government Regulation 2012*, you must present a copy of this letter at the next ordinary meeting of the Council.

Reporting on issues

Issues and other matters formally reported to management and an update on actions taken by management to resolve these issues is included as Appendix A to this letter. Our rating definitions for internal control deficiencies is shown in Appendix B.

Report to parliament

Each year we report the results of all financial audits and significant issues to Parliament.

This year we intend to include the results of our audit of Gladstone Regional Council in our report to Parliament on the results of the local government sector. In this report we will comment on the results of our audit of your financial report, any significant internal control issues we identified, and the overall results of the sector, including, major transactions and events. We will discuss the proposed content of our report with your General Manager Finance, Governance and Risk and will continue to consult as we draft our report. Formally, you will have an opportunity to comment on our report and for these comments to be included in the final report.

Audit fee

The final audit fee for this year is \$142,200 exclusive of GST and travel expenses (2020: \$177,440 excluding GST and travel expenses). This fee is in line with the \$142,200 estimated in our external audit plan. We will bill our actual travel expenses which may be lower than the \$15,000 estimated in our external audit plan.

We would like to thank you and your staff for their engagement in the audit this year and look forward to working with your team again next year.

If you have any questions about this letter or would like to discuss any matters regarding our audit service, please contact me on (07) 3257 8807.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Steven Bosiljevac', with a long horizontal stroke extending to the right.

Steven Bosiljevac
Contract Audit Partner

cc. Ms Kerry Phillips, Chair Audit Risk and Improvement Committee
Ms Leisa Dowling, Chief Executive Officer

Appendix A1—Matters previously reported



Status

The following table summarises all control deficiencies, financial reporting issues and other matters that have previously been raised but are not yet resolved. The listing includes issues from our reports this year and those issues raised in prior years.

Our risk ratings are as follows—refer to [Our rating definitions](#) for more detail.

Internal control issues


Financial reporting issues

Significant deficiency	Deficiency	Other matters	High	Medium	Low

Reference	Rating	Issue	Status / Comment Action Date
Internal control issues			
20CR-3		Improvement of the three-way-match process required (COSO component: Control activities)	Status: Work in progress Comments: Management is currently working with TechOne to develop a new system process to enable invoices to be entered into the system upon receipt. Phase 1 development and testing is ongoing. Due to issues with obtaining skilled TechOne consultants, implementation and go-live phase is expected to be 30 June 2022. Action date: 30 June 2022
21-IR-2		Reconciliations for infrastructure assets are performed on an ad-hoc basis (COSO component: Control activities)	Status: Work in progress Comments: Management will ensure that quarterly fixed asset reconciliations are undertaken. Action date: 31 March 2022

Appendix A1—Matters previously reported






Reference	Rating	Issue	Status / Comment Action Date
Financial reporting issues			
20CR-4		Asset valuations – RDTI assets not previously recognised	<p>Status: Work in progress</p> <p>Comments:</p> <p>Management is undergoing its data cleansing and verification program and will continue the process throughout the FY22 financial year.</p> <p>This year \$29m of not previously recognised assets across the RDTI, water and sewerage classes were identified. This supports this matter remaining as an open and ongoing project.</p> <p>Action date: 30 June 2022</p>




Appendix B—Our rating definitions



Internal rating definitions

	Definition	Prioritisation of remedial action
Significant deficiency 	<p>A significant deficiency is a deficiency, or combination of deficiencies, in internal control that requires immediate remedial action.</p> <p>Also, we increase the rating from a deficiency to a significant deficiency based on:</p> <ul style="list-style-type: none"> • the risk of material misstatement in the financial statements • the risk to reputation • the significance of non-compliance with policies and applicable laws and regulations • the potential to cause financial loss including fraud, or • where management has not taken appropriate timely action to resolve the deficiency. 	<p>This requires immediate management action to resolve.</p>
Deficiency 	<p>A deficiency arises when internal controls are ineffective or missing, and are unable to prevent, or detect and correct, misstatements in the financial statements. A deficiency may also result in non-compliance with policies and applicable laws and regulations and/or inappropriate use of public resources.</p>	<p>We expect management action will be taken in a timely manner to resolve deficiencies.</p>
Other matter 	<p>An other matter is expected to improve the efficiency and/or effectiveness of internal controls, but does not constitute a deficiency in internal controls. If an other matter is not resolved, we do not consider that it will result in a misstatement in the financial statements or non-compliance with legislative requirements.</p>	<p>Our recommendation may be implemented at management's discretion.</p>

Financial reporting issues

	Potential effect on the financial statements	Prioritisation of remedial action
High 	<p>We assess that there is a high likelihood of this causing a material misstatement in one or more components (transactions, balances and disclosures) of the financial statements, or there is the potential for financial loss including fraud.</p>	<p>This requires immediate management action to resolve.</p>
Medium 	<p>We assess that there is a medium likelihood of this causing a material misstatement in one or more components of the financial statements.</p>	<p>We expect management action will be taken in a timely manner.</p>
Low 	<p>We assess that there is a low likelihood of this causing a material misstatement in one or more components of the financial statements.</p>	<p>We recommend management action to resolve; however, a decision on whether any action is taken is at management's discretion.</p>