

2022 INTERIM REPORT

Gladstone Regional Council

13 June 2022

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Cr Matt Burnett
Mayor
PO Box 29
GLADSTONE QLD 4680

Dear Mayor,

2022 Interim report

We present to you our interim report for Gladstone Regional Council for the financial year ending 30 June 2022.

This report details the results of our interim work performed to 3 June 2022. In this phase we assessed the design and implementation of your internal controls, and whether they are operating effectively. The internal controls that we assessed are those key controls we intend to rely on in auditing your financial statements. Our audit does not assess all controls that council have implemented across the organisation.

We have also undertaken work over the areas of audit focus that were communicated in our external audit plan.

Under the Australian Auditing Standards, we are required to communicate to you any significant deficiencies in your control environment identified from our audit process. We have not identified any such significant deficiencies.

Please note that under Section 213 of the *Local Government Regulation 2012*, you must present a copy of this report at your council's next ordinary meeting.

The *Auditor-General Act 2009* requires the Auditor-General to report to parliament on an issue raised during an audit if they consider it to be significant. The results of our audit will be included in our report to parliament on the results of local government.

If you have any questions or would like to discuss the audit report, please contact me on (07) 3257 8568 or John Skilling on 0447 454 063.

Yours sincerely



Steven Bosiljevac
Contract Audit Partner

Enc.

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

1. Summary

We completed our audit planning phase and issued an external audit plan on 4 March 2022. This report details our audit findings from the work we performed on the key controls identified during the audit planning phase over revenue, expenditure and payroll system.

Internal controls

Deficiencies:

- 1 raised in the current year, relating to the delay in the capitalisation of infrastructure assets
- 1 unresolved from prior years

Financial reporting matters:

- 1 unresolved from prior years

Based on the results of our testing completed to date and the resolution of prior year issues, we have determined your internal control environment does support an audit strategy that can rely upon these controls.

Areas of audit focus

We have also performed work over the areas of audit focus identified in our external audit plan. Our progress against the areas of audit focus is on track.

Milestones—On track

Agreed financial reporting and audit deliverables milestones have been met to date.

Audit fees—On track

2. Status of issues

Internal control issues

The following table identifies the number of deficiencies in internal controls and other matters we have identified. Details of deficiencies that we identified during our interim audit are outlined further in this section. Refer to Section 3 Prior year issues for the status of prior year issues.

Internal control issues by COSO element	Number of significant deficiencies		Number of deficiencies		Rating
	Current year issues	Prior year unresolved issues	Current year issues	Prior year unresolved issues	
Control environment <i>Structures, policies, attitudes and values that influence daily operations</i>	0	0	0	0	●
Risk assessment <i>Processes for identifying, assessing and managing risk</i>	0	0	0	0	●
Control activities <i>Implementation of policies and procedures to prevent or detect errors and safeguard assets</i>	0	0	1	1	●
Information and communication <i>Systems to capture and communicate information to achieve reliable financial reporting</i>	0	0	0	0	●
Monitoring activities <i>Oversight of internal controls for existence and effectiveness</i>	0	0	0	0	●

Our ratings:

Effective – No significant deficiencies identified;

Partially effective – One significant deficiency identified;

Ineffective – More than one significant deficiency identified.

2. Status of issues (cont'd)

The following section details control deficiencies and other matters identified as at 20 May 2022. It includes a response from management.

Our ratings are as follows. For more information and detail on our rating definitions, please see the webpage here: www.qao.qld.gov.au/information-internal-controls or scan the QR code.



Deficiency

22IR-1 – Capital work in progress improvements

Control activities

Observation

We observed that the capitalisation of infrastructure WIP assets is undertaken by the Strategic Asset Performance team towards the end of the year and not when assets are necessarily available for use. We note that the balance of WIP as at 30 June 2021 was approximately \$106m.

Implication

The delay in capitalisation of these infrastructure WIP projects at year end can lead to a risk that not all completed WIP projects are reviewed on a timely basis and thereby not all completed projects are capitalised in the correct accounting period. There are also depreciation impacts to this matter.

QAO recommendation

We recommend reviewing the status of infrastructure WIP projects on a regular basis and capitalising them on completion of the project instead of deferring the capitalisation towards year end. This will also require coordination with the operations team. We do note that a process has been implemented in the current year which automates processing of project completion forms from project managers in a timelier manner.

Management response

Management acknowledges the delay in capitalisation of projects and are working with key project delivery personnel to provide support and training for the investment decision framework (IDF) and project management framework (PMF) to ensure projects are closed out and capitalised in a timely manner.




Responsible officer: Tania Brown & Brian Jurd

Status: Work in progress

Action date: 31 December 2022

3. Prior year issues

The following table summarises the status of deficiencies, financial reporting issues and other matters reported in prior years.

Ref.	Rating	Issue	Status
20CR-3		Improvement of the three-way-match process required (COSO component: Control activities)	Work in progress 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 2023. Action date: 30 June 2023
21-IR-2		Reconciliations for infrastructure assets are performed on an ad-hoc basis (COSO component: Control activities)	Resolved Management has undertaken quarterly fixed asset reconciliations between Tech one and MyData system. Action date: 31 March 2022
20CR-4		Asset valuations – Road Drainage and Transport Infrastructure assets not previously recognised	Work in progress Management is undergoing its data cleansing and verification program and will continue the process throughout the FY22 financial year. Action date: 30 June 2022



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