



## 2023 FINAL MANAGEMENT LETTER

# Gladstone Regional Council

30 October 2023

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30 October 2023

Councillor Matt Burnett  
PO Box 29  
Gladstone QLD 4680

Dear Councillor Burnett

### **Final management report for Gladstone Regional Council**

We have completed our 2023 financial audit for Gladstone Regional Council. We have issued an unmodified audit opinion on your financial statements.

The purpose of this letter is to update you on any matters that have arisen since we presented our closing report to you on 25 October 2023.

### **Reporting on issues identified after the closing report**

We can confirm that we have not identified significant issues since the presentation of our closing report. The issues and other matters we have formally reported to management and an update on management's actions taken to resolve these issues is included as Appendix A.

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.

### **Report to parliament**

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

We intend to include the results of our audit of Gladstone Regional Council in our report to parliament the Final Management Letter. 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 Financial Controller and 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 version tabled in parliament.

### **Audit fee**

The final audit fee for this year is \$185,960 exclusive of GST. This fee is in line with the \$185,960 estimated in our external audit plan.

We would like to thank you and your staff for their engagement in the audit this year.

If you have any questions about this letter or would like to discuss any matters regarding our services and engagement, please do not hesitate to contact me on 0412 935 750 or Sochinda Chhim, Manager on 0404 264 568.

Yours sincerely



Darren Jenns

Contract Audit Partner

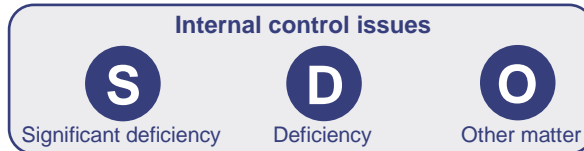
Enc. Ms Leisa Dowling – Chief Executive Officer

Mr Stephen Coates, Chair – Audit Risk and Improvement Committee

# Appendix A1 – Status of issues

This section provides an update on the on the control deficiencies and financial reporting issues we have identified. It includes a response from management.

Our risk 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](http://www.qao.qld.gov.au/information-internal-controls) or scan the QR code.



## **D** Deficiency

### 23-CR-1 – GIS reconciliation to Fixed Asset Register

#### Observation

We identified exceptions when reconciling between the Fixed Asset Register and Gladstone Regional Council's Geographic Information System (GIS) that maps physical assets and is managed by GRC's asset accountants. Inconsistencies includes assets included in the Fixed Asset Register and not within the GIS.

#### Implication

The omission of assets for existence (from GIS to FAR) and completeness (FAR to TB) may lead to inconsistencies in reconciling physical assets and lead to inaccurate and incomplete data sets for revaluation processes that ultimately lead to potential inconsistencies in property, plant and equipment balances presented in the financial statements.

#### QAO recommendation

We recommend that management performs an annual assessment (by physical inspection) between GIS and the Mydata (application data management system) so that this data that interfaces into the FAR reflects an accurate position of all assets controlled and owned by GRC.

#### Management response

Management have planned field visits to attend onsite more frequently (currently on an ad-hoc basis) with a camera crew to reconcile between Mydata and GIS.

Responsible officer: Financial Controller

Status: Work in progress

Action date: 30 June 2024

## **D** Deficiency

### **23-CR-2 – WIP capitalisation**

#### Observation

Upon review of the Work in Progress (PPE) balance management identified that the Waste Water Treatment Biosolids plant was still recorded as WIP even though the plant was commissioned for use in FY21. In addition management identified that the capitalised WIP for the Biosolids plant included \$1.3m of expenses which should not have been capitalised since the cost related to operational costs of the plant post commissioning.

#### Implication

The WIP balance should only include capital related costs that have been capitalised in relation to assets that are not commissioned and therefore not in use at any given period end.

#### QAO recommendation

The GRC finance team and asset management team should ensure that all commissioned assets are transferred to the relevant class of PPE and depreciated appropriately from the date of transfer. The WIP review should also ensure that there are no operational or other non capital expenses included as an asset within the WIP account at period end. We recommend that management prepare a WIP review and tracking process to identify commissioned assets and capital v operational cost identification to ensure that the WIP balance is accurate at each period end.

#### Management response

Management will assess WIP balances on a frequent basis (compared to the annual reconciliations) with the asset team to assess each open project. Management will examine external documentation for the asset's completion status as part of this assessment.

Responsible officer: Financial Controller

Status: Work in progress

Action date: 30 June 2024

## Appendix A2 – Matters previously reported

The following table summarises all control deficiencies, financial reporting issues and other matters that we previously reported this year in our interim report and unresolved issues we raised in prior years.

### Internal control issues

Ref.	Rating	Issue	Status and comment
22-IR-1	<b>D</b>	<b>Capital work in progress process improvements</b> (COSO component: Control activities)	<p><b>Status:</b> Work in progress</p> <p>The Asset Governance and Works Planning &amp; Scheduling teams have been liaising and coordinating in recent weeks to ensure the Senior GIS Officer and Senior Technical Officer are included as part of regular meetings with project managers so that all parties are aware of requirements in a timely manner. We have seen an improvement in projects being completed recently and communication/information has been received. Audit will reassess as part of final audit process to determine if further improvements have been identified.</p> <p><b>Current action date:</b> 31 December 2022 <b>Revised action date:</b> 30 June 2024</p>
20-CR-3	<b>D</b>	<b>Improvement of the three way-match process required</b> (COSO component: Control activities)	<p><b>Status:</b> 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 by 31 December 2024. This is therefore a proposed extension of 18 months on what was previously expected.</p> <p><b>Current action date:</b> 30 June 2023 <b>Revised action date:</b> 31 December 2024</p>



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