



2024 FINAL MANAGEMENT REPORT

Gladstone Regional Council

20 November 2024

Cr Matt Burnett
Mayor
Gladstone Regional Council

Dear Matt

Final management report for Gladstone Regional Council

We have completed our 2024 financial audit for Gladstone Regional Council. QAO has issued an unmodified audit opinion on your financial statements.

The purpose of this report is to update you on any matters that have arisen since we presented our interim report to you on 6 June 2024.

Reporting on issues identified after the closing report

I can confirm that we have not identified significant issues since the presentation of our interim report to you. 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 *Local Government 2024* report to parliament. We will comment on the results of our audit, any significant internal control issues, and the overall results for the sector, including major transactions and events. We will discuss the proposed report content with you and continue to consult as we draft it. Formally, entities 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 \$190,000 exclusive of GST. This fee is in line with the fee estimated in our external audit plan.

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

If you have any questions about this report or would like to discuss any matters regarding our services and engagement, please do not hesitate to contact me on 07 3233 3266.

Yours sincerely



Bronwyn Lovell
Engagement Partner

Appendix A1 – Status of issues

Internal control issues

This section provides an update on the significant control deficiencies and other matters we have identified since our interim report. 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 or scan the QR code.



D Entertainment and Hospitality Expenditure Policy

FMR-24-1

Observations

Upon review of the *Entertainment and Hospitality Expenditure Policy* and expenditure incurred on the 2023 Christmas Party and gift cards provided to employees; a number of observations were identified.

Christmas Party & Gift Cards

- The Council did not prepare a formal assessment detailing how the budgeted entertainment and hospitality expenditure to be incurred on the Christmas Party was sufficiently in the public interest as required in the *Entertainment and Hospitality Expenditure Policy*.
- In the *Entertainment and Hospitality Expenditure Policy*, Mayoral approval is required for all alcohol purchases by the Council. With respect to the Christmas Party, management advised that approval was obtained, however, no evidence of this approval was retained.
- The budget for the Christmas Party:
 - was not easily identifiable or disaggregated in the publicly available annual budget for the Council to enable scrutiny by the public.
 - was not specifically approved by the Executive Leadership Team and Councillors through minutes or other written approvals.
- At the Christmas Party, the Council gave \$50 gifts cards to all employees as a gift (810 gift cards were purchased for a total cost of \$40,500). This purchase was approved in line with the Council's standard procurement policy; however, we note that the Council does not have a specific 'policy' covering the purchase or usage of gift cards. Consistent with the Christmas Party, the Council did not document how the purchase and distribution of gift cards to all staff was sufficiently in the public interest.
- There was no evidence that a reasonableness check was performed to consider whether the 'price per head' for the Christmas Party was appropriate. The total cost of the Christmas Party was as follows:

Type of Expense	Cost
Entertainment and Hospitality - Catering - Entertainment - Transport - Decorations and Miscellaneous Costs	\$68,300
FBT Expenses	\$33,400
Gift Cards (810 Gift Cards x \$50)	\$40,500
Total Cost	\$142,200
Total Cost Per Head*	~ \$175 / Head

*The Council purchased 810 Gift Cards for the event – we have utilised this as the 'headcount' for this calculation.

Entertainment and Hospitality Expenditure Policy

- The *Entertainment and Hospitality Expenditure Policy* has not been updated in line with the review dates stipulated in the document. This is consistent with our finding in the interim report (refer *Matters Previously Reported 24-IR-1*).
- The *Entertainment and Hospitality Expenditure Policy* does not require Mayoral approval for alcohol to be in writing.
- The *Entertainment and Hospitality Expenditure Policy* does not include any consideration of gifts or gratuity payments to Council employees. This is not specifically covered by any other Council policy.
- While the *Entertainment and Hospitality Expenditure Policy* does stipulate that the Council will only spend money on entertainment and hospitality costs if the costs are in the public interest and are reasonable/cost effective, it does not:
 - specifically detail how the public interest or public defensibility test is to be documented as part of the procurement process and criteria to which this can be determined
 - define what a 'reasonable or cost effective' amount would be for different types of expenditure nor explicitly stipulate a reasonable cost per head (particularly for internal functions)

Implication

All spending by the Council is required to be subject to the 'public interest' test to ensure monies are being spent in accordance with the Local Government Act 2009 and Regulations 2012. For expenditure of this nature, there is additional scrutiny as to whether costs are in the public interest. If the *Entertainment and Hospitality Expenditure Policy* is not sufficiently robust, it increases the risk of inappropriate spending occurring.

Recommendations

Consistent with our observations, we recommend that:

- The Council prepare a formal assessment detailing how entertainment and hospitality expenditure for future internal functions are sufficiently in the public interest prior to contracting. This assessment should be retained for scrutiny by internal and external audit.
- Require the budget for the Christmas Party be easily identifiable and disaggregated in the annual budget prepared by the Council for public scrutiny. The budget for the event and other internal functions should be formally approved by the Executive Leadership Team and Councillors, and approval should be minuted or formally documented during the course of the annual budget process. The budget should also be assessed for reasonableness with a cost per head overlay.

In addition, with respect to the *Entertainment and Hospitality Expenditure Policy*, we recommend:

- The policy be reviewed and updated in line with the review dates stipulated in the document. This is consistent with our finding in the interim report (refer *Matters Previously Reported 24-IR-1*).
- The policy require Mayoral approval for alcohol purchases to be in writing.
- The policy be expanded to include consideration of gifts or gratuity payments to Council employees. This should include an explicit requirement for all staff gifts of a 'cash-nature' (such as gift cards) to require formal approval by the Chief Executive Officer or Mayor irrespective of value.
- The policy should specifically detail how the public interest or public defensibility test is to be documented as part of the procurement process and criteria to which this can be determined.
- The policy should define what a 'reasonable/cost effective' amount would be for different types of expenditure and explicitly stipulate a reasonable cost per head for internal functions.

Management response

The Entertainment and Hospitality Policy will be reviewed, with consideration given to the recommendations. Council will ensure that assessments of the public interest will be undertaken prior to incurring entertainment and hospitality expenditure for internal functions. Council approval of the budget for internal events will be documented, including an assessment of the estimated cost per head.

Responsible officer: General Manager Finance Governance & Risk

Status: Work in progress

Action date: 30 June 2025

Financial reporting issues

No new financial reporting issues identified.

Appendix A2 – Matters previously reported

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 report this year and those issues raised in prior years.

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 or scan the QR code.



Internal control issues

S Significant deficiency **D** Deficiency **O** Other matter

Financial reporting issues

H High **M** Medium **L** Low

Internal control issues

Ref.	Rating	Issue	Status
23-CR-1	D	GIS Reconciliation to Fixed Asset Register	<p>Work in Progress</p> <p>The GIS section are working with the Asset Officers to map missing assets and remove disposed assets on the GIS. The asset register migration project has provided an opportunity for increased data validation activity between the two systems. Technical Asset Officers are doing regular visits to projects and have more contact with Project Managers.</p> <p>Responsible officer: Manager, Asset Governance Action date: 30 June 2024 Revised action date: 30 June 2025</p>
23-CR-2	D	WIP Capitalisation	<p>Work in Progress</p> <p>Improvements to the WIP review process have been implemented in the 2023-24 year, with recurring meetings now set between Asset Accounting and Project Managers. A yearly review of aged WIP has also been implemented, with consultation occurring between Asset Accounting, the Capital Portfolio Working Group and Asset Management Leaders. As these processes are embedded over the next 12 months, it is expected that improvements to both the age and amount of closing WIP will be observed.</p> <p>Responsible officer: Financial Controller Action date: 30 June 2024 Revised action date: 30 June 2025</p>

Ref.	Rating	Issue	Status
23-IR-3	D	User driven TechOne delegation of authority	<p>Work in Progress</p> <p>The first suite of position-based profiles have now been created. Further profiles will be created and all profiles will be rolled out by June 2025, in line with other system changes (primarily, works management).</p> <p>Responsible officer: Financial Controller Action date: 30 June 2025</p>
22-IR-1	D	Capital work in progress process improvements	<p>Work in Progress</p> <p>Improvements to the capitalisation process have been implemented in the 2023-24 year, with regular meetings between Asset Accounting, Asset Governance and Project Managers to identify projects that are ready for capitalisation. As these processes are embedded over the next 12 months, it is expected that improvements in the timing of capitalisation will be observed (notwithstanding the time that the system will be unavailable due to the asset migration project).</p> <p>Responsible officer: Financial Controller Action Date: 30 June 2024 Revised action date: 30 June 2025</p>
20-CR-3	D	Improvement of the three way-match process required	<p>Work in Progress</p> <p>Management undertook a planning session with TechnologyOne to identify the correct sequencing of major projects across the 2023-2025 period. As a result, the procure-to-pay project has been scheduled for January-June 2025. Scoping of this work has occurred, with a project lead to be appointed prior to December.</p> <p>Responsible officer: Financial Controller Action Date: 30 June 2025</p>
24-IR-1	D	Timely review and update of Council policies	<p>Work in Progress</p> <p>Council maintains a Policy Corporate Standards and Local Laws Register. Council has 76 Policies and 57 Corporate Standards. Policies and Corporate Standards were being reviewed on a three yearly basis except where legislation required otherwise or on the direction of the CEO or feedback from councillors. With limited Governance resources we have recently shifted to a risk-based approach to policy reviews with a maximum review period of 5 years. This allows us to direct resources towards business priorities and high-risk policies. To this end Council will agree on a risk assessment framework for all Policies and Corporate Standards and will commit to no Overdue Polices and Corporate Standards rated as High Risk.</p> <p>Responsible officer: Manager of Governance and Risk Action date: 31 December 2024 Revised action date: 30 June 2025</p>

Appendix A3 – Climate-related financial disclosures

Next year audit planning considerations	Potential effect on your reporting obligations	Potential effect on your audit
<p>On 9 September 2024, the Australian Parliament recently passed legislation to enact Australia’s mandatory climate-related financial disclosure regime.</p> <p>Entities that report under the Corporations Act 2001 and meet specific criteria are required to comply with the legislation and the reporting requirements in the standards.</p>	<p>Queensland Treasury will determine the application to Queensland public sector entities that aren’t reporting under the Corporations Act, such as departments and statutory bodies.</p> <p>Councils are not included in the scope of the Commonwealth legislation. Therefore, you are not a mandatory reporting entity. However once Queensland Treasury issues advice on this reporting, the Department of Housing, Local Government, Planning and Public Works may issue their own guidance for councils to follow.</p>	<p>We will work with management to assess Queensland Treasury and Department of Housing, Local Government, Planning and Public Works requirements and guidance, as applicable.</p>



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