

6.2. QAO FINAL MANAGEMENT REPORT 2022 23

REPORT AUTHOR Tara Killeen, Chief Financial Officer

MANAGER Rachel Brophy, Chief Executive Officer

DEPARTMENT Finance and Corporate Services

RECOMMENDATION

That Council notes the observations contained within the Final Management Report (Observation Report) from the Queensland Audit Office for the 2022-2023 financial year.

EXECUTIVE SUMMARY

The Queensland Audit Office (QAO) Final Management Report for Douglas Shire Council 2022-2023 is presented to Council for noting. Management has provided a summary of the number and type of QAO audit issues outstanding as at 30 June 2023 compared to 30 June 2022.

The QAO report has been discussed with Council's Audit and Risk committee and Councillors on 10 October 2023. It should be noted that no additional Issues have been found by the QAO since the closing report was issued.

BACKGROUND

Each financial year Council's financial statements must be audited and for the 2022-2023 financial year the audit was undertaken by the Queensland Audit Office (QAO). s 54 of the *Auditor-General Act 2009* enables the QAO to prepare a Final Management Report containing observations and suggestions about anything arising out of the audit. Where those observations or suggestions require further attention the QAO is required to provide a copy of the report to the Mayor.

Under the provisions of s 213 of the *Local Government Regulation 2012* (the Regulation) this report is known as the **auditor-general's observation report** and it must be presented to the next ordinary meeting of Council.

It is important to note that the observation report is additional to the Independent Auditor's Report that is provided with Council's certified set of financial statements (with the latter being included in Council's Annual Report and referenced in s 182 of the Regulation in relation to the timing of the adoption of Council's Annual Report).

COMMENTS

The audit undertaken by the QAO was completed in October 2023 and Council was provided with an unmodified (unqualified) audit opinion (Independent Auditor's Report) on 12 October 2023. The QAO Closing Report was presented to the Councillors and the Audit Committee on 10 October 2023 by the QAO.

The Final Management Report (refer attached) contains any issues identified in the final stage of the audit and categorises all identified audit issues into either "Internal Control Deficiency"

issues (assessed as 'significant deficiency', 'deficiency' or 'other matters') or "Financial Reporting" issues (assessed as 'high', 'medium' or 'low').

There were no additional issues identified since the QAO closing report was issued.

Appendix A of the Final Management Report contains details of previously reported issues during the audit year and previous years. There was one matter identified during the year ended 30 June 2023. The following table provides a summary of the number and type of QAO audit issues outstanding as at 30 June 2023 compared to 30 June 2022.

Table 1.

Category	QAO Audit Issues Outstanding				Comment
	Jun-22	Added	Resolved	Jun-23	
Other					
IC Significant Deficiency					Purchase order procedure (work in progress)
IC Deficiency	3		3	1	
IC Other matter	1		1		
FR High					
FR Medium					
FR Low FR Other matter					
	4		4	1	

Legend: *IC* = Internal control issues *FR* = Financial reporting issues

PROPOSAL

The QAO's Final Management Report is presented to Council for noting of their observations.

FINANCIAL/RESOURCE IMPLICATIONS

Preparing financial statements for audit and addressing issues identified during the audit form part of staff core duties. However, sometimes there are new financial or resource implications arising from issues raised in the Final Management Report.

There were no issues arising in 2022-2023 that will give rise to significant financial/resource implications.

RISK MANAGEMENT IMPLICATIONS

Having the issues identified by Council's external auditors and reporting the progress on resolving these issues will mitigate any risks. It is pleasing to note that the QAO has issued an unqualified report, which reflects that Council is a well governed organisation, with strong controls in place to plan and monitor Council's work and processes.

SUSTAINABILITY IMPLICATIONS

Economic: QAO External Audits ensure scrutiny of the Economic sustainability of Council. Particular focus is directed towards the sustainability ratios. Douglas Shire Council achieved all three measures of financial sustainability in 2022-2023 for the first time since deamalgamation.

Environmental: Nil

Social: Nil

CORPORATE/OPERATIONAL PLAN, POLICY REFERENCE

This report has been prepared in accordance with the following:

Corporate Plan 2019-2024 Initiatives:

Theme 5 - Robust Governance and Efficient Service Delivery

Strong governance and financial management are the foundations of the way in which Council will conduct its business and implement the initiatives of the Corporate Plan.

Goal 1 - *We will conduct Council business in an open and transparent manner with strong oversight and open reporting.*

Goal 3 - *We will make sound financial decisions by ensuring robust strategic planning, financial management and reporting.*

Operational Plan 2023-2024 Actions:

Legislative requirement.

COUNCIL'S ROLE

Council can play a number of different roles in certain circumstances and it is important to be clear about which role is appropriate for a specific purpose or circumstance. The implementation of actions will be a collective effort and Council's involvement will vary from information only through to full responsibility for delivery.

The following areas outline where Council has a clear responsibility to act:

Custodian Council owns and manages infrastructure, facilities, reserves, resources and natural areas. In fulfilling its role as custodian, Council will be mindful of the community, the economy, the environment, and good governance.

CONSULTATION

Internal: When preparing management responses to the issues identified by the QAO, internal consultation was undertaken with relevant staff, the CEO and Management Team.
Council Audit Committee/Council workshop held 10 October 2023.

External: Queensland Audit Office.

COMMUNITY ENGAGEMENT

The acceptance of the QAO Final Management Report will fall within the “inform” category of Council’s Community Engagement Framework.

ATTACHMENTS

1. 2023 Douglas Shire Council - Final management letter - signed **[6.2.1 - 4 pages]**



2023 FINAL MANAGEMENT LETTER

Douglas Shire Council

3 November 2023

Your ref:
Our ref: (PRJ03731)
(Lisa Fraser 3149 6132)

3 November 2023

Councillor M Kerr
Mayor
Douglas Shire Council
PO Box 723
MOSSMAN QLD 4873

Dear Councillor Kerr

Final management report for Douglas Shire Council

We have completed our 2023 financial audit for Douglas Shire Council. I 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 the audit committee on 10 October 2023.

Reporting on issues identified after the closing report

I 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 s. 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 Douglas Shire Council in our report to parliament *Local Government 2023*. 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 chief financial officer 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 \$127,000 exclusive of GST (2022: \$114,400). This fee is higher than the \$123,400 estimated in our external audit plan. We have discussed the key factors contributing to the fee variation with your chief financial officer. The fee increase relates to the certification of two Local Roads and Community Infrastructure grant acquittals that were not included in the original fee estimate.

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 services and engagement, please do not hesitate to contact me on 3149 6132.

Yours sincerely



Lisa Fraser
Director

Appendix A – Matters previously reported

The following table summarises all control deficiencies, financial reporting issues and other matters that have previously been raised. The listing includes issues from our reports this year and issues we raised in previous years.

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



Internal control issues

Ref.	Rating	Issue	Status
23IR-1	D	<p>Lack of council wide purchase order policy and procedures and inconsistent use of purchase orders</p> <p>Council does not have a policy or procedure document that is used consistently across council. We identified 9 instances where purchase orders were raised after an invoice was received.</p>	<p>Work in progress</p> <p>Management is progressing their work on the project to implement an AP workflow, however this is a longer term project.</p> <p>Responsible officer: Chief Financial Officer</p> <p>Action date: 30 June 2025</p>
22IR-1	D	<p>Probity plans and conflict of interest checks not completed for large procurement</p>	<p>Resolved</p> <p>We have completed our testing over procurement. Probity plans and conflict of interest checks were completed where required.</p>
22IR-2	O	<p>Procurement policy recommendations</p>	<p>Resolved</p> <p>Management have made a reference to the requirements of s. 228 in the Local Government Regulations 2012 within the revised procurement policy.</p>
22CR-6	D	<p>Lack of follow up action taken upon receipt of the annual plant and equipment stocktake results</p>	<p>Resolved</p> <p>We have completed our testing over the annual plant and equipment stocktake. Management has taken action where required.</p>
22CR-7	D	<p>Assets controlled by Council not recognised in the asset register at 30 June 2022</p>	<p>Resolved</p> <p>We have completed testing over the completeness of contributed assets at 30 June 2023. No issues were noted.</p>



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Lisa Fraser
Queensland Audit Office
T: 07 3149 6132
E: Lisa.Fraser@qao.qld.gov.au

T: (07) 3149 6000
E: qao@qao.qld.gov.au
W: www.qao.qld.gov.au
53 Albert Street, Brisbane Qld 4000
PO Box 15396, City East Qld 4002

