



Your ref:  
Our ref: 2021-4139  
Michael Keane 3149 6077

8 October 2021

Councillor M Jamieson  
Mayor  
Sunshine Coast Regional Council  
Locked Bag 72  
SUNSHINE COAST MAIL CENTRE QLD 4560

Dear Councillor Jamieson

### **Final Management Report for the Sunshine Coast Regional Council**

We have completed our 2021 financial audit for the Sunshine Coast Regional Council. I 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 issued our closing report to the audit committee on 30 September 2021.

### **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. 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.

### **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 the Sunshine Coast 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 Chief Financial Officer 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 \$245,000 exclusive of GST (2020: \$239,000). This fee is less than the \$250,000 estimated fee in our external audit plan due to savings in travel costs relating to COVID restrictions during the audit.

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 3149 6032 or Michael Keane, Senior Manager on 07 3149 6077.

Yours sincerely

C G Strickland  
Senior Director

Enc.

Queensland Audit Office  
Level 13, 53 Albert Street, Brisbane Qld 4000  
PO Box 15396, City East Qld 4002

Phone 07 3149 6000  
Email [qao@qao.qld.gov.au](mailto:qao@qao.qld.gov.au)  
Web [www.qao.qld.gov.au](http://www.qao.qld.gov.au)  
 Queensland Audit Office (QAO)

## Appendix A—Matters previously reported

### Status

The following table summarises all control deficiencies, financial reporting issues and other matters that were raised this year.

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

| Reference                       | Issue  | Status/Comment<br>action date   |
|---------------------------------|--|---|
| <b>Significant Deficiencies</b> |  |   |
| 21-IR-1                         | Insufficient segregation of duties between employee masterfile changes and payroll processing                | Resolved—We have verified that Council is now performing and reviewing a fortnightly pay control report on changes by Senior Payroll Officers.  |
| <b>Deficiencies</b>             |  |   |
| 21-CR-1                         | Grants revenue register is not updated and reviewed regularly  | Work in progress<br>Management agrees with the recommendation.<br>Action date: 30 June 2022   |
| 21-IR-2                         | Establishing and documenting the procedures for user access and change management for the SAP payroll system | Resolved pending audit clearance—This will be verified as part of FY2022 testing after an ample period has elapsed to confirm operating effectiveness of changes.   |
| 21-IR-3                         | Review of privileged users and activities for the SAP payroll system   | Resolved pending audit clearance—This will be verified as part of FY2022 testing after an ample period has elapsed to confirm operating effectiveness of changes.   |
| 21-IR-4                         | Management of Domain Administrator service accounts  | Resolved—We have verified that Council has now restricted privileged service accounts to prevent interactive logon.   |
| 21-IR-8                         | Comprehensive valuation not performed for Other Infrastructure asset class at least every five years         | Work in progress<br>Action date: 30 June 2022   |
| 20-IR-1                         | Delays in recording contributed assets (updated)   | Work in progress<br>Council has implemented improvements in internal processes, however, has recognised a material prior period error (circa \$19m) in the 2020–21 financial report. Further system and process improvements are planned for 2021–22 however the risk of delays in receiving required information from external parties remains.<br>Original Action date: 30 June 2021<br>Revised Action date: 30 June 2022 |

## Appendix A—Matters previously reported (cont.)



| Reference                            | Issue   | Status/Comment<br>action date |
|--------------------------------------|---|-------------------------------|
| <b>Financial reporting issues</b>    |   |                               |
| No active financial reporting issues |   |                               |
| <b>Other matters</b>                 |   |                               |
| 21-IR-5                              | Recording the results of TechOne user access review         | Resolved                      |
| 21-IR-6                              | Contracts over \$200,000 not published on Council's website | Resolved                      |
| 21-IR-7                              | Active Directory password setting                           | Resolved                      |

## Appendix B—Our rating definitions



### Internal rating definitions

|                                   | Definition  | Prioritisation of remedial action  |
|-----------------------------------|---|--|
| <b>Significant deficiency</b><br> | <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"> <li>the risk of material misstatement in the financial statements</li> <li>the risk to reputation</li> <li>the significance of non-compliance with policies and applicable laws and regulations</li> <li>the potential to cause financial loss including fraud, or</li> <li>where management has not taken appropriate timely action to resolve the deficiency.</li> </ul> | <p>This requires immediate management action to resolve.</p>                                 |
| <b>Deficiency</b><br>             | <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> |
| <b>Other matter</b><br>           | <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   |
|-------------------|--|---|
| <b>High</b><br>   | <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>  |
| <b>Medium</b><br> | <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>  |
| <b>Low</b><br>    | <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> |