

#1 QAO second interim management report



Moreton Bay Regional Council

2021 Second interim report to the Mayor

25 June 2021



Your ref:
Our ref: 2021-4133
Michael Keane 3149 6077

25 June 2021

Councillor P Flannery
Mayor
Moreton Bay Regional Council
PO Box 159
CABOOLTURE QLD 4510

Dear Cr Flannery

2021 Second Interim report (June)

We present to you our second interim report for Moreton Bay Regional Council for the financial year ending 30 June 2021. This report details the results of our interim work performed to 31 May 2021. In this phase we confirmed the operating effectiveness of your internal controls and performed further substantive procedures.

This report also includes a summary of significant deficiencies, control deficiencies, financial reporting and other matters identified to date.

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 he considers it to be significant. The results of your entity's audit will be included in our report to parliament on results of local governments.

If you have any questions or would like to discuss the audit report, please contact me on 3149 6032 or have one of your officers contact Michael Keane, senior manager, on 3149 6077.

Yours sincerely

Charles Strickland
Senior Director

Enc.

cc. Mr G Chemello, Chief Executive Council
M S Coates, Chair of the Audit Committee

1. Summary



This report details our audit findings from the work performed on the key controls over revenue, expenditure, and payroll that were identified during the audit planning phase.

Summary of findings – On track/issue identified

No new internal control deficiencies have been noted from our testing during our second interim visit.

The status of our audit findings previously reported are explained further in this report. Refer to section 2 on [Matters previously reported](#).

No financial reporting or business improvement opportunities (other matters) have been identified so far in the current year.

Based on the results of our testing completed to date and the resolution of prior year issues, we have assessed your internal control environment as generally effective, meaning while the outstanding matters are still being addressed, the environment supports an audit strategy that can rely upon these controls.

Areas of audit focus - On track

In addition to the above, we have also performed work over the areas of audit focus that were identified in the external audit plan. Our progress against the areas of audit focus is on track.

Milestones - On track

Council has met all agreed milestones.

Audit fees - On track



The audit is currently progressing as planned and the estimated audit fee is on track.





2. Matters previously reported




The following table summarises our reporting on deficiencies in internal controls. Further in this section, you will find an update on the deficiencies identified during our previous audit visits.

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 Structures, policies, attitudes and values that influence daily operations	-	-	-	-	
 Risk assessment Processes for identifying, assessing and managing risk	-	-	-	-	
 Control activities Implementation of policies and procedures to prevent or detect errors and safeguard assets	-	1	1	1	
 Information and communication Systems to capture and communicate information to achieve reliable financial reporting	-	-	-	-	
 Monitoring activities Oversight of internal controls for existence and effectiveness	-	-	-	-	
Total issues	-	1	1	1	
Overall assessment	Generally effective				

 **Effective**
No significant deficiencies identified

 **Generally effective**
One significant deficiency identified

 **Ineffective**
More than one significant deficiency identified



2. Matters previously reported (continued)



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

Reference	Issue	Status
Internal control deficiencies		
Significant deficiencies		
20CR-1	Delays in recording contributed assets (Originally raised in 2018-19)	Work in progress Council is working with appropriate internal and external stakeholders to improve the timeliness of receipt of information necessary to enable recognition of contributed assets in the appropriate financial year. Action date: 30 June 2021
Deficiencies		
21CR-1	Employees placed on incorrect pay schedule under EBA4	Resolved pending QAO verification during final audit visit
20CR-2	Incomplete Key Management Personnel Declarations of Related Party Information	Resolved An approved operational directive is now in place.
20CR-4	Various non-compliance with Local Government Regulation 2012	Resolved pending QAO verification during final audit visit
Financial reporting issues		
No active financial reporting issues.		
Other matters		
No active other matters.		



Appendix A—Our rating definitions



Our rating definitions

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



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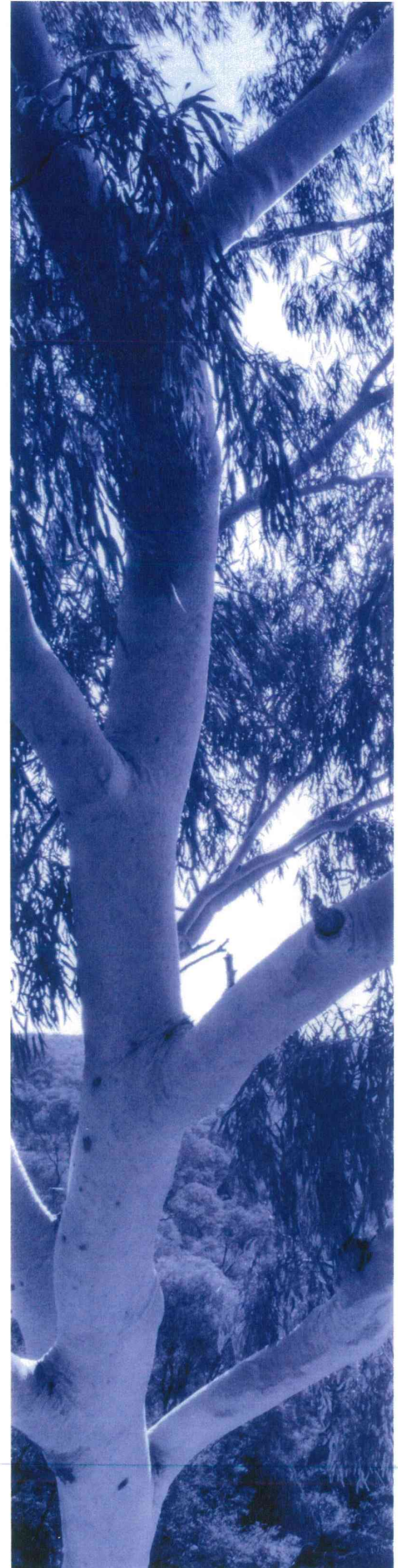
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Better public services



Moreton Bay Regional Council

GENERAL MEETING - 534
21 July 2021

PAGE 8
Supporting Information

ITEM 6.1 AUDITOR-GENERAL SECOND INTERIM OBSERVATION REPORT 2020/21 - 62356352 (Cont.)