

Your ref:

Our ref: 2021-3961

Rachel Vagg 07 3149 6127

31 August 2021

The Right Honourable the Lord Mayor of Brisbane
Councillor A Schrinner
Brisbane City Council
GPO Box 2287
BRISBANE QLD 4001

Dear Lord Mayor

Final Management Report for Brisbane City Council

We have completed our 2021 financial audit for Brisbane City Council. The Auditor-General issued an unmodified audit opinion on your financial statements.

The purpose of this letter is to provide the council with details on audit matters and other important information related to the audited financial statements.

Please note that under section 203 of the *City of Brisbane Regulation 2012*, you must present a copy of this report at the next ordinary meeting of the council.

Reporting on issues

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. Our rating definitions for internal control deficiencies is shown in Appendix B.

Report to parliament

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

Consistent with previous years, we intend to include the results of our audit of Brisbane City 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 \$535,000 exclusive of GST (2020: \$535,000). This fee is in line with our estimate in our external audit plan.

Forward work plan 2021-24

QAO has published its [Forward work plan 2021-24](#). We continue to focus our work where we can best advise and support entities, and where our insights can most effectively influence positive change. For the first time this year, the plan outlines the strategic risks to public service delivery that QAO has identified and focus areas for our audits. We include all of our audit work in this plan—our financial audits, performance audits and assurance activities—which work together to provide a full picture of state and local government performance and accountability.

Our forward-looking plan covers the next three years to ensure transparency around our work and to allow entities time to prepare for an audit. Each year, we will reconsider each topic's relative importance and timing, and republish a revised plan. We will continue to consult with entities to ensure we are proposing the right audits at the right time and we welcome suggestions for audit topics, or contributions to audits in-progress via www.qao.qld.gov.au/contact-us. On our website, we also provide an acquittal of our prior published plans.

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 audit service, please contact me on 3149 6127.

Yours sincerely



Rachel Vagg
Assistant Auditor-General

Enc.

cc. Mr C Jensen, Chief Executive Officer
Ms G Jukes, Chair of the Audit Committee

Appendix A—Matters previously reported

Status

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 reports this year and those issues raised in prior years.

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

Internal control issues

| | | |
|---|---|---|
|  |  |  |
| Significant deficiency | Deficiency | Other matters |

Financial reporting issues

| | | |
|---|---|---|
|  |  |  |
| High | Medium | Low |

| Reference | Rating | Issue | Status / Comment Action Date |
|--------------------------------|---|--|---|
| Internal control issues | | | |
| 21-IR-1 |  | SAP Oracle databases – Managing the database and its privilege accounts (control activities) | Work in progress Action date: 31 August 2021 |
| 21-IR-2 |  | SAP ECC and SRM – Managing and monitoring privileged accounts (control activities) | Work in progress Action date: 30 September 2021 |
| 21-IR-3 |  | Active Directory – Managing the system and its accounts (control activities) | Work in progress Action date: 30 July 2022 |
| 20-IR-7 |  | Development of additional policies and procedures for the Bushland Acquisition Program (control environment) | Resolved Action date: 30 June 2021 |
| FY18 |  | SAP-Segregation of duties and review of access privileges (control activities) | Resolved Action date: 30 September 2020 |

Appendix A—Matters previously reported (cont.)

| Reference | Rating | Issue | Status / Comment Action Date |
|-----------------------------------|---|--|--|
| Financial reporting issues | | | |
| FY19 |  | Infrastructure Charges Notice (ICN) Register not updated | Resolved Action date: 31 August 2020 |
| 21-IR-6 |  | Recognition of found assets | Resolved Action date: 30 June 2021 |
| FY18 |  | Untimely capitalisation of completed and ready for use assets and aging of Assets Under Construction | Work in progress Action date: 30 June 2022 |
| Other matters | | | |
| 21-IR-4 |  | Managing table space in the database | Resolved Action date: 30 June 2021 |
| 21-IR-5 |  | Terminated employees with active database accounts | Resolved Action date: 30 June 2021 |

Appendix B—Our rating definitions

Internal control 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> |