



2026 INTERIM REPORT

Gladstone Regional Council

22 May 2026

Councillor Matt Burnett
Mayor
Gladstone Regional Council

Dear Mayor Burnett

2026 Interim report for Gladstone Regional Council

The purpose of this report is to update you on the progress of the Queensland Audit Office's (QAO) external audit on your financial statements for the financial year ending 30 June 2026.

We recently completed our first phase of testing, which focused on gaining assurance over your council's key financial processes up to March 2026. These procedures focused on confirming if key controls operate effectively, transactions are accurate, and accounting estimates are appropriately treated. We also consulted management and internal audit on significant or emerging matters affecting the financial statements.

The audit is progressing in line with the original external audit plan and timelines, with no delays or changes to the scope of our audit or cost.

Key observations arising from our audit

In this phase, we did not identify any control deficiencies/issues from our audit results in revenue, payroll, and expenditure. Management's continued attention to deficiencies we raised in prior years will help maintain strong financial management, demonstrate good stewardship of public resources, and support the ongoing efficiency of our audit.

Other emerging matters.

During this phase, no new matters or difficulties have arisen that require management's attention. The audit is progressing as planned, and there are currently no new issues that are expected to affect the financial statements or our overall audit approach.

Next steps

We will discuss this report with your General Manager Finance, Governance and Risk. We will also present this report to the Audit Risk and Improvement Committee on 10 June.

During our next phase of testing in July 2026, we will follow up with your management on their corrective actions for the audit issues we identified in prior years. During the next visit, our audit will focus on testing movements in assets including valuations, and information systems.

Please note, as per section 213 of the Local Government Regulation 2012, you must present a copy of this report at your council's next ordinary meeting.

I thank your team for their positive engagement over our interim testing. If you have any questions or would like to discuss this report, please contact me on 3149 6184 or Natalia Kolakowski on 0402 035 227.

Yours sincerely



Martin Luwina
Engagement Leader

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cc. Ms L Dowling, Chief Executive Officer
Ms M Goodwin, Chair of the Audit, Risk and Improvement Committee
Ms T Whalley, General Manager Finance, Governance and Risk

1. Areas of audit focus

In our external audit plan, we identified those items and areas with highest risk of material misstatement, based on both likelihood and financial impact. The table below outlines these areas of audit focus and our progress in addressing these risks.

Risk short description	Inherent risk	Control reliance	Audit progress
Procurement, project management and contract management principles Risk of expenditure not being appropriately procured in line with legislative requirements and sound contracting principles. Risk of inappropriate cost allocation between capital and operating.	Significant	Y	We have tested a sample of controls over cost allocation between capital and operating expenditure. We have tested a sample of invoices to verify that these have been appropriately capitalised or expense at each project level. No exceptions were identified. During our second interim visit we will be finalising procedures to address the risk in relation to public sector specific risks as outlined in our external audit plan. During our next visits we will assess work in progress for any long outstanding or discontinued projects which should be written off.
Valuation of property, plant and equipment and accuracy of depreciation Risk asset valuations and depreciation are misstated due to incorrect valuation input data, assumptions, estimates or calculations.	Significant	N	We have updated our understanding of all key risks, processes and controls in relation to valuation infrastructure assets and the associated depreciation charge. We will perform the following procedures as part of our second interim phase; • assess asset valuations in July 2026. • testing over accuracy of depreciation
Accuracy and existence of payroll Risk of payroll expenses being misstated due to inaccuracies or errors in time recording, manual timesheet processing, and the application and approval of complex overtime and penalty rate entitlements.	Moderate	N	We have updated our understanding of all key risks, processes and controls in relation to payroll. On a sample basis we have recalculated payroll expenses and verified back to supporting documents. As part of our testing, we noted a single instance where payroll calculations were prepared and reviewed by the same officer. We recommended to management to ensure that there are appropriate segregation of duties in payroll calculations.
Completeness and accuracy of infrastructure charge revenue and developer contributed assets Risk of infrastructure charges revenue and developer contributed assets are not recognised in the correct periods for the appropriate amount.	Moderate	N	We have updated our understanding of all key risks, processes and controls in relation to infrastructure charges and developer contributed assets. During our year end visit we will perform procedures to address the risk relating to completeness and accuracy of infrastructure charge revenue and developer contributions.

Public sector audit objectives

The *Auditor-General Act 2009* and *Auditor-General Auditing Standards* provide the overarching public sector audit objectives we apply to our financial audits. While our audit focus may change year-to-year, we assess the broader public sector objectives of probity, propriety, and compliance, to give parliament assurance that there is appropriate stewardship over public sector entities.

2. Status of audit issues

Internal control issues



The following table identifies the number of deficiencies in internal controls, and other matters we have identified. 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.

Ratings	Significant deficiencies S	Deficiencies D	Other matters* O
Description	A serious internal control issue that requires immediate action by management due to risk of material misstatement, financial loss, or non-compliance.	An internal control weakness that management is expected to address promptly to prevent misstatements or non-compliance.	A recommendation to improve internal control efficiency or effectiveness, with implementation at management's discretion.
New issues raised in this report	-	-	-
Matters previously reported – work in progress or resolved pending audit clearance	2	11	-
Matters previously reported – resolved in this report	-	2	-

Note: *Queensland Audit Office only tracks resolution of other matters where management has committed to implementing action.

Financial reporting issues



This table identifies the number of financial reporting issues we have identified. 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.

Year and status	High risk H	Medium risk M	Low risk L
Description	A high likelihood of a material misstatement in one or more components of the financial statements, or there is the potential for financial loss, including fraud.	A medium likelihood of a material misstatement in one or more components of the financial statements.	A low likelihood of a material misstatement in one or more components of the financial statements.
Matters previously reported – work in progress or resolved pending audit clearance	-	1	-
Total	-	1	-

Matters previously reported

This section provides an update on the status of matters previously reported on internal controls and financial reporting issues.

Ref.	Rating	Issue	Status
25-CR1		User account management practices require further consistency Category: Information systems – system access	Resolved by management pending audit clearance*
25-CR2		Password settings not aligned with Microsoft password guidelines Category: Information systems – passwords and authentication	Resolved by management pending audit clearance*
25-CR3		Logging recommendations not met Category: Information systems – security configuration	Resolved by management pending audit clearance*
25-CR4		Technology One change management plan and process is insufficient Category: Information systems – change management	Work in progress A Technology One change management plan has been drafted and is undergoing reviews. Responsible officer: Financial Controller Original action date: 31 March 2026 Revised action date: 30 June 2026
25-CR5		Logical security control weaknesses in Technology One Category: Information systems – privileged accounts	Work in progress All actions are completed except for privileged user actions, 2 positions are being reviewed to consider reducing access, if not possible exception reporting will be introduced to monitor changes. Responsible officer: Financial Controller Original action date: 31 March 2026 Revised action date: 30 June 2026
25-CR6		Lack of a policy with respect to ex-gratia payments and deed not signed by appropriate delegated authority Category: Governance and risk management	Work in progress A corporate standard has been developed and is undergoing reviews. Responsible officer: General Manager Finance Governance & Risk Original action date: 31 March 2026 Revised action date: 30 June 2026
25-CR7		Management review over asset valuations needs improvement Category: Property, plant and equipment	Work in progress 2025-26 valuations in progress, with a larger stakeholder internal group involved to challenge and verify the appropriateness of assumptions. First draft of valuation report received mid-April. Responsible officer: Financial Controller Action date: 30 June 2026

Ref.	Rating	Issue	Status
25-CR8		Council doesn't have a framework to determine when contract variations and extensions are appropriate Category: Procurement and contract management	Work in progress An initial review of the Procurement Policy was completed in February 2026, with Council resolving the Annual Procurement Policy review in March 2026 that included consideration of the QAO audit findings. A draft Corporate Standard is currently being prepared for internal review, following which the relevant approvals will be sought. Responsible officer: Manager Contracts & Procurement Action date: 30 June 2026
25-CR9		Ageing of work in progress – delays in capitalisation of assets Category: Property, plant and equipment	Work in progress Reviews continuing of current work in progress, with the expectation to capitalise a significant value in May-July 2026. It is intended that all capitalisations that would have a material effect on the financial statements will be capitalised for FY25-26, but full process improvement will likely be realised in FY26-27. Responsible officer: Financial Controller Action date: 30 June 2027
25-CR10		Donated Assets not capitalised in timely manner Category: Property, plant and equipment	Work in progress Asset Governance and Development Services are continuing to work towards a streamlined process, but focus has been put on existing processes in order to clear backlog. Responsible officer: Manager Asset Governance Action date: 30 June 2026
25-CR11		Infrastructure charges register not updated Category: Revenue controls and revenue management	Work in progress A new register has been developed and is up to date for 2024-2026, however further updates are ongoing, and a version will be published on the website as soon as possible. Responsible officer: Manager Development Services Action date: 30 June 2026
25-IR1		Lack of evidence of review by an independent person Category: Revenue controls and revenue management	Resolved
24-IR1		Timely review and update of council policies Category: Governance and risk management	Work in progress Review of overdue policies is continuing to progress. Council have a revised plan for addressing the concerns raised. Responsible officer: Manager of Governance and Risk Original action date: 31 December 2024 First revised action date: 31 December 2025 Second revised action date: 30 June 2027

Ref.	Rating	Issue	Status
23-CR1		GIS reconciliation to fixed asset register Category: Revenue controls and revenue management	Resolved by management pending audit clearance* .
20-CR3		Improvement of the three way-match process required Category: Expense controls and expense management	Resolved
25-CR12		Valuation of investment properties	Work in progress Investment property is included in the 2025-26 comprehensive valuation. A draft calculation has been provided by the valuer, and Council has provided feedback that aligns with the audit item. Responsible officer: Financial Controller Action date: 30 June 2026

*QAO will test this during the second interim visit.

3. Key financial audit milestones

The following table details the current status of milestones for key financial reporting and audit deliverables.

We enjoyed working on-site with your team during our interim visit. Working together in-person helps us ensure an efficient and timely audit process.

Planning	Agreed date	Completed date
QAO planning visit	2–15 February 2026	2–15 February 2026
QAO issues draft external audit plan to client	25 February 2026	25 February 2026
QAO issues signed external audit plan to client	5 March 2026	5 March 2026
Interim		
QAO interim testing visit	13–24 April 2026	13–24 April 2026
QAO issues interim report outlining preliminary audit findings to client	22 May 2026	22 May 2026
QAO second interim testing visit	29 June–17 July 2026	
GRC issues proforma financial statements to audit	29 June 2026	
GRC issues asset valuations to audit	29 June 2026	
GRC issues position papers on known accounting issues to audit	13 July 2026	
QAO issues feedback on proforma financial statements to client	20 July 2026	
QAO audit reviews asset valuations	24 July 2026	
QAO feedback on position papers to client	3 August 2026	
Final		
QAO year-end visit	14 September–2 October 2026	
GRC issues working draft financial statements to audit	15 September 2026	
GRC complete draft financial statements to audit	21 September 2026	
QAO issues closing report summarising the audit findings to client	09 October 2026	
Audit, Risk and Investment Committee clearance	16 October 2026	
GRC's management signs financial statements	19 October 2026	
QAO issues audit report including our audit opinion to client	21 October 2026	
QAO issues final management report outlining the final audit findings to client	21 October 2026	

Key: Deliverables prepared by GRC's management.

If there are any issues/concerns in meeting these time frames, which were agreed at the planning phase, please discuss this with me and engagement manager Natalia Kolakowski.



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