2025 FINAL MANAGEMENT REPORT

Gladstone Regional Council

10 November 2025

Queensland
Audit Office
Better public services

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Better public services

Councillor Matt Burnett
Mayor
Gladstone Regional Council

Dear Councillor Burnett

Final management report for Gladstone Regional Council

We have completed our 2025 financial audit for Gladstone Regional Council. QAO has issued an unmodified audit opinion on your financial statements.

The purpose of this report is to update you on any matters that have arisen since we presented our interim report to you on 19 May 2025.

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 to the audit risk and improvement committee. 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 section 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 your entity in our report to parliament *Local Government 2025*. We will comment on the results of our audit, any significant internal control issues, and the overall results for the sector, including major transactions and events. We will discuss the proposed report content with your entity contact and continue to consult as we draft it. Formally, entities 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 $250,000, exclusive of GST. This fee is higher than the $230,000 estimated in our external audit plan. We have discussed the key factors contributing to the fee variation with your financial controller. In summary, the increase reflects the additional effort required to complete the audit due to delays.

We would like to thank you and your staff for your engagement in the audit this year and look forward to working with your team again next year.

If you have any questions about this report or would like to discuss any matters regarding our services and engagement, please do not hesitate to contact me on 07 3149 6208 or Natalia Kolakowski, Senior Manager on 0402 035 227.

Yours sincerely

Sri Narasimhan
Senior Director

cc: Ms M Goodwin, Chair of the Audit, Risk and Improvement Committee
        Ms L Dowling, Chief Executive Officer

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                                                                     Queensland Audit Office (QAO)

Appendix A1 – Status of issues

Internal control issues

This section provides an update on the significant control deficiencies and other matters we have identified since our interim report. It includes a response from management.

Our risk ratings are as follows. 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.

Internal control issues

S Significant deficiency **D** Deficiency **O** Other matter

Information technology issues

S 25-CR1 – User account management practices require further consistency

Observation

As a part of our access management review, we identified in the following that security and compliance risks:

- Inactive Accounts:
  - A total of 23 user accounts remained active after the set expiry date on the account.
  - 58 accounts were dormant and had not been deactivated.
- Inappropriate Access Rights:
  - 37 accounts that were not required to, were provided privilege access (excessive permissions) increasing the risk of misuse, compromise, or data loss.
- Account Synchronisation Issues:
  - On-premises administrative (privileged) accounts were found to be synchronised to Entra ID, which is not aligned to Microsoft Entra Best practices[1].

Implications

- The presence of inactive and dormant user accounts indicates inadequate user lifecycle management increasing the risk of unauthorised access, and security breaches.
- Privileged accounts with excessive permissions violate the principle of least privilege, heightening the risk of misuse, data compromise and unauthorised changes.
- Synchronising administrative accounts with Entra ID without proper segregation exposes elevated privileges to broader identity platforms, increasing the risk of privilege escalation and unauthorised access.

QAO recommendation

- Inactive Accounts:
  - Implement automated deactivation for expired and dormant accounts.
  - Conduct regular access reviews to validate that timely removal of inactive users occurs.

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[1] Best practices for Microsoft Entra roles - Microsoft Entra ID | Microsoft Learn

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- Inappropriate Access Rights:
  - o Implement automated deactivation for expired and dormant accounts.
  - o Conduct regular access reviews to validate that timely removal of inactive users occurs.
  - o Review privileged accounts and remove unnecessary permissions.
  - o Enforce least privilege through role-based-access controls.
  - o Schedule periodic audits to validate that all permissions are appropriate and in accordance with the principle of least privilege.
- Account Synchronisation Issues:
  - o Monitor synchronisation processes and enforce strict governance controls.

Management response

ICT has multiple reportable overarching projects underway which will include a review of all Active Directory (AD) and Entra ID users, permissions, and settings. Outcomes from these projects and QAO recommendations will form the basis of any action plans for the working parties of projects. These projects are due for completion by Q3 25/26.

Responsible officer: Manager Information, Communications and Technology

Status: Work in progress

Action date: 31 March 2026

D 25-CR2 – Password settings not aligned with Microsoft password guidelines

Observation

Audit testing identified 276 accounts currently enabled with the password set to never expire.

Implications

There is a greater risk of unauthorised access due to weak or outdated credentials if they are not aligned with recommended practices. This includes accounts with passwords set to never expire are more susceptible to compromise, especially if the credentials have been reused or exposed.

QAO recommendation

We recommend that GRC reviews accounts with "password never expires" settings and assess whether this configuration is necessary; where feasible, implement expiration policies for non-service accounts.

Management response

ICT has multiple reportable overarching projects underway which will include a review of all Active Directory (AD) and Entra ID users, permissions, and settings. Outcomes from these projects and QAO recommendations will form the basis of any action plans for the working parties of projects. These projects are due for completion by Q3 25/26.

Responsible officer: Manager Information, Communications and Technology

Status: Work in progress

Action date: 31 March 2026

D 25-CR3 – Logging recommendations not met

Observation

Microsoft Audit Policy Recommendations[2] outline the logs that should be captured at a baseline and advanced level in order to gain visibility of activity within the environment. GRC was found to have 14 of 23 advanced audit recommendations not implemented.

Where there are legitimate reasons for thoughtful system administration to deviate from the recommendations, these cases should be documented for transparency and reviewed at an appropriate frequency.

Implications

Failure to implement Microsoft advanced audit settings significantly reduces visibility into critical security events, such as account changes, logon activity, policy modification, and directory access. This limits the ability to detect unauthorised actions, investigate incidents, and maintain accountability. Inadequate logging also increases the risk of undetected breaches and delayed response to threats.

Organisations that do not thoughtfully consider their logging requirements based on the context and specific needs of the entity may risk having insufficient logging. The recommendations are guidance for normal security computers that aren't currently known to be under an active attack.

QAO recommendation

We recommend that GRC:

- Align audit policies with Microsoft Advanced Security recommendations, and validate that they are being captured appropriately.

- If any settings are intentionally not implemented, document the rationale and obtain formal risk acceptance from appropriate stakeholders. Validate that exceptions are documented and associated risks are captured within the risk register.

Management response

ICT has a reportable overarching project underway which will include a review of all Active Directory (AD) and Entra ID logging settings. Potential action items will be based on the review and recommendations. This project is due for completion by Q3 25/26.

> Responsible officer: Manager Information, Communications and Technology
>
> Status: Work in progress
>
> Action date: 31 March 2026

D 25-CR4 – Technology One change management plan and process is insufficient

Observation

While there is an ICT Change Management Plan, there is not a corresponding or aligned Technology One Change Management Plan. The Change Management Plan should be right-sized for the business, considerate of risk, and outline requirements prior to system changes being released into production (or made in a production environment).

It was noted, due to the small and dynamic team size, that there was a lack of formalised separation of duties between developers. Instead of defined roles of requestor, approver, implemented and reviewer, developers were typically assigned an "All Roles" profile allowing a single person to potentially progress through all stages of change management without additional check points, oversight, or assurance provided to management.

Implications

There is a risk that without sufficient information in the plan, changes are made that do not adequately consider impacts to systems, or for appropriate decision making frameworks for change decisions.

Additionally, a lack of separation of duties may lead to conflicts of interest, reduce accountability, and increase the likelihood of undetected errors or malicious activity.

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[2] System Audit Policy recommendations | Microsoft Learn

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We recommend that GRC:

- address the lack of a TechnologyOne change management plan by looking adopting the existing ICT plan, or leveraging this to detail a TechnologyOne specific version that includes step-by-step procedures that clearly define distinct roles, responsibilities, approval workflows, and documentation requirements for all types of changes

- consider the implementation of separation of duties:

    o define, implement and enforce separation of duties within the change management process to support that no single individual has end to end control over the initiation, approval, implementation, and review of changes

    o enforce role-based access controls within workflow processes to prevent bypassing of approval steps

    o consider logging of change activities to support regular audit efforts

    o review changes on a monthly basis to confirm that changes made align with business direction and expectations.

Management response

Council will establish a Technology One change management plan, leveraging off the existing ICT plan. This will incorporate existing practices of developing, testing and having change advisory board (CAB) documents for large scale changes.

Due to the size of the Finance Systems team, implementing separation of duties and role-based controls within Technology One may not be practical. Implementing controls will be assessed on a risk-based approach and outlined in the Technology One change management plan.

Action date for completion of TechnologyOne Change Management Plan: 31/03/2026

The Finance Systems Team utilise a service desk to manage requests from the business. ICT also utilise the same platform with additional functionality to manage and track changes, this functionality will be adopted by the Finance Systems Team to increase visibility, record keeping, audit requests and allow review of change to ensure they align with business direction and expectations.

Action date for logging of changes: Completed

All changes are now being logged in the existing service desk, with additional functionality to be adopted.

Responsible officer: Financial Controller

Status: Work in Progress

Action date: 31 March 2026

Ⓓ 25-CR5 – Logical security control weaknesses in TechnologyOne

Observation

A review of TechnologyOne's logical security controls identified the following:

- Privileged User Monitoring:

    o Privileged user activities are logged in the same way as general users. There is no dedicated review process specifically for privileged accounts or actions. All actions are recorded, however there is not a strong approach to using privileged accounts only for privileged actions.

- Generic Accounts and Excessive User Permissions:

    o There are 46 generic and service accounts, 28 of which are disabled, and 18 are not disabled. 10 of the disabled have "All Roles" profile.

    o 4 deactivated users assigned "All Roles" and "All Roles Base" profiles.

- Dormant and Expired Accounts:

    o A significant number of dormant accounts were identified, including accounts with expired or missing Active Directory links, indicating poor lifecycle management.

- Batch Job Failures:

  o The system lacks consistent alerting mechanisms for failed batch jobs, which may delay issue identification and resolution. A centrally managed dashboard may provide visibility for GRC to retain appropriate oversight of this issue.

Implications

Weaknesses in logical security controls may lead to unauthorised access, privilege misuse, and reduced accountability. Specifically:

- disabled accounts with high levels of access ("All Roles") present a risk of being co-opted by a threat actor and reactivated, with automatically increased access based on the underlying profile

- dormant accounts with expired or missing Active Directory links are an indicator for deficiencies in account lifecycle management

- without having logging and monitoring specifically configured for privileged user activities, there is a higher likelihood that accidental or malicious privileged actions will be undertaken without being noticed

- the lack of monitoring and alerting mechanisms for batch jobs further increases the risk of delayed detection of malicious activity or system failures potentially impacting data integrity and operational continuity.

QAO recommendation

Noting the ongoing efforts of GRC to migrate to the CiA version of TechnologyOne, it is recommended that GRC looks to address the observations above through the following findings:

- Excessive permissions:

  o Review user access and remove elevated access profiles such as "All Roles" and replace with more granular user access groups. The principle of least privilege (PoLP) should be applied to validate that users only have access to systems they require for legitimate business purposes.

  o Conduct annual comprehensive reviews of user roles and permissions to validate that all users have the appropriate access and that privilege creep has not occurred.

- User account management:

  o Eliminate or replace generic accounts with named user accounts wherever possible.

  o Implement automated processes to detect and disable dormant or expired accounts. These accounts should be reviewed and where appropriate be deleted.

  o Validate all accounts are linked to valid AD identities.

- Privileged user actions logging and monitoring:

  o Establish alerts and perform monthly reviews of privileged user activity logs.

  o Run a monthly report of deactivated users to ensure minimum permissions are assigned to roles and profiles if they continue to be required.

- Batch job failures logging and monitoring:

  o Configure alerting mechanisms for failed batch jobs to support timely response and resolution.

Management response

The Finance Systems Team have begun addressing the excessive permissions by performing a review of users with high levels of access that are expired, deactivated or no longer performing work for GRC. The IT team has completed the task of end dating their profile for "All_Roles" and deactivating the users. Further work will be undertaken to assess current users that have "All_Roles" to ensure the principle of least privilege (PoLP) is applied where appropriate. An annual review process will be developed on a risk-based approach to ensure users have appropriate access and no privilege creep has occurred.

Batch jobs can be created by any user; the users elects if they want to receive messages if the job fails. To mitigate the risk of failures going undetected, a dashboard/report and process will be put in place to have visibility of jobs that are not successful and provide guidance on action that may need to be taken.

Responsible officer: Financial Controller

Status: Work In Progress

Action date: 31 March 2026

Other Issues

S **25-CR6 – Lack of a policy with respect to ex-gratia payments and deed not signed by appropriate delegated authority**

Observation

As a part of our testing over termination payments, we note that council has paid some terminated employees amounts that are over and above what they are entitled to under their employment contract/award.

We note the following in relation to these payments:

- A deed of settlement has been entered into to determine these payments.

- In one instance, the deed of settlement was not signed by the appropriate delegated authority.

Council does not have a policy in place which guides Council as to:

o the type of termination/ex-gratia payments that can be made and under what circumstance when they can be made

o the basis for determining the appropriate amount paid

o who can approve them

o how such payments represent appropriate use of public money.

Risks associated with public sector entities using Deed of Settlement and Release (also known as nondisclosure agreements (NDAs)) were highlighted by Professor Coaldrake in his 2022 Review of cultural and accountability in the Queensland public sector.

This observation is also consistent with our sector-wide findings reported in Local government 2024 (Report 13: 2024–25), where we recommended that councils implement policies and procedures to ensure ex-gratia payments are transparent, defensible, and aligned with public sector standards.

Implication

In the absence of a clear policy framework and guidelines:

- financial settlements above contractual entitlements may lack transparency or consistency

- the use of public money may be difficult to justify in the event of scrutiny

- council may be exposed to reputational and governance risks, particularly in relation to senior executive separations.

This may also establish precedent for future decisions without appropriate oversight or documentation.

Deeds of settlement that not signed by appropriate delegated authority can result in an increased risk of fraud or error.

QAO recommendation

We recommend that Council implements a policy and procedure that specifies when ex-gratia payments (which an entity is not legally required to make under a contract or otherwise) are appropriate. The policy and procedure should outline:

- who is authorised to approve ex-gratia payments

- under what circumstances is it appropriate for such payments to be made

- documentation to support the reason and nature of the payment the amount, including supporting calculations

- when it is appropriate to enter into non-disclosure agreements in making such payments.

We recommend Council ensure that deeds of settlement are only signed by the appropriate delegated authority.

Management response

QAO's findings are accepted.

Council will implement an operational policy (referred to within Gladstone Regional Council as a Corporate Standard, approved by the CEO) and procedure that specifies when ex-gratia payments are appropriate including:

- who is authorised to approve ex-gratia payments

- under what circumstances it is appropriate for such payments to made

- documentation to support the reason and nature of the payment amount, including supporting calculations

- when it is appropriate to enter into non-disclosure agreements in making such payments.

As Council has been working to rationalise its policy framework, if appropriate, the policy position may be incorporated into an already existing operational policy.

Council will further review Council's Administrative Delegations Register to ensure that there is clarity over the person authorised to enter into a Deed of Settlement and to approve an ex-gratia payment.

> Responsible officer: General Manager Finance Governance & Risk

> Status: Work in progress

> Action date: 31 March 2026

D **25-CR7 – Management review over asset valuations needs improvement**

Observation

This year, council engaged an external valuer to comprehensively revalue water and sewerage infrastructure asset class.

Significant delays were experienced in finalising the valuation (between Council and its external valuers) over all asset classes excluding roads, drainage and transport infrastructure, whereby the agreed milestone was missed.

As a part of their review over the valuer's work, management performed integrity checks (over the information provided in the valuer's spreadsheet) to confirm completeness and accuracy of the assets included in the valuation.

However, management have not documented how they have critically assessed and challenged the valuers in the inputs used in determining the asset values and their useful lives.

Implication

Councils are best placed to determine the value and useful lives of their assets due to the various projects they undertake and the periodic maintenance that are performed over the assets.

In the absence of sufficiently challenging the critical inputs that derive the asset value and useful lives council may potentially be:

- carrying the costs at a much higher value that it would cost replace

- depreciating its assets at much faster rate as they useful lives may not reflect the real asset life.

In addition to that, when assets are carried a higher value and lower useful lives, council also recognise higher depreciation expense in their financial statements.

Further to this, delays in valuation process impacts the timely completion of the audit process and increase the amount of audit effort required to finalise the assessment.

This impacts both the overall cost of the audit and Council's ability to meet its statutory reporting obligations.

QAO recommendation

We recommend that management:

- implement a process where robust discussions are undertaken and documented with the valuer and internal asset teams. These discussions should include challenging the various inputs and assumptions used in determining the values and useful lives of Councils' assets

- ensure that an appropriate timeline is developed for the valuation process allowing for adequate time for review by key stakeholders and incorporation with the financial reporting timeline.

Management response

Council is undertaking a comprehensive valuation of land, buildings and park furniture & other structures in 25–26 and will ensure that additional emphasis is placed on the internal review of valuation data provided (particularly in regard to unit rates and useful lives). To enable this to occur, Council will take the following actions:

- Clear timelines provided in the scope of works for the valuation procurement.
- Strong contract management to ensure adherence to deadlines.
- Early engagement with internal subject matter experts (SMEs), and adequate time provided for review of data prior to acceptance of valuation.
- Documented evidence of conversations with valuers and information provided by internal SMEs.

Responsible officer: Financial Controller

Status: Work in progress

Action date: 30 June 2026

D **25-CR8 – Council doesn't have a framework to determine when contract variations and extensions are appropriate**

Observation

Our review of the contracts register, identified council often enters into contract variations/extension for their existing contracts. Some of these variations and extensions are of significant value.

Our review identified one instance where a contract for construction of an asset was extended. The extension occurred as a result of an error in the original drawings that had to be amended. The extended contract doubled in value (Original contract value: $1.34m; Extended contract value: $2.5m).

We understand from discussion that the decision to extend the contract was made without testing the market for alternative supplier.

From further discussion, we note that there is currently no framework/guidance that identifies when an extension of a contract is appropriate.

We do note that financial delegations are still observed with contract variations/extensions, with significant ones presented to Council for consideration and approval.

Implication

Without a framework/ guidance on when it is appropriate to extend contracts (especially those of significant value), council is potentially not able to confirm value for money for the good and/or services it obtains from its vendors.

QAO recommendation

We recommend that a policy is developed that clearly outlines the process for contract variations/extension including guidance on when/how the market should be re-tested to ensure Council is still achieving value for money. Management should consider limiting the use of select source only when value for money can be demonstrated

Management response

The Procurement Policy contains overarching principles, and the Corporate Standard sets the conditions applicable to the contracting and management of the carrying out of work, procurement of goods and services, and disposal of assets, to optimise value for money, and promote effective relationships with suppliers. As such, GRC will the amend the Procurement and Contracts Management Corporate Standard to include conditions regarding variations / extensions. The Procurement Procedure will be updated to detail when/how the market should be re-tested to ensure Council is still achieving value for money.

Responsible officer: Manager Contracts & Procurement

Status: Work in progress

Action date: 30 June 2026

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D 25-CR9 – Ageing of work in progress – delays in capitalisation of assets

Observation

In the prior years we have raised issues over timeliness of the capitalisation of work in progress (WIP). The following outlines our observations for the current year.

Our review of capital WIP balance at 30 June 2025 ($164.7m), identified 54 projects ($9.1m) where no works occurred during the year. This indicates that these projects are either on hold/no longer progressing or completed. Of these projects, we found:

- a project for the value of $2.236m which is no longer progressing and has been removed from Councils long-term plans, as a result the balance was written off to the income statement

- 14 projects which are in relation to the reconstruction of public assets (REPA) specifically road re-sheeting have been completed however acquittals to Queensland Reconstruction Authority are yet to be finalised.

  We have confirmed with management that these projects practical completion dates ranged from FY24 to FY25 and should have been capitalised

- a project for the value of $940,158 which was completed in prior years was included in their comprehensive valuation and capitalised in prior years. However, council has not derecognised the WIP balance for this amount, resulting in overstatement of asset by $708,000 and asset revaluation reserved by $201,000

- 12 projects have a balance below $10,000, indicating that a clean-up of the WIP balances is required.

Whilst management did complete a review over WIP, the review was not sufficient in regularity or depth of enquiry. We acknowledge that the asset migration project resulted in delays in management being able to process capitalisations, as this went live from April 2025.

Implication

Lack of regularity review of the WIP balances increases the risk of understatement of depreciation expense and the WIP balance being overstated.

QAO recommendation

We recommend management undertake a regular review of the WIP balance that only projects that are in progress are included within these balances.

Management response

Council will create a working group to provide oversight of the Work in Progress projects, encouraging collaboration between Capital Delivery, Asset Governance and Asset Accounting. While Council is committed to no material misstatements at 30 June 2026 arising from WIP, the action date has been set to 30 June 2027, to provide adequate time to fully address the capitalisation backlog following the asset register migration, and allow for the review and 'clean up' of low value amounts in WIP as required.

A temporary resource has been provided to assist with capitalisation activities in the Asset Accounting team, with this resource expected to be available for this purpose through to at least 30 June 2026.

Responsible officer: Financial Controller

Status: Work in progress

Action date: 30 June 2027

D **25-CR10 – Donated Assets not capitalised in timely manner**

Observation

Through our review over developer contributed assets and offsets, we have identified the following deficiencies:

Incorrect values applied to developer contributed assets:

In the 2024–25 financial year, council has recognised developer contributed assets valued at $3,630,295 at unit rates from 2022–23 financial year, instead of the 2024–25 unit rates.

If the correct unit rates (2024–25 unit rates) were applied, it would have resulted in an increase to the asset value by $191,610.

In two other instances we note that council had recognised the assets donated by the developer (in advance) based on 2022–23 unit rates. However, the offset liability (refer further on offsets) due to the developer was recognised based on the values in the bill of quantities. This meant that these assets were recognised at a lower value to the extent of $458,000.

The total value of assets not recognised at the correct unit rates amount to $649,610.

We have not requested management to adjust this misstatement as this is below our materiality. We have also assessed the deprecation impact of these assets not being recognised at the correct unit rates and have determined that this is not material to the financial statements.

Application of offsets:

An offset related to developer contributions is a method where a developer is credited for providing land or infrastructure assets which can then be used to offset their monetary development contribution.

In one instance, council had received assets from the developer in advance of completion of the project. This was recognised as a liability and is expected to be reversed to revenue upon completion of the project. However, council had not recognised the actual asset received in their ledger at 30 June 2025.

Completeness of recognition of developer contributed assets:

Council has a policy of recognising assets from developer when it assumes the risk and reward in these assets. This is known as on-maintenance.

In the 2024–25 financial year, council identified donated assets valued $2,514,879 where council assumed the risk and reward but were not included in the financial statements. Given the recording of these assets in the fixed asset register (FAR) require drawing or plans from the developer, this will be recorded in the FAR in the 2025–26 financial year. In the meantime, council has accrued for these assets to avoid material misstatement to the financial statements.

For the assets capitalised in the 2024–25 financial year, we have confirmed that there are no material assets that have been received in prior years that have been incorrectly recognised in the 2024–25 financial year.

Based on discussions with management we have identified that council does not currently have a formal policy and procedure related to the recognition of developer contributed assets.

Implication

By not recognising the assets in a timely manner or at the correct value, council may potentially be capitalising assets (and recognise the associated revenue) in the incorrect financial year or for an incorrect amount. There may also result in an over/understatement of depreciation expense.

QAO recommendation

We recommend council should review its processes over the recognition of developer contributed assets and implement a policy to include the following:

- Outline the criteria for acceptance (e.g. on maintenance forms, quality standards check).
- Establish the process for valuation and handover.
- Specify asset management and maintenance responsibilities.
- Detail reporting requirements.
- Implement follow up or review processes to ensure assets are recognised in a timely manner.
- Reconciliation to be completed between offset liability and the recognition of developer contributed assets to ensure there are no mismatches in the amounts recorded.

Management response

Asset Governance, Development Services and Finance will work together to achieve the QAO recommendations for 25-CR10.

This will include but not limited to the following:

- Conduct review of current processes to rectify the gaps and opportunities.
- Create a process to develop unit rates.
- Establish a workflow that ensures all information and data is moved across teams in a timely manner.
- Develop regular reporting to track the current state of developments which may provide or not provide donated assets.

    Responsible officer: Manager Asset Governance

    Status: Work in progress

    Action date: 30 June 2026

D **25-CR11 – Infrastructure charges register not updated**

Observation

Per the Planning Regulation 2017, council must publish on its website an infrastructure charges register. This register is required to be updated monthly for any relevant infrastructure charge notice (ICN) information.

Under the regulations, council must include each ICN given by the local government on or after 1 January 2020. QAO recommends this includes any infrastructure charges that have been amended after 1 January 2020 and any older ICN's that remain outstanding for council to ensure completeness of the register.

During our testing, a sample of infrastructure charges were selected from the general ledger and followed up with management to understand the status of the infrastructure charge notice (ICN). Our testing identified 4 ICNs where the information was not included on the published register.

Management have advised us that:

- two ICN's were approved in 2011 and not updated to the register as the register was created in 2014
- one ICN was approved by Economic Development Queensland through a Priority Development Area and subsequently was not included on the register. Management will include this on the register in future
- one ICN was missed as an oversight, and management is in the process of updating to the register.

We understand that council is in the process of reconciling the infrastructure charges register to the infrastructure charges applications, approvals and notices issued. This will further update and ensure completeness of the register.

Implication

Maintaining an accurate infrastructure charges register would not only ensure that the Council complies with the Planning Regulation 2017 but also assist in the timely collection of infrastructure charges.

QAO recommendation

We recommend that the Council keep their published infrastructure charges register up-to-date as required under the Planning Regulation 2017 and to facilitate timely collection of the ICNs. Including all outstanding ICN's on the register ensures the register remains complete.

Management response

Development Services acknowledges the requirement under the Planning Regulation 2017 to maintain and publish an up-to-date infrastructure charges register. We are currently undertaking a full reconciliation of the register against infrastructure charge applications, approvals, and notices issued to ensure completeness and accuracy. Focus will be placed on ICN's entered into or amended since 1 January 2020. Following this, older ICN's with remain outstanding amount will be reviewed pending resourcing availability.

As part of this process, we've been reviewing both historical and current development applications, including associated infrastructure charges. Previous resourcing constraints contributed to delays in updating the register; however, this has now been resolved. We also recognise that the current process for entering infrastructure charge data into Pathway is overly complex, and this is being reviewed to improve usability and reduce the risk of oversight.

> Responsible officer: Manager Development Services

> Status: Work in progress

> Action date: 30 June 2026

Financial reporting issues

This section provides an update on the financial reporting issues we have identified since our interim report. It includes a response from management.

Our risk ratings are as follows. 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.

Financial reporting issues

H High   **M** Medium   **L** Low

(M) Valuation of investment properties

25-CR-12

Observation

Council owns a building (kiosk) at Seventeen Seventy Camping Ground that it is currently under a lease agreement. This is classified as an investment property under the Australian Accounting Standards.

In 2020–21, council engaged an independent valuer to create a discounted cashflow model to value this investment property. Council has subsequently maintained the model and updated the calculation. Our review of the model identified the following:

- Inputs and assumptions including base costs, growth factor and discount rate were not appropriately updated with current year information.

- A key input (terminal value) was omitted from the model.

- Term of the model is for 8 years in line with the term of lease. However, cashflow years should be forecast or predicted for the term of the model and not adjusted by lease expiry.

As such QAO have re-calculated the best estimate of the investment property based on supporting documents, which resulted in identifying that the asset was undervalued by $1.6 million. We have also completed a sensitivity analysis to understand the impact of changes in the inputs and assumptions. Results of this sensitivity analysis were not considered to have a material impact on the financial statements for 2024–25.

We have raised an unadjusted misstatement for this variance as this is above our clearly trivial materiality threshold.

Implication

The value of the investment property is understated by $1.6 million.

QAO recommendation

We recommend management comprehensively review the valuation model used for the investment property ensuring that is all inputs and assumptions are current and appropriate. This review can be completed by management through the use of an expert.

Management response

Council is undertaking a comprehensive valuation of land, buildings and park furniture & other structures in 25–26, including all investment property. The scope of work will include the discounted cashflow model for the property specified, including a values report detailing all inputs and assumptions, allowing Council to review for appropriateness before acceptance of the valuation.

> Responsible officer: Financial Controller

> Status: Work in progress

> Action date: 30 June 2026

Appendix A2 – Matters previously reported

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 report this year and those issues raised in prior years.

Our risk ratings are as follows. 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.

Internal control issues

S Significant deficiency

D Deficiency

O Other matter

Financial reporting issues

H High

M Medium

L Low

Internal control issues

Ref.	Rating	Issue	Status
25-IR1	D	Lack of evidence of review by an independent person	**Resolved pending verification** All identified functions now ensure that evidence of reviews is clearly documented. This will be tested as part of the 2026 audit planning.
24-IR1	D	Timely review and update of council policies	**Work in progress** Council has progressed the review of overdue high-risk policies with all but five completed by the end June, and another completed by September. Of the four remaining, three were delayed to coincide with the upcoming preparation of the Transport service plan as part of the 25–26 Operational Plan. The final overdue review remains in progress, with the intention to repeal the policy and replace with a procedure. Council have committed to a review of all high-risk policies (overdue and otherwise) by 31 December 2025. **Responsible Officer**: Manager of Governance and Risk **Action date:** 31 December 2024 **Revised action date:** 31 December 2025
23-CR1	D	GIS reconciliation to fixed asset register	**Work in progress** The new asset register has Asset Spatial Processing Reports that were set up as part of the migration from MyData to Technology One as a check that all assets were migrated. The current report worksheets are a weekly update but are manually run currently as we are working to establish the data link from Esri to TechOne so we have two way transfer. Stormwater has been successfully completed and this will be easily replicated once my staff member returns from leave. **Responsible officer:** Manager, Asset Governance **Action date:** 30 June 2024 **Revised action date:** 31 March 2026
23-CR2	D	WIP capitalisation	**Resolved – re-raised in this report** See 25-CR9 in Appendix A1 above.
23-IR3	D	User driven TechOne delegation of authority	**Resolved**

Ref.	Rating	Issue	Status
22-IR1	**D**	**Capital work in progress process improvements**	**Resolved – re-raised in this report** See 25-CR9 in Appendix A1 above.
20-CR3	**D**	**Improvement of the three way-match process required**	**Resolved pending verification** The procure-to-pay initiative was implemented in May 2025. This will be tested as part of the 2026 audit planning.

Appendix A3 – Climate-related financial disclosures

Next year's planning considerations	Potential effect on your reporting obligations	Potential effect on your audit
As a non-mandatory reporting entity, your entity does not need to prepare climate-related financial disclosures in compliance with AASB S2 Climate-related Disclosures and have this audited under the ASSA 5010 timetable. Queensland Treasury has communicated to us that it does not intend to include your entity within its whole-of-government reporting framework. The department of local government is considering a sector-wide response. We encourage local governments to engage with the department prior to devoting time and resources to determining their approach to reporting.	At this point there is no effect on your reporting obligations for 2026 or future years. Your entity may choose to voluntarily report against AASB S2. As part of your decision making, you should also consider who your report users are, and what their information needs are. We strongly encourage you to engage with us prior to making this decision. Planning to develop a valuable report is a significant commitment.	We have commenced our engagements for clients who are preparing mandatory reports now. Our experience is that engagement at least 18 months out from the first reporting date allows us to develop a shared understanding of the roles and responsibilities, and assess your readiness for reporting. If you chose to prepare a voluntary S2 compliant report, we would recommend that you allow a similar amount of time.

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