

ORDINARY MEETING

15 APRIL 2026

5.11

**AUDITOR-GENERAL'S OBSERVATION REPORT ON THE INTERIM AUDIT
FOR THE YEAR ENDING 30 JUNE 2026**

F&BS | 63/8/12-07 | #7852840

RECOMMENDATION:

That Council note the Auditor-General's Observation Report on the interim audit for the year ending 30 June 2026.

INTERESTED PARTIES:

Not Applicable

EXECUTIVE SUMMARY:

The Auditor-General's observation report is a report regarding Council's audit that includes observations and suggestions made by the Auditor-General about anything arising out of the audit. As per the Local Government Regulation 2012, the Mayor must present a copy of the report at the Ordinary meeting following its receipt from QAO.

No significant matters have been identified by QAO whilst completing their audit procedures to date.

COMMENTS:

Attached is the Auditor-General's Observation Report on the interim audit for the year ending 30 June 2026.

ATTACHMENTS:

Attachment 1: Auditor-General's Interim Observation Report (DM #7854665)



Robert Jones
A/Executive Manager Finance



Jason Ritchie
A/Chief Financial Officer



2026 INTERIM REPORT

Cairns Regional Council

31 March 2026

Mayor Amy Eden
Mayor
Cairns Regional Council

Dear Cr Eden

2026 Interim report for Cairns 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 February 2026. These procedures focused on confirming if key controls operate effectively, transactions are accurate, and accounting estimates are appropriately treated. We also consulted management 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 issues from our audit results in revenue, payroll, procurement, expenditure and property, plant and equipment. This indicates that your entity's key financial processes are operating effectively. Management's continued attention to these areas 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 Chief Financial Officer. We will also present this report to the audit committee on 14 July 2026, providing it with an overview of our findings, recommendations, and any emerging matters.

During our next phase of testing in June 2026, we will focus on finalising testing over council's key financial processes and performing initial year end testing

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 07 4046 8888 or Edan Clark on 07 4046 8855.

Yours sincerely



Andrew Cornes
Engagement Partner

Enc.

cc. Mr Ken Gouldthorp, Chief Executive Officer
Mr Michael Wenzel, Chair of the Audit Committee

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
Valuation of property, plant and equipment (including asset revaluation surplus and capital work in progress) <ul style="list-style-type: none"> • Complex valuation methodologies • High level of judgement • Significant balance 	Significant	Y	As at the date of this report we are in the process of reviewing the asset valuations and will finalise this work in April 2026 and report back to management. We will finalise our substantive testing during the year-end visit.
Risk of fraud in revenue recognition <ul style="list-style-type: none"> • Presumed fraud risk over revenue and income recognition • Financial sustainability inputs classification of recurrent vs capital revenue/income • Significant balance 	Significant	Y	We have performed controls testing over revenue up to February 2026 with no exceptions noted. We will finalise this controls testing in June 2026. We will complete our substantive testing during the year-end visit.
Completeness of developer contribution credits, infrastructure charges and contributed assets <ul style="list-style-type: none"> • Significant balance • Limited automated controls able to be implemented 	Significant	Y	We have performed controls testing over developer contributions up to February 2026 with no exceptions noted. We will finalise this controls testing in June 2026. We will complete our substantive testing during the year-end visit.

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.

The areas and results we have tested to date include:

- procurement – compliance with policies and delegated authority, management of conflicts of interest, and value for money considerations.
- contract management – monitoring of deliverables, extensions, and variations.
- grants and funding – assessment, approval, and monitoring against program guidelines.

2. 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 and we have agreed to work on-site with your finance team for the second interim and final visits. Working together in-person helps us ensure an efficient and timely audit process.

Planning	Agreed date	Completed date
QAO planning visit	10 November 2025	10 November 2025
QAO issues external audit plan issued in draft to Audit Committee	2 December 2025	2 December 2025
Audit Committee meeting	2 December 2025	2 December 2025
Interim		
QAO issues request listing for interim visit	16 February 2026	24 February 2026
Audit Committee meeting	10 March 2026	10 March 2026
QAO interim testing visit	16 to 20 March 2026	16 to 20 March 2026
CRC issues asset valuations to audit	16 March 2026	16 March 2026
QAO issues interim report outlining preliminary audit findings to client	2 April 2026	31 March 2026
QAO audit reviews asset valuations	10 April 2026	
CRC issues proforma financial statements to audit	18 May 2026	
CRC issues position papers on known accounting to audit	18 May 2026	
QAO second interim testing visit	8 to 9 June 2026	
QAO issues feedback on proforma financial statements to client	12 June 2026	
QAO feedback on position papers to client	12 June 2026	
Audit Committee meeting	14 July 2026	
Final		
QAO issues request listing for final visit	13 July 2026	
CRC issues final general ledger to audit to allow samples to be selected	27 July 2026	
QAO year-end visit	3 to 14 August 2026	
CRC issues complete draft financial statements to audit	3 August 2026	
CRC issues final asset valuation to audit	3 August 2026	
QAO issues feedback on draft financial statements to client	25 August 2026	
QAO issues draft closing report summarising the audit finding to client	25 August 2026	
CRC issues management responses to the closing report	28 August 2026	
QAO issues closing report summarising the audit findings to client	31 August 2026	
Audit Committee meeting	8 September 2026	
Audit committee clearance	8 September 2026	
CRC's management signs financial statements	16 September 2026	
QAO issues audit report including our audit opinion to client	18 September 2026	
QAO issues final management report outlining the final audit findings to client	18 September 2026	

Key: Deliverables prepared by Cairns Regional Council'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, Edan Clark.



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