

A. Full responses from agencies

As mandated in Section 64 of the *Auditor-General Act 2009*, the Queensland Audit Office gave a copy of this report with a request for comments to the:

- Premier and Minister for Trade
- Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships
- Minister for Natural Resources, Mines and Energy
- Director-General, Department of Natural Resources, Mines and Energy
- Chief executive officers for
 - Seqwater
 - Sunwater
 - Queensland Urban Utilities
 - Unitywater
 - Mount Isa Water Board
 - Gladstone Area Water Board
 - Queensland Competition Authority
- Under Treasurer, Queensland Treasury.

This appendix contains the formal responses we received.

The heads of these agencies are responsible for the accuracy, fairness, and balance of their comments.



Comments received Chief Financial Officer, Queensland Urban Utilities



Office of the Chief Financial Officer
Level 2, 15 Green Square Close
Fortitude Valley QLD 4006

GPO Box 2765
Brisbane QLD 4001

16 October 2019

Mr B Worrall
Auditor-General of Queensland
Queensland Audit Office
PO Box 15396
CITY EAST QLD 4002

Dear Mr Worrall,

MANAGEMENT RESPONSE TO DRAFT WATER REPORT: 2018-19 RESULTS OF FINANCIAL AUDITS

Thank you for providing a copy of the draft Water: 2018-19 results of financial audits report.

Queensland Urban Utilities ("QUU") is pleased to have received an unmodified audit opinion for the 2018-19 financial year, confirming that the financial report provides a true and fair view of QUU's financial position, financial performance and cash flows and that it complies with the relevant accounting standards.

The significant deficiency referred to in the draft Water Report related to an isolated fraud incident resulting in a \$2,840.49 payment to an unauthorised bank account. QUU's payroll team were targeted by an offender posing to be on of QUU's General Manager's via a phishing email. The fraudulent email requested a change in the employee's bank account details. The request was subsequently processed resulting in a payment to an unauthorised bank account.

Management immediately undertook detailed investigations to review the end to end control environment and corrective actions have been implemented. Furthermore, an external investigation has been initiated with KPMG which focussed on process failures and assessments of any related fraud risk. Corrective actions suggested from this investigation will be assessed and implemented by management. QUU has been able to partially recover \$951.63 of the \$2,840.49. QUU process weekly pays for approximately 1000 staff. This event represented the first payroll fraud event since the establishment of QUU and there were no other significant deficiencies identified.

Further details have been included in the attached Annexure. QUU continues to strive to achieve ratings of fully "Effective" in all areas in future audits and is working with the QAO to resolve all audit conclusions raised in the Closing Report dated 5 August 2019.

Yours sincerely,

Ruth Coulson
Chief Financial Officer



To report a fault or emergency
Contact us 24/7 on 13 23 64



For more information visit
www.urbanutilities.com.au



General enquiries
From 7am-7pm weekdays 13 26 57

Annexure



Deficiency	Consequence	Actions taken	Controls Implemented	Outstanding
<p>Subsequent to year end, a payroll fraud event occurred resulting in financial loss to QUU.</p> <p>Note: QUU process pays weekly for approximately 1,000 staff.</p>	<p>Significant deficiency</p>	<ul style="list-style-type: none"> A thorough internal investigation has been carried out, confirming this was an isolated case. Immediate corrective actions and controls have been implemented, including training and awareness around social engineering fraud and review of processes, reporting and approvals for master data changes. KPMG have been engaged to carry out a more detailed investigation focussed on process failures and assessment of any related fraud risk. QUU have worked closely with the Commonwealth bank to seek recovery of lost funds and proceed with the fraud investigation. 	<ul style="list-style-type: none"> All bank account changes made by QUU's outsourced payroll provider must be forwarded to the QUU Payroll Manager for validation. Payroll Manager to validate email notification against completed form that employee sent. Only emails sent from the employee's work email address are accepted. Payroll to confirm if employee is on leave – if they are, contact the employee to ensure the change request came from them. When speaking to employee ensure Payroll will carry out an identity check, including date of birth, address and emergency contact details. Employees who have access to ESS will be required to manage their own changes. All email queries/requests that are received from a personal email address must be forward to the payroll services inbox. External access to this form was removed from QUU website. Training and awareness on social engineering fraud has been provided to payroll team. 	<p>KPMG audit findings will be reviewed and suggested actions implemented</p>

