



1 Report - Audit and Risk Management Committee No. 2019(04) of 9 October 2019

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28 AUGUST 2019AUDIT AND RISK MANAGEMENT COMMITTEE NO. 2019(03)]**AUDIT AND RISK MANAGEMENT COMMITTEE NO. 2019(03)****28 AUGUST 2019****REPORT**

MEMBERS' ATTENDANCE: Graeme Stratford (Chairperson and External Member), Greg Chemello (Interim Administrator), Robert Jones (Interim Management Committee), Stan Gallo (Interim Management Committee) and Dr Annette Quayle (External Member)

MEMBER'S APOLOGIES: Nil

OTHER ATTENDANCE: David Farmer (Chief Executive Officer), Andrew Knight (General Manager Corporate Services), Freddy Beck (Chief Audit Executive), Jeff Keech (Finance Manager), Lisa Fraser (Queensland Audit Office), Brett Davey (Acting General Manager Planning and Regulatory Services), Miranda Reis (Program Manager Business Improvement), Angela Harms (Corporate Governance Manager), Graeme McGinniskin (Risk Management Coordinator), Rob Stower (ICT Enterprise Architect), Lisa Fraser (Queensland Audit Officer), Patrick Fleming (Queensland Audit Office)

PRESENTATION - IPSWICH CITY COUNCIL'S BUSINESS TRANSFORMATION PROJECTS

The Program Manager – Business Improvement (Miranda Reis) provided a status update on Ipswich City Council's Business Transformation Projects.

RECOMMENDATION

That the Program Manager – Business Improvement take on board the comments made by the members of the Audit and Risk Management Committee and ensure that this information is included in further presentations.

Dr Annette Quayle requested an update be provided in a future presentation in relation to culture and an insight into how it is progressing in the organisation.

Robert Jones stated that one of the major focusses for the Audit and Risk Management Committee was to understand any significant changes in control processes or perceived risks in major systems as the organisation progresses through the transformation.

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1. REPORT - AUDIT AND RISK MANAGEMENT COMMITTEE NO. 2019(03) OF 19 JUNE 2019

This is the report concerning the previous report of the Audit and Risk Management Committee No. 2019(02) of 19 June 2019 for confirmation together with an extract of the Council Ordinary Meeting where the report was adopted.

RECOMMENDATION

That the report be received and the contents noted.

2. UPDATE ON QAO RECOMMENDATIONS (PLANNING AND REGULATORY SERVICES DEPARTMENT)

This is a report concerning the Planning and Regulatory Services Department's progress in complying with the Queensland Audit Office (QAO) recommendations outlined in 'QAO 2018 Closing Report' (adopted by Council on 4 December 2018). Specifically, - Internal Control Issues (items 1 to 3) relating to developer infrastructure contributions and fee variations.

RECOMMENDATION

That the report be received and the contents noted.

3. CORPORATE SERVICES UPDATES TO MANAGEMENT RESPONSES FOR QAO INTERIM REPORT

This report provides updates in relation to the implementation of recommendations from the QAO 2019 interim management report tabled at the last Audit and Risk Committee dated 19 June 2019.

RECOMMENDATION

That the report be received and the contents noted.

4. LOST AND STOLEN ITEMS REPORTS RAISED AND/OR RECEIVED IN THE PERIOD 1 JULY 2018 - 30 JUNE 2019

This is a report concerning assets/items reported to the Finance Branch as suspected of being stolen or missing during the financial year end 30 June 2019.

28 AUGUST 2019AUDIT AND RISK MANAGEMENT COMMITTEE NO. 2019(03)]RECOMMENDATION

- A. That the report be received and the contents noted.
- B. That future reports of this nature only be presented to the Audit and Risk Management Committee if they meet the criteria of a monetary value above the set delegation threshold and/or a set number of lost/stolen items.

The committee discussed the benefit of receiving this report and it was determined that for future reports of this nature the criteria for a report to be submitted to committee be amended to include items above a set delegation threshold and a set number of items lost/stolen items identified.

5. ICT CONTROLS UPDATE

This is a report concerning an update in relation to ICT Controls. The Audit and Risk Management Committee should note an overall low score (below industry benchmark/average) for most ICT capabilities within the ICT Branch, including those associated with managing Information Risk. Particular Information Security (Infosec) weaknesses relate to identity, authorisation and access controls, and performance of outsourced services by DXC and Infosec capability in analysis, design and testing.

Monthly security reporting services are nearing 100% availability including security monitoring, managed firewalls, intrusion prevention and vulnerability management but affirmative action will be needed to continue to increase the effectiveness controls in this area.

RECOMMENDATION

That the Interim Administrator of Ipswich City Council resolve:

- A. That the status of ICT Controls as they relate to information security, project governance and project/solutions development lifecycle, be noted.
- B. That associated controls continue to be improved by ICT Branch through capability development and recruitment and through achieving improved vendor performance.
- C. That the status of ICT Controls be included as a regular agenda item on the Audit and Risk Management Committee and the ICT Enterprise Architect ensure that the report submitted addresses the concerns raised by the committee.

Stan Gallo queried the process for addressing some of the downfalls of information security and requested that an update be provided through the Audit and Risk Management Committee on key risk areas and the short term prioritisations.

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Robert Jones requested that this matter be carried forward as a regular item on the Audit and Risk Management Committee.

The confidential papers associated with Item 6 are confidential as they relate to the status of complaints currently under investigation by Ipswich City Council.

6. INTEGRITY AND GOVERNANCE SECTION'S PERFORMANCE IN RELATION TO
LEGISLATIVE COMPLIANCE

This is a report concerning the performance of the Integrity and Governance Section (the Section) in relation to managing Council's legislative compliance in the management of Complaints, Right to Information and Information Privacy functions for the period 1 April 2019 to 31 June 2019 (the Quarter).

RECOMMENDATION

That the report be received and the contents noted.

The confidential papers associated with Item 7 are confidential as they relate to the status of claims currently under investigation by Ipswich City Council.

7. RISK MANAGEMENT UPDATE

This is a report concerning the status of work in relation to Transformational Project #7 Risk Management Framework (TP#7) and a presentation from representatives from Price Waterhouse Cooper (Mr Nick Potter and Mr David Hilly) providing an update on Ipswich City Council's Enterprise Risk Management Framework and Fraud Risk Management.

RECOMMENDATION

That the report and presentation by Price Waterhouse Cooper representatives be received and noted.

Robert Jones queried the type of information from a risk perspective that the Audit and Risk Management Committee could expect to see moving forward. Mr David Hilly from PwC outlined that information supplied will be a perspective across the whole of council to support where council is at and the actions that need to be taken.

The Chief Executive Officer outlined that moving forward it would be useful to pick out two or three strategic or key risks and talk about the effectiveness of the controls in these areas, the emerging risks and drilling down to the strategic risks.

The Corporate Governance Manager commented that this would be a great opportunity for each of the General Managers to attend the Audit and Risk Management Committee and outline their journey in relation to risk.

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The confidential papers associated with Item 8 are confidential as they relate to internal audits either being undertaken or that have been completed.

8. INTERNAL AUDIT BRANCH ACTIVITIES REPORT FOR THE PERIOD 10 JUNE 2019 TO 16 AUGUST 2019

This is a report concerning the activities of Internal Audit undertaken since 10 June 2019 and the current status of these activities.

RECOMMENDATION

That the report be received, the contents noted and the recommendations in Attachments 3 and 4, be considered finalised and archived.

Rob Jones made comment that the future program for the Audit and Risk Management Committee may require some change in direction in terms of focus to address certain issues and recommended that a meeting be co-ordinated to discuss the program.

The confidential papers associated with Item 9 are confidential as they relate to the result of internal audit matters and proposed recommendations.

9. SUMMARY OF RECENT INTERNAL AUDIT REPORTS ISSUED

This is a report concerning recently completed internal audits and the subsequent reports released since the previous report dated 10 June 2019.

RECOMMENDATION

That the report be received and the contents noted.

The confidential papers associated with Item 10 are confidential as they relate to internal audit matters and proposed recommendations.

10. OVERDUE RECOMMENDATIONS AS AT 16 AUGUST 2019

This is a report concerning the status of each Department's progress in actioning the internal and external audit recommendations due or overdue for implementation.

RECOMMENDATION

That the report be received and considered.

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The confidential papers associated with Item 11 are confidential as they relate to draft unaudited financial statements which have not been finalised.

11. DRAFT UNAUDITED 2018-2019 ANNUAL FINANCIAL STATEMENTS

This is a report concerning the draft unaudited 2018-2019 Annual Financial Statements.

RECOMMENDATION

That the draft unaudited 2018-2019 Annual Financial Statements as detailed in Attachment A to the report be received and noted.

The Finance Manager advised that a meeting of the Audit and Risk Management Committee will be organised for mid-October for the presentation of the 2018-2019 Annual Financial Statements.

The confidential papers associated with Item 12 are confidential as the matters outlined in the report relate to outstanding matters for Ipswich City Council.

12. QUEENSLAND AUDIT OFFICE BRIEFING PAPER

This is a briefing paper submitted by Queensland Audit Office outlining an update on audit, performance and parliamentary reporting as well as Queensland Audit Office matters for the information of the Audit and Risk Management Committee.

RECOMMENDATION

That the report be received and the contents noted.

13. NEXT MEETING

The next meeting is scheduled for Wednesday, 6 November 2019 however a meeting will be called in mid-October for the Annual Financial Statements at a date to be determined.

PROCEDURAL MOTIONS AND FORMAL MATTERS

The meeting commenced at 1.04 pm.

The meeting closed at 3.06 pm.

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Doc ID No: A5819205

The Chairperson has determined this matter is of real urgency and approval has been given to refer this report to the Audit and Risk Management Committee as a late item.

ITEM: 1

SUBJECT: INFORMATION SECURITY CONTROLS REMEDIATION WORKS

AUTHOR: INTERIM INFORMATION AND COMMUNICATIONS MANAGEMENT AND
SUPPORT MANAGER

DATE: 30 SEPTEMBER 2019

EXECUTIVE SUMMARY

This is a report providing an update on remediation work across a range of Information Security Controls requested by the Audit and Risk Management Committee at the 28 August 2019 meeting.

RECOMMENDATION/S

That the Interim Administrator of Ipswich City Council resolve:

Note (*For Information*) schedule, progress and reported matters in the attached Information Security Controls Remediation Actions Plan.

PURPOSE OF REPORT/BACKGROUND

Audit and Risk Management Committee was provided an update on 'ICT Controls' at the 28 August 2019 meeting (Item 5) and requested that they receive an update on Information Security Controls as a regular item.

The outline of and status report against the 9 point remediation plan is in the attached update Information Security Controls Remediation Action Plan (Update 9 October 19).

Key issues for Audit and Risk Committee to note from the attached report:

1. Resolving issues with outsourced edge security service with DXC remains the paramount issue, both in terms of assuring reliable operation of the services as well as freeing-up internal capacity to focus on wider Information Security needs and outcomes (e.g. Identity Management and Workforce Education & Awareness).
2. Project to uplift Identity, Authorisation and Access Controls is mobilising with external consultancy scheduled to start on Tuesday, 8 Oct 19.
3. Penetration testing is underway after a 3 week delay due to an unrelated network issue. A report on this testing will be provided to Audit and Risk Committee when testing is complete.

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4. Balance of initiatives are scheduled to mobilise over next three (3) months. Addressing internal resourcing and capacity required to coordinate and direct delivery is the major risk to these initiatives.

ATTACHMENTS AND CONFIDENTIAL BACKGROUND PAPERS

- | | |
|----|---|
| 1. | Information Security Controls Remediation Action Plan (Update 9 Oct 19) |
|----|---|

Tony Welsh

**INTERIM INFORMATION AND COMMUNICATIONS MANAGEMENT AND SUPPORT
MANAGER**

I concur with the recommendations contained in this report.

Jeffrey Keech

ACTING GENERAL MANAGER - CORPORATE SERVICES

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Attachment 1: Information Security Controls Remediation Action Plan (Update 9 Oct 19)

Item	Description	Status	Status/Comments
1 Identity, Authorisation and Access Controls			
	Sep-19 Oct-19 Nov-19 Dec-19 Jan-20 Feb-20 Mar-20 Apr-20 May-20 Jun-20 Jul-20 Aug-20 Sep-20 Oct-20 Nov-20 Dec-20 Jan-21 Feb-21		
1.1	Engage external consultancy to advise/assist specification and implementation	●	Consultancy engaged and SoW agreed, commence Tue 8 Oct 19
1.2	Identity Lifecycle Management (Phase 1 - Current State & Scoping)	○	Anticipate Oct-Nov 19
1.3	Identity Lifecycle Management (Phase 2 - Uplifting Controls)	○	Anticipate Nov 19 - Jan 20
1.4	Identity Lifecycle Management (Phase 3 - Future State ILM/IdAM/IDaaS options and Business Case)	○	Anticipate Jan - Feb 20
2 Engagement, Quality and Delivery Issues with Outsourced Services Provided by DXC			
	Sep-19 Oct-19 Nov-19 Dec-19 Jan-20 Feb-20 Mar-20 Apr-20 May-20 Jun-20 Jul-20 Aug-20 Sep-20 Oct-20 Nov-20 Dec-20 Jan-21 Feb-21		
2.1	Resolve contractual non performance	●	True-up suspended payments with DXC. ICC advised DXC to request settlement of \$170,000 to end May 19
2.2	Rectify under performing Services and Reports	●	Looking to remove some advanced features from scope (WAF) in order to simplify administration
2.3	Resolve contractual arrangements	○	Work will be commenced to optimise security services in line with renewal/transfer of contractual responsibilities Q2 2020.
3 Penetration Testing			
	Sep-19 Oct-19 Nov-19 Dec-19 Jan-20 Feb-20 Mar-20 Apr-20 May-20 Jun-20 Jul-20 Aug-20 Sep-20 Oct-20 Nov-20 Dec-20 Jan-21 Feb-21		
3.1	Organise and run penetration tests	●	3 week delay due to unrelated network issues
3.2	Identify and resolve vulnerabilities	○	Anticipate Dec 19 - Mar 20, cannot plan until results known
4 Capability Refresh/Recruitment (EA, Security, Portfolio and Governance)			
	Sep-19 Oct-19 Nov-19 Dec-19 Jan-20 Feb-20 Mar-20 Apr-20 May-20 Jun-20 Jul-20 Aug-20 Sep-20 Oct-20 Nov-20 Dec-20 Jan-21 Feb-21		
4.1	Evaluate and Approve PDS	●	Draft PDS complete, three finalised by HR and pending CEO/GM approval Remaining 2 PDS expected complete by HR 20 Sep, to schedule GM approvals
4.2	Recruit Key personnel	○	Minor slippage anticipated, pending approvals
5 Improve Non-Functional Aspects of Project Lifecycle (Performance, Integration, DR) (Part of ITCAP05)			
	Sep-19 Oct-19 Nov-19 Dec-19 Jan-20 Feb-20 Mar-20 Apr-20 May-20 Jun-20 Jul-20 Aug-20 Sep-20 Oct-20 Nov-20 Dec-20 Jan-21 Feb-21		
5.1	Rebuild Confidentiality, Integrity, Availability Assessment Tool	○	
5.2	Update Cloud Requirements to reflect CIA	○	
5.3	Develop Non-Functional Requirements Template / Checklist	○	
5.4	Reinforce project/implementation checklist and certifications	○	
6 Implement Systems Decommissioning and Archiving Plan (for Redundant Systems)			
	Sep-19 Oct-19 Nov-19 Dec-19 Jan-20 Feb-20 Mar-20 Apr-20 May-20 Jun-20 Jul-20 Aug-20 Sep-20 Oct-20 Nov-20 Dec-20 Jan-21 Feb-21		
6.1	Identify and scope redundant systems and agree approach for data migration and decommissioning (Oracle eBusiness, TechOne ECM,	○	
6.2	Prepare budget estimates and project briefs for decommissioning in FY20/21	○	
6.3	Mobilise & execute projects	○	
7 Restructure and Invigorate ICT Project Gates/Governance Controls			
	Sep-19 Oct-19 Nov-19 Dec-19 Jan-20 Feb-20 Mar-20 Apr-20 May-20 Jun-20 Jul-20 Aug-20 Sep-20 Oct-20 Nov-20 Dec-20 Jan-21 Feb-21		
7.1	Stocktake in-flight project portfolio and baseline compliance/non compliance	○	
7.2	Redefine critical governance and quality expectations	○	
7.3	Define and adopt project controls reporting to ITSC	○	
8 InfoSec Education and Awareness Program (Cross Council)			
	Sep-19 Oct-19 Nov-19 Dec-19 Jan-20 Feb-20 Mar-20 Apr-20 May-20 Jun-20 Jul-20 Aug-20 Sep-20 Oct-20 Nov-20 Dec-20 Jan-21 Feb-21		
8.1	Develop and present Section Manager InfoSec Briefing Sessions	○	
8.2	Develop and adopt online InfoSec awareness/training packages	○	
9 Restructure Edge Security Services Sourcing and Delivery Arrangements (ITSM03 Restructure InfoSec Controls)			
	Sep-19 Oct-19 Nov-19 Dec-19 Jan-20 Feb-20 Mar-20 Apr-20 May-20 Jun-20 Jul-20 Aug-20 Sep-20 Oct-20 Nov-20 Dec-20 Jan-21 Feb-21		
9.1	Re-evaluate and decommission low-value / underperforming services with DXC (dependency on 2.2)	○	
9.2	Reassign support for F5	●	Draft change request circulated, pending to Datacom and Telstra
9.3	Bring technical administration of Proxy and Firewall back in-house	○	
9.4	Re-Contract SIEM	○	

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Doc ID No: A5829343

ITEM: 2

SUBJECT: QUEENSLAND AUDIT OFFICE CLOSING REPORT

AUTHOR: ADMINISTRATION OFFICER

DATE: 4 OCTOBER 2019

EXECUTIVE SUMMARY

This is a report by the Queensland Audit Office concerning the Queensland Audit Office's Report as at 4 October 2019.

RECOMMENDATION/S

That the Interim Administrator of Ipswich City Council resolve:

That the report be received and the contents noted.

RELATED PARTIES

Queensland Audit Office

ADVANCE IPSWICH THEME

Listening, leading and financial management

PURPOSE OF REPORT/BACKGROUND

The purpose of this report is to provide a closing report to the Audit and Risk Management Committee for consideration and discussion in relation to the 2018-2019 audit.

LEGAL/POLICY BASIS

This report and its recommendations are consistent with the following legislative provisions:

Local Government Act 2009

Local Government Regulation 2012

RISK MANAGEMENT IMPLICATIONS

Not applicable

FINANCIAL/RESOURCE IMPLICATIONS

Not applicable

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Consultation has occurred with representatives of Ipswich City Council.

CONCLUSION

The closing report is submitted to the Audit and Risk Management Committee from the Queensland Audit Office for information.

ATTACHMENTS AND CONFIDENTIAL BACKGROUND PAPERS

1.	CONFIDENTIAL Queensland Audit Office Closing Report
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Theresa Bool

ADMINISTRATION OFFICER

I concur with the recommendations contained in this report.

Jeffrey Keech

ACTING GENERAL MANAGER - CORPORATE SERVICES

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Doc ID No: A5825732

ITEM: 3

SUBJECT: 2018-2019 ANNUAL FINANCIAL STATEMENTS AND 2018-2019 MANAGEMENT
REPRESENTATION LETTER

AUTHOR: PRINCIPAL FINANCIAL ACCOUNTANT

DATE: 2 OCTOBER 2019

EXECUTIVE SUMMARY

This is a report concerning the 2018-2019 annual financial statements and 2018-2019 management representation letter.

RECOMMENDATION/S

The Audit and Risk Committee endorses the recommendations that the Interim Administrator of Ipswich City Council resolves:

- A. That the 2018-19 annual financial statements as detailed in Attachment 1 to the report of the Principal Financial Accountant dated 2 October 2019 be approved for certification by the Interim Administration and Chief Executive Officer.
- B. That the 2018-19 management representation letter as detailed in Attachment 2 to the report of the Principal Financial Accountant dated 2 October 2019 be approved for certification by the Interim Administration and Chief Executive Officer.

RELATED PARTIES

There are no related parties.

ADVANCE IPSWICH THEME

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PURPOSE OF REPORT/BACKGROUND

Section 212 of the *Local Government Regulation 2012* states "Auditing of financial statements by auditor-general

- (1) A local government's general purpose financial statement and current-year financial sustainability statement for a financial year must be given to the auditor-general for auditing.

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- (2) Also, a local government's long-term financial sustainability statement for the financial year must be given to the auditor-general for information.
- (3) The financial statements mentioned in subsections (1) and (2) must be given to the auditor-general by a date agreed between the chief executive officer and the auditor-general.
- (4) The date agreed under subsection (3) must allow the audit of the financial statements, and the auditor-general's audit report about the statements, to be completed no later than 4 months after the end of the financial year to which the statements relate".

Section 211(1) of the *Local Government Regulation 2012* states that "The audit committee of a local government must-

- (a) meet at least twice each financial year; and
- (b) review each of the following matters-
 - (iii) a draft of the local government's financial statements for the preceding financial year before the statements are certified and given to the auditor-general under section 212".

The audited 2018-2019 annual financial statements is detailed in Attachment 1 and the 2018-2019 management representation letter is detailed in Attachment 2.

The consolidated net result has increased by approximately \$39.2m compared to the draft financial statements tabled at the Audit Committee meeting on 28 August 2019 and given to the Auditor-General at the commencement of the audit, due to a change in recognition of a revaluation increment relating to infrastructure assets.

During the audit the Queensland Audit Office (QAO) identified some matters that should have been recognised and some disclosure matters that should be reported differently in the financial statements as follows:

- QAO requested the revaluation increment of \$40.5m for roads, bridges and footpaths assets be recognised as capital revenue instead of an increase to the revaluation surplus, in accordance with section 39 of *AASB119 Property, Plant and Equipment* "the net revaluation increase shall be recognised in profit or loss to the extent that it reverses a net revaluation decrease of the same class of assets previously recognised in profit or loss".

In 2015-2016 a comprehensive valuation of roads, bridges and footpath assets was undertaken including the elimination of residual values which were approximately 40% of the replacement cost of the asset. This resulted in a devaluation of \$135m with \$60m recognised as capital expense after reducing the asset revaluation surplus to nil. In 2018-2019 draft financial statements the revaluation increment of \$40.5m for roads, bridges and footpath assets was recognised as an increase in the asset revaluation surplus as Council's view was the prior period (2016) capital

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expense of \$60m would mainly have been due to the elimination of residual values and not directly related to asset valuations.

Due to the inability to accurately identify the total value of residual values written off in 2015-2016 that was included in the capital expense of \$60m, and after discussion with QAO about the treatment of the \$40.5 revaluation increment, Council adopted QAO's view and adjusted the financial statements. The impact of this change in accounting treatment of the \$40.5 revaluation increment resulted in an increase in capital revenue and a decrease in asset revaluation surplus. The impact of this change has resulted in amendments to notes 5, 13, 17 and 25.

- Note 5 Capital Income was added to disclose details for revaluation up of property, plant and equipment reversing previous revaluation down and gain on disposal of non-current assets.
- Adjustment to eliminate a duplicate donated asset of \$1.062m, refer to note 4 and 13.
- Contingent Asset disclosure relating to mining royalties was added to Note 21.
- Note 23 Associates amended to include Council's share of AASB adjustments relating to associate (Queensland Urban Utilities).
- The QAO requested amendments of some details for related parties' transactions in Note 30.
- QAO requested further detail be disclosed for the controlled entities transition in Note 31.
- Note 32 Other Matters including Events Occurring after Balance Date was added.

LEGAL/POLICY BASIS

This report and its recommendations are consistent with the following legislative provisions:

Local Government Act 2009

Local Government Regulation 2012

Australian Accounting Standards

RISK MANAGEMENT IMPLICATIONS

Risks associated with not receiving approval for certification by the Interim Administration and Chief Executive Officer of the 2018-19 annual financial statements and 2018-2019 management representation letter would result in Council not complying with key reporting deadlines as agreed with Queensland Audit Office and section 212 of the *Local Government Regulation 2012*.

FINANCIAL/RESOURCE IMPLICATIONS

There are no budget implications as a result of this report.

AUDIT AND RISK MANAGEMENT COMMITTEE
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The audited financial statements will be included in the Annual Report to be adopted by Council.

CONCLUSION

Following the annual audit of the financial statements by the Queensland Audit Office the attached 2018-2019 financial statements and management representation letter are submitted to the committee for approval to enable certification by the Interim Administrator and Chief Executive Officer.

The report outlines the changes made from the draft financials statements previously approved by the Audit and Risk Committee to the attached financial statements.

ATTACHMENTS AND CONFIDENTIAL BACKGROUND PAPERS

	CONFIDENTIAL
1.	2018-2019 Annual Financial Statements
2.	2018-2019 Management Representation Letter

Barbara Watson

PRINCIPAL FINANCIAL ACCOUNTANT

I concur with the recommendations contained in this report.

Lavina Britton

BUSINESS ACCOUNTING MANAGER

I concur with the recommendations contained in this report.

Jeffrey Keech

ACTING GENERAL MANAGER - CORPORATE SERVICES

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Doc ID No: A5828087

ITEM: 4

SUBJECT: 2018-2019 ANNUAL FINANCIAL STATEMENT FOR CONTROLLED ENTITIES

AUTHOR: TREASURY ACCOUNTING MANAGER

DATE: 3 OCTOBER 2019

EXECUTIVE SUMMARY

This is a report concerning the 2018-2019 Annual Financial Statements and associated documents for the following controlled entities of Ipswich City Council (Council):

- Ipswich City Properties Pty Ltd
- Ipswich City Developments Pty Ltd
- Ipswich City Enterprises Pty Ltd
- Ipswich City Enterprises Investments Pty Ltd

RECOMMENDATION/S

That the Audit and Risk Management Committee resolve:

That the report of the Treasury Accounting Manager dated 3 October 2019 be received and the contents noted.

RELATED PARTIES

The members of the Audit and Risk Committee should consider the following controlled entities for the purposes of related party disclosures.

- Ipswich City Properties Pty Ltd
- Ipswich City Developments Pty Ltd
- Ipswich City Enterprises Pty Ltd
- Ipswich City Enterprises Investments Pty Ltd

ADVANCE IPSWICH THEME

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PURPOSE OF REPORT/BACKGROUND

The Financial Statements (including the Directors Reports for Ipswich City Properties Pty Ltd only), Management Representation Letters (Ipswich City Enterprises Group) and draft Closing Report (for Ipswich City Properties Pty Ltd only) for the following controlled entities are presented for noting by the Audit and Risk Management Committee.

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- Ipswich City Properties Pty Ltd
- Ipswich City Enterprises Pty Ltd
- Ipswich City Enterprises Investments Pty Ltd

Matters that may have otherwise been included in a Closing Report for Ipswich City Enterprises Pty Ltd, Ipswich City Enterprises Investment Pty Ltd and Ipswich City Developments Pty Ltd, have been included in the Closing Report for Council. At the time of preparing this report, the draft Closing Report for Ipswich City Properties Pty Ltd has reviewed by management but is yet to be reviewed by the Director.

Owing to its deregistration on 20 June 2019, the unaudited Financial Statements for Ipswich City Developments Pty Ltd will not be signed. These unaudited statements have been reviewed by Queensland Audit Office (QAO) in conjunction with their audit of Council and the other controlled entities. They are presented for noting by the Audit and Risk Management Committee.

The controlled entities identified in this report have been included due to their consolidation into Council's Financial Statements.

The Financial Statements and associated documents for each of the controlled entities have been prepared and developed with the support and supervision of Council's Finance Branch. These Financial Statements and associated documents are included on Council's Audit and Risk Management Committee, for the completeness of Council's 2018-2019 Financial Statements as well as for the information of Council.

It is also noted that the *Auditor's Independence Declaration* is not included in the attached Financial Statements. At the time of preparing this report, these declarations are yet to be provided by the QAO. The *Auditor's Independence Declaration* will be added prior to signing.

LEGAL/POLICY BASIS

This report and its recommendations are consistent with the following legislative provisions:
Local Government Act 2009
Local Government Regulation 2012
Australian Accounting Standards

RISK MANAGEMENT IMPLICATIONS

The Financial Statements of these controlled entities are consolidated into Council's Financial Statements. Should approval and certification of these Financial Statements not be received it may result in Council not complying with key reporting deadlines as agreed with QAO and s212 of the *Local Government Regulation 2012*.

FINANCIAL/RESOURCE IMPLICATIONS

There no financial or resource implications related to this report.

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Community consultation has not been undertaken in relation to this report. Whilst its content is will be of interest to the community, it is matter of statutory financial reporting for each of the respective controlled entities.

CONCLUSION

The Financial Statements and associated documents for each of the controlled entities be noted.

ATTACHMENTS AND CONFIDENTIAL BACKGROUND PAPERS

	CONFIDENTIAL
1	Ipswich City Properties Pty Ltd - Financial Statements - 30 June 2019
2	Ipswich City Properties Pty Ltd - Management Representation Letter 2019
3	Ipswich City Properties Pty Ltd - draft Closing Report 2019
4	Ipswich City Enterprises Pty Ltd - Consolidated Financial Statements - 30 June 2019
5	Ipswich City Enterprises Investments Pty Ltd - Financial Statements - 30 June 2019
6	Ipswich City Enterprises Pty Ltd - Group Management Representation Letter 2019
7	Ipswich City Developments Pty Ltd - unaudited Financial Statements - 20 June 2019

Paul Mollenhauer

TREASURY ACCOUNTING MANAGER

I concur with the recommendations contained in this report.

Jeffrey Keech

ACTING GENERAL MANAGER - CORPORATE SERVICES

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AUDIT AND RISK MANAGEMENT COMMITTEE
MEETING AGENDA

9 OCTOBER
2019

Doc ID No: A5859154

ITEM:

SUBJECT: UPDATED CHANGES TO 2018-2019 FINANCIAL STATEMENTS

AUTHOR: PRINCIPAL FINANCIAL ACCOUNTANT

DATE: 23 OCTOBER 2019

EXECUTIVE SUMMARY

This is a report concerning recommended changes to the 2018-2019 financial statements included in the agenda for the Audit and Risk Management Committee of 9 October 2019 following further review by Queensland Audit Office and Committee Members.

RECOMMENDATION/S

That the Interim Administrator of Ipswich City Council resolve:

That the suggest changes outlined in this report be made to the 2018-2019 financial statements for finalisation and certification.

RELATED PARTIES

Queensland Audit Office

ADVANCE IPSWICH THEME

Listening, leading and financial management

PURPOSE OF REPORT/BACKGROUND

Further review of the 2018-2019 financial statements has been undertaken since the agenda for the Audit and Risk Management Committee has been complied. Suggested amendments to the disclosure notes has been recommended by the Queensland Audit Office and Committee Members. Other than a couple of minor grammatical changes agreed with QAO the following suggested note disclosure changes to the draft financial statement attached to the report of the Principal Financial Accountant dated 2 October 2019, are recommended for approval by the Audit and Risk Management Committee.

REFERENCE	DRAFT PER FINANCIAL STATEMENTS (AGENDA)	DRAFT SUGGESTED CHANGES
Note 1 (a) Page 7 Last paragraph	This change will impact the measurement of the investment in Queensland	This change will impact the measurement of the investment in Queensland Urban Utilities, as QUU will

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	Urban Utilities, preferably with some quantification.	be equity accounted for in the council column
Note 5. Capital Income Page 15 Include the additional disclosure regarding revaluation increment	Nil	<u>Disclosure</u> In 2019 a desktop valuation for roads, bridges and footpaths was performed by Cardno (QLD) Pty Ltd resulting in an increment of \$40.471m. The increment was recognised as capital revenue as this reversed a previous decrement recognised as a capital expense due to the 2016 formal valuation which resulted in a decrease to the asset revaluation surplus of \$75.1m and a loss of \$58.3m as the decrement exceeded the balance of the asset revaluation surplus for infrastructure assets. The 2016 formal valuation included the elimination of residual values as a result of clarification from the Australian Accounting Standards Board (AASB) of the definition for residual values in <i>AASB 116 Property, Plant and Equipment</i> .
Note 7. Materials and Services Add additional disclosure regarding IA & IMC costs	Nil	<u>Disclosure</u> Included in the Consultants expenses is the other amounts payable in relation to the interim administrator and interim management committee costs totalling \$1,536,568.
Note 27 Financial Instruments Page 43 Clarify movement in impairment and loan write-off	The movement in the allowance for impairment in respect of the trade receivable during the year was \$22,035,323, mainly due to the partial write-off of the loan receivable relating to Ipswich City Properties Pty Ltd of \$22,100,000.	The movement in the allowance for impairment in respect of the trade receivable during the year was \$22,035,323, mainly due to the partial write-off of the loan receivable relating to Ipswich City Properties Pty Ltd of \$24,925,371.
Note 29 Controlled Entities Page 46 Adjust column heading	Column heading was worded "profit"	Change Column heading to "Profit / (Loss)"
Note 32 Other Matters Page 53	Note currently title: "Note 32 Other Matters including Events"	Change to Note 32: Other Matters

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Change heading	Occurring After Balance Date"	
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LEGAL/POLICY BASIS

This report and its recommendations are consistent with the following legislative provisions:

Local Government Regulation 2012

Local Government Act 2009

RISK MANAGEMENT IMPLICATIONS

The suggested changes improve the disclosure of the information contained in the 2018-2019 financial statements.

FINANCIAL/RESOURCE IMPLICATIONS

There are not financial implications as a result of the report.

COMMUNITY AND OTHER CONSULTATION

Consultation with the Queensland Audit Office and Committee Members regarding the proposed changes has occurred.

CONCLUSION

Following additional reviews, suggested changes to the 2018-2019 financial statements have been recommended for approval by the committee

ATTACHMENTS AND CONFIDENTIAL BACKGROUND PAPERS

1.	CONFIDENTIAL Adjusted Note Disclosures
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Barbara Watson

PRINCIPAL FINANCIAL ACCOUNTANT

I concur with the recommendations contained in this report.

Jeffrey Keech

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