

AUDIT AND RISK MANAGEMENT COMMITTEE LATE REPORTS

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** Item includes confidential papers

AUDIT AND RISK MANAGEMENT COMMITTEE NO. 5

6 NOVEMBER 2019

LATE REPORTS

1. ASSET VALUATION - LAND, BUILDINGS AND INFRASTRUCTURE ASSETS

This is a report by the Principal Financial Accountant dated the 30 October 2019 concerning the engagement of a qualified valuer to perform asset revaluation services of Council's land, building and infrastructure assets over the next five (5) years.

RECOMMENDATION

That the Interim Administrator of Ipswich City Council resolves:

That Council endorse the request for quotation process for the engagement of a qualified valuer for five (5) years to perform asset revaluation services as outlined in the report by the Principal Financial Accountant dated 30 October 2019.

15. **BUSINESS TRANSFORMATION PROGRAM UPDATE

This is a report concerning the Business Transformation Program. This report has been drafted to highlight the following:

- Program health check;
- A summary of the issues/risks and proposed control process to ensure appropriate management of the Transformation Projects (TP) with significant risk;
- Summary of control process for the management of number 1 organisational risk;
- Identification of closed projects, submission of project close reports and key deliverables.

RECOMMENDATION

That the Interim Administrator of Ipswich City Council resolve:

That the report be received and the contents noted.

**** Item includes confidential papers**

and any other items as considered necessary.

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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: ASSET VALUATION - LAND, BUILDINGS AND INFRASTRUCTURE ASSETS

AUTHOR: PRINCIPAL FINANCIAL ACCOUNTANT

DATE: 30 OCTOBER 2019

EXECUTIVE SUMMARY

This is a report by the Principal Financial Accountant dated the 30 October 2019 concerning the engagement of a qualified valuer to perform asset revaluation services of Council's land, building and infrastructure assets over the next five (5) years.

RECOMMENDATION/S

That the Interim Administrator of Ipswich City Council resolves:

That Council endorse the request for quotation process for the engagement of a qualified valuer for five (5) years to perform asset revaluation services as outlined in the report by the Principal Financial Accountant dated 30 October 2019.

RELATED PARTIES

There are no related parties.

ADVANCE IPSWICH THEME

Listening, leading and financial management

PURPOSE OF REPORT/BACKGROUND

In accordance with Council's Asset Accounting Policy and Asset Revaluation Procedure and the Australian Accounting Standards, Council is required to conduct an annual revaluation for its non-current asset classes: artworks, land, buildings and structures, drainage, and roads, bridges and footpaths. This memorandum specifically deals with asset revaluation for land, buildings and structures, drainage, and roads, bridges and footpath assets.

Council's current revaluation procedure Asset Revaluation FCS-005 provides that Council will revalue all its non-current assets on a five year rolling basis provided that these assets do not experience significant and volatile change in fair value.

The current revaluation schedule is as follows:

Year	Formal Valuation	Desktop Valuation	Final Report Due Date
2020	(a) Land	(b), (c), (d)	27 April 2020
2021	(b) Building and Structures	(a), (c), (d)	27 April 2021
2022	(c) Flooding and Drainage	(a), (b), (d)	27 April 2022
2023	(d) Roads, Bridges and Footpaths	(a), (b), (c)	27 April 2023
2024	Refer to Note*	(a), (b), (c), (d)	27 April 2024

* In 2024 a formal valuation will be undertaken for the asset class of Artworks by another external valuer with expertise in the area of valuing artworks.

Before commencing the annual revaluation, Council will make an annual assessment to determine whether there have been significant market movements and/or changes to local conditions to necessitate the revaluation schedule to be brought forward or maintained.

An assessment was completed in October 2019 by Finance in collaboration with Council's Senior Planning Officer (Asset Management) in Infrastructure and Environment Department (IE) with the recommendation that this schedule be maintained for 2019-2020 asset revaluation exercise.

Council's five (5) year contract with Cardno (QLD) Pty Ltd for supply of asset valuation services recently expired. In accordance with Council's Procurement Policy and "sound contracting principles" in section 104 of the *Local Government Act 2009*, Council will request quotations for asset valuation services for the next five (5) years the Local Buy panel. Through consultation with Council's Procurement Team and Asset Management Team it is recommended that the following three (3) suppliers from Local Buy be invited to quote.

- Cardno (QLD Pty) Ltd
- GHD Pty Ltd
- JLL Public Sector Valuations Pty Ltd (Formerly Australian Valuation Solutions Pty Ltd)

Council's current policy does not require a rotation of valuers however this can be discussed further with the Committee to determine if consideration should be given to an amendment to the policy in the future.

In consultation with Council's Procurement Team and Asset Management Team, the below schedule outlines key milestones for the engagement of a valuer for the next five (5) years and valuation of Council's assets for 2019-2020.

Key Milestones	Date
Request for Quotation issued	8 November 2019
Request for Quotation closed	25 November 2019
Recommendation to Council meeting	10 December 2019
Valuer Appointed	17 December 2019
Valuation Commences (Entry Meeting)	15 January 2020
Draft Report	9 April 2020
Final Report	27 April 2020

The evaluation team will be facilitated by the Procurement Team and include representatives from both Council's Finance and Asset Management teams, with a final recommendation being provided through the General Management Corporate Services to Council for approval as the term of the contract is for 5 years.

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 valuation of assets in accordance with the Accounting Standards, including *AASB 116 Property, Plant and Equipment & AAS13 Fair Value*, is a significant risk as part of the preparation of the Annual Financial Statements and compliance with Council's Asset Accounting policy. Council processes, the management and involvement of appropriate qualified and skilled Council staff and support from an experienced qualified valuation expert, are critical to mitigating this risk.

Risks associated with not obtaining quotes from at least three (3) suppliers for asset valuation services for the next five (5) years would result in not adhering to Council's Procurement Policy and sound contracting principles (eg. value for money, open and effective competition) as per section 104 of the *Local Government Act 2009*.

As part of Transformational Project 4 (Asset Management), Council is continuing to update its asset management systems and databases which is likely to impact on the information detail within the Physical Asset Registers. Council will need to ensure that scoping with the preferred valuer communicates that there will likely be changes to the format of data presented during the 5 years to minimise any changes to pricing. Council will also request hourly rate pricing as part of quotations to assist in mitigating this. The continued close working of the asset management team and asset accounting team is also extremely important in ensure accurate and timely revaluations.

FINANCIAL/RESOURCE IMPLICATIONS

The anticipated budget for asset valuation services for the next five (5) years which is included in our financial forecasts, is approximately \$250,000 - \$300,000 excluding GST, subject to the quotation process.

COMMUNITY AND OTHER CONSULTATION



The asset management team have been consulted with and are part of the team reviewing the specifications and evaluation of quotations received. The procurement process is being led by Council's procurement team.

CONCLUSION

Following the expiration of Council's contract with Cardno (QLD) Pty Ltd for asset valuation services Council will request quotations through Local Buy to request quotes from suitably qualified valuers for asset valuation services with the term of engagement over the next five (5) years.

The report outlines the asset classes to be revalued over the next five years and attachment 1 details the project specification for asset valuation services of Council's assets.

ATTACHMENTS AND CONFIDENTIAL BACKGROUND PAPERS

1.	2020 Project Specification - Land Buildings and Structures and Infrastructure Assets  
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Barbara Watson

PRINCIPAL FINANCIAL ACCOUNTANT

I concur with the recommendations contained in this report.

Jeffrey Keech

FINANCE MANAGER

I concur with the recommendations contained in this report.

Andrew Knight

GENERAL MANAGER - CORPORATE SERVICES

"Together, we proudly enhance the quality of life for our community"

Project Specification

Asset Revaluation Project – Land, Buildings and Structures and Infrastructure Assets

Council contacts:

Principal Financial Accountant	Barbara Watson	Ph 3810 6615
Business Accounting Manager	Lavina Britton	Ph 3810 6902
Finance Manager	Jeff Keech	Ph 3810 6687

Project Overview

The objective of this project is to revalue Ipswich City Council's (ICC's) assets in accordance with:

- Local Government Act 2009
- Local Government Regulation 2012
- Australian Accounting Standards:
 - AASAB116 Property, Plant and Equipment
 - AASB13 Fair Value Measurement
- ICC's Asset Accounting Policy and Procedures

Purpose

Asset revaluation services will be required for a period of five (5) years which includes comprehensive revaluations and desktop revaluations.

The revaluation is to be completed to the following schedule and ranked order:

Year	Formal Valuation	Desktop Valuation	Final Report Due Date
2020	(a) Land	(b), (c), (d)	27 April 2020
2021	(b) Building and Structures	(a), (c), (d)	27 April 2021
2022	(c) Flooding and Drainage	(a), (b), (d)	27 April 2022
2023	(d) Roads, Bridges and Footpaths	(a), (b), (c)	27 April 2023
2024	Refer to Note*	(a), (b), (c), (d)	27 April 2024

* In 2024 a formal valuation will be undertaken for the asset class of Artworks by another external valuer with expertise in the area of valuing artworks.

Project Schedule for 2020 Valuation

Major Milestones	Date
Request for Quotation issued	8 November 2019
Request for Quotation closed	25 November 2019
Recommendation to Council meeting	10 December 2019
Valuer Appointed	17 December 2019
Valuation Commences (Entry Meeting)	15 January 2020
Draft Report	9 April 2020
Final Report	27 April 2020

Specification

1. Nature of Contract
 - i. The nature of the contract is to provide valuations for the Ipswich City Council's assets as required by the Finance Department.
 - ii. The Project Manager for this project shall be the Principal Financial Accountant, Ipswich City Council.
2. Scope of Works
 - i. Full revaluation of the asset class for the relevant year (in accordance with the valuations schedule included in the table above)
 - The current quantity of assets to be valued for each asset class are detailed in the Annexure below.
 - ii. Annual desktop revaluation of all other assets classes (excluding artworks) to determine valuation increases since the last full revaluation.
 - iii. The revaluation is to be conducted in accordance with:
 - Local Government Act 2009;
 - Local Government Regulation 2012;
 - Australian Accounting Standards:
 - AASB116 Property, Plant and Equipment
 - AASB13 Fair Value Measurement
 - ICC's Asset Accounting Policy and Procedures
 - iv. These asset values, a description of the methodology used and any assumptions made should be present in both hard copy and electronic format (electronic Microsoft Office Windows readable format only).
 - v. The asset values are to be provided in dollar value, rounded to two decimal places
3. Project Deliverable's and Timing
 - i. A draft revaluation report (including desktop revaluations) by 9 April 2020, with the following details:
 - The written report provided in the electronic PDF format
 - The asset revaluations (dollar value change) in the electronic Microsoft Windows readable format (Excel)
 - ii. A final revaluation report by 27 April 2020, with the following details:
 - The written report provided in the electronic PDF format and in hard copy
 - The asset revaluations (dollar value change) in the electronic Microsoft Windows readable format (Excel)
 - iii. Data is provided with key valuation data to include but not limited to the following details:
 - Asset Level
 - (a) Gross Value
 - (b) Accumulated Depreciation

- (c) Fair Value
- (d) Fair Value Level

- Asset Accounting Attributes
 - (a) Gross Value, Accumulated Depreciation and WDV
 - (b) Condition or consumption source
 - (c) Pattern of consumption
 - (d) Useful life and remaining useful life
 - (e) Depreciation Rate
 - (f) Annual Depreciation Expense

4. Project Plan

- i. The valuer is to maintain an up to date project plan during the course of the assignment. The valuer is to advise the Project Manager of material variations to the project plan as they arise.

5. Submissions will be assessed based on the following evaluation criteria that each supplier will requested to address in detail in their proposal and responses to the request for quotation:

- i. Appropriate Insurance
- ii. Workplace Health & Safety
- iii. Local Government experience in undertaking asset revaluations
- iv. Demonstrated Capability including experience and qualifications of nominated staff
- v. Ability to meet specified timeframe
- vi. Pricing (including hourly rates quoted)
- vii. Supplier Profile

6. Insurances

- i. The valuer shall be required to have and maintain Public Liability Insurance of at least ten million dollars (\$10,000,000).
- ii. The valuer shall be required to have and maintain Professional Indemnity Insurance of at least five million dollars (\$5,000,000)
- iii. The valuer shall be required to have and maintain Workers' Compensation Insurance for all employees for the term of the Contract.
- iv. Prior to engagement being approved, the valuer shall provide to Council proof of Public Liability Insurance, Professional Indemnity Insurance and Workers' Compensation Insurance. All insurance policies shall remain current for the term of the Contract and shall contain provisions that require the insurer to give notices in writing to Council of any alterations concerning the policy, including cancellation.

7. Personnel to be Supplied by Ipswich City Council
 - i. Ipswich City Council will provide the following part time personnel or delegates to assist the Consultant in completing the assignment:
 - Project Manager – Principal Financial Accountant (Barbara Watson)
 - Other personnel as required and mutually agreed between Council and the Consultant.

Annexure

Land Assets

Asset Class	Asset Type	Quantity	UoM
Land	Land	1,400	ea

Building and Facilities Assets

Asset Class	Asset Type	Quantity	UoM
Building and Facilities	Amenity Building	91	ea
	Commercial Building	49	ea
	Community Building	154	ea
	Operational Building	144	ea
	Sheds	138	ea
	Total	576	

Roads, Bridges and Footpath

Asset Class	Asset Type	Quantity	UoM
Roads	Sealed Pavement Surface	1,613	
	Sealed Pavement Base		Km
	Sealed Pavement Sub base		
	Sealed Pavement Formation		
	Unsealed Pavement Base	298	Km

Item 1 / Attachment 1.

	Unsealed Pavement Formation		
Bridges	Pedestrian Bridge & Boardwalk	211	ea
	Vehicular Bridge	46	ea
Kerb and Channel Network	Kerb and Channel	2,183	Km
	Footpaths	1,183	Km
Pathway Network	Kerb Ramp	36,554	Sqm
	Tactile indicators	1,045	Sqm
Pathway Network	Steps/Stairs	2,781	Sqm
	Ramp	2,031	Sqm
Traffic Facilities	Bus Shelter	229	ea
	Parking Meter	110	ea
Traffic Facilities	Sign	37,652	ea
	Traffic Island	3,590	ea
Traffic Facilities	Traffic Signals	104	ea
	Guardrail	16	Km

Parks and Recreation Infrastructure Assets

Asset Class	Asset Group	Asset Type	Quantity	UoM
Other Structures	Boundary Elements	Fence, Gate, Chicane, Handrail, Bollard, Edging, Retaining walls	297	Km
	Bin Enclosure	Bin Enclosure	TBA	
	Bike Rack	Bike Rack	36	ea
	Driveway/Car park	Driveway/Car park	193,487	Sqm

Item 1 / Attachment 1.

	Platform	Deck, viewing platform, Stage	2,790	Sqm
	Drinking Fountain	Drinking Fountain	285	ea
	Feature Object	Sandstone Block, Statute, Sculpture, Water Feature	406	ea
	Flag Pole	Flag Pole	47	ea
	Goal Post	Goal Post	302	ea
	Grandstand/Spector seating	Grandstand/Spector seating	15	ea
	Hardstand	Hardstand	133,179	Sqm
	Memorials/Monuments	Memorials/Monuments	TBA	
	Public and Sport field lighting	Park lighting and fittings, Sport field lighting and fittings	TBA	
	Scoreboard	Scoreboard	16	ea
	Shading Structures	Shade Sail, Shelter	1,095	ea
	Swimming Pool and Lagoon	Swimming Pool and Lagoon	11	ea
	Water Tank	Water Tank	36	ea
	Wheels Stop	Wheels Stop	261	ea
	Windmill	Windmill	1	ea
	Seat	Seat	1,773	ea
Park and Street Furniture	Table	Table	804	ea
	Soft fall	Soft fall	77,486	Sqm
Playing Surfaces	Sport Court/Fields	Skate Bowl, Netball Court, Cricket pitches, Athletics oval	443,860	Sqm

Drainage Assets

Asset Class	Asset Group	Asset Type	Quantity	UoM
Piped Network	Drainage Mains	Drainage Mains	1,201	Km
	Drainage Structures	Manhole/Chamber, Gully Pits, Headwall, Gross Pollutant trap, Trash rack, Culvert	43,681	ea
Open Drain Network	Open Drains, Invert and Levee Banks	Open Drains, Invert and Levee Banks	881,840	Sqm
Flood Mitigation	Detention & Bio Detention Basins	Detention Basin, Spillway, Sediment Pits	357	ea
Flood Mitigation	Flood Monitoring Station	Flood Monitoring Station	36	ea

Please note: The above quantities are subject to change due to the capitalisation and disposal of assets. They are a general guide.

* The quantities are based on data from 30 June 2019, until the current data is obtained.

Doc ID No: A5874254

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: 15

SUBJECT: BUSINESS TRANSFORMATION PROGRAM UPDATE

AUTHOR: BUSINESS IMPROVEMENT MANAGER

DATE: 31 OCTOBER 2019

EXECUTIVE SUMMARY

This is a report concerning the Business Transformation Program. This report has been drafted to highlight the following:

- Program health check;
- A summary of the issues/risks and proposed control process to ensure appropriate management of the Transformation Projects (TP) with significant risk;
- Summary of control process for the management of number 1 organisational risk;
- Identification of closed projects, submission of project close reports and key deliverables.

RECOMMENDATION/S

That the Interim Administrator of Ipswich City Council resolve:

That the report be received and the contents noted.

RELATED PARTIES

No conflicts of interest identified

ADVANCE IPSWICH THEME

Listening, leading and financial management

PURPOSE OF REPORT/BACKGROUND

The purpose of this report is to succinctly and honestly address:

- Program health check;
- A summary of the issues/risks and proposed control process to ensure appropriate management of the Transformation Projects (TP) with significant risk;
- Summary of control process for the management of number 1 organisational risk;
- Identification of closed projects, submission of project close reports and key deliverables.

LEGAL/POLICY BASIS

This report and its recommendations are consistent with the following legislative provisions:
Not Applicable

RISK MANAGEMENT IMPLICATIONS

Please refer to attachments discussing risk management and opportunities.

FINANCIAL/RESOURCE IMPLICATIONS

Nil budget implications.

COMMUNITY AND OTHER CONSULTATION

Not applicable.

CONCLUSION

The confidential attachments are provided to ensure transparency and drive confidence in the process, systems and controls currently in place to manage risks and issues within the Business Transformation Program.

ATTACHMENTS AND CONFIDENTIAL BACKGROUND PAPERS

	CONFIDENTIAL
1	Audit & Risk Committee Report - BTP
2	TP5 - Project Close Report
3	TP12 - Project Close Report
4	TP14 - Project Close Report
5	TP17 - Project Close Report
6	TP18 - Project Close Report
7	Project Closure - Actions Register
8	TP5 - Business Planning Framework
9	TP14 - Final Report to IA
10	TP17 - ICT Strategy Report
11	TP17 - ICT Strategy Roadmap for Delivery
12	TP18 - Advocacy Policy
13	TP18 - Advocacy Strategy
14	TP18 - Priority Scoring Assessment

Joshua Edwards

BUSINESS IMPROVEMENT MANAGER

I concur with the recommendations contained in this report.

Sean Madigan

GENERAL MANAGER - COORDINATION AND PERFORMANCE

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