

AUDIT AND RISK MANAGEMENT COMMITTEE NO. 2021(05)

6 OCTOBER 2021

REPORT

MEMBERS' ATTENDANCE: Robert Jones (External Member and Chairperson); Dr Annette Quayle (External Member), Martin Power (External Member), Councillor Kate Kunzelmann

MEMBER'S APOLOGIES: Councillor Marnie Doyle

OTHER ATTENDANCE: Queensland Audit Office Attendance (Lisa Fraser and Dale Hassell), Sonia Cooper (Acting Chief Executive Officer), Jeff Keech (Chief Financial Officer), Christina Binoya (Financial Accounting Manager), Freddy Beck (Chief Audit Executive) and Sylvia Swalling (Acting General Manager Corporate Services)

DECLARATIONS OF INTEREST IN MATTERS ON THE AGENDA

Nil

BUSINESS OUTSTANDING

Nil

CONFIRMATION OF MINUTES

1. **CONFIRMATION OF MINUTES OF THE AUDIT AND RISK MANAGEMENT COMMITTEE NO. 2021(04) OF 25 AUGUST 2021**

RECOMMENDATION

That the Minutes of the Meeting held on 25 August 2021 be confirmed.

OFFICERS' REPORTS

2. **QUEENSLAND AUDIT OFFICE CLOSING REPORT**

This is a report concerning the final Ipswich City Council Closing Report as at 30 September 2021 submitted by Queensland Audit Office.

RECOMMENDATION

That the report be received and the contents noted.

Discussion

Outstanding Deficiencies – QAO Rating

Martin Power (External Member) queried the outstanding deficiencies from previous reports within the Queensland Audit Office (QAO) closing report that had the notation that QAO have yet to verify that these have been completed. He also queried whether for the next financial year they would appear as outstanding and impact the overall control rating for Council. Lisa Fraser (QAO) advised that they look at all significant deficiencies outstanding or raised throughout the financial year in assessing the overall rating. She advised that if there are any outstanding significant deficiencies and they are not resolved within a short period after 30 June, they will appear in next year's report and impact the rating. At this stage there will be no deficiencies showing in next year.

Annette Quayle (External Member) advised that it would be appropriate to formally note that it was the committee's view there has been a substantial improvement in the reported deficiencies and the actions to clear them leading to the committee's view that controls and processes for financial information and reporting is trending in the right direction.

Publication of Contracts

Rob Jones (Chairperson) queried the new deficiency raised in relation to the publication of contracts awarded greater than \$200,000 on page 29 of the QAO Report. He questioned if this was a timing issue as to when publication takes place and what a reasonable timeframe would be. Dale Hassel (QAO) advised that it was the system report that was being using which was only reporting the current month and publishing this in addition to previous months already published. The report wasn't designed to look in the past, if the effective date was a previous month. Jeff Keech (Chief Financial Officer) advised that council updates the Transparency Hub on a monthly basis.

Councillor Kunzelmann queried the publication date of contracts and the amount of time from signing in terms of what "effective date means".

Asset Registers reconciliation

Rob Jones (Chairperson) advised that at a high level he was comfortable that council had reconciled the Physical Asset Register (PAR) and Financial Asset register (FAR) materially however there are still process issues around ensuring it was completely accurate. It was noted that automation should resolve this issue. He queried if it will remain a deficiency until an asset management process is put in place. Lisa Fraser (QAO) advised that the reconciliation is at a very high level and until there is an asset management system in place she is hesitant to move it. Jeff Keech (Chief Financial Officer) advised that council is also updating their processes and that whilst reconciliations are going on, a lot of work is continuing with various Branches across Council to ensure the information is collated in a

timely manner. Jeff advised that the alignment of the PAR & FAR will be a key deliverable of the iVolve Project.

Martin Power (External member) advised that most of his queries had been resolved however there were 2 items in next year's audit planning considerations which he asked how council was placed. Jeff Keech (Chief Financial Officer) advised that his team have commenced reconciling the flooding and drainage assets between PAR and FAR and have had discussions with QAO in relation to required level of sampling for condition assessments.

ACTION:

The Chief Financial Officer to clarify the meaning of "effective date" and what council's position is in relation to signing of contracts ie: effective date vs contract date and what obligations this places on council. He will provide a response at the next meeting scheduled for 24 November 2021.

3. 2020-2021 ANNUAL FINANCIAL STATEMENTS AND 2020-2021 MANAGEMENT REPRESENTATION LETTER

This is a report concerning the 2020-2021 annual financial statements and 2020-2021 management representation letter.

"The attachment/s to this report are confidential in accordance with section 254J(3)(i) of the *Local Government Regulation 2012*."

RECOMMENDATION

- A. That the 2020-2021 annual financial statements as detailed in Attachment 1 to the report of the Principal Financial Accountant dated 21 September 2021 be approved for certification by the Mayor and Chief Executive Officer.
- B. That the 2020-2021 management representation letter as detailed in Attachment 2 to the report of the Principal Financial Accountant dated 21 September 2021 be approved for certification by the Mayor and Chief Executive Officer.

Discussion

Reconciliation of management accounts to Financial Statements

Jeff Keech (Chief Financial Officer) provided an overview of the compilation process of the financial statements. Rob Jones (Chairperson) queried whether there is a documented reconciliation of changes from the June Management Accounts and the annual Financial Statements. Jeff Keech (Chief Financial Officer) advised that there is not a formal reconciliation of movements however they do try and minimise adjustments and specifically they monitor changes to the operating surplus. Rob Jones (Chairperson) advised that in future it would be useful to see a high level reconciliation; particularly the

operating result between management results and the Financial Statements. He advised that it would be useful to understand the significant management decisions that have been made throughout the year that impact the result.

Financial Statement Disclosures

Matters relating to the Financial Statement disclosures and accounting issues were discussed including those matters set out in the Chief Financial Officer's report. There were no material changes from the previous draft.

Rob Jones (Chairperson) suggested that it would be helpful if there was a note to advise what items are included in the intangibles category ie; that the majority of the intangibles related to software systems. QAO advised that previously they hadn't included a separate note for intangibles but will make changes for next year. Jeff Keech (Chief Financial Officer) advised that a brief explanation note could be included under note 16 stating that the majority are software.

The Committee endorsed the Financial Statements as presented.

External Audit Fees

Martin Power (External Member) queried the audit fees as set out in the Notes to the Financial Statements and whether it would assist to have another sentence explaining the breakdown in the fees ie; audit and consultant fees separated. As explanation was provided in relation to what was included in the audit fees expenses and the reason for disclosure of the actual QAO fees and it was agreed the current disclosure was sufficient.

ACTION:

- 1. The Chief Financial Officer to review costing allocations next year with a view to separating the specific audit fees and any consulting fees.**
- 2. The Chief Financial Officer to provide a high level reconciliation between the Management Accounts and the Financial Statements as part of the presentation of the Draft Financial Statements for the 2021-22 year.**

4. NEXT MEETING

The next meeting is scheduled for Wednesday, 24 November 2021.

5. GENERAL BUSINESS

6. PRIVATE SESSION OF MEMBER (IF REQUIRED)

Rob Jones (Chairperson) requested time with members to discuss the planned agenda for 2022.

PROCEDURAL MOTIONS AND FORMAL MATTERS

The meeting commenced at 9.33 am.

The meeting closed at 12.01 pm.
