

## Issues & Other Matters

### Other matter



No.	16	Component	Risk Assessment	Rating	Other Matter
Procurement Planning and risk treatment could be improved					

We recognise the improvements recently implemented by Council through the development of a procurement framework and methodology and procurement training, and commend Council on the actions taken to date in the process of improvement. We offer the following observations to further strengthen the process.

- Utilising a council-wide strategic procurement approach may assist in improved planning and execution of procurement
- Alignment of council resources to the level of risk in procurement processing and contract management for medium to large procurement projects.

#### QAO recommendation

We suggest that a longer-term assessment and procurement review be performed. Better practice suggests that strategic procurement planning and its actioning achieves optimal outcomes when aligned with an organisation's stated strategic plan. Further guidance may be obtained from our website at <https://www.qao.qld.gov.au/reports-parliament/strategic-procurement-report-1-2016-17>

We recommend that appropriately tailored procurement procedures and associated documentation, which adequately and appropriately distinguishes the level of risk in each specific procurement projects be utilised. We also suggest that any risk appetite statement used within council risk management framework be reviewed to account for this.

#### Management response – A/CFO

Management acknowledges the recommendations and will further consider the recommendation as part of Council's continuous improvement of the procurement functions.

As mentioned Council intends to undertake a review of the procurement structure and contract administration in 18/19 financial year and will consider the QAO strategic procurement report to Parliament.

Risk assessments of the procurement process are also undertaken for each tender as part of the Procurement Planning.

Council does strategically consider procurement options as part of its planning for example packaging of works etc.

Responsible officer	TBA	Status	Management undertaking for corrective action	Action date	TBA
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## Issues & Other Matters

### Other matter



No.	17	Component	Control Environment	Rating	Other Matter
<b>Vendors with a ABN status of cancelled</b>					
Audit extracted a listing of all vendors ABN from the vendor masterfile and ran the list through the 'ABN Lookup' tool obtained from the Australian Business Register (ABR) website. Two vendors have an ABN status of 'cancelled'.					
<b>QAO recommendation</b>					
That a quarterly check be performed over the ABN status of vendors in the vendor masterfile using the ABN lookup tool.					
<b>Management response – A/CFO</b>					
Management agrees and will check the ABN status on a regular basis (quarterly or half yearly).					
Responsible officer	TBA	Status	Management undertaking for corrective action	Action date	TBA



## Issues & Other Matters

### Status update of Prior year

#### Summary of issues and other matters

In the prior financial year we reported a number of control deficiencies, financial reporting issues and other matters. Details of these issues were reported to management in the 2017 final management report (Appendix A). The current status as per management's response is include below. Audit will follow up and assess the status of each deficiency and report on these as part of our second interim audit visit.



#### Significant deficiencies in internal controls

Issue	Status
<p><b>Council officers engaging legal firms directly</b></p> <p>Council officers are engaging directly with legal firms to deal with ad hoc legal matters, rather than following council policy of using Council's legal section.</p> <p>No formal review is completed over current legal claims to assess for potential contingent assets and liabilities.</p>	<p>Work in progress.</p> <p>Staff have been made aware of the requirement that Legal Services are consulted as part of engaging Legal Firms.</p>
<p><b>Termination payments not consistent with conditions specified in employee contracts</b></p> <p>There were 3 instances where an employees termination payment was not in accordance with the employee's contract, including an ex-gratia payment of \$150,000.</p>	<p>Work in progress.</p> <p>Refer to current interim issue number 1 and recommendation. Management will prepare a guideline to assist in developing Deeds of Release.</p>



## Issues & Other Matters

### Status update of Prior year issues



#### Deficiencies in internal controls

Issue	Status
<p><b>Improvements to Councillors' Register of Interests</b></p> <p>Difficulty of using the councillors' registers of interests to identify related parties and conflicts of interest.</p>	<p>Management undertaking for corrective action</p> <p>All registers are available on Council's websites and Councillors have been encourage to prepare a cumulative register vs individual changes.</p>
<p><b>Elected Council oversight of controlled entities and making information publically available</b></p> <p>During our 2015-16 and our 2016-17 audit an issue was raised about the council's oversight of the controlled entities and made three recommendations.</p>	<p>Management undertaking for corrective action</p> <p>Financial Statements tabled at Council and available on companies website.</p>
<p><b>Clear written instructions were not provided to the valuation expert</b></p> <p>The valuer did not receive clear instructions about which assets were to be valued and which assets to be excluded. Council added and excluded assets progressively throughout the process.</p>	<p>Work in progress</p> <p>For the 2018 asset valuation all relevant information on the assets to be valued were provided to the valuer prior to commencing the valuation and all communication between the valuer and Council is documented.</p>
<p><b>Journals not signed</b></p> <p>Instances of journal records not signed by the preparing, authorising or posting officers, rather the names of the officers were typed. One journal could not be located.</p>	<p>Management undertaking for corrective action</p> <p>The updated journal procedure has been emailed to all Finance Officers on two occasions over the past 10 months. Also, in monitoring the process Finance has contacted those officers who have not followed procedure and reminded them of their responsibilities.</p>
<p><b>Incorrect coding of expenses – corporate credit cards</b></p> <p>Instances identified where recurrent expenses had been capitalised, or vice versa. Most were low value items but also included travel and accommodation for conference attendance was also capitalised.</p>	<p>Work in progress</p> <p>A position paper detailing guidelines of what expenses are classified as operational and capital has been issued to the departments in March/April 2018. In addition, the Infrastructure Services Finance Officer reviews and monitors expenses processed to work-in-progress (WIP) prior to capitalisation and makes corrections as necessary.</p>



## Issues & Other Matters

### Status update of Prior year issues



#### Deficiencies in internal controls

Issue	Status
<p><b>Councillor reimbursements approval of claims</b></p> <p>Approving officers had not signed some claims. Some claims were posted to the general ledger before being approved or coded to the wrong account. Some claims were not submitted in a timely manner and untimely approval of claims.</p>	<p>Work in progress</p> <p>The Accounts Payable team will continue to monitor that claims have been approved prior to posting to the general ledger. The Councillor claim form has been updated to reinforce claims are consistent will policy</p>
<p><b>Managing access to Council's network (Active Directory)</b></p>	<p>Re-raised – refer to deficiency number 15</p>
<p><b>Disaster recovery</b></p>	<p>Resolved</p>
<p><b>ICT policy and procedure documents overdue for review</b></p>	<p>Resolved</p>



#### Financial reporting issues

Issue	Status
<p><b>Breakdown in the process for decommissioning assets (high risk)</b></p> <p>For the past 2 years, an issue has been raised regarding Council not having a process to decommission assets, which have been upgraded or renewed by council during the year. Council advised that a new monthly process was implemented however, we identified that this process had fallen over.</p>	<p>Work in progress</p> <p>As a result of the review the Asset Management Branch has updated the decommissioning process and decommissioning information is identified more readily in the physical asset register which has resulted in more timely decommissioning reports being forwarded to Finance for processing.</p>



## Issues & Other Matters

### Status update of Prior year issues – Controlled Entities

#### Summary of issues and other matters – controlled entities

In the prior financial year we reported a number of control deficiencies, financial reporting issues and other matters in relation to controlled entities to the individual Boards. We will follow up the status of these issues as part of our year end audit visit and report back to the individual Boards. We will also provide a copy of our final management report for each controlled entity to Council under sec 54 (4) of the Auditor-General Act.

#### Ipswich City Properties Pty Ltd

##### Significant deficiencies

- Robustness of process used to engage developer

##### Deficiencies

- Non compliance with expenditure policy in relation to obtaining quotes
- Bank reconciliations not signed by preparing and reviewing officers

#### Ipswich Motorsport Park Pty Ltd

##### Significant deficiencies

- Board minutes not signed
- No budget produced
- Insufficient documentation for awarding of contract for final design of Queensland Raceway
- Directors approved their own expenditure
- Use of former General Manager's expenditure blanket approval post their departure

##### Deficiencies

- Bank reconciliations not signed by preparing and reviewing officers

#### Ipswich City Developments Pty Ltd

##### Significant deficiencies

- Sale of Redback Plains – retail and residential – not offered for market

##### Deficiencies

- Debit card expenditure not independently approved
- Bank reconciliations not signed by preparing and reviewing officers

##### Financial reporting (high risk)

- Methodology for accrual of administration costs

#### Ipswich City Investments Pty Ltd and Ipswich City Enterprises Investments Pty Ltd




##### Deficiencies

- Bank reconciliations not signed by preparing and reviewing officers






## Appendix A—Our rating definitions

### Internal rating definitions

	Definition	Prioritisation of remedial action
<b>Significant deficiency</b> 	<p>A significant deficiency is a deficiency, or combination of deficiencies, in internal control that requires immediate remedial action.</p> <p>Also, we increase the rating from a deficiency to a significant deficiency based on:</p> <ul style="list-style-type: none"> <li>• the risk of material misstatement in the financial statements</li> <li>• the risk to reputation</li> <li>• the significance of non-compliance with policies and applicable laws and regulations</li> <li>• the potential to cause financial loss including fraud, or</li> <li>• where management has not taken appropriate timely action to resolve the deficiency.</li> </ul>	This requires immediate management action to resolve.
<b>Deficiency</b> 	A deficiency arises when internal controls are ineffective or missing, and are unable to prevent, or detect and correct, misstatements in the financial statements. A deficiency may also result in non-compliance with policies and applicable laws and regulations and/or inappropriate use of public resources.	We expect management action will be taken in a timely manner to resolve deficiencies.
<b>Other matter</b> 	An other matter is expected to improve the efficiency and/or effectiveness of internal controls, but does not constitute a deficiency in internal controls. If an other matter is not resolved, we do not consider that it will result in a misstatement in the financial statements or non-compliance with legislative requirements.	Our recommendation may be implemented at management's discretion.

### Financial reporting issues

	Potential effect on the financial statements	Prioritisation of remedial action
<b>High</b> 	We assess that there is a high likelihood of this causing a material misstatement in one or more components (transactions, balances and disclosures) of the financial statements, or there is the potential for financial loss including fraud.	This requires immediate management action to resolve.
<b>Medium</b> 	We assess that there is a medium likelihood of this causing a material misstatement in one or more components of the financial statements.	We expect management action will be taken in a timely manner.
<b>Low</b> 	We assess that there is a low likelihood of this causing a material misstatement in one or more components of the financial statements.	We recommend management action to resolve; however, a decision on whether any action is taken is at management's discretion.



## Appendix B—Information on internal controls

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### Information on Internal

#### What is internal control?

'Internal control' is the processes, systems, records and activities that your entity designs, implements and maintains to provide you with reasonable assurance about the achievement of organisational objectives regarding:

- reliability of financial reporting
- effectiveness and efficiency of operations
- compliance with applicable laws and regulations.

Your governing body and executive management collectively are responsible for preparing reliable financial statements in accordance with generally accepted accounting principles. They are similarly responsible for maintaining effective internal control over financial reporting.

#### Our assessments of your internal control framework

The auditing standards that we must comply with require us to understand and assess those aspects of your internal control that relate to our financial statement audit objectives. In the planning phase of our audit, we sought to understand and evaluate how controls are designed and implemented. We communicated to you the results of our analysis in our external audit plan.

If we decide that we can rely on your controls, we must then test them to confirm they operated effectively. The results of our testing may highlight deficiencies in your internal controls. We assess whether any identified deficiencies in internal control constitute, individually or in combination, a significant deficiency in internal control.

#### Limitations of our reporting on internal control deficiencies

No system of internal control can provide absolute assurance about the absence of error or compliance. Even in the absence of identified control weaknesses, inherent limitations in your internal controls over financial reporting may not prevent or detect material misstatements.





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 **Queensland  
Audit Office**  
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**POLICY AND ADMINISTRATION ADVISORY COMMITTEE NO. 2018(06)**

**10 JULY 2018**

REPORT

<b><u>COUNCILLORS' ATTENDANCE:</u></b>	Councillor Wendt (Chairperson and Acting Mayor); Councillors Tully, Silver, Stoneman, Pahlke, Morrison (Observer), Bromage (Observer), Pisasale (Observer) and Ireland (Observer)
<b><u>COUNCILLOR'S APOLOGIES:</u></b>	Nil
<b><u>OFFICERS' ATTENDANCE:</u></b>	Chief Operating Officer (Infrastructure Services) (Charlie Dill), Acting Chief Financial Officer (Jeffrey Keech), Chief Operating Officer (Economic Development and Marketing) (Ben Pole), Chief Operating Officer (Arts, Social Development and Community Engagement) (Caroline McMahon), Acting Chief Operating Officer (Health, Security and Regulatory Services) (Graeme Kane), City Planner (John Adams), Acting General Counsel and City Solicitor (Tony Dunleavy) and Acting Chief Operating Officer (Works, Parks and Recreation) (Kaye Cavanagh)
<b><u>OFFICER'S APOLOGIES:</u></b>	Nil

1. **[DRAFT NEW POLICY – PARTNERSHIPS FOR COMMUNITY PURPOSE](#)**

With reference to a report by the Chief Operating Officer (Arts, Social Development and Community Engagement) dated 26 June 2018 concerning a draft new policy to support Council's partnerships with organisations to deliver benefits to the Ipswich community.

**RECOMMENDATION**

That the policy titled Partnerships for Community Purpose Policy as outlined in Attachment A, as amended, to the report by the Chief Operating Officer (Arts, Social Development and Community Engagement) dated 26 June 2018, be adopted.

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**PROCEDURAL MOTIONS AND FORMAL MATTERS**

The meeting opened at 10.06 am.

The meeting closed at 11.05 am.

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<b>Policy and Administration Advisory Committee</b>	
Mtg Date: 10.07.2018	OAR: YES
<b>Authorisation:</b> Caroline McMahon	

26 June 2018

**MEMORANDUM**

TO: CHIEF EXECUTIVE OFFICER

FROM: CHIEF OPERATING OFFICER (ARTS, SOCIAL DEVELOPMENT AND COMMUNITY ENGAGEMENT)

RE: DRAFT NEW POLICY – PARTNERSHIPS FOR COMMUNITY PURPOSE

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**INTRODUCTION:**

This is a report by the Chief Operating Officer (Arts, Social Development and Community Engagement) dated 26 June 2018 concerning a draft new policy to support Council's partnerships with organisations to deliver benefits to the Ipswich community.

**BACKGROUND:**

Council currently partners to deliver a broad range of services and other outcomes across the Ipswich community. These partnerships take a variety of forms, including sponsorships, formal Partnering Agreements, Memoranda of Understanding – but all carry with them a clear intent and commitment to facilitate community benefit at no financial gain to either party.

Council is obligated under the *Local Government Regulation 2012* to adhere to a range of processes that facilitate fairness and transparency in its procurement operations and to ensure that adequate opportunity is provided to all suppliers. For partnerships where there is *no expectation of financial gain*, however, there is currently no consistent approach.

Council requires the ability to opportunistically partner with community or corporate organisations to deliver community benefit, where there is no expectation of financial gain for either party. The draft Partnerships for Community Purpose Policy (attached) presents a commitment to such partnerships.

**BENEFITS TO COMMUNITY AND CUSTOMERS:**

Partnering with organisations for community benefit supports Council’s commitment to enhancing the quality of life of its community, is consistent with and complements Advance Ipswich and Corporate Plan 2017–2022 Strategies and Goals by:

- Increasing opportunities for active participation in community life.
- Enhancing community belonging and pride.
- Enhancing community capacity.


**CONSULTATION:**

Council’s Legal Counsel has been consulted regarding the Draft Partnerships for Community Purpose Policy.

**FINANCIAL IMPLICATIONS:**

Funding for a range of initiatives has been included in the Ipswich City Council 2018–2019 budget.

**ATTACHMENT:**

Name of Attachment	Attachment
<a href="#">Attachment A – DRAFT Partnerships for Community Purpose Policy Amended at Policy and Administration Advisory Committee No. 2018(06) of 10 July 2018.</a>	 Attachment A

**RECOMMENDATION:**

[Amended at Policy and Administration Advisory Committee No. 2018\(06\) of 10 July 2018. That the draft Partnerships for Community Purpose Policy be discussed. That the policy titled Partnerships for Community Purpose Policy as outlined in Attachment A, as amended, to the report by the Chief Operating Officer \(Arts, Social Development and Community Engagement\) dated 26 June 2018, be adopted.](#)

Caroline McMahan  
**CHIEF OPERATING OFFICER**  
**(ARTS, SOCIAL DEVELOPMENT AND COMMUNITY ENGAGEMENT)**

	<p align="center"><b>PARTNERSHIPS FOR COMMUNITY PURPOSE POLICY</b></p>	<p><b>DOCUMENT NO:</b></p>
<p><b>1.1 Objectives:</b></p> <p>The purpose of this policy is to establish a governing framework and consistent management of partnerships between Ipswich City Council and external organisations for the purposes of community benefit, where there is no expectation of financial gain from either party. The Policy ensures that Council is able to report in accordance with its legislative requirements under the <i>Local Government Regulation 2012</i>.</p>		
<p><b>1.2 Regulatory Authorities:</b></p> <p><i>Local Government Act 2009</i>  <i>Local Government Regulation 2012</i>  Ipswich City Council - Advance Ipswich  Ipswich City Council – Corporate Plan 2017-2022</p>		
<p><b>1.3 Policy Statement:</b></p> <p>Ipswich is experiencing unprecedented growth and by 2041, the population is expected to reach approximately 520,000. The challenge for Council is to manage this growth and deliver positive and sustainable outcomes for the Ipswich community, but more importantly, ensure that the community has an opportunity to directly participate in this critical growth phase.</p> <p>The business sector is often positioned to develop, implement and deliver projects that deliver community benefit. Through partnering with these organisations, Council seeks to support the ‘corporate citizenship’ agenda of businesses and their delivery of community programs, services and initiatives.</p> <p>Similarly, not-for-profit organisations regularly secure funding, through government or philanthropic means, to deliver targeted programs across the city of Ipswich. Where these initiatives align to Council’s strategic goals, Council may seek to partner in their delivery to optimise benefit to the community.</p>		
<p><b>1.4 Scope:</b></p> <ul style="list-style-type: none"> <li>• Council may partner with businesses or not-for-profit organisations to deliver initiatives or projects that contribute significantly to community, cultural or social enhancements for the Ipswich community, where there is no financial gain to any party in the agreement.</li> </ul>		

- In adopting the annual budget, Council may approve an allocation of funds to support a range of initiatives or programs for eligible businesses or community organisations.
- Council's partnership with corporate or community organisations for community purpose will contribute to Council's Corporate Plan and Advance Ipswich strategies and will assist Council in achieving its corporate goals.
- Relevant Procedures and/or Guidelines will be established for partnerships for community purpose.
- Organisations are expected to apply responsible management of any financial or non-financial assistance received from Council.
- Council may consider partnerships with organisations outside the City of Ipswich boundary where it is considered that the project, activity or initiative will benefit the City of Ipswich.

#### **1.5 Roles and Responsibilities:**

This Policy, and supporting Procedures and practices, apply to all Departments and Branches seeking to partner with organisations for community purposes.

The Community Engagement Branch within Ipswich City Council will provide advice regarding the eligibility of the project or initiative proposed for community benefit to ensure adoption of a consistent management approach.

#### **1.6 Definitions:**

##### **Not-For-Profit**

A Not-For-Profit is an organisation that does not operate for the profit, personal gain or other benefit of particular people (for example, its members, the people who run it or their friends or relatives). The definition of Not-For-Profit applies both while the organisation is operating and if it closes down.

##### **Business**

An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.

##### **Corporate Organisation**

Amended at Policy and Administration Advisory Committee No. 2018(06) of 10 July 2018.  
Under the *Corporations Act 2001* and the *Associations Incorporation Act 1981 (Qld)*, a corporation can be:

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- a company
- any body corporate (whether incorporated in this jurisdiction or elsewhere),  
and
- ~~an unincorporated body that under law of its place of origin, may sue or be sued,  
or may hold property in the name of its secretary or of an officeholder of the body  
duly appointed for that purpose~~

**Community benefit**

Positive contribution to community, cultural or social wellbeing of the Ipswich community

**1.7 Policy Author:**

The Community Engagement Manager is responsible for reviewing this policy.

**Date of Council Resolution:**

**Committee Reference and Date:**

**No. of Resolution:**

**Date to be Reviewed:**

DRAFT