



02

PERSPECTIVES & IMAGERY

3D PERSPECTIVE

South - west corner



ICC IPSWICH CITY COUNCIL BUILDING

3D PERSPECTIVE

South - west corner



ICC IPSWICH CITY COUNCIL BUILDING

AUDIT AND RISK MANAGEMENT COMMITTEE NO. 2018(02)

16 MAY 2018

REPORT

<u>MEMBERS' ATTENDANCE:</u>	Councillor Wendt (Chairperson and Acting Mayor); Councillor Tully, Graeme Stratford (External Member) and Dr Annette Quayle (External Member)
<u>MEMBER'S APOLOGIES:</u>	Nil
<u>OTHER ATTENDANCE:</u>	Acting Chief Executive Officer (Gary Kellar), Acting Chief Financial Officer (Jeffrey Keech), Internal Audit Manager (Freddy Beck), Queensland Audit Office (Lisa Fraser), Queensland Audit Office (Megan Manual), Queensland Audit Office (Karen Johnson), Chief Operating Officer (Health, Security and Regulatory Services) (Sean Madigan), Acting Chief Operating Officer (Works, Parks and Recreation) (Bryce Hines), Corporate Services and Risk Manager (Laura Nicholls) and Information and Communications Technology Manager (Tim Allen)

DECLARATION OF CONFLICTS OF INTEREST BY AUDIT COMMITTEE MEMBERS

Councillor Paul Tully declared a potential conflict of interest as a member of the Local Government Audit and Compliance Committee of the Local Government Association of Queensland (LGAQ).

1. **[REPORT – AUDIT COMMITTEE NO. 2018\(01\) OF 14 FEBRUARY 2018](#)**

With reference to a report by the previous Audit Committee No. 2018(01) of 14 February 2018 and an extract of the Council Ordinary Meeting held on 27 February 2018.

RECOMMENDATION

That the report be received and the contents noted.

2. **[INTERNAL AUDIT BRANCH ACTIVITIES REPORT FOR THE PERIOD 2 FEBRUARY 2018 TO 4 MAY 2018](#)**

With reference to a report by the Internal Audit Manager dated 4 May 2018 concerning the activities undertaken since 2 February 2018 and the current status of Internal Audit activities.

RECOMMENDATION

That the report be received, the contents noted and the recommendations in Attachments 2a and 2b, be considered finalised and archived.

3. [SUMMARY OF RECENT AUDIT REPORTS ISSUED](#)

With reference to a report by the Internal Audit Manager dated 4 May 2018 concerning the completion of recent internal audits and subsequent reports released since the previous report dated 2 February 2018.

RECOMMENDATION

That the report be received and the contents noted.

4. [OVERDUE RECOMMENDATIONS AS AT 4 MAY 2018](#)

With reference to a report by the Internal Audit Manager 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 the contents noted.

5. [PROGRESS OF 2017-2018 ANNUAL INTERNAL AUDIT PLAN](#)

With reference to a report by the Internal Audit Manager dated 4 May 2018 concerning the status of the 2017-2018 Annual Internal Audit Plan.

RECOMMENDATION

That the report be received and the contents noted.

6. [INTERNAL AUDIT BRANCH ANNUAL PLAN FOR 2018-2019 AND THREE YEAR STRATEGIC PLAN FOR 2018-2021](#)

With reference to a report by the Internal Audit Manager dated 4 May 2018 concerning the proposed Annual Audit Plan for 2018–2019 and the Three Year Strategic Internal Audit Plan for 2018–2021.

RECOMMENDATION

- A. That the draft Internal Audit Annual Plan 2018-2019 (Attachment A) and the draft Three Year Strategic Internal Audit Plan 2018-2021 (Attachment B) prepared by the Internal Audit Manager be reviewed and considered by the Audit Committee.
 - B. That, following receipt of the views of the Audit Committee, the Plans subject to amendments as considered necessary, be formally approved by the Chief Executive Officer as required under the Internal Audit Charter.
-

7. [IMPACT OF NEW ACCOUNTING STANDARDS FOR IPSWICH CITY COUNCIL](#)

With reference to a report by the Principal Financial Accountant dated 3 May 2018 concerning a position paper required by The Queensland Audit Office for Ipswich City Council and its controlled entities on the impact of recently issued or amended accounting standards.

RECOMMENDATION

That the report of the Principal Financial Accountant regarding the impact of the recently released or amended Accounting Standards on Ipswich City Council dated 3 March 2018 be received and the contents noted.

8. [ENTERPRISE RISK MANAGEMENT AND INSURANCE UPDATE](#)

With reference to a report by the Corporate Services and Risk Manager dated 18 April 2018 providing the Audit and Risk Management Committee with an Enterprise Risk Management (ERM) and Insurance update.

RECOMMENDATION

That the Enterprise Risk Management Framework, as detailed in Attachment D of the report by the Corporate Services and Risk Manager dated 18 April 2018, be approved, in principle.

9. [QUEENSLAND AUDIT OFFICE - BRIEFING NOTE](#)

With reference to a report by the Queensland Audit Office providing an update on Ipswich City Council's Audit Status.

RECOMMENDATION

That the report be received and the contents noted.

10. [QUEENSLAND AUDIT OFFICE 2018 INTERIM MANAGEMENT REPORT](#)

With reference to a report by the Queensland Office providing the 2018 Interim Management Report for Ipswich City Council and its controlled entities.

RECOMMENDATION

That the report be received and the contents noted.

11. [QUEENSLAND AUDIT OFFICE INSIGHTS AUTUMN 2018 NEWSLETTER](#)

With reference to a newsletter by the Queensland Audit Office (Autumn 2018) providing an insight into the activities of the Queensland Audit Office.

RECOMMENDATION

That the report be received and the contents noted.

12. [PRESENTATION – UPDATE ON INFORMATION AND COMMUNICATIONS TECHNOLOGY](#)

With reference to a presentation by the Information and Communications Technology Manager (Tim Allen) concerning an update on Information and Communications Technology within Council.

RECOMMENDATION

That the presentation be received and noted.

13. [NEXT MEETING](#)

The next meeting is scheduled for Wednesday, 8 August 2018 from 1.00 pm to 3.00 pm.

PROCEDURAL MOTIONS AND FORMAL MATTERS

The meeting opened at 1.00 pm.

The meeting closed at 3.00 pm.

AUDIT AND RISK MANAGEMENT COMMITTEE NO. 2018(01)

14 FEBRUARY 2018

REPORT

MEMBERS' ATTENDANCE: Councillor Wendt (Chairperson and Deputy Mayor);
Councillor Tully and Graeme Stratford (External Member)

MEMBER'S APOLOGIES: Nil

OFFICERS' ATTENDANCE: Acting Chief Executive Officer (Gary Kellar), Chief Financial Officer (Andrew Roach), Internal Audit Manager (Freddy Beck), Queensland Audit Office (Patrick Flemming), Queensland Audit Office (Lisa Fraser), Chief Operating Officer as observer (Arts, Social Development and Community Engagement)(Caroline McMahon)

OFFICER'S APOLOGIES: Nil

DECLARATION OF CONFLICTS OF INTEREST BY AUDIT COMMITTEE MEMBERS

Councillor Paul Tully declared a potential conflict of interest as a member of the Local Government Audit and Compliance Committee of the Local Government Association of Queensland (LGAQ).

1. **REPORT – AUDIT AND RISK MANAGEMENT COMMITTEE NO. 2017(01) OF 27 NOVEMBER 2017**

With reference to the report of the previous Audit and Risk Management Committee No. 2017(01) of 27 November 2017 and an extract of the Council Ordinary Meeting held on 5 December 2017.

RECOMMENDATION

That the report be received and the contents noted.

2. **INTERNAL AUDIT BRANCH ACTIVITIES REPORT FOR THE PERIOD 25 SEPTEMBER 2017 TO 2 FEBRUARY 2018**

With reference to a report by the Internal Audit Manager dated 2 February 2018 concerning the activities undertaken since 25 September 2017 and the current status of Internal Audit activities.

RECOMMENDATION

That the report be received, the contents noted and the recommendations in confidential Attachments 2a and 2b (Nil Return), be considered finalised and archived.

3. SUMMARY OF RECENT AUDIT REPORTS ISSUED

With reference to a report by the Internal Audit Manager dated 2 February 2018 concerning the completion of recent internal audits and subsequent reports releases since the previous report dated 25 September 2017.

RECOMMENDATION

That the report be received and the contents noted.

4. OVERDUE RECOMMENDATIONS AS AT 2 FEBRUARY 2018

With reference to a report by the Internal Audit Manager 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 the contents noted.

5. QUEENSLAND AUDIT OFFICE FINAL MANAGEMENT REPORT 2016-2017

With reference to a report by the Acting Chief Executive Officer providing an update on the audit of Council's financial statement for the 2016-2017 financial year.

RECOMMENDATION

- A. That the Audit and Risk Management Committee review the final management report and provide further recommendation for follow-up action as necessary.
 - B. That the Audit and Risk Management Committee provide a report to the City Management Finance and Community Engagement Committee providing an update on addressing and implementation of the issues and recommendations raised by the Queensland Audit Office.
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6. TAX RISK MANAGEMENT UPDATE 2017

With reference to a report by the Principal Taxation Officer dated 30 January 2018 concerning taxation risk management issues for the year ended 31 December 2017.

RECOMMENDATION

That the report be received and the contents noted.

7. QUEENSLAND AUDIT OFFICE (QAO) - 2018 EXTERNAL AUDIT PLAN

With reference to a report by the Queensland Audit Office concerning the Ipswich City Council 2018 External Audit Plan.

RECOMMENDATION

That the report be received and the contents noted.

8. QUEENSLAND AUDIT OFFICE (QAO) - BRIEFING NOTE

With reference to a report by the Queensland Audit Office providing an update on Ipswich City Council's Audit Status.

RECOMMENDATION

That the report be received and the contents noted.

9. QUEENSLAND AUDIT OFFICE (QAO) – INSIGHTS NEWSLETTER

With reference to a newsletter by the Queensland Audit Office providing an insight into the activities of the Queensland Audit Office.

RECOMMENDATION

That the report be received and the contents noted.

10. NEXT MEETING - 16 MAY 2018

The next meeting is scheduled for at 1.00 pm on Wednesday, 16 May 2018.

PROCEDURAL MOTIONS AND FORMAL MATTERS

The meeting commenced at 1.03 pm.

The meeting closed at 2.10 pm.



CITY MANAGEMENT, FINANCE AND COMMUNITY ENGAGEMENT COMMITTEE NO. 2018(02)

20 FEBRUARY 2018

REPORT

E X T R A C T

COUNCILLORS' ATTENDANCE: Councillor Wendt (Chairperson and Deputy Mayor);
Councillors Antonioli (Mayor), Morrison, Tully, Silver,
Stoneman, Bromage, Martin, Pisasale, Ireland and Pahlke

COUNCILLOR'S APOLOGIES: Nil

16. **REPORT – AUDIT AND RISK MANAGEMENT ADVISORY COMMITTEE NO. 2018(01) OF
14 FEBRUARY 2018**

With reference to the report of the Audit and Risk Management Advisory Committee
No. 2018(01) of 14 February 2018.

RECOMMENDATION

That the report of the Audit and Risk Management Advisory Committee No. 2018(01) of
14 February 2018 be received, the contents noted and the recommendations contained
therein be adopted.

PROCEDURAL MOTIONS AND FORMAL MATTERS

The meeting commenced at 10.51 am.

The meeting closed at 12.16 pm.

MINUTES OF COUNCIL ORDINARY MEETING

27 FEBURARY 2018

Held in the Council Chambers, Administration Building

The meeting commenced at 9.00 am

E X T R A C T

**CITY MANAGEMENT,
FINANCE AND
COMMUNITY
ENGAGEMENT
COMMITTEE**

Moved by Councillor Wendt (Deputy Mayor):

That the City Management, Finance and Community Engagement Committee 2018(02) of 20 February 2018 be received and adopted.

Seconded by Councillor Silver.

**CONFLICT OF INTEREST
ITEM 15
Councillor Antonioli
(Mayor)**

In accordance with section 173 of the *Local Government Act 2009*, Councillor Antonioli (Mayor) informed the meeting that he has, or could reasonably be taken to have, a perceived conflict of interest in Item 15 Supercars Agreement – FIA Track Upgrade Required.

The nature of the interest is that he received a season pass from V8 Supercars.

Councillor Antonioli (Mayor) came to the conclusion that because of the relatively minor nature of the perceived conflict, he can properly participate in the discussion of the matter and vote in the public interest

All Councillors were present when the vote was taken.

The motion was put and carried

Councillor Antonioli and the majority of councillors entitled to vote, voted for the recommendation.

MEETING CLOSED

The meeting closed 9.54 am.

ITEM 2

Audit and Risk Management Committee	
Mtg Date: 16/05/2018	OAR: YES
Authorisation: Gary Kellar	

4 May 2018

MEMORANDUM

TO: ACTING CHIEF EXECUTIVE OFFICER

FROM: INTERNAL AUDIT MANAGER

RE: INTERNAL AUDIT BRANCH ACTIVITIES REPORT FOR THE PERIOD 2 FEBRUARY
2018 TO 4 MAY 2018

INTRODUCTION:

This is a report by the Internal Audit Manager dated 4 May 2018 concerning the activities undertaken since 2 February 2018 and the current status of Internal Audit activities.

PURPOSE:

The purpose of this report is to:

- outline the activities of the Internal Audit Branch
- report the status of the audit recommendations from completed audits
- report the status of the audits currently under way

The supply of such information to the Mayor, the Chief Executive Officer and Audit and Risk Management Committee, is a requirement of the Internal Audit Charter.

BACKGROUND:

Audits, Reviews, Projects and Activities (Attachment 1)

This is a report on audits, reviews, projects and activities that were conducted during the period or in progress as at 4 May 2018.

Audit Recommendations (Attachment 2a and 2b)

Extracted from the Audit Recommendations System, these reports list all Internal 2(a) and External 2(b) Audit recommendations (with management comments and responses) that managers advise have been implemented since the report made to the last Audit Committee meeting.

This report is presented to the Audit and Risk Management Committee prior to the recommendations being finalised and/or archived.

Internal Audit Report Register (Attachment 3)




This is a historic register recording the reference number of formal reports produced, audits commenced, report status and date completed for the last three years.

CONCLUSIONS:

During the period under review the Internal Audit Branch undertook a number of activities, including as listed in Attachment 1.

During the course of Internal Audit activities, contributions to the improvement of operational procedures, practices and the control environment have been achieved.

CONFIDENTIAL ATTACHMENTS:

Name of Attachment	Attachment
Attachment 1 – Internal Audit Activity Report	 Attachment 1 – IA Activity Report
Attachment 2(a) – Internal Audit Recommendations Implemented	 Attachment 2a.pdf
Attachment 2(b) – EA Recommendations Implemented	 Attachment 2b.pdf
Attachment 3 – Internal Audit Register	 Attachment 3.pdf

RECOMMENDATION:

That the report be received, the contents noted and the recommendations in attachments 2a and 2b, be considered finalised and archived.

FREDERICK BECK
INTERNAL AUDIT MANAGER

ITEM 3

Audit and Risk Management Committee	
Mtg Date: 16/05/2018	OAR: YES
Authorisation: Gary Kellar	

4 May 2018

MEMORANDUM

TO: ACTING CHIEF EXECUTIVE OFFICER

FROM: INTERNAL AUDIT MANAGER

RE: SUMMARY OF RECENT AUDIT REPORTS ISSUED

INTRODUCTION:

This is a report by the Internal Audit Manager dated 4 May 2018 concerning the completion of recent internal audits and subsequent reports released since the previous report dated 2 February 2018.




BACKGROUND:

Since 2 February 2018, Internal Audit has issued/finalised 2 Internal Audit Reports/Consulting Tasks and the extracts of the reports containing the audit recommendations, management response and agreed action by date, are attached.

Control Environment Opinion Summary over Areas in Scope of Audits	5	4	3	2	1
Arboriculture (A1718-01)			✓		
Waste Business Management Systems (A1718-18)					✓

Rating Definitions	
5	Indicates unacceptable control environment or critical operating or control problems or extreme exposure.
4	Indicates unsatisfactory control environment or significant operational, procedural or control deficiencies or high exposure.
3	Indicates limited control environment or some operational, procedural or control deficiencies, issues or moderate exposure
2	Indicates acceptable control environment or minor operational, procedural or control deficiencies, issues or exposure.
1	Indicates well controlled environment or no or limited unfavourable audit findings, observations or exposure.

CONFIDENTIAL ATTACHMENTS

Name of Attachment	Attachment
Executive summaries of attached reports	 Attachment A
Internal Audit Report (A1718-01)	 Attachment B
Internal Audit Report (A1718-18)	 Attachment C

RECOMMENDATION

That the report be received and the contents noted.

Frederick Beck

INTERNAL AUDIT MANAGER

ITEM 4

Audit and Risk Management Committee	
Mtg Date: 16/05/2018	OAR: YES
Authorisation: Gary Kellar	

4 May 2018

MEMORANDUM

TO: ACTING CHIEF EXECUTIVE OFFICER

FROM: INTERNAL AUDIT MANAGER

RE: OVERDUE RECOMMENDATIONS AS AT 4 MAY 2018

INTRODUCTION:

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

BACKGROUND:

Every month each Department Head is requested to update the status of both the internal and external audit recommendations due for implementation within their area of responsibility.

The following Departments' progress towards the implementation of recommendations, for which they are responsible, is summarised below:

Economic Development and Marketing				
Date of Report	Total overdue	Catastrophic	High	Moderate
4 May 2018	3	0	0	1
In relation to:	Contract Management (Includes Agreements) (201405), Process of Communication Release (A1617-14)			

Finance & Corporate Services				
Date of Report	Total overdue	Catastrophic	High	Moderate
4 May 2018	14	0	3	7
In relation to:	Independent Validation of Internal Audit Self-Assessment (201609), Fees and Charges (Revenue) (A1617-06), Procurement and Contract Management (A1617-15), Service Request Management (A1617-17)			

Health, Security and Regulatory Services				
Date of Report	Total overdue	Catastrophic	High	Moderate
4 May 2018	1	0	1	1
In relation to:	Cemeteries (201504)			

Works, Parks and Recreation				
Date of Report	Total overdue	Catastrophic	High	Moderate
4 May 2018	3	0	0	2
In relation to:	Contributed Assets (201603), Parks, Open Spaces and Playgrounds (A1617-13), State Emergency Services (A1617-18)			

All other departments had no recommendations overdue for more than 3 months.

CONCLUSIONS:

Total Internal Audit recommendations **overdue for more than 3 months** and level of risk:

Minimal and Low not indicated.

Date of Report	Total overdue	Catastrophic	High	Moderate
4 May 2018	21	0	3	11
2 February 2018	18	0	0	11

Total Internal Audit recommendations **open** and level of risk:

Date of Report	Total open	Catastrophic	High	Moderate
4 May 2018	42	0	4	26
2 February 2018	39	0	4	21

Total External Audit recommendations **overdue** and level of risk:

Ratings as used by QAO.




Date of Report	Total overdue	High	Moderate	Low
4 May 2018	2	0	2	0
2 February 2018	2	0	2	0

Total External Audit recommendations **open** and level of risk:

Date of Report	Total open	High	Moderate	Low
4 May 2018	22	12	9	1
2 February 2018	34	12	17	5

The number of overdue recommendations have gone up but under the current circumstances are still considered to be at a satisfactory level.

CONFIDENTIAL ATTACHMENTS:

Name of Attachment	Attachment
Attachment A - Recommendations Statistics and Overdue Summary Report at 4 May 2018.	 Attachment A
Attachment B - Internal Audit Recommendations Overdue for more than 3 months at 4 May 2018.	 Attachment B
Attachment C - External Audit Recommendations Overdue for more than 3 months at 4 May 2018.	 Attachment C

RECOMMENDATION:

That the report be received and the contents noted.

Frederick Beck

INTERNAL AUDIT MANAGER

ITEM 5

Audit and Risk Management Committee	
Mtg Date: 16/05/2018	OAR: YES
Authorisation: Gary Kellar	

4 May 2018

MEMORANDUM

TO: CHIEF EXECUTIVE OFFICER

FROM: INTERNAL AUDIT MANAGER

RE: PROGRESS OF 2017-2018 ANNUAL INTERNAL AUDIT PLAN

INTRODUCTION:

This is a report by the Internal Audit Manager dated 4 May 2018 concerning the status of the 2017-2018 Annual Internal Audit Plan as presented in the attachment to this report.

BACKGROUND:

The attachment is an indication of the number of actual audit days compared to the budgeted audit days in the approved audit plan, relative to various Internal Audit Branch activities undertaken during the year.


CONCLUSIONS:

The Internal Audit Branch had a demanding year due to increased investigations.

Seven audits were postponed.

With the carry overs from the previous year added it is expected that the Internal Audit Branch will still complete about 15 Internal Audit Reports/Projects/Consulting Tasks/Investigation projects as planned.

ATTACHMENTS

Name of Attachment	Attachment
Progress of Internal Audit Plan 2017-2018	 Attachment A

RECOMMENDATION/S:

That the report be received and the contents noted.

Frederick Beck
INTERNAL AUDIT MANAGER

INTERNAL AUDIT PLAN - Progress up to 27 April 2018 Specific Audit Activity Days	Budgeted Days 2017/18					Actual Days	Status
	Manager	Investigator Auditor	Internal Auditor	Contract	Total		
Ad hoc audit time	3		18		21	0	Re-allocated for other audits
Ethics						1	Report Issued 23/08/2017
IT Security						2	Report Issued 10/11/2017
Process of Communications Release						0.5	Report Issued 16/08/2017
Procurement and Contract Management						0.75	Report Issued 15/08/2017
Service Request Management						0.5	Report Issued 18/07/2017
Arboriculture	3	18			21	20.5	Report Issued 20/04/2018
Change Management New Building	4			17	21	0	Postponed to 2018/19
Community Lease Agreements	4		18		22	11.5	In progress
Construction Quality Verification	3		18		21	14.5	In progress
Corporate Plan (Assessment as part of Project)	4		18		22	0	From audit to involvement
Cyber Security	4			17	21	0	Postponed to 2018/19
Design Certification	3		18		21	14.5	In progress
Enterprise Resource Planning (ERP) Observation/Advice	18				18	16	In progress
Environmental Plan Levy	3		18		21	12.5	In progress
ICT Managed Services Implementation	4		18		22	5.25	In progress
Immunisation Program	4			17	21	0.25	In progress
Line Marking and Signs	3	18			21	15.5	In progress
Objective - Record Storage, Clarification & Retrieval	3		18		21	0	Postponed to 2018/19
Penalty Infringement Process	3	18			21	0	Postponed to 2018/19
Property Searches ©	4			17	21	0	Postponed to 2019/20
Residential Swimming Pools	3		18		21	22	Postponed to 2017/18
Security and Safety Cameras	3	18			21	11	In progress
Waste Business Management Systems	1		7		8	10	Report Issued 20/04/2018
Workshops (W,P&R)	3	18			21	0	Postponed to 2020/21
	80	90	169	68	407	158.3	

INTERNAL AUDIT PLAN - Progress up to 27 April 2018	Budgeted Days 2017/18					Actual Days	Status
	Manager	Investigator Auditor	Internal Auditor	Contract	Total		
Specific Audit Activity Days							
Audit Related Activity Days:							
Audit Committee Preparation, Facilitation & Assistance	14	2	2		18	16	
Chief Executive Officer, 3 rd Level Managers, Team Meetings & Preparation	9	4	4		17	16.5	
Consulting, Advice, Assistance & Presentations (Ad hoc)	9	3	6		18	14	
Internal Audit Plan Preparation & Risk Assessment	6	3	5		14	11	
Investigations (Corrupt Conduct)	22	95	8		125	244.8	
Organisation, Supervision & Liaison with External & Contract Auditors	5	2	2		9	4	
Quality Self-Assessment, Annual Report & Performance Assessment	5	2	3		10	5	
Recommendations (Updating & Monitoring)	7	2	3		12	9	
Review of Charters, Manuals & Website	5	2	3		10	6	
Risk Management (Workshops & Liaisons)	3	2	2		7	6	
Total Audit Related Activity Days Total	85	117	38		240	332.3	
Total Productive Days Total	165	207	207	68	647	490.5	
Support Activity Days:							
Conferences & Seminars	5	4	4		13	7	
Liaisons (LGIA, CMC, IIA, ISACA, CPA etc.)	8	3	3		14	8	
Management, Administration & Resource Planning	20	4	4		28	25	
Training & Professional Development	6	6	6		18	9.5	
Total Support Activity Days Total	39	17	17		73	49.5	
TOTAL PROGRAMMED DAYS * Total	204	224	224	68	720	540	

ITEM 6

Audit and Risk Management Committee	
Mtg Date: 16/05/2018	OAR: YES
Authorisation: Gary Kellar	

4 May 2018

MEMORANDUM

TO: CHIEF EXECUTIVE OFFICER

FROM: INTERNAL AUDIT MANAGER

RE: INTERNAL AUDIT BRANCH ANNUAL PLAN FOR 2018-2019 AND THREE YEAR STRATEGIC PLAN FOR 2018-2021

INTRODUCTION:

This is a report by the Internal Audit Manager dated 4 May 2018 concerning the proposed Annual Audit Plan for 2018-2019 and the Three Year Strategic Internal Audit Plan for 2018-2021.

PURPOSE:

This report is submitted to this meeting for review and comment on the proposed draft Internal Audit plans.

BACKGROUND:

The Internal Audit Charter requires that:

8. INTERNAL AUDIT APPROACH

- 8.1 Internal Audit Branch will adopt an integrated risk based approach to allocating resources and planning.
- 8.2 Risk Profile, Three Year Strategic and Annual Internal Audit Plans:
 - 8.2.1 The Internal Audit Branch, in consultation with management, will develop a risk profile for each area within Council so that greater audit attention can be directed to areas of higher risk.
 - 8.2.2 Based on the risk assessment, the general direction of Council's internal audit activities over the medium term is to be documented in the Three Year Strategic Internal Audit Plan. This plan shall be reviewed and approved by the CEO. The Plan will also be reviewed annually to take account of any change in circumstances.

8.2.3 The Annual Audit Plan projects may include financial, compliance, performance, due diligence, information systems, program evaluation, operational audits and other approaches as deemed appropriate, given the resources and also the priorities established through the risk assessment process and other more recent considerations.

A review of the risk assessment for audit planning purposes is conducted in the latter half of each financial year facilitated by a meeting between the members of Council's Executive Team and the Internal Audit Manager. As a consequence of these discussions, the more significant risk and auditable issues facing the organisation have been identified and summarised in the Three Year Strategic Audit Plan.



This proposed Audit Program was presented at the Executive Team meeting of 12 April 2018 (that includes a schedule of estimated dates) and is now tabled at the meeting of the Audit Committee for discussion and consideration.

CONCLUSIONS:

The review of the risk assessment for the purpose of audit planning has been completed and was reviewed by Council's Executive Management Team in consultation with the Internal Audit Manager.

Using this risk assessment exercise, the draft Annual Internal Audit Plan for 2018-2019 (Attachment A) and the draft Three Year Strategic Internal Audit Plan for 2018-2021 (Attachment B) have been produced.

ATTACHMENTS:

Name of Attachment	Attachment
Attachment A – Draft Internal Audit Annual Plan 2018-2019	 Attachment A
Attachment B – Draft Three Year Strategic Internal Audit Plan 2018-2021	 Attachment B

RECOMMENDATION:

- A. That the draft Internal Audit Annual Plan 2018-2019 (Attachment A) and the draft Three Year Strategic Internal Audit Plan 2018-2021 (Attachment B) prepared by the Internal Audit Manager be reviewed and considered by the Audit Committee.
- B. That, following receipt of the views of the Audit Committee, the Plans subject to amendments as considered necessary, be formally approved by the Chief Executive Officer as required under the Internal Audit Charter.

Federick Beck

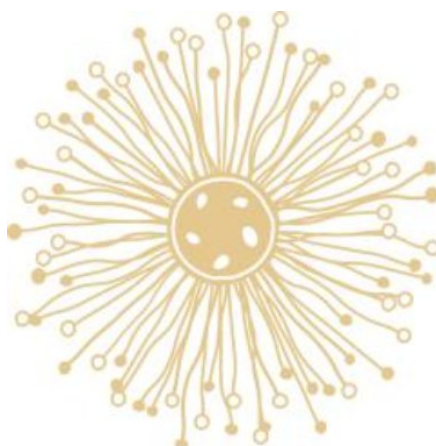
INTERNAL AUDIT MANAGER

INTERNAL AUDIT BRANCH



ANNUAL INTERNAL AUDIT PLAN 2018-2019

Considered by the Audit and Risk Management
Committee May 2018
Approved by the CEO May 2018



1 TABLE OF CONTENTS

1	TABLE OF CONTENTS	2
2	INTRODUCTION	2
3	INTERNAL AUDIT APPROACH	3
4	BUDGET AND STAFFING	3
5	AUDIT PLAN OBJECTIVES	3
6	PROGRAM OF AUDITS AND ACTIVITIES	4
7	BACKUP AUDITS	5
8	PROPOSED FOCUS OF AUDITS AND ACTIVITIES	5
8.1	AUDITS	5
8.2	AUDIT RELATED ACTIVITIES	7
8.3	SUPPORT ACTIVITIES	8
8.4	BACKUP AUDITS	8
9	DAYS AVAILABLE FOR AUDIT ACTIVITIES	9

2 INTRODUCTION

Internal Audit is constituted as per the Local Government Act 2009 and Regulations. Internal Audit reports to the Chief Executive Officer (CEO) Ipswich City Council (Council) for operational purposes and to the Audit and Risk Management Committee for its oversight role. Internal Audit plays a role in assisting the Council, Audit and Risk Management Committee and Chief Executive Officer in the performance and discharge of their functions and duties.

Internal Audit's approach is to conduct integrated risk-based audits. Based on the risk assessment, the general direction of Council's Internal Audit Branch Activities for the year is documented in this 'Annual Internal Audit Plan'.

The Internal Audit Charter also requires that this Annual Internal Audit Plan be reviewed and approved by the CEO taking into consideration the views of the Audit and Risk Management Committee.

To avoid unnecessary duplication management has to inform Internal Audit if activities are planned in the areas to be audited, for example new software or a process review by consultants. The audit will still go ahead in many instances, but it will allow for internal audit to plan and target issues more effectively. The aim is to ensure for appropriate timing and use of resources.

3 INTERNAL AUDIT APPROACH

Internal Audits are performed in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

4 BUDGET AND STAFFING

Currently funds as granted and built into the budget determine the resources for the Audit Plan. Staffing consists of an Internal Audit Manager, a Principal Investigator/Internal Auditor, an Internal Auditor and the use of contractors to conduct internal audits.

5 AUDIT PLAN OBJECTIVES

The objectives of the Annual Internal Audit Plan are to:

- Identify auditable activities, areas and processes of Council for audit in the year applicable to this plan.
- Allocate appropriate resources to the audits identified for the year based on estimated Internal Audit resources available.

The objectives of Internal Audit are to focus on highest risk, opportunity or where there is high reliance on controls to:

- Assist Council perform the functions imposed on it by legislation.
- Assess whether accounting standards and other prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects.
- Assess whether resources are being used economically and efficiently, and system objectives are being achieved effectively.
- Identify, encourage, develop and report better practices (The opinion expressed in this regard is a measure of the extent to which improvements can be made which may lead to lower direct and indirect costs, better management of those costs, and/or improved program outcomes).
- Assess controls and the control environment.
- If possible all corrupt conduct investigations will be conducted by internal resources.

6 PROGRAM OF AUDITS AND ACTIVITIES

AUDITS AND ACTIVITIES				Allocated Days 2018/19				
Specific Audit Activity Days	±Start Month	Previous Audit	C	IAM	PI/IA	IA	Cont	Total
Ad hoc audit time				3		18		21
Business Case Development	Apr	2006	P	3		18		21
Civic Hall Safety and Security	Aug	2008	C	3		18		21
Change Management New Building	Sep			4			17	21
Conflicts of Interests	Dec	2016	P	3	18			21
Credit Cards Framework – Allocation and Use	Jul	2017	P	3		18		21
Cyber Security	Jan	2017	L	4			17	21
Enterprise Resource Planning (ERP) Observation/Advice	Jul	2018	L	18				18
Fraud Prevention and Investigation Process	Jul	2013	C	4	18			22
Infrastructure Services Capacity Review	Oct	2006	P	4		18		22
Lakes and Retention Basins	Aug			4			17	21
Objective - Record Storage, Clarification & Retrieval	Apr	2016	P	3		18		21
Operation of Fleet and Plant	Feb	2008	C	4	18			22
Penalty Infringement Process	Dec	2015	P	3		18		21
Portable and Attractive Assets	Sept	2013	L	3	18			21
Pound Operations	Apr	2014	C	3	18			21
Procurement (Review after new process has been implemented)	Feb	2017	L	3		18		21
Tender Evaluation (WPR)	Mar	2014	P	3		18		21
Waste Business Management Systems	Jan	2018	C	1		7		8
Total Specific Audit Activity Days	Total			76	90	169	51	386
±Start Month estimate affected by investigations, availability etc. C = Coverage E = Full Coverage P = Partial Coverage L = Limited Coverage								
Audit Related Activity Days:								
Audit and Risk Management Committee Preparation, Facilitation & Assistance				14	2	2		18
Chief Executive Officer, 3 rd Level Managers, Team Meetings & Preparation				9	4	4		17
Consulting, Advice, Assistance & Presentations (Ad hoc)				9	3	6		18
Internal Audit Plan Preparation & Risk Assessment				6	3	5		14
Investigations (Corrupt Conduct)				26	95	8	35	164
Organisation, Supervision & Liaison with External & Contract Auditors				5	2	2		9
Quality Self-Assessment, Annual Report & Performance Assessment				5	2	3		10
Recommendations (Updating & Monitoring)				7	2	3		12
Review of Charters, Manuals & Website				5	2	3		10
Risk Management (Workshops & Liaisons)				3	2	2		7
Total Audit Related Activity Days	Total			89	117	38	35	279
Total Productive Days	Total			165	207	207	86	665
Support Activity Days:								
Conferences & Seminars				5	4	4		13
Liaisons (LGIA, CMC, IIA, ISACA, CPA etc.)				8	3	3		14
Management, Administration & Resource Planning				20	4	4		28
Training & Professional Development				6	6	6		18
Total Support Activity Days	Total			39	17	17		73
TOTAL PROGRAMMED DAYS *	Total			204	224	224	86	738

* Refer to last page for an analysis of the estimated actual days available.

The scheduling (\pm Start Month) of the audits for the year is an estimate only and is affected by a number of factors like investigations, availability of contract auditors, business requirements, risk ranking, management and Audit and Risk Management Committee requests, status of new programs and other commitments.

New Council activities, investigations, and changes in management/political requirements and sensitivities identified during the year may cause amendments to the audit program as agreed and established at the beginning of the audit year.

Any such changes shall be approved by the Chief Executive Officer.

7 BACKUP AUDITS

The following indicates possible replacement audits in case of cancellations and if they remain appropriate to be done, for which the CEO's approval is required.

BACKUP AUDITS AND ACTIVITIES IN CASE OF CANCELLATIONS	Allocated Days 2018/19			
Specific Audit Activity Days	IAM	IA	Cont	Total
Continuous Control Monitoring ©	4		18	22
Controls Processes and Documentation	4	17		21
Develop Data Analytics	3	18		21
Growth Management	3	18		21
Tax/GST/FBT Risks ©	4		18	22

8 PROPOSED FOCUS OF AUDITS AND ACTIVITIES

8.1 Audits

In most instances better practice and procedure, risk analysis, control effectiveness and sufficiency as well as performance management will be considered. (Integrated Auditing)

Ad hoc audit time: Issues often arise during the year that are unplanned and may well represent concerns of some significance to the organisation and require involvement or additional involvement.

Business Case Development: Asses processes to ensure business cases are developed where appropriate to obtain management commitment and approval for investments in business change including programmes and projects. Ensure all crucial aspects are covered and included where appropriate, such as, the organisational problems or opportunities, benefits, risks, possible solutions, lifecycle costs, timescales, impacts on operations and the organisation's capability to deliver the desired outcomes.

Civic Hall Safety and Security: Test the procedures and measures in place to address and manage key risks in this area. Key risks that have been identified includes injury, food poisoning, terrorist attack etc.

Change Management New Building: Assess whether planning, preparations and change management are appropriate and being established to take up the available opportunities in adapting the way Council works in the move to the new Council offices.

Conflicts of Interests: In response to commitments made by Council on 6 September 2017 in reply to the Conflict of Interest audit report from the CCC, including the consideration to conducting an internal audit.

Credit Cards Framework – Allocation and Use: Assess the use of credit cards including charge cards, vendor cards such as fuel cards and Cabcharge eTickets. Examine if the organisation has developed, documented and implemented controls including policies and procedures to support the appropriate issue, use and cancellation of credit cards. Ensure the security and risk limitation controls available are being used and that monitoring and reporting activities are appropriate and effective.

Cyber Security: Assess the cybercrime processes to establish if management has developed and instilled: Awareness of the impact and risk of cybercrime; Prevention processes by establishing secured entry points into the organization; Detection processes through aspects like automated exception reporting, data mining and data analytics; Incident management in dealing with and escalating incidents once they happen, Crisis management processes to handle communications and public relations after an incident; Cooperation with investigatory organisations to ensure successful law enforcement, insurance adjudications, and with regulatory bodies and other groups.

Enterprise Resource Planning (ERP) Observation/Advice: Ongoing involvement, discussions, reviews in providing assurance and consulting types of services. This includes providing some input into the risks and control measures regarding the ERP and IT Governance.

Fraud Prevention and Investigation Process: Detailed review of the investigation procedure and fraud and corruption preventative measures including commitments made in reference to the CCC's Conflict of Interest audit and QAO's Fraud Management in Local Government audit.

Infrastructure Services Capacity Review: Use previous KPMG report that included resourcing considerations and other standards to review the capacity versus program of the department and also compared to expectations on service delivery. Consider not only value but also volume and the complexities of individual projects.

Lakes and Retention Basins: Assess the framework under which this is developed and managed to ensure risks that could include deaths and health issues are identified and addressed. (Including the risks associated if these are transferred to Council as contributed assets.)

Objective – Record Storage, Clarification and Retrieval: Assess whether the implemented system has delivered on the organisational objectives and requirements, the system is being used correctly, are delivering promised benefits with appropriate security, speed, flexibility and the information is easily retrievable.

Operation of Fleet and Plant: Assess the process to ensure appropriate and qualified use of vehicles and machinery to safeguard against the associated risks including the training, monitoring and reporting framework.

Penalty Infringement Process: Assess whether a sound process exists in dealing with offences, is appropriately authorised and served, and is providing effective support, resulting in public compliance to legislation. Also consider the follow-up, cancellation, reissuing and or withdrawal of penalty infringement notices.

Portable and Attractive Assets: Assess if Council's policies and procedure are sufficient and appropriate to ensure the safeguard of public funds and assets are assured. The risks are that these assets are susceptible to theft or loss due to their portable nature and attractiveness for personal use or resale.

Pound Operations: Assess the operations of the pound and whether it is being managed well and achieving the Council and community requirements.

Procurement (Review after new process has been implemented): Once a new procurement process has been designed and implemented review the process to make sure it is effective and efficient and have addressed all previous audit concerns.

Tender Evaluation (WPR): As the organisation currently uses a decentralised procurement process evaluate the compliance of better practice procedures to ensure a sound and defensible approach to tender evaluation.

Waste Business Management Systems: Ipswich Waste Services (IWS) pursues and maintains certifications against ISO and Australian Standards on Quality Management, Health & Safety Management, Environmental Management, Risk Management, and Environmental Management Systems. To assist IWS in achieving and maintaining these certifications review the Business Management Systems (BMS) manual and how it drives and links all business procedures and processes within IWS as required in order to help achieve business objectives.

8.2 Audit Related Activities

Audit and Risk Management Committee Preparation, Facilitation & Assistance: The provision of information, reports, assistance, and advice to the Audit and Risk Management Committee and includes the attendance of meetings.

Chief Executive Officer & 3rd Level Managers, Team Meetings & Preparation: Provision of updates to the CEO and to obtain support and guidance on important issues every three weeks. This also includes the third level managers meetings.

Consulting, Advice, Assistance & Presentations: Advice and assistance provided to management on an ad hoc basis by request. Requests estimated to involve more than three audit days would be evaluated in terms of the audit plan and approved by the CEO.

Internal Audit Plan Preparation & Risk Assessment: Time allocated to the revision and compilation of the Annual and Three-Year Internal Audit Plans, an examination of Councils auditable areas and consultation with Council management to review the associated risks and audit priority in preparation for the upcoming audit years.

Investigations (Corrupt Conduct): Investigations conducted internally, but also using external resources where necessary.

Organisation, Supervision & Liaison with External Auditors & Contract Auditors: This is to record the amount of time spent to ensure a coordinated effort with external audit and audit contractors on general administration and Council familiarisation.

Quality Self-Assessment, Annual Report & Performance Assessment: Development and maintenance of an internal quality assessment program and KPI's as required by the International Standards for the Professional Practice of Internal Auditing. This information also forms the basis for the information presented in the annual report.

Recommendations System (Updating & Monitoring): Time spent monitoring, reporting, following up and updating the status of outstanding recommendations.

Review of Charters, Manuals & Website: Work is required to update and maintain charters, manuals and information applicable to Internal Audit.

Risk Management (Workshops & Liaisons): Assist the organisation in establishing and maintaining enterprise risk management through discussions, workshops and liaisons.

8.3 Support Activities

Conferences & Seminars: This classification is to be used to record the time spent in preparing for and attending conferences and seminars organised by Professional Bodies.

Liaisons: The Internal Audit Branch maintains liaisons with a number of organisations including the Crime and Corruption Commission, the Queensland Audit Office, the External Audit Contractor and members of the Local Government Internal Audit Discussion Group (LGIADG), Institute of Internal Auditors etc.

Management, Administration & Resource Planning: Incorporating general management and administrative type tasks (excluding that are specific to audits or contractors) concerning budgets, expenditure, time recording, liaison with Council management and staff, research, file organisation, official Council paperwork, leave/training approvals etc.

Training & Professional Development: This line relates to the time spent on formal training and professional development both in house as well as training with outside professional groups. Continued Professional Development is a requirement to maintain professional qualifications.

8.4 Backup Audits

Continuous Control Monitoring (SWOT Analysis) ©: Automate continuous control monitoring on the ACL platform that is already in use or through another option. The aim is to identify possible errors, fraud and inefficiencies by independently checking and validating

transactions against specified control parameters and business rules. The aim is to expand or test the use of the concept of continuous control monitoring and exception reporting.

Controls Processes and Documentation: Test the effectiveness of Council's internal control approaches and processes. Focus on a few key areas, still to be determined.

Develop Data Analytics: This could be as part of a whole of organisation development of data analytics involved in needs analysis, design, contribution, training and use. As an alternative a report will be developed on where the organisation should be going. The least preferred option or last resort is where Internal Audit purchases software and develops capabilities in this regard of its own accord.

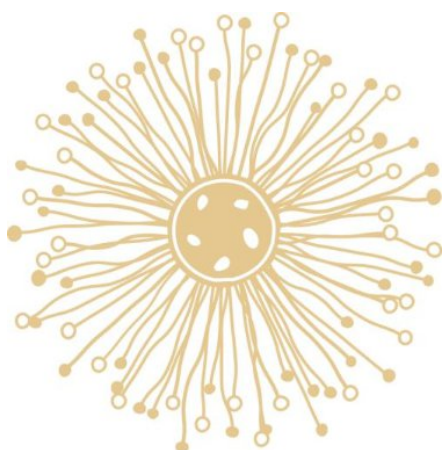
Growth Management: Assess how Council is or can deal with significant growth or downturn and options to consider in making adjustments.

Tax/GST/FBT Risks: On a risk basis consider a SWOT analysis due to the significant staff changes in this area.

9 DAYS AVAILABLE FOR AUDIT ACTIVITIES

	Manager	Principal Investigator /Internal Auditor	Internal Auditor	Contractor	Total
Total days available in year	365	365	365	86	1181
<i>Less non-working days:</i>					
Weekends	104	104	104		312
Statutory Holidays	10	10	10		30
Annual Leave	20	20	20		60
Long Service Leave	10				10
Sick Leave	7	7	7		21
Leave to conduct Quality Assessments	10				10
Normal allocation	204	224	224	86	738
Actual days available for audit activity	204	224	224	86	738

INTERNAL AUDIT BRANCH



THREE YEAR STRATEGIC INTERNAL AUDIT PLAN 2018 – 2021

Considered by the Audit and Risk Management
Committee ?? May 2018
Approved by the CEO ?? May 2018

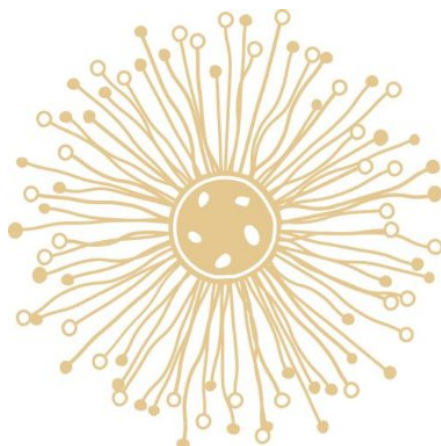


TABLE OF CONTENTS

1 INTRODUCTION	2
2 AUDIT PLAN OBJECTIVES	3
3 GENERATING VALUE THROUGH IMPROVED INTERNAL AUDIT APPROACH	4
4 3 LINES OF DEFENCE AND ASSURANCE MAPPING	5
5 IPSWICH CITY COUNCIL ASSURANCE MAP	6
6 PLANNING MONITORING AND REVIEW	7
7 PROGRAM OF AUDITS AND ACTIVITIES	8
8 ANNUAL ESTIMATED ACTUAL DAYS AVAILABLE	11
9 DEFINITIONS	11

1 INTRODUCTION

Internal Audit is constituted as per the Local Government Act 2009 and Regulations. IA reports to the Chief Executive Officer (CEO) Ipswich City Council (Council) for operational purposes and to the Audit and Risk Management Committee for its oversight role. Internal Audit plays a role in assisting the Council, Audit and Risk Management Committee and Chief Executive Officer in the performance and discharge of their functions and duties.

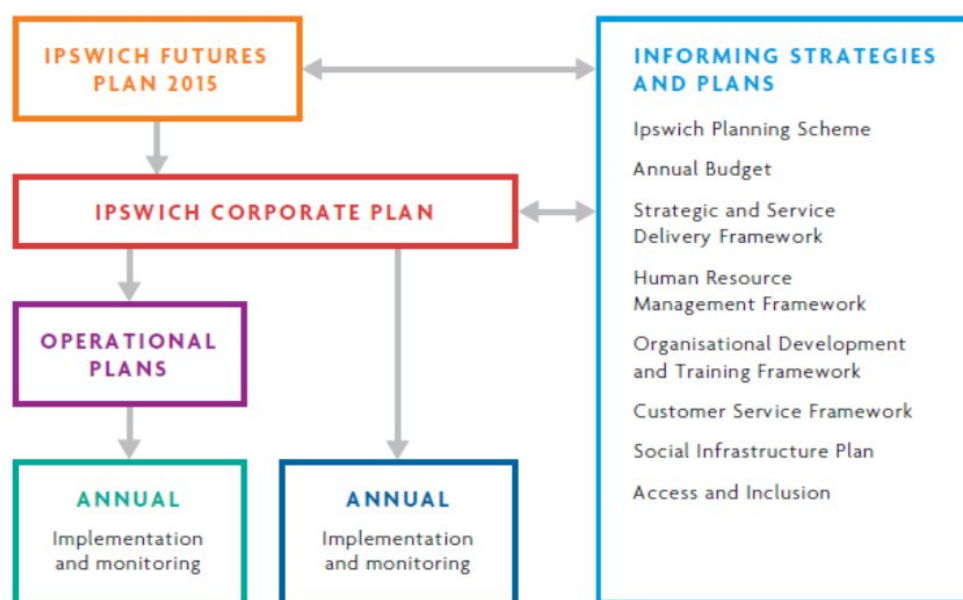
The Internal Audit Charter requires that the Internal Audit Branch, in consultation with management, will develop a risk/opportunity profile for each area within Council so that greater audit attention can be directed to areas of higher risk/opportunity. The aim is to then also look at the upside of risk (opportunity) to support the long term value creation. Based on the risk assessment, the general direction of Council's internal audit activities over the medium term is to be documented in this 'Three Year Strategic Internal Audit Plan'.

The Internal Audit Charter also requires that this Three Year Strategic Internal Audit Plan shall be reviewed and approved by the CEO taking into consideration the views of the Audit and Risk Management Committee. In addition, the plan is to be reviewed and re-drawn annually to take into account any change in circumstances.

2 AUDIT PLAN OBJECTIVES

The objectives of the Three-Year Strategic Internal Audit Plan are as follows:

- To help Council achieve its objectives Internal Audit identifies the auditable activities, areas and processes of Council with the intended year for the audit. This is done by considering Council's Strategic Planning Framework and documents such as the Advance Ipswich Community Plan, Corporate Plan, Planning Scheme, Annual Report, Budget and Operational Plan, Services Catalogue, Financial Statements, Long Term Financial Forecast, Asset Register, Revenue Statement, Financial Plan and Long Term Asset Management Plan.
- To identify and/or consider significant strategic and operational risks including fraud and corruption risk that would impact on Council achieving its objectives.



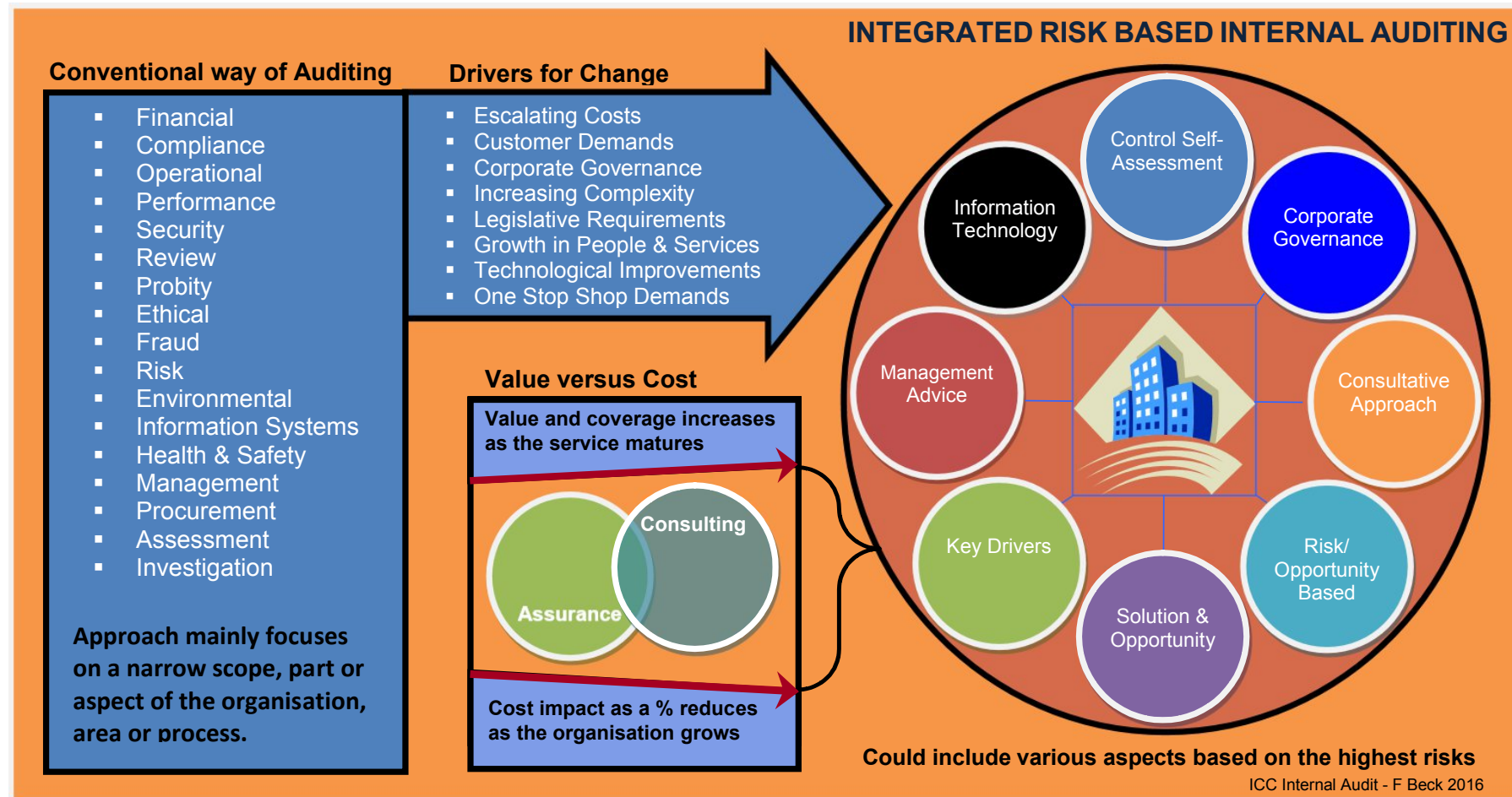
- To scan the Local Government sector, other industries, professional organisations and other knowledge sources for better practice and risks to consider.
- To determine the appropriate priorities (based on the risk assessment) of the auditable activities, areas and processes for Internal Audit activity over the medium term. The rating is determined as explained in the table below:

Adjusted use of Ipswich City Council Standardised Ratings	Impact Ratings
Current risk ratings are an opinion on the potential impact of risks faced, the likelihood and or control reliance. Likelihood is briefly considered, but the rating is based more on potential exposure or the level of control reliance. Exposure – total plausible maximum impact on an organisation arising from a risk without regard to controls. (Standards Australia HB 158 – 2010 page 6 to 8 - Delivering assurance based on ISO 31000)	Catastrophic
	Major
	Moderate
	Minor
	Minimal

- To support the move towards Enterprise Risk Management through the use of consistent information gathered through meetings with departments by further analysing their risk registers to establish the Internal Audit Plan.
- To identify the resource levels and available audit time of the Internal Audit Branch to effectively address audit priorities.
- To provide the basis for the Annual Internal Audit Plan based on identified priorities and available Internal Audit resources.

3 GENERATING VALUE THROUGH IMPROVED INTERNAL AUDIT APPROACH

The aim and approach are to use integrated risk based auditing to cover extra ground in an audit and thereby to be more effective and efficient. It is therefore not a narrow focus that requires many audits in an area to provide coverage, but rather to consider all key risks in an area. Therefore it neither restricts the scope of an audit nor overly tries to classify it according to whether it is compliance, operational, performance, financial etc. type of audit. This means audit time can be spent where it makes the most difference as all key aspects within an area could be within scope.



4 Three Lines of Defence and Assurance Mapping

Internal Audit is one assurance mechanism in a suite of assurance mechanisms. Internal Audit therefore conducts a subjective assessment of Assurance Mapping to:

- Assess assurance coverage against the key organisation risks.
- Ensure there is a comprehensive risk and assurance process.
- Minimise duplication of effort.
- Identify assurance gaps.
- Minimise assurance cost.
- Provide comfort to stakeholders about the level of assurance.
- Help to understand where overall risk and assurance roles and accountabilities reside.

As next steps the Council could further develop the Assurance Map around the 3 Lines of Defence combined assurance model where:

- The 1st Line of Defence originates or initiates risk, and is responsible to fully identify, document and manage risks through designing and implementing controls including having mechanisms in place to demonstrate controls are working effectively.
- The 2nd Line of Defence monitors, reviews and tests effectiveness of the 1st Line control and management of risks.
- The 3rd Line of Defence independently evaluates and gives an opinion on the adequacy and effectiveness of both the 1st and 2nd Line risk management approaches.

This approach demonstrates how assurance activities co-ordinate to provide assurance to the Council, the Audit and Risk Management Committee, Chief Executive Officer and Chief Operating Officers. It seeks to leverage the outcomes of credible assurance activities rather than duplicate effort.

At ICC the 3 Lines of Defence could be illustrated as:

Combined Assurance - 3 Lines of Defence		
1 st Line of Defence	2 nd Line of Defence	3 rd Line of Defence
Management Controls Real-Time Focus	Management of Risk Real-Time Focus + Review Focus of 1 st Line	Independent Assurance Review Focus of 1 st Line and 2 nd Line
Management Controls Project Management Controls Supervisors	Finance Control Risk Management Regulatory Compliance Work Health Safety Environment Quality Legal Services Project Management Office System Innovation	Internal Audit Department of Local Government Regulators External Audit CCC
Review governance and compliance. Implement improvements	Confirm governance and compliance. Recommend improvements	Independently confirm governance and compliance. Recommend improvements

5 Ipswich City Council Assurance Map

With the ICC Assurance Map the aim is to only take the subjectivity to a manageable level and therefore these are not ratings, but based on impression, experience, audits and an illustration of assurance layers. Orange indicates possible improvement, white means no information currently, yellow means some assurance and green means significant involvement without substantial indication on quality.

This is where managers can help improve and update the assurance map to assist where the organisation needs to focus or where there is over control.

Strategic Assurance Map (± 3 years) Lines of Defence												
Indicative of the main areas of the Services Catalogue/ Audit Universe	1st line			2nd line of defence						3rd line of defence		
	Management Controls	Control Self Assurance	Continuous Control Monitoring	Financial Control	Governance & Legal	Risk Management	Workplace Health & Safety	Human Resources	Safe City	Internal Audit	Council, Audit & Risk Mgmt Ctee.	QAO, External Audit
Strategic Objectives												
Governance												
Administration												Ombudsman
Assets												
Facilities & Maintenance												
Financial												QTC
Procurement												
Legal & Compliance												LGAQ
IT												
Fraud												CCC
Project Management												
Health and Safety												WHSQ
Infrastructure												
Sport and Recreation												
Security												QPS
Human Resources												QIRC
Payroll												OSR
Suppliers, Contractors												ABR
Community Services												Communities
Insurance												
Economic Development												OFT
Emergency Services												QFES
Planning & Land Use												DLGRMA
Grants												Gov, CCC
Environmental												EHP
Rates and Taxes												ATO
Revenue												
Transport												TMR
Marketing & Communication												
Waste Management												EHP

Last updated: 6 April 2017

Significant Involvement

Some Involvement

Improvement possible



6 Planning monitoring and review

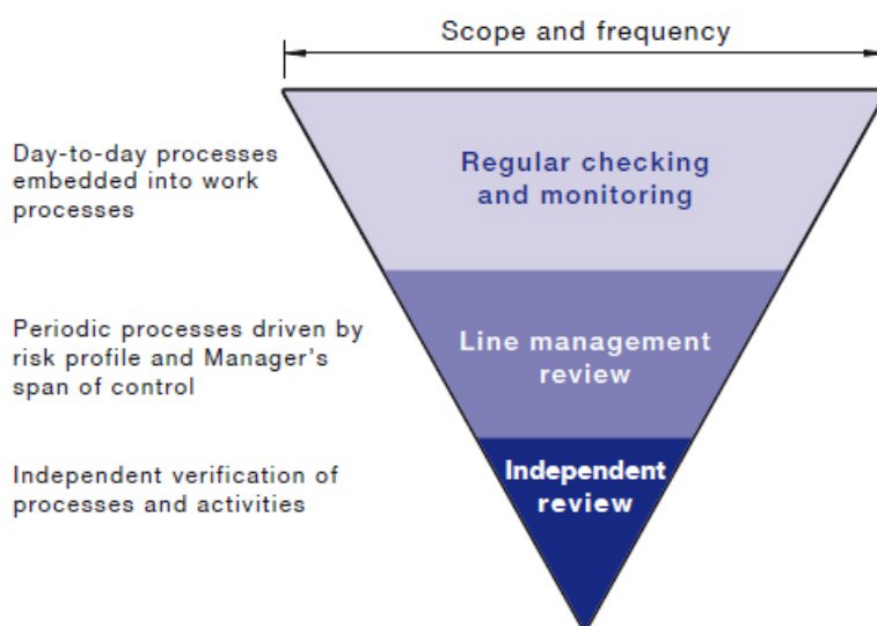
As per Standards Australia/Standards New Zealand's Handbook - Risk management guidelines— Companion to AS/NZS ISO 31000:2009.

"The primary responsibility for planning monitoring and review activities lies with those who are accountable for the management of risk, not with assurance providers such as internal audit. Quality assurance functions, independent review functions and regulatory monitoring are only useful adjuncts to the process of line management reporting because they provide an alternative view."

Monitoring and review activity plans should include all of the following:

- (a) Continuous (or at least frequent) monitoring through routinely measuring or checking particular parameters (e.g. pollution levels or cash flows).
- (b) Periodic line management reviews of risks, controls (sometimes called control self-assessments) and implementation of treatment plans, and other routine supervisory activities (such as reconciliations). These are often selective in scope (based on risk weighted criteria), but typically routine and regular.
- (c) Auditing reviews using both internal and external audit staff, and generally aimed at testing systems rather than conditions. These audits will be more selective in scope and of lower frequency than the above measures."

The Figure below illustrates these as a hierarchy with the regime at the top comprising the greatest level of activity and, if properly designed, providing the most powerful level of assurance.



7 PROGRAM OF AUDITS AND ACTIVITIES

AUDITS AND ACTIVITIES	Days	2018/19	2019/20	2020/21	Risk Rating	Reason/Risk Rating/Mitigation/Controls	Strategic Link
Specific Audit Days:							
Ad hoc audit time	63	21	21	21	Assess	Depending on risk and resource	Depending on the area and objectives
ASD&CE Strategic Platforms Performance	22		22		Major	Assess whether appropriate and managed	Caring for our Community
Business Case Development	21	21			Major	Ensure a comprehensive understanding	Managing Growth & Delivering Infrastructure
Asset Management	21			21	Major	Due to the nature and value of the items	Managing Growth & Delivering Infrastructure
Asset Valuation, Depreciation & Impairment	21			21	Major	Better information to improve management	Listening, Leading & Financial Management
Big Data	22		22		Major	High risk as data gathering and storage grows	Listening, Leading & Financial Management
Business Continuity Planning	21			21	Major	Effective and efficient plans including testing	Caring for our Community and Environment
Business Intelligence & Reporting	21			21	Major	Important for informed decision making	Listening, Leading & Financial Management
Capital Program Delivery	22		22		Major	Important for successful service delivery	Managing Growth & Delivering Infrastructure
Civic Hall Safety and Security	21	21			Major	Assurance requirements around processes	Caring for our Community
Change Management New Building ©	21	21			Major	Appropriate, correct and functional	Managing Growth & Delivering Infrastructure
Climate Change Compliance	21			21	Major	Big issue but with limited clarity	Caring for our Community and Environment
Conflicts of Interests	21	21			Major	Follow-up from CCC audit	Listening, Leading & Financial Management
Continuous Control Monitoring ©	42		21	21	Major	Detection and prevention of errors or fraud	Listening, Leading & Financial Management
Controls Self-Assessment (CSA)	21		21		Major	Option in assisting evaluations of areas	Managing Growth & Delivering Infrastructure
Controls Processes and Documentation	21			21	Major	Assess effectiveness of reliance on controls	Managing Growth & Delivering Infrastructure
Corporate Governance	21			21	Major	Important area that needs to be revisited	Listening, Leading & Financial Management
Credit Cards Framework – Allocation and Use	21	21			Major	High risk area that needs to be revisited	Listening, Leading & Financial Management
Cyber Security ©	21	21			Major	Flow on from previous years IT Security	Listening, Leading & Financial Management
Develop Data Analytics	21		21		Major	Key capability in predictive analysis	Listening, Leading & Financial Management
Enterprise Resource Planning Observation/Advice	54	18	18	18	Major	To provide some assurance around ICT	Listening, Leading & Financial Management
Enterprise Risk Management (ERM)	21			21	Major	Assess if process is appropriate and effective	Caring for our Community and Environment
Fabrication	20		20		Moderate	New ideas and check safety and process	Managing Growth & Delivering Infrastructure
Fleet	22			22	Major	Important to safety and service delivery	Managing Growth & Delivering Infrastructure
Fraud Prevention and Investigation Process	22	22			Major	To strengthen prevention and investigations	Caring for our Community
Growth Management	21			21	Major	Ability to adjust to growth or down turns	Managing Growth & Delivering Infrastructure
Infrastructure Services Capacity Review	22	22			Major	Assess if appropriate and sufficient	Caring for our Community
Lakes and Retention Basins	21	21			Major	To ensure sound process and public safety	Caring for our Community and Environment
Leave Management and Administration	21			21	Moderate	To ensure process is sound without any losses	Listening, Leading & Financial Management
Legal Services	21		21		Major	Ensure appropriate and effective service	Caring for our Community

AUDITS AND ACTIVITIES	Days	2018/19	2019/20	2020/21	Risk Rating	Reason/Risk Rating/Mitigation/Controls	Strategic Link
Local Laws Review	21		21		Major	To ensure appropriate and effective laws	Caring for our Community
Network Patch Management	21		21		Major	To ensure patching is applied as required	Listening, Leading & Financial Management
Objective - Record Storage, Clarification & Retrieval (current year)	21	21			Major	Correct classification, storage and retrievable	Listening, Leading & Financial Management
Operation of Fleet and Plant	22	22			Major	Key to continued services and to limit risk	Managing Growth & Delivering Infrastructure
Penalty Infringement Process	21	21			Major	Assurance requirements around process	Caring for our Community
Performance Monitoring and Reporting (KPI)	21			21	Major	Assurance regarding use and management	Strengthening Local Economy & Prosperity
Portable and Attractive Assets	21	21			Major	Ensure community assets are managed	Listening, Leading & Financial Management
Pound Operations	21	21			Major	Assurance that operations are sound	Caring for our Community and Environment
Portfolio, Program and Project Management (PPPM)	22		22		Major	Test if full benefits are achieved	Managing Growth & Delivering Infrastructure
Procurement (After new process review)	21	21			Major	Review progress of new process	Listening, Leading & Financial Management
Project Management	22			22	Major	Test alignment, understanding and use	Managing Growth & Delivering Infrastructure
Property Searches ©	21		21		Major	Ensure that relevant issues are managed	Managing Growth & Delivering Infrastructure
Records Destruction Process	21		21		Major	Correct classification and safe destruction	Listening, Leading & Financial Management
Right To Information Process	21		21		Major	Ensure appropriate, sound and complete	Listening, Leading & Financial Management
Tax/GST/FBT Risks	21		21		Major	Changes impacting on accuracy and suitability	Listening, Leading & Financial Management
Tender Evaluation (WPR)	21	21			Major	Follow-up audit to ensure a strong process	Strengthening Local Economy & Prosperity
Waste Disposal	22			22	Major	Possible significant opportunities & concerns	Caring for our Community and Environment
Waterways/Stormwater	21		21		Major	Important as focus more towards waterways	Caring for our Community and Environment
Waste Business Management Systems	24	8	8	8	Major	Business request in maintaining certifications	Strengthening Local Economy & Prosperity
Workshops	21			21	Major	Ensuring an effective and safe service	Managing Growth & Delivering Infrastructure
Total Specific Audit Days	1158	386	386	386			
Audit Related Activity Days:							
Audit and Risk Management Committee	54	18	18	18			
CEO & 3 rd Level Managers Meetings & Preparation	51	17	17	17			
Consulting, Advice, Assistance, Presentations (Ad hoc)	54	18	18	18			
Internal Audit Plan Preparation & Risk Assessment	42	14	14	14			
Investigations (Corrupt Conduct)	492	164	164	164			
Supervision & Liaison External & Contract Auditors	27	9	9	9			
Quality Self-Assessment & Annual Report	30	10	10	10			
Recommendations (Updating & Monitoring)	36	12	12	12			
Review of Charters, Manuals & Website	30	10	10	10			
Risk Management (Workshops & Liaisons)	21	7	7	7			

AUDITS AND ACTIVITIES	Days	2018/19	2019/20	2020/21	Risk Rating	Reason/Risk Rating/Mitigation/Controls	Strategic Link
Total Audit Related Activity Days	837	279	279	279			
Total Productive Days	1995	665	665	665			
<u>Support Activity Days:</u>							
Conferences & Seminars	39	13	13	13			
Liaisons (LGIA, CMC, IIA, ISACA, CPA etc.)	42	14	14	14			
Management, Administration & Resource Planning	84	28	28	28			
Training & Professional Development	54	18	18	18			
Total Support Activities Days	219	73	73	73			
TOTAL PROGRAMMED DAYS	2214	738	738	738			
ESTIMATED ACTUAL DAYS AVAILABLE	2214	738	738	738			
UNALLOCATED DAYS	0	0	0	0			

© - indicates audit flagged as a contract audit.

Please refer to last page for a breakdown of estimated days available.

The quantum of audits selected for inclusion in the Internal Audit Plans is estimates only.

As history and experience is gained it is anticipated that a more accurate picture of the audit times and hence resource needs will emerge. Initial estimates may need amendment as appropriate during the audit planning stages as flexibility is required.

8 ANNUAL ESTIMATED ACTUAL DAYS AVAILABLE

	Manager	Principal Investigator /Internal Auditor	Internal Auditor	Contractor	Total
Total days available in year	365	365	365	86	1181
<i>Less non-working days:</i>					
Weekends	104	104	104		312
Statutory Holidays	10	10	10		30
Annual Leave	20	20	20		60
Long Service Leave	10				10
Sick Leave	7	7	7		21
Leave to conduct Quality Assessments	10				10
Normal allocation	204	224	224	86	738
Actual days available for audit activity	204	224	224	86	738

9 DEFINITIONS

Adequacy	Of risk management, control, and governance processes is present if management has planned and designed them in a manner that provides reasonable assurance that the organization's objectives and goals will be achieved efficiently and economically.
Assurance Mapping	Assurance mapping is a tool which enables Internal Auditors to visually present all assurance activities of the organisation, both internal and external, as they apply to the organisation's risks. Once complete risks with inadequate assurance coverage and / or areas with duplicated coverage can be identified.
Assurance Services	An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organisation. Examples may include financial, performance, compliance, system security, and due diligence engagements.
CAE	Chief Audit Executive '[a] senior position within the organisation responsible for internal audit activities...reporting to senior management and the board regarding internal audit activities'.
Consulting Services	Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.
Continuous Control Monitoring	A management process that monitors on an ongoing basis whether internal controls are operating effectively.
Control	Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.
Control Self-Assessment	(CSA) is a technique that allows managers and work teams directly involved in business units, functions or processes to participate in assessing the organization's risk management and control processes.
Effectiveness	Of risk management, control, and governance processes is present if processes are

ICC Three Year Internal Audit Plan

	operating in a manner that provides reasonable assurance that the organisation's objectives and goals will be achieved.
Enterprise-wide risk management	(ERM) is a structured, consistent and continuous process across the whole organization for identifying, assessing, deciding on responses to and reporting on opportunities and threats that affect the achievement of its objectives.
External Audit	The examination by an independent third party of the financial report of a company or other organisation, resulting in the publication of an opinion on whether the financial report is presented fairly, in all material respects, and has been prepared in accordance with an applicable financial reporting framework.
Governance	The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organisation toward the achievement of its objectives.
ICC	Ipswich City Council
IT	Information and related Technology
Integrated Risk Based Internal Auditing	Can effectively and efficiently cover multiple regulations and standards from a single audit by considering all key risks that impact on organisation achieving its objectives. Ensures that all necessary governance requirements can be met without duplicating effort by requiring a number of audits to cover a business area. Can improve accuracy of overall control opinion and is more cost effective. Not all issues will be covered, which increases the risk that all key aspects may not be fully covered.
IIA / Institute of Internal Auditors	The Institute of Internal Auditors (IIA) is an international professional association of more than 170,000 members established in 1941 and is the Internal Audit profession's global voice and recognised authority.
Internal Auditing	An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
Overall Opinion	The rating, conclusion, and/or other description of results provided by the chief audit executive addressing, at a broad level, governance, risk management, and/or control processes of the organization. An overall opinion is the professional judgment of the chief audit executive based on the results of a number of individual engagements and other activities for a specific time interval.
Potential Exposure	The total plausible maximum impact on an organization arising from a risk without regard to controls.
Risk	The possibility of an event occurring that will have a positive or negative impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.
Standards	The International Standards for the Professional Practice of Internal Auditing.
Value Add	The Internal Audit activity adds value to the organisation and its stakeholders when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management, and control processes

BW: BW
A4816300

Audit and Risk Management Committee	
Mtg Date: 16 May 2018	OAR: YES
Authorisation: Jeff Keech	

3 May 2018

MEMORANDUM

TO: ACTING CHIEF FINANCIAL OFFICER

FROM: PRINCIPAL FINANCIAL ACCOUNTANT

RE: IMPACT OF NEW ACCOUNTING STANDARDS FOR IPSWICH CITY COUNCIL

INTRODUCTION:

The Queensland Audit Office (QAO) requires Ipswich City Council (ICC) and its controlled entities to provide a position paper regarding the impact of recently issued or amended accounting standards. Council is required to provide the position paper by the 30 June 2018.

BACKGROUND:

Australian Accounting Standards Board (AASB) has recently issued or amended Australian Accounting Standards of AASB 9 Financial Instruments, AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 16 Leases. The changes from these accounting standards will have some financial impact for both Council and its controlled entities (Ipswich City Properties Pty Ltd, Ipswich City Developments Pty Ltd, Ipswich City Enterprises Pty Ltd, Ipswich City Enterprises Investments Pty Ltd and Ipswich Motorsport Park Pty Ltd).

Impact

AASB 9 Financial Instruments

- Effective for annual reporting periods beginning on or after 1 July 2018.

Financial Assets now classified in Two Financial Categories (Amortised Cost and Fair Value)

- Previously under AASB 139 there were four financial asset categories (fair value through profit and loss, held-to-maturity, loans and receivables, and available-for-sale financial assets), while under AASB 9 there are only two financial asset

categories (amortised cost and fair value). Based on the entity's business model (collecting contractual cash flows; selling financial assets; or both) this will determine whether financial assets are measured at amortised cost or fair value. As Council and its controlled entities objective is to hold assets in order to collect contractual cash flows of 'solely payments of principal and interest on the principal amount outstanding' (eg. 'plain vanilla' loans, trade receivables and debt securities with simple cash flows) financial assets are required to be measured at amortised cost. (Refer to paragraph 4.1.1 to 4.1.2 of AASB 9.)

- Financial liabilities are subsequently measured at amortised cost. (Refer to paragraph 4.2.1 of AASB 9.)
- **Impact:** Nil. Council and its controlled entities initially measure financial assets like long-term investment (fixed term deposits), investments (which are unquoted and there is no active market) and trade receivables at cost. These financial assets are subsequently measured at amortised cost through profit and loss. While financial liabilities (loans of solely payments of principal and interest based on the principal amount outstanding) are initially measured at fair value, then subsequently measured at amortised cost through profit and loss.

Option to account for equity instruments in other comprehensive income

- For investment in equity instruments amortised cost will not be applicable and the fair value category must be applied. The entity can elect to present initial recognition of equity instruments in other comprehensive income with subsequent changes in the fair value of the instrument to be presented in other comprehensive income. (Refer to paragraph 5.7.5 of AASB 9.)
- **Impact:** Nil. Council and its controlled entities will continue to measure equity instruments at amortised cost and account for equity instruments in the profit and loss as AASB 9 does not apply to equity investments in subsidiaries (controlled entities) which are accounted for in accordance with AASB 10 Consolidated Financial Statements and AASB 127 Separate Financial Statements. However, due to consolidation the equity in associate Queensland Urban Utilities (QUU) is accounted for in other comprehensive income in accordance with AASB 128 Investment in Associates and Joint Ventures. Dividends from equity investments relating to subsidiaries and associates will continue to be presented in profit and loss.

Hedging

- AASB 9 simplifies hedge accounting which allows more types of hedging instruments as there is less restrictive criteria to qualify for hedge accounting and retrospective effectiveness tests are no longer required. (Refer to chapter 6 of AASB 9.)
- **Impact:** Nil. Council and its controlled entities do not enter into, or trade with, such instruments for speculative purposes, nor for hedging.

Impairment

- Impairment losses for financial assets are on an expected basis rather than an incurred basis. AASB 9 has three approaches to assessing impairment of financial assets of simplified approach (applicable to most trade receivables); general

approach (applicable to most loans and debt securities); and purchased or originated credit-impaired approach. (Refer to paragraph 5.5 of AASB 9.)

- **Impact:** Council and its controlled entities currently recognise impairment of trade receivables using an incurred basis. Under AASB 9 Council will use the simplified approach with forward-looking assumptions and information regarding expected future conditions affecting historical customer default rates by applying a percentage based on impairment recognised over the last five years (with the exclusion of extraordinary anomalies). The collectability of receivables will be assessed periodically for impairment and any impairment is recognised in the profit and loss. Council does not impair rates receivables due to the provisions of the *Local Government Act 2009* which empower Council to sell an owner's property to recover outstanding rate debts.

AASB 15 Revenue from Contracts with Customers

- Effective for annual reporting periods beginning on or after 1 July 2019.
- Under AASB 15 the timing of income recognition will depend on whether a transaction gives rise to a performance obligation, liability or contribution by owners. Hence, revenue is recognised initially as a liability and once the obligation is satisfied the liability is derecognised and revenue recognised. (Refer to paragraph 15 and 16 of AASB 15.)
- **Impact:** Nil. Council already recognises a liability for developer contributions (open space and social) and once the associated work is completed the liability is derecognised and revenue recognised. Currently revenue is recognised upon receipt for town planning, animal, cemetery, and licence fees, however there is no contract with the customer and no obligations attached for these revenue items. Also, these fees are assessed immaterial.
- **Impact:** Nil. Ipswich City Properties Pty Ltd already recognise rent payments in advance as a liability, once the rental period applies the liability is derecognised and revenue recognised.

AASB 1058 Income of Not-for-Profit Entities

- Effective for annual reporting periods beginning on or after 1 July 2019.
- Formerly under AASB 1004 grant revenue was either non-reciprocal with revenue recognised immediately or reciprocal whereby revenue was deferred until a condition was performed. Like AASB 15, AASB 1058's timing of income recognition will depend on whether a transaction gives rise to a performance obligation, liability or contribution by owners.
- Currently, AASB 1004 requires only assets acquired by not-for-profit at nil or nominal consideration must be fair valued, however AASB 1058 will broaden this to include the fair value measurement of assets for which consideration is significantly below the asset's fair value (including peppercorn leases). (Refer to paragraph 7 of AASB 1058.)

- A liability is required to be recognised for the excess of the initial carrying amount of a financial asset received in a transfer to enable the entity to acquire or construct a non-financial asset. Revenue will be recognised once the entity satisfies its obligations under the transfer. (Refer to paragraph 16 of AASB 1058).
- Volunteer services shall be recognised as an asset or expense if those services can be measured reliably and the services would have been purchased if they had not been donated. (Refer to paragraph 18 of AASB 1058.)

Grants for construction or acquisition for non-financial assets

- Grants for construction or acquisition of non-financial assets to be controlled by the entity are initially recognised as a liability as there is an obligation to construct an asset. As the performance obligations are satisfied the liability is derecognised and revenue recognised.
- Impact: Council currently applies the requirements of AASB 1058 in accounting for grant funding relating to the construction of assets with obligations attached. Council accounts for these as a liability (unearned grant revenue) and subsequently as revenue when the obligation is satisfied. While for some grants Council receives milestone payments in which revenue is recognised immediately as payment is for works completed. While for donated assets when these become “on maintenance” an asset is recognised at fair value and revenue recognised immediately.

Grants of Financial assets and Donations

- While the receipt of a financial asset that does not relate to the acquisition or construction of a non-financial asset, the excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.
- Grants of financial assets with specific performance obligations will be initially recognised as a liability and subsequently as revenue when the obligation is satisfied. This will only affect grants that span over the end of a financial year.
- Department of Local Government, Racing and Multicultural Affairs (DLGRMA) advised Financial Assistance Grants are still required to be recognised as revenue upon receipt.
- Impact: Nil. All of Council’s grant funding agreements have been reviewed and no agreement includes specific performance obligations. Also, Council currently applies the requirements of AASB 1058 in accounting for monetary donations and donated assets (eg, land, infrastructure assets and artworks).

Rates Paid in Advance

- As the period to which rates paid in advance has not occurred, the obligation has not been fulfilled and prepaid rates are refundable at the request of the ratepayer. During the refundable period the rates received in advance give rise to a financial liability, then subsequently as revenue when the rating period occurs.

- **Impact:** Council currently recognises rates paid in advance as a liability, but at the end of each quarter the liability balance is accrued to revenue. Council will cease the practice of accruing the balance of rates paid in advance liability to revenue at the end of each quarter. As a result, revenue will reduce by approximately \$3m (based on the 30 June 2017 accrual) and liabilities will increase by \$3m.

Peppercorn Leases

- Peppercorn leases are where the lease payments do not reflect the market value of lease payments for the property being leased. For peppercorn leases, AASB 1058 requires a right-of-use asset to be measured at fair value and a lease liability be recognised at present value of peppercorn lease payments. The difference between the right-of-use asset and lease liability is required to be recognised as revenue.
- AASB 1058 applies to leases with significantly below-market minimum lease payments, like peppercorn leases. Please note the requirements of AASB 16 Leases also apply to peppercorn leases.
- Council currently has three (3) “peppercorn leases” with the Department of Natural Resources and Mines (DNRM), in which Council pays less than market value lease payments.
- **Impact:** Recognition of peppercorn leases will have a material impact for Council. Below is a guide in applying AASB 1058 and AASB 16 retrospectively to the comparative year of 2016-2017, the financial impact would be:
 - A right-of-use asset at fair value of \$1.22m and lease liability of \$50k based on discounted cash flow lease payments as at the 1 July 2016.
 - The difference between the fair value of leased asset and the lease liability of \$1.17m will be recognised as an adjustment to accumulated surplus as this revenue relates to a prior period.
 - Accumulated Amortisation of \$108k which reflects amortisation expense (straight-line) of \$108k for financial year 2016-2017.
 - Actual lease payments of \$20k were recognised in 2016-2017 so this would be apportioned between interest expense of \$3k and the remaining balance of the lease payment of \$17k reducing the lease liability.
 - In 2017-2018 transactions will include lease payments apportioned between interest expense and lease liability, amortisation expense, interest expense, split lease payments and any increase in lease payments.
 - CPI is not applicable for peppercorn leases, but DNRM do increase lease payments although not annually.
 - Right-of-use assets is required to be reported in a separate asset class in property, plant and equipment as per the AASB 116 Property, Plant and Equipment.

Volunteer Services

- AASB 1058 requires an inflow of resources in the form of volunteer services as an asset or expense if the services can be measured reliably and would have been purchased if they were not donated. Paragraph 19 of AASB 1058 goes on to state the entity may “elect to recognise volunteer services or a class of volunteer services”.
- Council currently has 136 individuals who volunteer their services in the Ipswich Art Gallery, Seniors Concert Group, Friends of the Library, Ipswich Visitor’s Information Centre, Ipswich Cemetery and Queens Park Animal Sanctuary.
- Impact: Nil. Council departments have provided details of volunteer numbers and they have confirmed that they would not have purchased these services if they were not donated. Also, Council will not elect to recognise volunteer services.

AASB 16 Leases

- Effective for annual reporting periods beginning on or after 1 July 2019.

On-balance sheet accounting for leases

- The intention of the standard is to put ‘off-balance sheet’ operating leases ‘on-balance sheet’. A right-of-use asset and lease liability is recognised for the discounted cash flow of lease payments for the lease term. (Refer to paragraph 22 to 28 of AASB 16.)
- Lease payments are apportioned between the reduction in the lease liability and interest expense. Also, the right-of use asset is depreciated straight-line over the life of the lease. (Refer to paragraph 29 to 46 of AASB 16.)
- Under AASB 9 the accounting will affect profit and loss with depreciation and interest expense, whereas previously only lease payment expense affected profit and loss. Therefore, a financing effect will take place with interest expense and depreciation charge being higher than the periodic lease rentals at the start of the lease.
- There is an exemption for short-term leases (12 months or less) or leases of low value (AUD \$7,500). (Refer to paragraph 5 of AASB 16.) However, all of Council’s lease terms are over 12 months and no lease is less than AUD \$7,500.
- In accordance with paragraph C5 of AASB 16 Council will apply the requirements of AASB 16 retrospectively to the comparative reporting period.
- AASB 16 applies to embedded leases where there is an explicit or implicit asset in the contract and the customer controls use of the asset. Embedded leases are typical in arrangements, like supply contracts, data centre agreements, and outsourcing agreements. DLGRMA gave an example of an embedded lease of a contract between a Council and garbage collection company. Council leases the company’s garbage truck, Council puts their logo on the garbage truck and the driver of the garbage truck is a Council employee. As a result, Council controls the asset (garbage truck) and has a right-of-use asset.

- **Impact:** Council currently has 16 property leases which will result in a material impact on the balance sheet and statement of comprehensive income. 12 of the 16 leases commenced on the 1 July 2016 with a lease term of 4 years or less. Below is a guide in applying AASB 16 retrospectively to the comparative year of 2016-2017, but excluding peppercorn leases. Hence the financial impact of AASB 16 Leases would be:
 - Right-of-use asset and lease liability is \$2.521m as at the 1 July 2016.
 - Accumulated Amortisation of \$755k which includes amortisation expense of \$690k for financial year 2016-2017.
 - Interest Expense (Borrowing Rate of 5.404%) is \$136k.
 - Actual lease payments of \$974k (excluding peppercorn leases) was recognised in 2016-2017 so this would be apportioned between interest expense of \$136k (previously mentioned) and the remaining balance of the lease payment of \$838k reducing the lease liability.
 - As at the 30 June 2017 the balance of lease liability will be \$1.683m and right-of use asset is \$1.765m (excluding peppercorn leases).
 - In 2017-2018 transactions will include new lease agreements calculated at present value, lease payments apportioned between interest expense and lease liability, amortisation expense, and CPI increase of approximately \$13k will be applied to both lease liability and right-of-use asset.
 - Right-of-use assets are required to be reported in a separate asset class in property, plant and equipment as per AASB 116 Property, Plant and Equipment.
 - 1 of the 16 property leases is already accounted for as a prepayment and has a balance of \$847,916.67. This prepayment would need to be de-recognised.
 - Council has no embedded leases.
 - Refer to the section for AASB 1058 for the impact on peppercorn leases.
- **Impact:** Ipswich City Property Pty Ltd as a lessor leases office space to Council, however the accounting treatment by the lessor has not changed under AASB 9. The controlled entities do not lease any assets.

Leases Model

- An Excel worksheet has been prepared in accounting for Council's leases, however there is complexity in accounting for multiple leases with different terms, CPI adjustment, interest, split lease payments and more.
- **Impact:** Council might consider if there is an available Excel model to calculate leases.

CONCLUSION:

AASB 9 Financial Instruments will have minimal financial impact for Council and its controlled entities. Impairment of trade receivables will no longer be assessed using an incurred basis, but rather an expected basis which is based on a percentage of historical customer default rates.

AASB15 Revenue from Contracts with Customers will require any grants with specific performance obligations attached to be initially recognised as a liability and once the obligation is satisfied the liability is derecognised and revenue recognised.

AASB1058 Income of Not-for Profit Entities will have a material financial impact for Council with rates paid in advance no longer recognised as revenue (approximately \$3m), and for peppercorn leases recognition of right-of-use asset of \$1.113m and lease liability of \$33k with the difference recognised as an adjustment to accumulated surplus (approximately \$1.17m) as this revenue relates to a prior period. Also, implement controls to monitor grant agreements for attached obligations, whether associated with acquisition or construction of assets or not, then recognise revenue for these grants initially as a liability and subsequently as revenue when the obligation is complete.

AASB 16 Leases will have a material financial impact for Council and is required to be applied retrospectively. As a guide in using 30 June 2017 values the balance sheet would report a right-of-use asset of \$1.765m and lease liability of \$1.683m (excluding peppercorn leases). Then there is the ongoing complexity of accounting for different lease terms, CPI index and more.

CONFIDENTIAL ATTACHMENT:

Name of Attachment	Attachment
AASB16 Leases – Calculation of estimated impact	CONFIDENTIAL Attachment A

RECOMMENDATION:

That the report of the Principal Financial Accountant regarding the impact of the recently released or amended Accounting Standards on Ipswich City Council dated 3 March 2018 be received and the contents noted.

Barbara Watson

PRINCIPAL FINANCIAL ACCOUNTANT

I concur with the recommendation contained in this report.

Jeffrey Keech

ACTING CHIEF FINANCIAL OFFICER

Audit and Risk Management Committee	
Mtg Date: 16.05.2018	OAR: YES
Authorisation: Jeffrey Keech	

A4791025

18 April 2018

MEMORANDUM

TO: ACTNG CHIEF FINANCIAL OFFICER

FROM: CORPORATE SERVICES AND RISK MANAGER

RE: ENTERPRISE RISK MANAGEMENT AND INSURANCE UPDATE

INTRODUCTION:

This is a report by the Corporate Services and Risk Manager dated 18 April 2018 providing the Audit and Risk Management Committee with an Enterprise Risk Management (ERM) and Insurance update.

The purpose of this memorandum is to provide an update on:

- Enterprise Risk Management program implementation; and
- Insurance activities and statistics.

ENTERPRISE RISK MANAGEMENT PROGRAM

The last update on the Enterprise Risk Management program was provided to the Audit Committee on 6 September 2017. As at the time of that report, a full review of the Enterprise Risk Management program and tools had been undertaken and a new Enterprise Risk Management Framework and amended tools developed in consultation with various key stakeholders in Council. This was important foundational work to ensure a best practice approach that drives, supports and strengthens Council's approach to Strategic and Operational risk management activities.

The Queensland Audit Office and Council's insurers have been monitoring and obtaining updates on the status of the Enterprise Risk Management program and feedback indicates support for the approach taken to date and future proposed activities.

Current Activities

Since the abovementioned report, activities have concentrated on compiling Operational Risk Registers for each Department and a Council Strategic Risk Register. This has comprised the following:

- Operational Risks:

- Operational Risk Register Workshops – 15 January 2018 to mid-February 2018.

Departments identified key stakeholders in each of their branches to participate in intensive operational risk register workshops run by Corporate Services, with the assistance of an independent risk consultant. A total of 120 stakeholders took part in these workshops. Workshops resulted in a base operational risk register for each branch/department. Ongoing consultation was then undertaken with key stakeholders in each branch/department following the workshops to refine/finalise the operational risk registers.

Attachment A provides high level statistics relating to the current draft Operational Risk Register. The data used reflects the number of risks identified by each area and the assessment conducted by that area. As the risk registers are still in development, in reality many of these risks only represent a single risk to Council (for example, loss of information/knowledge due to staff turnover). We anticipate as the process continues and the approach refined, these risks will be merged.

- Review/moderation of Operational Risk Register by Chief Operating Officers.

In order to ensure that the content of the operational risk register produced through the workshops was accurate and representative of each Departments activities, meetings have been scheduled with each Chief Operating Officer for review/moderation purposes. At the time of producing this report, this activity is ongoing. This is anticipated to be completed by mid-May 2018.

- Review of Operational Risk Register by Chief Executive Officer.

Once the Chief Operating Officers have reviewed/moderated and approved the Operational Risk Register, it is proposed that the Chief Executive Officer review and approve. This is anticipated, subject to the above review by the Chief Operating Officers, to be completed by mid/end of May 2018.

- Strategic Risk Register Workshops

Individual meetings have been conducted with each Chief Operating Officers for the purposes of preliminary discussions on compiling a Strategic Risk Register. On 15 January 2018, a workshop with all of the Executive Team was conducted to work through the initially identified strategic risks. Based on feedback from this workshop, further work has been undertaken on the wording of the strategic risks. At the time of producing this report, a further meeting with the Executive Team is to be scheduled for a further review/finalisation of the strategic risks.

At this stage, work is concentrating on ensuring the strategic risks are appropriately worded, causes and consequences identified and ratings considered.

Further work will then be undertaken on populating the current controls and risk treatments. It is envisaged that the Operational Risk Register content will assist with this activity.

- Risk Management Monitoring, Reviewing and Reporting – CAMMS

CAMMS is a Risk Management system implemented by Council to store, manage and report on Operational and Strategic risks (it also has the ability to capture project risks). This moves Council away from a excel spreadsheet approach for risk registers to a centralised, accessible and automated risk management system.

The Operational Risk Register and Strategic Risk Register will be stored in CAMMS. This system provides for automated workflows, escalations and reminders to assist with ongoing risk monitoring/management activities, dashboards and reporting. It is envisaged that all risks will be captured in CAMMS by 1 July 2018.

Initially as the organisation gets used to monitoring, reviewing and reporting on risk, Corporate Services will assist with branch/departmental risk activities/review of the Operational and Strategic Risk Registers. It is proposed that initially annual reviews of the risk registers will be undertaken and driven by Corporate Services. As the organisation improves in its understanding and maturity in the risk management space, branches/departments will be transitioned into using CAMMS to provide quarterly updates and extract any risk reports relevant to their operational areas.

Examples of the type risk reporting produced through CAMMS will be provided to the Audit and Risk Committee once all risk register data is inputted.

Future Activities

The following Enterprise Risk Management program activities are proposed over the next 6 to 18 months:

- Operational Risk Registers:
 - Review/update of “Current Controls” and “Risk Treatments”; and
 - Common Risk discussions with the Executive Team. These are risks that we have identified as captured in multiple departmental risk registers that may be better assigned to other branches or escalated as strategic risks (if not already captured), for example, information systems and workplace health and safety activities.
- Strategic Risk Register:
 - Finalisation of the Strategic Risk Register; and
 - Population of “Current Controls” and “Risk Treatments” within the Strategic Risk Register. Content may be based on Operational Risk Register content and/or compiled through consultation with the Executive Team.

- Enterprise Risk Management Training;
- CAMMS Risk Management Software Training and transitioning into using CAMMS (scheduled for around September 2018 to align with Corporate Planning activities);
- Identified Risk Management Projects:
 - Fraud Risk Management;
 - Emergency Management – investigation/implementation of module in CAMMS to capture Emergency Management activities (Works, Parks and Recreation); and
 - Project Risks.
- Development of Risk Management reporting.

Subject to the extent of data that can be stored in CAMMS and the ongoing development of risk management capabilities within Council, Risk Management reporting will be developed to enable report to Branches, Departments, Executive Team and Audit and Risk Management Committee.

Enterprise Risk Management Review

The Operational Risk Register workshops have practically applied the Enterprise Risk Management Framework and in particular the Risk Management. This activity has provided a platform on which to review/assess the risk matrix and improve/tailor it to Council's operational activities.

Various amendments have been made to the Corporate Risk Matrix and Control Options as reflected in the Key Risk Assessment Summary Tool based on feedback from the following:

- Key stakeholder provided during the Operational Risk Register workshops;
- Feedback provided by various Chief Operating Officers;
- Independent risk consultant (involved in the Operational Risk Register workshops); and
- Internal Audit provided during and following the initial creation of the Enterprise Risk Management Framework and during discussions with the Corporate Services and Risk Manager at the independent risk consultant

Below is a summary of the amendments:

Section	Description
Financial Risk Category	<ul style="list-style-type: none"> • Inclusion of examples to enable better application. • Altered financial loss banding to encompass lower amounts to enable application at operational level while still reflecting the consequence/impact on Council based on its operating revenue position. • Removal of project risks wording to ensure matrix applied at Strategic and Operational level.
Legal and Governance	<ul style="list-style-type: none"> • Removal of any 'financial' type of wording (i.e. fines) to avoid

Risk Category	<p>confusion with application of financial risk category.</p> <ul style="list-style-type: none"> • Inclusion of descriptors and more specific terminology (i.e. types of legal issues) to reduce subjective application. • Removal of 'project' type of wording (i.e. programs/targets). • Inclusion of fraud and dishonesty terminology.
Political/Reputation Risk Category	<ul style="list-style-type: none"> • Removal of any 'financial' type of wording (i.e. funding) to avoid confusion with application of Financial risk category. • Mirrored terminology between bands to ensure consistency of application.
Environmental/Public Health Risk Category	<ul style="list-style-type: none"> • Risk Category title changed to 'Community and Environment' to provide for application to community activities of Council and in turn encompassing the public health component of Council activities. • Description around environmental damage and recovery timeframes based on operationally applied timeframes.
Workplace Health and Safety Risk Category	<ul style="list-style-type: none"> • Risk Category title changed to 'Health & Safety' to move away from being Council worker focused and allowing for application to the community. • Removal of 'financial' amounts to avoid confusion with application of the financial risk category. • Additional terminology/descriptors to reduce subjective application.
Service Delivery and Business Continuity	<ul style="list-style-type: none"> • Re-worded to reflect and capture essential and non-essential customer facing services; • Inclusion of specific service delivery timeframes based on identified operational timeframes and comparisons from other local governments.
Cyber Security, Security and Confidentiality	<ul style="list-style-type: none"> • Risk Category title changed to 'Information Confidentiality, Integrity and Accessibility' to widen the category application from an ICT based activity to core information risk based application. • Inclusion of information risk based terminology in accordance with Office of Information Commission recommendations in its 2017-2018 OIC Compliance Review report on Ipswich City Council being tabled in Parliament on 15-18 May 2018.
Control Options	<ul style="list-style-type: none"> • Reduction in number of control options based on what was applied during the risk register workshops, to: <ul style="list-style-type: none"> • Accept • Eliminate/Avoid • Treat/Reduce • Transfer or Share
General administrative change in the Corporate Risk Matrix	<ul style="list-style-type: none"> • Inclusion of terminology in the risk categories to clearly identify ability to electing either one or multiple. • Removal of reference to opportunities and an opportunities risk matrix to ensure the organisation concentrates on developing its capabilities in foundational risk management at this stage. At a later point in time, this concept can be re-introduced.

These amendments are supported by the independent risk consultant.

A tracked change and clean skin version of the Key Risk Assessment Summary Tool are provided as Attachments B and C, for your consideration.

Attachment D is a copy of the Enterprise Risk Management Framework incorporating the amended Key Risk Assessment Summary Tool and minor terminology/grammatical amendments for your information and consideration.

ATTACHMENTS:

Name of Attachment	Attachment
Operational Risk Register Statistics	Attachment A
Key Risk Assessment Summary Tool (Amended) - Tracked Changes	Attachment B
Key Risk Assessment Summary Tool (Amended) – Clean Skin Version	Attachment C
Enterprise Risk Management Framework (Reflecting amendments to the Corporate Risk Matrix and Control Options)	Attachment D

RECOMMENDATION:

That the Enterprise Risk Management Framework as detailed in Attachment D of the report by the Corporate Services and Risk Manager dated 18 April 2018, be approved.

Laura Nicholls

CORPORATE SERVICES AND RISK MANAGER

I concur with the recommendation contained in this report.

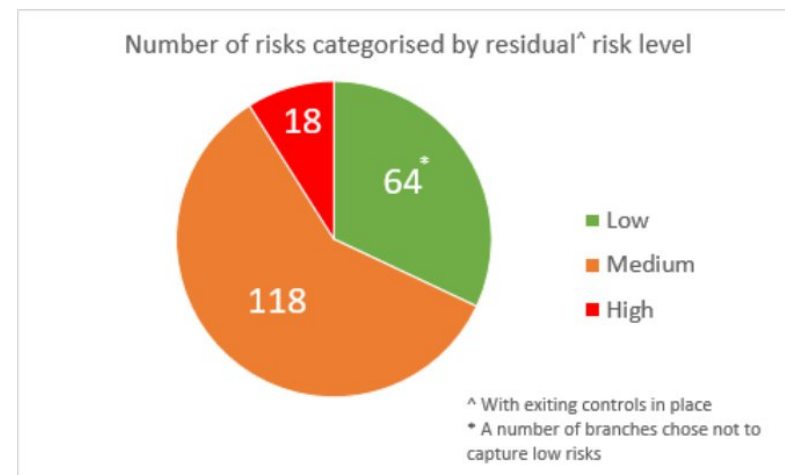
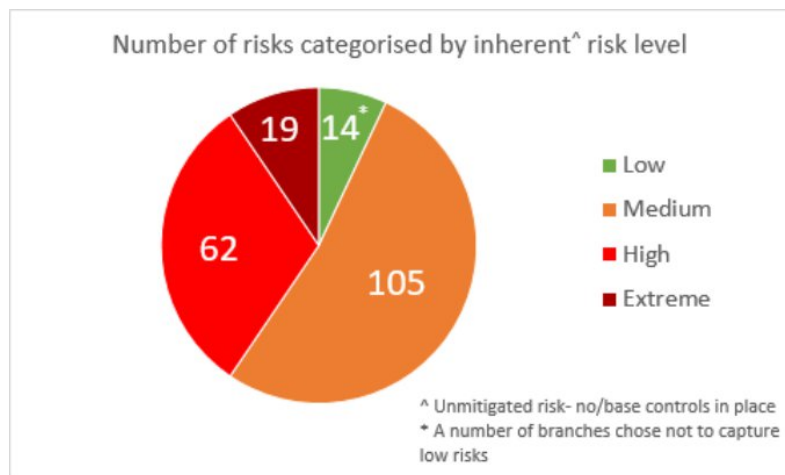
Jeff Keech

ACTING CHIEF FINANCIAL OFFICER

ATTACHMENT A – High Level Statistics of Draft Operational Risk Registers

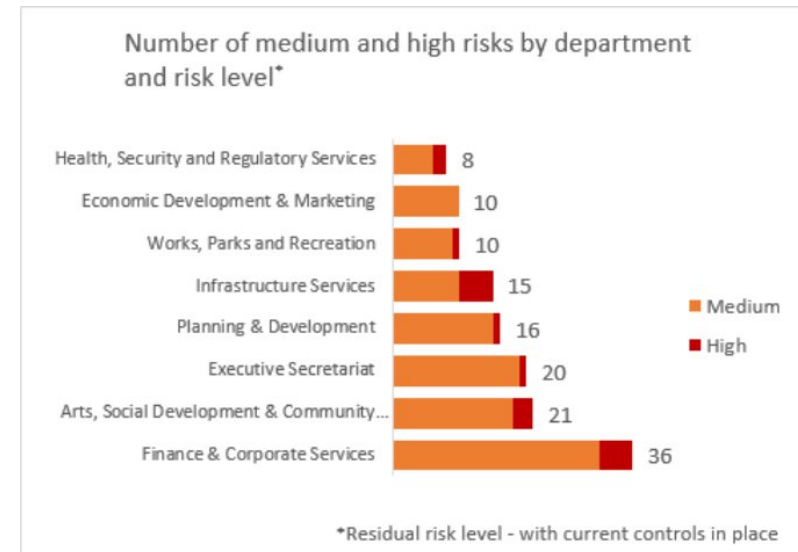
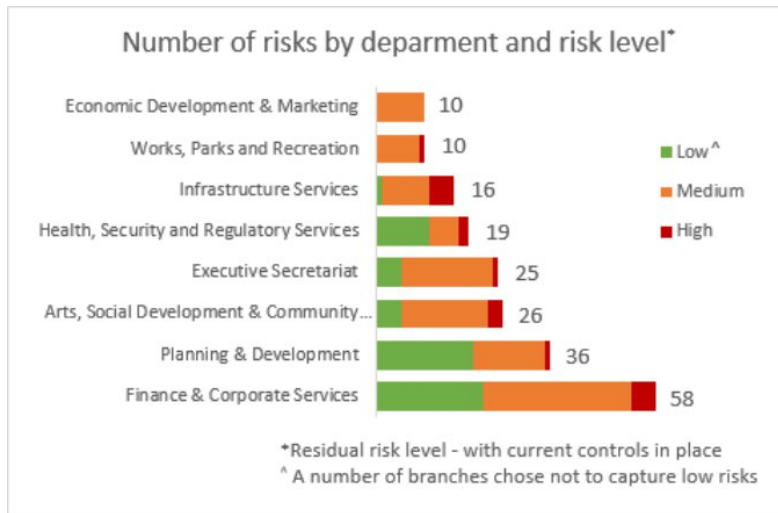
Overview

The below graphs provide an overview of the number of inherent and residual risks identified in the Operational Risk Registers. Inherent risk rating is applied to an identified risk on the basis of no controls/minimal or base controls applied. Residual risk rating is applied to an identified risk factoring in current controls. A total of 200 operational risk have been identified:



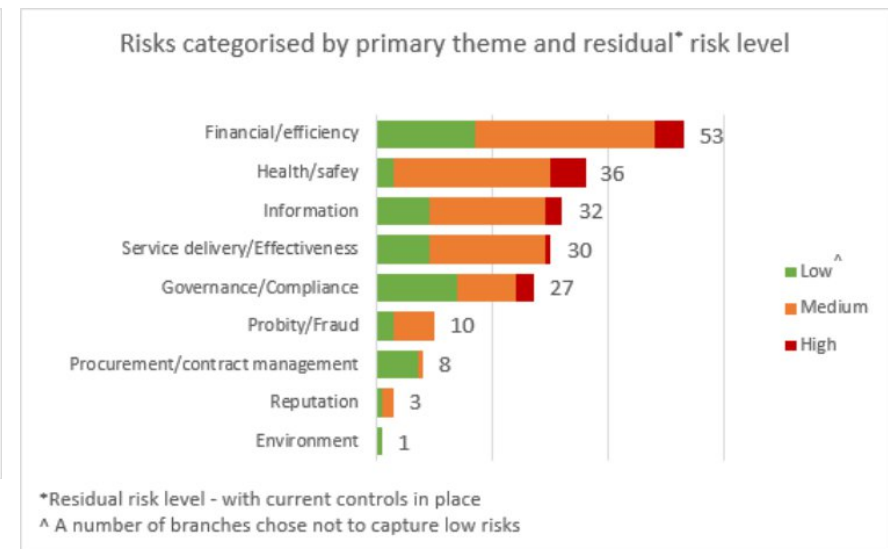
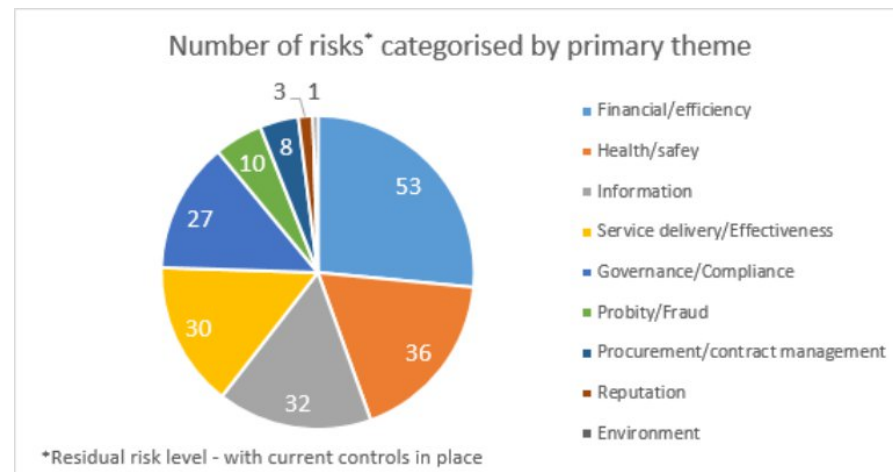
Departmental Breakdown

The below graphs show the number of risks by Department:



Risks Categorised by Primary Risk Type

The below graphs shows the number/levels of risks categorised by type. These represent the theme or topic of the identified risk.



		CORPORATE RISK MATRIX				
		Minimal (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
RISK CATEGORIES	Financial	Financial cost loss (lines, lost revenue/funding, increased cost) < \$500,000-4M or operating-revenue, < 6% of budget loss for a Project-Program or Event	Financial-loss (lines, lost revenue/funding, increased cost) > \$500,000-4M - < \$2M of operating revenue, > 10% of budget loss for a Project-Program or Event	Financial loss (lines, lost revenue/funding, increased cost) > \$2M - < \$10M of operating revenue, > 16% of budget loss for a Project-Program or Event	Financial loss (lines, lost revenue/funding, increased cost) > \$10M - < \$50M of operating revenue, > 24% of budget loss for a Project-Program or Event	Financial cost/loss (lines, lost revenue/funding, increased cost) > \$50M of operating revenue, > 40% of budget loss for a Project-Program or Event
	Legal & Governance	<ul style="list-style-type: none"> Limited statutory-delay Low level legal issues, (such as mediated contractual disputes), negligible failure to meet statutory timeframes, non-compliance and/or breaches of regulation/agreements, or Low level potential for fines or complaints, or Negligible governance failure impacting on the achievement of corporate /operational objectives, targets, projects or programs 	<ul style="list-style-type: none"> Minor legal issues (such as litigated contractual disputes, minor personal injury/workers' compensation claims), <444444 failure to meet statutory timeframes, non-compliance and/or breaches of regulation/agreements, or Potential for complaints or minor fines, or Minor short term governance failure impacting on the achievement of corporate /operational objectives, targets, projects or programs, 	<ul style="list-style-type: none"> Serious legal issues (such as serious litigation, major personal injury/workers' compensation claims, <444444 failure to meet statutory timeframes, non-compliance and/or breach of regulation/agreements, or Complaint or report to applicable authority with investigation pursued, or Moderate / serious governance failure impacting on the achievement of corporate /operational objectives, targets, projects or programs, 	<ul style="list-style-type: none"> Major legal issues, delay/failure to meet statutory timeframes, non-compliance and/or breach of regulation/agreements (such as those arising from client actions, or with witnesses) and/or substantial retrospective impact on Council decisions/actions, or extensive injunctions/specific performance orders, or Major governance failure impacting on the achievement of corporate /operational objectives, targets, projects or programs requiring significant resource allocation to resolve. 	<ul style="list-style-type: none"> Extensive legal issues, failure to meet statutory timeframes, non-compliance and/or breach of regulation/agreements, (such as those arising from client actions, or with witnesses) and/or substantial retrospective impact on Council decisions/actions, or extensive injunctions/specific performance orders, or Unable to meet statutory requirements, Significant prosecution and fines, Extensive governance failure impacting on the achievement of a large number of corporate /operational objectives, targets, projects or programs are significantly impacted and/or cannot be achieved,
	Political / Reputation	<ul style="list-style-type: none"> Minimal short term adverse local publicity, or Minimal adverse impact on Council partnerships/funding, 	<ul style="list-style-type: none"> Temporary degradation in public image, or Minor adverse local state and national publicity, or Escalation to impacted Council/or Minor and temporary adverse impact on Council partnerships/funding, easily rectified, 	<ul style="list-style-type: none"> Loss of reputation/Corruption of public image requiring effort/resources to regain, or Extended adverse local and state and national publicity, or Escalation to non-impacted Councils and Mayor, or Moderate adverse impact on significant partnerships/funding requiring moderate effort required to rectify, 	<ul style="list-style-type: none"> Loss of reputation/Corruption of public image requiring major effort/resources to regain, or Significant and longer term adverse local, state and national publicity, or Major adverse impact on strategic Council partnerships/funding requiring significant effort required to rectify, or Serious community unrest, 	<ul style="list-style-type: none"> Large scale and permanent loss of reputation, degradation of public image, or Sustained adverse local, state, national and international publicity, or Loss of strategic Council partnerships/funding, or Widespread community unrest,
	Community and Environmental / Public Health	<ul style="list-style-type: none"> No lasting detrimental effect on the natural environment or community, No lasting detrimental or negligible / isolated impact on the health and wellbeing of the local community/population, or Environmental damage that is contained on-site and is fully recoverable with no permanent effect on the environment, it will take less than 6 months for full recovery, 	<ul style="list-style-type: none"> Short-term, local detrimental effect on the natural environment or community, No effect on ecosystem functions Minor, short-term isolated impact on the health and wellbeing of the local community/population, or Localised environmental damage that can be mitigated, it will take less than 2 years for full recovery, 	<ul style="list-style-type: none"> CPA investigation, Moderate-local discharge of pollutants or source of low-level community-unrest, Moderate, medium-term, widespread impact on the health and wellbeing of the local community/population, or Significant environmental damage requires remedial action, it will take up to 10 years for full recovery, 	<ul style="list-style-type: none"> Long-term detrimental effect on natural environment or community, Serious, long-term, widespread impact on the health and wellbeing of the local community/population, or Major environmental damage for a matter of environmental significance (local, state or federal), Serious community-unrest, 	<ul style="list-style-type: none"> Extensive detrimental long-term impacts on natural environment or community, Severe / extensive on-going, widespread impact on the health and wellbeing of the local community/population, or Irreversible catastrophic environmental damage (local, state, or federal). No remediation, mitigation or offset action can undo environmental damage caused and matters of environmental significance may undergo local extinctions, Widespread community-unrest,
	Workplace Health & Safety	<ul style="list-style-type: none"> No injuries treatable with first aid, no other medical treatment required, or Discomfort First Aid Treatment Incident or compensable injury without time lost, <44,000-loss 	<ul style="list-style-type: none"> Medical Treatment (not requiring hospitalisation/hospitalisation), or Compensable injury requiring medical treatment, < \$50,000-loss 	<ul style="list-style-type: none"> Medical Treatment requiring hospitalisation, or Extensive injuries, or Notifiable to regulatory authority, or Compensable injury resulting in permanent impairment of 5 – 20% and/or damages claim, < \$200,000-loss 	<ul style="list-style-type: none"> Permanent disabilities, or Single fatality, or Compensable injury resulting in permanent impairment or 20% & above and/or damages claim, > \$250,000-loss 	<ul style="list-style-type: none"> Fatality/disability Multiple permanent disabilities and/or fatalities, > \$1.5 million-loss
	Service Delivery / Business Continuity	<ul style="list-style-type: none"> Non-essential customer-facing services cannot be delivered for < 1 hour, Negative disruption to the on-going viability of strategically-critical-and/or-essential operations, services, projects or programs, assets / infrastructure, security and workforce with negligible impact on the customer, 	<ul style="list-style-type: none"> Essential customer-facing services cannot be delivered for < 1 hour, or Essential customer-facing service(s) experience 50% degradation for 1 day-1 week, or Non-essential customer-facing services cannot be delivered for 1 day – 1 week, Minor and temporary disruption to the on-going viability of some isolated strategically-critical-and/or-essential operations, services, projects or programs, assets / infrastructure, security and workforce with minimal impact on the customer 	<ul style="list-style-type: none"> Essential customer-facing services cannot be delivered for 1 hour – 1 day, or Essential customer-facing service(s) experience 50% degradation for 1 day-1 week, or Non-essential customer-facing services cannot be delivered for 1 day – 1 week, Moderate and medium-term disruption to the on-going viability of strategically-critical-and/or-essential operations, services, projects or programs, assets / infrastructure, security and workforce with some moderate impact on customers, 	<ul style="list-style-type: none"> Essential customer-facing services cannot be delivered for 1 day – 1 week, or Essential customer-facing service(s) experience 50% degradation for 1 week-1 week, or Non-essential customer-facing services cannot be delivered for 1 – 4 weeks, Major and medium-term disruption to the on-going viability of strategically-critical-and/or-essential operations, services, projects or programs, assets / infrastructure, security and workforce that has a widespread-and-significant-negative-impact on customers, 	<ul style="list-style-type: none"> Essential customer-facing services cannot be delivered for more than 1 week, or Non-essential customer-facing service(s) experience 50% degradation for more than 4 weeks, or Non-essential customer-facing services cannot be delivered for more than 4 weeks, Serious and long-term-and/or-indefinite-disruption to the on-going viability of strategically-critical-and/or-essential operations, services, projects or programs, assets / infrastructure, security and workforce with serious / catastrophic widespread negative impact on customers,
	Information Confidentiality, Integrity and Accessibility/Cyber Security, Security & Confidentiality	<ul style="list-style-type: none"> No lasting detrimental or negligible / isolated disruption of ICT operations impacting on service delivery to internal and external customers, Minimal breach with no flow on effect to asset or network integrity, low level non-compliance with privacy principles/regulations, (such as localised release or unauthorised access to non-personal confidential information) with no lasting detrimental or negligible impact, or Low level permanent compromise of non-business-critical information (data corruption, errors, inaccuracies, inconsistencies) with negligible impact, or Localised permanent loss of non-business-critical information, or Minimal, short-term disruption of access to information impacting, < 8 small customer numbers (1 hr - 1 day), or < non-critical internal operations, 	<ul style="list-style-type: none"> Minor, short-term isolated disruption of ICT operations impacting on service delivery to internal and external customers, Minor breach of asset or network integrity-damaging-or-allowing access to confidential information-and/or-recordings-or-critical-equipment-with some data leakage, Minor non-compliance with privacy principles/regulations, (such as localised release or unauthorised access to sensitive non-personal confidential information) with limited detrimental or negligible impact, or Localised permanent compromise of non-business-critical information (data corruption, errors, inaccuracies, inconsistencies) with minor impact, or Semi-localised permanent loss of non-business-critical information, or Minor, short-term disruption of access to information impacting, < most customers (1 hr - 1 day), or < small customer numbers (1 day - 1 week), or < business-critical internal operations (< 1 day), 	<ul style="list-style-type: none"> Moderate, medium-term widespread disruption of ICT operations impacting on service delivery to internal and external customers, Moderate breach of asset or network integrity-damaging-or-allowing access to confidential information-and/or-recordings-or-critical-equipment-resulting in the loss of information or data-corruption/moderate non-compliance with privacy principles/regulations, (such as widespread release or unauthorised access to highly sensitive non-personal confidential information), or Widespread permanent compromise of non-business-critical information (data corruption, errors, inaccuracies, inconsistencies) with moderate impact, or Permanent and widespread loss of non-business-critical information, or Moderate short-term disruption of access to information impacting, < most customers (1 hr - 1 day), or < small customer numbers (1 day - 1 week), or < business-critical internal operations (1 day – 1 week), 	<ul style="list-style-type: none"> Serious, long-term widespread disruption of ICT operations impacting on service delivery to internal and external customers, Serious breach of asset or network integrity-damaging-or-allowing widespread access to confidential information-and/or-recordings-or-critical-equipment-including denial of service, Major non-compliance with privacy principles/regulations, (such as localised release or unauthorised access to personal information), or Localised permanent compromise of business-critical information (data corruption, errors, inaccuracies, inconsistencies) with major impact, or Permanent and localised loss of business-critical information, or Major, medium-term disruption of access to information impacting, < most customers (1 day - 1 week), or < small customer numbers (1 – 4 weeks), or < business-critical internal operations (1-6 weeks), 	<ul style="list-style-type: none"> Extensive on-going widespread disruption of ICT operations impacting on service delivery to internal and external customers, Critical breach of asset or network integrity resulting in permanent loss or extensive access to confidential information-and/or-recordings-or-critical-equipment-unable to be-recovered-combined with significant abuse of data and at great cost to Council and its customers, Catastrophic non-compliance with privacy principles/regulations, (such as widespread release or unauthorised access to personal information), or Widespread permanent compromise of business-critical information (data corruption, errors, inaccuracies, inconsistencies) with catastrophic impact, or Permanent and widespread loss of business-critical information, or Catastrophic, long-term disruption of access to information impacting, < most customers (more than 1 week), or < small customer numbers (> 4 weeks), or < business-critical internal operations (> 6 weeks),
		Risk Ratings				
LIVELIHOOD	Almost Certain Is expected to occur at most times	Minimal M-8	Minor M-11	Moderate H-20	Major E-23	Catastrophic E-25
	Likely Will probably occur at most times	M-7	M-10	H-19	H-21	E-24
	Possible Distinct possibility of occurrence at some time	L-3	M-9	M-13	M-16	H-22
	Unlikely Could occur at some time but considered highly unusual	L-2	L-6	M-12	M-15	M-18
	Rare May occur in rare circumstances	L-1	L-4	L-6	M-14	M-17

LEGEND - RISKS

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ESCALATION PATH		CONTROL RATING		HIERARCHY OF CONTROLS/ CONTROL OPTIONS	
E	Risk Owner = Executive Management Unacceptable Prioritised and Urgent Action Required Risk must be reduced regardless of cost unless extraordinary circumstances apply Proactive control of the risk required by the Branch Manager or Executive Management with CEO oversight	OVER CONTROL (O)	Controls are effective but over control indicating a waste of resource that could be allocated where there are insufficient controls	RISK ACCEPTANCE	There is a level of risk accepted by management with appropriate level of approval and only if acceptable to Council's risk appetite and tolerance. Committee consideration may be required if it is believed that the level of acceptance is too high
		EFFECTIVE (E)	Controls are well designed, appropriate and effective, monitored and maintained	ELIMINATE	Eliminate <u>or avoid</u> the risk completely (i.e. resources, processes, materials, substances, tasks)
H	Risk Owner = Branch Manager Risk Tolerable Immediate Action Required Risk tolerable only if reduction cost is grossly disproportionate to gain Branch Manager authorisation required before work proceeds Proactive monitoring by Branch Manager and reporting to Executive Management required Risk Owner = Officer, Supervisor/Team Leader or Manager	REQUIRED OR POSSIBLE IMPROVEMENT (R)	Most controls are adequate and effective Some more work to be done to improve	AVOIDANCE/REDUCTION	Additional treatments (such as isolation, engineering, administrative or personal protective equipment controls) are required to reduce the level of risk. Replace the process, material, substance, task with a safer option
				ISOLATE	Isolate the person(s) risk from the process, material, substance, task, project
M	Risk Tolerable Planned Action Required Risk is tolerable if all reasonably practicable steps to reduce it are taken Work can proceed. Sign off and monitoring by Officer, Supervisor/Team Leader or Manager required	LIMITED (L)	Controls exist but are not currently effective, appropriate or sufficient Review and redesign required	ENGINEER	Design, or re-design the process, material, substance, task, project in order to mitigate the risk
				ADMINISTRATION	Limit exposure to mitigate the risk by job rotation, work procedure, administrative processes and training
L	Risk Owner = All Staff Acceptable Manage by Routine Procedure	INADEQUATE (I)	Significant control gaps Either controls do not treat root causes or they do not operate at all effectively	PERSONAL PROTECTIVE EQUIPMENT	Use protective equipment
		NONE OR TOTAL INEFFECTIVE (N)	Virtually no credible control or confidence in controls that exist	TRANSFER OR SHARE	Reallocate liability (i.e. take out insurance or outsource activity)

		CORPORATE RISK MATRIX				
		Minimal (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
RISK CATEGORIES	Financial	<ul style="list-style-type: none"> Financial loss (fines, lost revenue/funding, increased cost) ≤\$500,000 	<ul style="list-style-type: none"> Financial cost (fines, lost revenue/funding, increased cost) >\$500,000 ≤\$2M of operating revenue. 	<ul style="list-style-type: none"> Financial cost (fines, lost revenue/funding, increased cost) >\$2M ≤\$10M of operating revenue. 	<ul style="list-style-type: none"> Financial cost (fines, lost revenue/funding, increased cost) >\$10M ≤\$50M of operating revenue. 	<ul style="list-style-type: none"> Financial cost (fines, lost revenue/funding, increased cost) >\$50M of operating revenue.
	Legal & Governance	<ul style="list-style-type: none"> Low level legal issues, (such as mediated contractual disputes), negligible failure to meet statutory timeframes, non-compliances and/or breaches of regulation/agreements; or Low level potential for fines or complaints; or Negligible governance failure impacting on the achievement of corporate objectives. 	<ul style="list-style-type: none"> Minor legal issues (such as litigated contractual disputes, minor personal injury/ workers' compensation claims), failure to meet statutory timeframes, non-compliances and/or breaches of regulation/agreements; or Potential for complaints or minor fines; or Minor short term governance failure impacting on the achievement of corporate objectives. 	<ul style="list-style-type: none"> Serious legal issues (such as serious litigation, major personal injury/workers compensation claims, failure to meet statutory timeframes, non-compliances and/or breach of regulation/agreements; or Complaint or report to applicable authority with investigation pursued; or Moderate / serious governance failure impacting on the achievement of corporate objectives. 	<ul style="list-style-type: none"> Major legal issues, failure to meet statutory timeframes, non-compliances and/or breach of regulation/agreements (such as those resulting in Council decision/action being declared unlawful, requiring significant resources to remediate, (eg widespread impact on Council decisions/actions, or major injunctions/specific performance orders); or Numerous complaints or reports to applicable authority with investigation pursued; or Major governance failure impacting on the achievement of corporate objectives, requiring significant resource allocation to resolve. 	<ul style="list-style-type: none"> Extensive legal issues, failure to meet statutory timeframes, non-compliances and/or breach of regulations/agreements (such as those arising from class actions, or with widespread and substantial retrospective impact on Council decisions/actions, or extensive injunctions/specific performance orders), or Extensive governance failure impacting on the achievement of a large number of corporate objectives.
	Political / Reputation	<ul style="list-style-type: none"> Minimal short term adverse local publicity; or Minimal adverse impact on Council partnerships. 	<ul style="list-style-type: none"> Temporary degradation in public image; or Minor adverse local publicity; or Escalation to impacted Councillor; or Minor and temporary adverse impact on Council partnerships, easily rectified. 	<ul style="list-style-type: none"> Degradation of public image requiring effort/resources to regain, or Extended adverse local and state publicity; or Escalation to non-impacted Councillors and Mayor; or Moderate adverse impact on significant partnerships requiring moderate effort to rectify. 	<ul style="list-style-type: none"> Degradation of public image requiring major effort/resources to regain; or Significant and longer term adverse local, state and national publicity; or Major adverse impact on strategic Council partnerships requiring significant effort required to rectify; or Serious community unrest. 	<ul style="list-style-type: none"> Large scale and permanent degradation of public image, or Sustained adverse local, state, national and international publicity; or Loss of strategic Council partnerships; or Widespread community unrest.
	Community and Environment	<ul style="list-style-type: none"> No lasting detrimental or negligible / isolated impact on the health and wellbeing of the local community; or Environmental damage that is contained on-site and is fully recoverable with no permanent effect on the environment. It will take less than 6 months for full recovery. 	<ul style="list-style-type: none"> Minor, short-term isolated impact on the health and wellbeing of the local community; or Localised environmental damage that can be mitigated onsite. It will take less than 2 years for full recovery. 	<ul style="list-style-type: none"> Moderate, medium-term, widespread impact on the health and wellbeing of the local community; or Significant environmental damage requiring remedial action. It will take up to 10 years for full recovery. 	<ul style="list-style-type: none"> Serious, long-term, widespread impact on the health and wellbeing of the local community; or Major environmental damage for a matter of environmental significance (local, state or federal). 	<ul style="list-style-type: none"> Severe / extensive on-going, widespread impact on the health and wellbeing of the local community; or Irreversible catastrophic environmental damage (local, state, or federal). No remediation, mitigation or offset action can undo environmental damage caused and matters of environmental significance may undergo local extinctions.
	Health & Safety	<ul style="list-style-type: none"> Injuries treatable with first aid, no other medical treatment required; or Incident or compensable injury without time lost. 	<ul style="list-style-type: none"> Medical treatment not requiring hospitalization; or Compensable injury requiring medical treatment. 	<ul style="list-style-type: none"> Medical treatment requiring hospitalisation; or Extensive injuries; or Notifiable to regulatory authority; or Compensable injury resulting in permanent impairment of 5 – 20% and/or damages claim. 	<ul style="list-style-type: none"> Permanent disabilities; or Single fatality; or Compensable injury resulting in permanent impairment or 20% & above and/or damages claim. 	<ul style="list-style-type: none"> Multiple permanent disabilities and/or fatalities.
	Service Delivery / Business Continuity	<ul style="list-style-type: none"> Non-essential customer-facing services cannot be delivered for < 1 hour. 	<ul style="list-style-type: none"> Essential customer-facing services cannot be delivered for < 1 hour; or Essential customer-facing service(s) experience 50% degradation for < 1 day; or Non-essential customer-facing services cannot be delivered for 1 hour – 1 day. 	<ul style="list-style-type: none"> Essential customer-facing services cannot be delivered for 1 hour – 1 day; or Essential customer-facing service(s) experience 50% degradation for 1 day-1 week; or Non-essential customer-facing services cannot be delivered for 1 day – 1 week. 	<ul style="list-style-type: none"> Essential customer-facing services cannot be delivered for 1 day – 1 week; or Essential customer-facing service(s) experience 50% degradation for 1 week-4 weeks; or Non-essential customer-facing services cannot be delivered for 1 – 4 weeks. 	<ul style="list-style-type: none"> Essential customer-facing services cannot be delivered for more than 1 week; or Non-essential customer-facing service(s) experience 50% degradation for more than 4 weeks; or Non-essential customer-facing services cannot be delivered for more than 4 weeks.
	Information Confidentiality, Integrity and Accessibility	<ul style="list-style-type: none"> Low-level non-compliance with privacy principles/regulations, (such as localised release or unauthorised access to non-personal confidential information) with no lasting detrimental or negligible impacts; or Low-level permanent compromise of non-business-critical information (data corruption, errors, inaccuracies, inconsistencies) with negligible impacts; or Localised permanent loss of non-business-critical information; or Minimal, short-term disruption of access to information impacting: <ul style="list-style-type: none"> small customer numbers (< 1 hr.); or non-critical internal operations. 	<ul style="list-style-type: none"> Minor non-compliance with privacy principles/regulations, (such as localised release or unauthorised access to sensitive non-personal confidential information) with limited detrimental or negligible impacts; or Localised permanent compromise of non-business-critical information (data corruption, errors, inaccuracies, inconsistencies) with minor impacts; or Semi-localised permanent loss of non-business-critical information; or Minor, short-term disruption of access to information impacting: <ul style="list-style-type: none"> most customers (< 1hr.); or small customer numbers (1 hr. - 1 day); or business-critical internal operations (< 1 day). 	<ul style="list-style-type: none"> Moderate non-compliance with privacy principles/regulations, (such as widespread release or unauthorised access to highly sensitive non-personal information); or Widespread permanent compromise of non-business-critical information (data corruption, errors, inaccuracies, inconsistencies) with moderate impacts; or Permanent and widespread loss of non-business-critical information; or Moderate short-term disruption of access to information impacting: <ul style="list-style-type: none"> most customers (1hr. – 1 day); or small customer numbers (1 day – 1 week); or business-critical internal operations (1 day – 1 week). 	<ul style="list-style-type: none"> Major non-compliance with privacy principles/regulations, (such as localised release or unauthorised access to personal information), or Localised permanent compromise of business-critical information (data corruption, errors, inaccuracies, inconsistencies) with major impacts; or Permanent and localised loss of business-critical information; or Major, medium-term disruption of access to information impacting: <ul style="list-style-type: none"> most customers (1 day - 1 week); or small customer numbers (1 – 4 weeks); or business-critical internal operations (1-6 weeks). 	<ul style="list-style-type: none"> Catastrophic non-compliance with privacy principles/regulations, (such as widespread release or unauthorised access to personal information); or Widespread permanent compromise of business-critical information (data corruption, errors, inaccuracies, inconsistencies) with catastrophic impacts; or Permanent and widespread loss of business-critical information; or Catastrophic long-term disruption of access to information impacting: <ul style="list-style-type: none"> most customers (more than 1 week); or small customer numbers (> 4 weeks); or business-critical internal operations (> 6 weeks).

		Minimal	Minor	Risk Ratings Moderate	Major	Catastrophic
LIKELIHOOD	Almost Certain Is expected to occur at most times	M-8	M-11	H-20	E-23	E-25
	Likely Will probably occur at most times	M-7	M-10	H-19	H-21	E-24
	Possible Distinct possibility of occurrence at some time	L-3	M-9	M-13	M-16	H-22
	Unlikely Could occur at some time but considered highly unusual	L-2	L-5	M-12	M-15	M-18
	Rare May occur in rare circumstances	L-1	L-4	L-6	M-14	M-17

ESCALATION PATH		LEGEND - RISKS		HIERARCHY OF CONTROLS/ CONTROL OPTIONS	
RISK LEVEL	RISK OWNER = Executive Management Unacceptable Prioritised and Urgent Action Required Risk must be reduced regardless of cost unless extraordinary circumstances apply Proactive control of the risk required by the Branch Manager or Executive Management with CEO oversight	OVER CONTROL (O)	Controls are effective but over control indicating a waste of resource that could be allocated where there are insufficient controls	ACCEPT	There is a level of risk accepted by management with appropriate level of approval and only if acceptable to Council's risk appetite and tolerance. Committee consideration may be required if it is believed that the level of acceptance is too high
		EFFECTIVE (E)	Controls are well designed, appropriate and effective, monitored and maintained		
H	Risk Owner = Branch Manager Risk Tolerable Immediate Action Required Risk tolerable only if reduction cost is grossly disproportionate to gain Branch Manager authorisation required before work proceeds Proactive monitoring by Branch Manager and reporting to Executive Management required	REQUIRED OR POSSIBLE IMPROVEMENT (R)	Most controls are adequate and effective Some more work to be done to improve	ELIMINATE/AVOID	Eliminate or avoid the risk completely (i.e. resources, processes, materials, substances, tasks)
M	Risk Owner = Officer, Supervisor/Team Leader or Manager Risk Tolerable Planned Action Required Risk is tolerable if all reasonably practicable steps to reduce it are taken Work can proceed. Sign off and monitoring by Officer, Supervisor/Team Leader or Manager required.	LIMITED (L)	Controls exist but are not currently effective, appropriate or sufficient Review and redesign required	TREAT/REDUCE	Additional treatments (such as isolation, engineering, administrative or personal protective equipment controls) are required to reduce the level of risk
L	Risk Owner = Any Staff Member Acceptable Manage by Routine Procedure	INADEQUATE (I)	Significant control gaps Either controls do not treat root causes or they do not operate at all effectively	TRANSFER OR SHARE	Reallocate liability (i.e. take out insurance or outsource activity)
		NONE OR TOTALLY INEFFECTIVE (N)	Virtually no credible control or confidence in controls that exist		

IPSWICH CITY COUNCIL

ENTERPRISE RISK MANAGEMENT FRAMEWORK

15 March 2018

Version	Description	Review	Date	Approved/Reviewed By
v1.00	Original approved version	Endorsed	19/7/17	Andrew Roach, Chief Financial Officer
		Approved	19/7/17	Jim Lindsay, Chief Executive Officer
v1.01	Updated following feedback and learnings from workshops	Endorsed	15/03/18	Laura Nicholls, Corporate Services and Risk Manager



Table of Contents

1.	EXECUTIVE SUMMARY	4
1.1	Risk Appetite Statement	4
2.	INTRODUCTION	6
3.	PURPOSE	7
4.	ENTERPRISE RISK MANGEMENT IMPLEMENTATION	7
4.1	Implementation	7
4.2	Workshops	7
4.3	Training	8
5.	RISK QUADRANTS	8
6.	THREE LINES OF DEFENCE	8
7.	RISK MANAGEMENT STRUCTURE	8
7.1	Risk Responsibilities	9
7.2	Risk Escalation	9
7.3	Risk Management Reporting Hierarchy	10
8.	INTERNAL AUDIT	12
9.	RISK MANAGEMENT PROCESS	13
	Communication and Consultation	13
	Stage 1 – Scope, Context, Criteria	14
	Stage 2 – Risk Identification	15
	Stage 3 – Risk Analysis	17
	Stage 4 – Risk Evaluation	17
	Stage 5 – Risk Treatment	19
	Stage 6 – Monitor and Review	20
10.	RECORDING OF RISK DATA	21
10.1	Getting information onto the Risk Register	21
10.2	Monitoring and reporting of information in the Risk Register	22
11.	RISK MANAGEMENT TOOLS	22
12.	LIST OF APPENDICES	23
13.	REFERENCES	23
14.	GLOSSARY	24
	Appendix A – RISK QUADRANTS	27
	Appendix B – RISK MANAGEMENT THREE LINES OF DEFENCE	28
	Appendix C – RISK MANAGEMENT REPORTING HIERARCHY	29
	Appendix D – RISK MANAGEMENT PROCESS	30
	Appendix E – RISK TREATMENT FLOWCHART	31
	Appendix F – RISK CATEGORIES AND EXAMPLES	32
	Appendix G – KEY RISK ASSESSMENT TOOLS (SUMMARY SHEET)	33

This framework relates to:	Enterprise Risk Management Policy
Sites where framework applies:	All sites
Target audience:	All Ipswich City Council staff
Description:	<p>The Ipswich City Council (Council) Enterprise Risk Management Framework is designed to assist staff at Council to achieve strategic and operational goals and objectives with respect to risk management.</p> <p>This framework articulates the requirement for Council to establish risk management practices in accordance with AS/NZS ISO 31000:2018.</p>
Related Legislation, Australian Standards, QLD Policy or Circular, other Documents, Professional Guidelines, Codes of Practice or Ethics:	<p>AS/NZS ISO 31000:2018, <i>Risk Management –Guidelines</i></p> <p>Enterprise Risk Management Policy (A4323547)</p> <p>Audit and Risk Management Committee Charter</p> <p>Workplace Health and Safety Policy (A3750946)</p> <p>Risk Management WH & S (Including Risk Assessment (FCS-91))</p> <p><i>Workplace Health & Safety Act 2011</i></p> <p><i>Workplace Health & Safety Regulation 2011</i></p> <p><i>How to Manage Work Health and Safety Risks Code of Practice 2011</i></p> <p><i>Local Government Act 2009</i></p>

1. EXECUTIVE SUMMARY

Organisations of all types and sizes face internal and external factors and influences that make it uncertain whether and when they will achieve their objectives. The effect of uncertainty (positive or negative) on objectives is known as a “Risk”.

Risk Management is critical to Ipswich City Council’s (Council) ability to achieve the strategic objectives contained in the Advance Ipswich and distilled in the Corporate Plan and Annual Operational Plan.

Council recognises that risk management is an integral part of good management practice and fully supports risk management as part of its corporate governance processes.

Council is committed to managing identified risks by logically and systematically identifying, analysing, evaluating, treating, monitoring and communicating all risks that directly or indirectly impact positively or negatively on Council’s ability to achieve the strategic objectives outlined in Advance Ipswich, Corporate and Operational Plans.

Enterprise Risk Management fundamentally identifies, assesses and treats risk to an acceptable level, thereby reducing damage or loss. While Council acknowledges that risks occur at the strategic, operational and project/event levels, it is concerned with any risk that is not controlled, particularly the extreme or high risks. Enterprise risk management is linked to Council’s strategic objectives and is adopted by management and staff as an integral part of organisational culture in the daily functions and activities in order to protect and improve Council’s overall business and performance.

Council does not want to become “risk adverse”, but rather a “risk aware” organisation and considers the adoption of an Enterprise Risk Management Framework conducive to this approach.

1.1 Risk Appetite Statement

All organisations are unique and have varying degrees of appetite for taking on risk/s in order to achieve their planned objectives. Council is innovative in its approaches and has therefore adopted a Risk Appetite Statement that has a wider risk scope/higher risk appetite than more conservative local governments. The table on the following page shows Council’s Risk Appetite Statement and its alignment to priorities and risk categories.

Advance Ipswich – 5 Priority Items 1. Strengthening our Local Economy & Building Prosperity (Jobs) 2. Managing Growth & Delivering Key Infrastructure 3. Caring for our Community 4. Caring for our Environment 5. Listening, Leading & Financial Management		
Risk Category	Advance Ipswich	Risk Appetite Statement
Financial	Listening, Leading & Financial Management	There is no acceptance of decisions that have a significant negative impact on Council's long term financial sustainability.
		Financial viability over the short, medium and long term must be strong and supported by an established finance framework and long-term financial sustainability strategy that drives the region's strategic direction on behalf of the community through effective and responsible policy, planning and decision making.
Legal & Governance	Listening, Leading & Financial Management	There is no acceptance of any manageable non-compliance or breach of legal/regulatory requirements or Council's adopted standards and expectations. Steps/plans are to be implemented to address any deficiencies in a timely manner and within resource constraints.
		There is no acceptance of fraud or unethical and dishonest behaviour.
		There is acceptance of ethical, transparent open and accountable decision making and the management of efficient and effective service delivery to the community that ensures Council is responsive to the local environment and captures opportunities where able to advance corporate and operational objectives and targets.
		There is acceptance for the improved efficiency of Council operations.
Political/ Reputation	Listening, Leading & Financial Management	Negative media should be promptly and proactively managed in accordance with established policies and procedures.
		There is considerable acceptance of any actions that improve the reputation of Council. Council will proactively promote and market its activities in accordance with established media and communications strategies.
		There is acceptance for any political actions taken on behalf of the community and to advance the local economy.
Community and Environment	Strengthening our Local Economy and Building Prosperity (Jobs) Caring for our Community Caring for our Environment	There is no acceptance of decisions that cause unmanageable environmental harm. Proactive steps/plans are to be implemented to address any deficiencies in a timely manner and within resource constraints.
		There is acceptance for decisions / actions that promote environmental / ecological sustainability and cultural & heritage conservation in the natural and built environments.
		There is no acceptance for compromising the welfare, safety and/or health of members of the public and/or decisions/actions that adversely impact the local community and/or detract from the advancement of the local economy.
		There is acceptance for decisions/actions that promote community welfare, safety and/or health of members of the public and any decisions/actions and initiatives that promote and grow the local community, economy and builds prosperity.
Health & Safety	Caring for our Community	There is no acceptance for compromising staff or customer safety and welfare.
		There is no acceptance of non-compliance or breach of legislative requirements or Council processes and procedures.
		There is acceptance for any decisions/actions that promote and/or raise the awareness of WH & S within Council and encourage initiatives that ensure Council satisfies its statutory responsibilities and achieves industry best practice.
Service Delivery/ Business Continuity	Managing Growth & Delivering Key Infrastructure Caring for our Community Caring for our Environment	There is no acceptance for decisions/actions that adversely impact the ongoing viability/efficiency of strategically critical and/or essential infrastructure, assets or services.
		There is no acceptance of services that do not meet the community's needs and reasonable service expectations.
		There is a low risk appetite of the consequences/effects of natural disasters. There is acceptance to any decisions/actions/initiatives that ensures business continuity and provisions of services that meet community's needs and expectations during such times.
		There is acceptance for decisions/actions/initiatives that promote, secure or improve the on-going viability/efficiency of strategically critical and/or essential infrastructure, assets or services.
Information Confidentiality, Integrity and Accessibility	Strengthening our Local Economy & Building Prosperity (Jobs) Managing Growth and Delivering Key Infrastructure	There is a moderate risk appetite for risks relating to temporary disruptions to access to information
		There is no acceptance of decisions/actions that result in the physical or virtual breach of any, confidential or private information
		There is limited acceptance of improper or poor utilisation of technology, assets and networks leading to reduced information integrity

2. INTRODUCTION

The Enterprise Risk Management Policy (A4041084) is a statement of the overall intentions and directions related to risk management. The objective of the Enterprise Risk Management Policy is to ensure that sound risk management practices and procedures are fully integrated into strategic and operational activities.

Risk Management is part of everyday business and is something that all staff need to be proactively involved in. Decisions to accept or mitigate risk need to be made in the context of achieving strategic goals, objectives and priorities and managed effectively to meet those strategic objectives and improve safety, service and performance.

Effective risk management requires:

1. Support at all levels of Council;
2. A proactive, consistent and standardised approach;
3. Integration into normal business practices processes and decision making at all levels;
4. Accountability and responsibility for risk management throughout Council; and
5. Continuous review and improvement.



A risk management framework provides the foundations and organisational arrangements for designing, implementing, treating, monitoring, reviewing and continually improving risk management throughout Council. The diagram below is a diagrammatical representation of the Framework for Managing Risk.

3. PURPOSE

The purpose of the Enterprise Risk Management Framework is to promote a standard and systematic approach to risk management throughout Council. It is to be used as a guide to assist all staff in ensuring strategic, operational and project/event/program risks are identified, assessed and treated to an acceptable level in accordance with the risk appetite and principles outlined in AS/NZS ISO 31000:2018 Risk Management –Guidelines (AS/NZS ISO 31000:2018). This framework provides an overview of risk management theory. The suite of Council-wide risk management tools (including fact sheets(s)) provide practical guidance on risk management.

The adoption of an Enterprise Risk Management Framework will allow Council to:

1. Proactively consider the most important risks confronting the organisation;
2. Identify threats;
3. Improve analysis of the effectiveness of current treatment strategies;
4. Establish a proactive and reliable basis for decision making and planning; and
5. Ensure the owner of risk is accountable.

4. ENTERPRISE RISK MANGEMENT IMPLEMENTATION

4.1 Implementation

Enterprise Risk Management is an evolving activity in any organisation. This requires regular review and development. A review and refinement of pre-existing risk management processes and tools has been undertaken and a new suite of Council-wide risk management tools has been developed in consultation with departmental stakeholders.

Ongoing implementation of the Enterprise Risk Management program will involve strategic and operational area risk workshops and Council-wide training sessions.

4.2 Workshops

Risk workshops are targeted at each operational area within Council. These workshops assist with establishing operational risk registers and for review activities. The aim is not only to provide general education of the risk management process but to work with participants to identify, assess and design treatment plans based on risks relevant to each operational area. During workshops, participants will be taken through the risk management process and create lists identifying risks that are preventing them from achieving their objectives. This process is vital during the preliminary and intermediate stages of the risk management implementation plan to secure Council-wide understanding of risk management at both a theoretical and practical level.

4.3 Training

Risk Management training will take the form of sessions at new employee inductions, refresher courses and/or departmental and branch meetings.

5. RISK QUADRANTS

To ensure a holistic approach to risk management, Council concentrates on identifying and managing Hazard Risks, Financial Risks, Operational Risks and Strategic Risks comprising what is identified as “Risk Quadrants”. **Appendix A** sets out and explains the risk quadrants.

6. THREE LINES OF DEFENCE

Council has adopted a “Three Lines of Defence” approach to Risk Management. **Appendix B** is a diagrammatical representation of the Risk Management Three Lines of Defence.

7. RISK MANAGEMENT STRUCTURE

To ensure risk management processes are integrated into daily business practice throughout Council, it is essential that all staff understand what risks they are personally responsible and accountable for and what activities and actions must be escalated to senior management.

A clear understanding by all staff of the risk management structure will ensure proactive and timely reporting/communication of risks enabling the ability to capture risks before they happen, improve performance and achieve business objectives.

Essentially, all staff have a responsibility to identify risks and report these to their immediate supervisor or manager for treatment or capturing. Whether the assessment/treatment of a risk can be undertaken by an individual staff member will depend on their delegation and accountability, the severity of the risk and authority required to instigate the preferred treatment.

The information below sets out the:

1. Risk responsibilities based on Council structural hierarchy;
2. Risk escalation processes; and
3. Risk management reporting hierarchy/management committees that monitor the risk management process.

7.1 Risk Responsibilities

The table below identifies the various risk responsibilities and accountabilities of staff within Council:

Risk responsibilities based on Council's structural hierarchy	
Position	Responsibilities
Chief Executive Officer	Determines whether a particular risk needs to be reported to the Council. Responsible for ensuring any extreme risks are proactively identified and managed.
Chief Operating Officers	Responsible for decisions about risks in their respective operational areas and determining what level of risk is acceptable. Risks are constantly/proactively identified, monitored, reviewed and reported on through interaction between the executive managers and managers/supervisors/team leaders and adopted procedures.
Manager / Supervisors / Team Leaders / Officers	Accountable for the management and regular monitoring of risk within their operational area of responsibility. Ensure that staff identify, assess and treat risks relevant to their operational area and/or escalate risk as appropriate.
Staff	Expected to manage risk in their own area and within their capacity and delegation of authority. Risks that are beyond a staff member's capacity or delegation of authority need to be escalated to a higher level of management for either acceptance of a risk or management of a risk.
Risk Manager	Responsible for the overall high level management of the Enterprise Risk Management program. The Risk Manager monitors and reports on risks. The Risk Manager is not a risk owner.

7.2 Risk Escalation

All staff have a responsibility to identify and assess risks using the Corporate Risk Matrix (comprising consequences, likelihood and risk scores - explained later in the framework). Once a risk is identified and assessed, consideration needs to be given as to who should be responsible for managing/mitigating the risk. This is called a "Risk Escalation" process. It ensures that risks are managed/mitigated by the person with the appropriate delegation and accountability. Essentially, higher risk ratings are escalated up the hierarchy ensuring more senior Council officers are responsible for managing/mitigating the risk. A Council officer responsible for a risk is considered the "Risk Owner".

Factors to consider when escalating a risk are:

1. Staff delegation and accountability in managing the identified risk;
2. The severity of the risk (which depends on the likelihood and consequences);

3. The treatment required; and
4. The authority to instigate the preferred treatment.

The table below identifies the Risk Escalation process:

ESCALATION PROCESS	
Risk Rating (Priorities)	ACTION REQUIRED
<i>Priority to be given within categories of Low to Extreme based on highest to lowest numerical value</i>	
Extreme	<p>Risk Owner = Executive Management Unacceptable. Prioritised and Urgent Action Required.</p> <p>Risk must be reduced regardless of cost unless extraordinary circumstances apply. Proactive control of the risk required by the Branch Manager or Executive Management with CEO oversight.</p>
High	<p>Risk Owner = Branch Manager Risk Tolerable. Immediate Action Required.</p> <p>Risk tolerable only if reduction cost is grossly disproportionate to gain. Branch Manager authorisation required before work proceeds. Proactive monitoring by Branch Manager and reporting to Executive Management required.</p>
Medium	<p>Risk Owner = Officer, Supervisor/Team Leader or Manager Risk Tolerable. Planned Action Required.</p> <p>Risk is tolerable if all reasonably practicable steps to reduce it are taken. Work can proceed. Sign off and monitoring by Officer, Supervisor/Team Leader or Manager required.</p>
Low	<p>Risk Owner = Any Staff Member Acceptable. Manage by Routine Procedure.</p>

At every level, the person with the appropriate delegation and accountability should determine the risk to work out whether it should be escalated further. All staff need to be aware of these delegations and lines of accountability.

Priority is to be given to medium, high and extreme risks with the higher numerical value (risk score) in each category taking priority.

Further information on risk escalation is provided in Section 9 of this framework.

7.3 Risk Management Reporting Hierarchy

The CEO/Executive Team (ET) will review Strategic and Operational risks and determine the criteria for reporting or escalating to Council.

Committees/Boards have the overarching responsibility to monitor the risk management process and ensure implementation. Extreme or high risks are to be tabled at the appropriate Committee/Board so that they can be managed/monitored.

Appendix C is a diagrammatical representation of the Risk Management Reporting Hierarchy.

The below table explains the responsibilities of the Committees/Boards identified in the Risk Management Reporting Hierarchy, that monitor and address risk management issues:

Committee/Board	Responsibilities
Health & Safety & Environment Board	<p>The <i>Work Health and Safety Act 2011</i> prescribes the need for a Health and Safety Committee in a workplace that has 5 or more workers.</p> <p>Council has established a Health Safety & Environment Board that satisfies this requirement.</p> <p>This Board was established to foster conciliation and cooperation between Council management and the workforce in developing and carrying out safe systems of work to ensure WH&S at the workplace, act in an advisory capacity on WH&S matters to management and recommend actions for the continual implementation of Councils WH&S Management System and monitor the progress of WH&S Management System.</p> <p>All the committees meet every 6 weeks in line with every second Council meeting.</p> <p>Any WH & S incidents and/or inspections are reported/recorded in Velocity EHS.</p>
Audit and Risk Management Committee	<p>The Audit and Risk Management Committee is a legislated committee of Council pursuant to the <i>Local Government Act 2009</i> and the <i>Local Government Regulation 2012</i>. In addition to its legislated role, its main functions and activities are set out in the Audit and Risk Management Committee Charter.</p> <p>The main functions of the Audit and Risk Management Committee are to:</p> <p>Ensure the focus and coverage of the Internal and External Audit are adequate;</p> <p>Enhance the independence and effectiveness of the Internal Audit Branch;</p> <p>Review the results of Internal and External Audit activities;</p> <p>Oversee the implementation of audit recommendations; and</p> <p>Consider Corporate Governance issues such as the financial statements, Code of Conduct, risk management, control, etc.</p> <p>Audit Committee meetings are held approximately once every 3 months and consists of 4 members, 1 ex official member and at least 4 attendees.</p> <p>The Internal Audit Manager is responsible for coordinating the Audit Committee meetings and agendas in conjunction with Council's</p>

Committee/Board	Responsibilities
	Committee Branch.
Fraud Control Committee (FCC)	<p>The CEO will oversee the implementation of the Fraud and Corruption Control Plan by ensuring an integrated approach to fraud and corruption risks and an effective implementation plan containing prevention strategies and control measures is implemented across Council.</p> <p>The CEO will twice yearly or as required to, review the implementation of the FCCP and evaluate performance and outcomes.</p>
CEO/Executive Team (ET)	<p>The CEO conducts weekly meetings with the Chief Operating Officers and City Solicitor to consider a variety of strategic/operational activities/issues.</p> <p>Monitors and provides feedback on the Enterprise Risk Management Program. Reviews and provides approval of any Enterprise Risk Management Program processes and tools.</p> <p>Any risk management issues that are considered at the Health Safety & Environment Board, Fraud Control Committee and/or Audit and Risk Management Committee may be discussed further at the CEO/ET Meetings.</p>
Council	The CEO/ET have discretion to escalate/report any risk management issues to Council as they consider appropriate.

8. INTERNAL AUDIT

Internal Audit operates under the Internal Audit Charter, which has been approved by Council, and reports functionally to the Audit and Risk Management Committee and administratively to the CEO.

A dedicated, independent and effective internal audit activity assists both management and the oversight body (e.g. the board, audit committee) in fulfilling their responsibilities by bringing a systematic disciplined approach to assessing the effectiveness of the design and execution of the system of governance, control and risk management processes.

The objective assessment of internal controls and risk management processes by internal audit provides management, the oversight body and external stakeholders with some independent assurance that the organisation's risks have been appropriately mitigated.

In accordance with The Institute of Internal Auditors, *International Professional Practices Framework (IPPF) – Implementation Guide 2600*, Internal Audit are required to understand, assess and communicate the acceptance of risks in accordance with the Risk Appetite Statement and the overall application of this framework in Council's operational activities. When the Internal Audit Manager concludes that management has accepted a level of risk that may be unacceptable to the organisation, the Internal Audit Manager must discuss the matter with senior management. If the

Internal Audit Manager determines that the matter has not been resolved, the Internal Audit Manager must communicate the matter to the Audit and Risk Management Committee.

9. RISK MANAGEMENT PROCESS

AS/NZS ISO 31000:2018 identifies 6 stages in the risk management process as follows:

- Stage 1 – Scope, Context Criteria
- Stage 2 – Risk Identification
- Stage 3 – Risk Analysis
- Stage 4 – Risk Evaluation
- Stage 5 – Risk Treatment
- Stage 6 – Monitoring and Review

Stages 2, 3 and 4 comprise part of the Risk Assessment process.

Communication and consultation is required throughout all 6 stages of the risk management process to ensure that all internal and external stakeholders are involved in the process and appropriate and accurate information is collated and considered.

Appendix D and E are a diagrammatical representation of the Risk Management Process and Risk Treatment Flowchart.

Communication and Consultation

Communication and consultation with key internal and external stakeholders will take place throughout all 6 stages of the risk management process. This is critical to ensuring all values, needs, assumptions and perceptions are identified and considered, accuracy of information, acceptance and adoption of the risk management process and tailoring of the process to the operational and project/event/program activities.

Communication and consultation should be used to facilitate truthful, relevant, accurate and understandable exchanges of information.

Plans for communication and consultation need to be developed at an early stage. Consultative teams need to be created comprising key internal and external stakeholder that represent a cross-section of Council departments and branches and hold relevant experience and expertise.

Stage 1 – Scope, Context, Criteria

It is necessary to establish the context in which a risk is to be identified, assessed, evaluated and treated. Establishing the context essentially considers:

1. External context (community and customers);
2. Internal context;
3. Risk management process context; and
4. Defining and developing risk criteria

Stage 1 effectively sets the scene/foundation of any risk assessment. This is not a step that needs to be undertaken during every risk assessment. An organisation establishes the context through risk appetite statements and risk assessment tools that are applied on a day to day basis. The context however needs to be part of any risk management program review to ensure that it is up to date and accurately reflects the organisation's values, risk appetite and tolerance levels.

Context

In establishing an external, internal and risk management process context, consideration needs to be given to the following:

Internal Context	Council's objectives (set out in the Advance Ipswich, Corporate Plan, and Annual Operational Plan). Council's capabilities to achieve set goals and strategic priorities. Existing resources (infrastructure, people, processes, technologies). Standards, guidelines, policies and procedures.
External Context	Weaknesses and threats. Key drivers and trends that can impact on the achievement of Council's objectives. Relationship of Council with external key stakeholders and their values and perceptions.
Risk Management	Business processes and procedures. Activities and functions. Assets and services. Projects/events. Scope and parameters of risk management strategies, including the benefits, costs and opportunities of risk management activities.

* Ultimately risk management is not only to manage risk to an acceptable level from an organisational perspective, but also from a community/customer perspective.

Risk Criteria

Risk criteria are terms of reference and are used to evaluate the significance or importance of an organisation's risks. They are used to determine whether a specific level of risk is acceptable/tolerable or worth capturing.

Council has developed criteria against which risk will be evaluated based on the strategic objectives of the Advance Ipswich, Corporate and Annual Operational Plans.

The Risk Appetite Statement (set out earlier in the framework) sets the foundation for the risk criteria. Knowledge of the risk appetite provides staff with an understanding of Council's risk attitude and risk acceptance levels.

This foundation is then built on by the following risk tools:

1. Risk Categories;
2. Likelihood Criteria; and
3. Risk Assessment Calculator.

These risk tools are collectively referred to as the Corporate Risk Matrix.

Stage 2 – Risk Identification

The risks that need to be managed are identified at this stage of the risk management process. Risk identification involves asking the questions:

1. What can happen?
2. When and where?
3. How and why?

This stage involves brain-storming to compile comprehensive lists:

1. Service areas within the branch;
2. Functional tasks within those service areas;
3. Individual tasks within projects/programs or events;
4. Sources of risks; and
5. Areas of impact.

The idea is to identify all risks regardless of the ability of Council to control/capture those risks. It is a process of identifying worst-case and best-case scenarios.

The process needs to be systematic and structured to ensure all potential risks are identified and addressed and are best sourced through risk workshops or team meetings at initial or periodic stages. Risks can also be identified through internal and external audits, accidents/incidents, complaints or investigations.

Levels of Risk

Risks can be identified at the following different levels depending on what activity is being assessed:

Strategic Risks	Risks associated with achieving the organisation's long-term objectives. These risks can be of an internal or external nature they are usually owned and managed by the Executive management and/or Council.
Operational Risks	Risks associated with developing or delivering the operational plans, functions or activities of Council. These risks have day-to-day impacts on the organisation. These risks are owned and managed by the person who has responsibility for the activity or function to the level of their delegation or authority.
Project/Event/Program Risks	Risks associated with developing or delivering Projects / Programs or discrete activities/events. Project / Event / Program risks should be managed at each stage of the Project / Event / Program by the person who has responsibility for that project.

Risk Category

Risks are then classified into the pre-defined corporate risk categories.

The risk category defines the basis for assessing the significance and impact of risk to the major areas of Council's operational areas.

Council has identified the following corporate risk categories that apply throughout operational activities:

- Financial
- Legal & Governance
- Political/Reputation
- Community and Environment
- Health & Safety
- Service Delivery/Business Continuity
- Information Confidentiality, Integrity and Accessibility

Appendix F is a table titled Risk Categories and Examples that provides corresponding broad definition and examples of areas to consider within these risk categories.

Appendix G is the Key Risk Assessment Tools (Summary Sheet) that comprises the adopted Corporate Risk Matrix.

Stage 3 – Risk Analysis

The aim of risk analysis is to understand the nature of the risk before developing/identifying any treatment/controls. Analysis can be qualitative or quantitative or a combination of both.

Risks are analysed by:

1. Determining the likelihood a risk will occur;
2. Determining the consequences if a risk occurs;
3. Identifying any existing controls; and
4. Assessing the initial risk rating.

Council has developed the following risk analysis tools that are to be used when analysing and assessing the identified risk:

1. **Corporate Risk Matrix** – identifies the adopted risk consequences attributed to each risk category. This is used to identify and evaluate negative effects on objectives.
2. **Risk Rating Matrix** – identifies the adopted likelihood and consequences values required to identify a rating (risk score) applicable to an identified risk.
3. **Control Rating & Options** – identifies the types of available risk control options/treatment of risks and the qualitative control effectiveness scale used to assess the effectiveness of current risk controls.

Appendix G identifies these Key Risk Assessment Tools (Summary Sheet) to be used during Stage 3 – Risk Analysis.

In the risk analysis stage, each risk is assigned a level (risk score) based on likelihood and consequence (i.e. L-1 or E-23). The numerical value attached to the risk score allows for reporting analysis/tracking of movement of risks within risk bands (i.e. movements within the Low risk score or Medium risk score).

Stage 4 – Risk Evaluation

The purpose of risk evaluation is to compare the levels of risk and decide whether the level of each risk is acceptable or not. Based on this comparison, the need for treatment can be identified and considered. The outcome of this stage is a list of risks that are prioritised and require further action.

The risk analysis stage identifies the current controls and their effectiveness and impact of the risk rating.

The tools used during this stage are:

1. **Risk Appetite Statement** – provides a high level explanation as to what risks Council will or will not tolerate and should inform what control option is selected; and

2. Control Options – used to consider whether to “Accept” the risk or whether to implement treatments to “Eliminate/Avoid”, “Treat/Reduce” or “Transfer or Share” the risk; and
3. Risk Escalation Hierarchy – used to identify and ensure appropriate risk ownership/reporting based on authority and delegation.

In addition to the above tools, the following factors should also be considered in determining whether a risk is acceptable or not:

- How does the level of each risk stand up against the level of acceptable risk as identified in the risk appetite statement;
- Whether the level of risk is so low that treatment is not appropriate;
- Whether the opportunities outweigh the threats such that the risk is justified;
- Whether treatments exist?
- Whether treatment costs are excessive compared to the benefit to be achieved.

The above list is not exhaustive.

Risk Acceptable

If the risk is acceptable, there is no further action required. Generally these risks will be “low” risks but can also include higher rated risks where the controls are as effective as possible and no further treatment will reduce the risk level. The justification for acceptance of the risk needs to be documented and the risk monitored to ensure that no factors arise that would require assessment of the risk to be reviewed.

A supervisor/team leader or manager may decide to accept the risk with the current controls and this is acceptable if it is within their delegation and authority.

Risk Unacceptable

If the risk is unacceptable, then the risk assessment process would continue to determine appropriate treatment options in order to reduce the level of the risk to “As Low As Reasonably Practicable” (ALARP).

The Risk Escalation Hierarchy identifies Council’s approach to reducing risk based on the ALARP concept. In general two criteria can be defined using the ALARP concept:

- Risk is negligible and can be accepted without specific treatment other than monitoring; and
- Risk is intolerable and the activity must cease, unless risk can be reduced.

Between these levels is a region where costs and benefits are taken into account. When risk is close to the intolerable level the expectation is that risk will be reduced unless the cost of reducing the risk is grossly disproportionate to the benefits gained. Where risks are close to the negligible level then action may only be taken to reduce risk where benefits exceed the costs of reduction.

As a general guide, the following approach can be applied:

Risk Level	Risk Acceptance/Tolerance	Escalation/ Risk Owner
Low Risk	Broadly Acceptable. May be accepted and managed by routine procedures and ongoing monitoring.	All Staff
Medium Risks	Risk Tolerable. Risk is tolerable if all reasonably practicable steps to reduce it are taken.	Officer, Supervisor/Team Leader or Manager
High Risks	Immediate Action Required. Risk tolerable only if reduction cost is grossly disproportionate to gain.	Branch Manager
Extreme Risks	Unacceptable. Risk must be reduced regardless of cost unless extraordinary circumstances apply.	Executive Management

Stage 5 – Risk Treatment

Risk treatment options need to be identified and evaluated if a risk is considered unacceptable requiring management to reduce the risk score.

Risk Treatment required:

1. Identification of treatment options;
2. Evaluation of treatment options;
3. Preparation and implementation of risk treatment plans; and
4. Analysis and evaluation of residual risk.

Treatment options (in summary) include:

1. Reducing the likelihood of risk occurring (for example, put new measures in place to prevent the incident from occurring);
2. Mitigating consequences of a risk (for example, reduce the length of a potential service outage);
3. Transferring or sharing the risk (for example), contract out of service or seek indemnities); and/or
4. Avoiding the risk (for example, do not take on the project/event)

A cost-benefit analysis needs to be undertaken when deciding which treatment option to take. In evaluating options, the aim is to create a balance between minimising the risk and creating potential benefits or opportunities.

Priority is to be given to risks that fall into the higher risk category with the higher numerical score. For example, priority is to be given to any Extreme Risks over High Risks. If there are multiple Extreme Risks then priority is to be given to the highest numerical value.

Treatment plans need to be developed and implemented to ensure further treatments/controls are identified and a process for implementation established. Treatment plans should identify short and long term treatments/controls, the person responsible for the implementation of the further treatments/controls (risk owners), timeframes for implementation, target risk score and residual risk score are identified.

Once treatments are in place, the risk score is reviewed using the Key Risk Assessment Tools (Summary Sheet) **Appendix G** and a new current score recorded.

Treatment plan details are to be recorded in the Risk Register.

Stage 6 – Monitor and Review

Identified risks need to be continually monitored and reviewed by the risk owner. This is critical to ensure that:

1. Risk records are up to date on the Risk Register;
2. Risk treatment plans are being progressed;
3. Controls are effective and efficient;
4. The external and internal context are up-to-date and relevant; and
5. The risk criteria and framework are relevant.

The risk management process shall be monitored and reviewed as follows:

Activity	Timeframe	Review Process
New and emerging risks or changes to be identified, analysed and evaluated	Ongoing	Conducted by staff as part of daily functions.
Review of risk data, treatments and controls as identified in the Risk Register		
Reporting: 1. Audit and Risk Management Committee 2. CEO / ET Meetings	Quarterly As Required	Regular reporting on the Enterprise Risk Management Program is to be provided by the Corporate Services and Risk Manager. Quarterly reports provided to the Audit and Risk Management Committee and CEO/ET meetings. As required reports provided to the CEO/ET.
Review of strategic, operational and project/event risk registers	Annually	Basic reports to be produced by the Corporate Services and Risk Manager and reviewed and amended by Executive Management or identified stakeholder.

Activity	Timeframe	Review Process
Review of risk trends or new and emerging risks or changes	Annually	Conducted on an annual basis based on trends captured by the Risk Register or identified at strategic, operational or project/event/program level.
Review and assessment of risk assessment maturity	Annually	Conducted by either the Corporate Services and Risk Manager or managers and/or branch managers by way of a self-assessment checklist to determine what stage the implementation of risk management has reached at the operational levels.

10. RECORDING OF RISK DATA

Risks are recorded in the following systems:

Velocity EHS	Central repository for all WH&S hazards/risks/incidents. Managed by WH&S.
CAMMS	Central repository for all Strategic and Operational Risk Registers. Managed by Corporate Services.

10.1 Getting information onto the Risk Register

CAMMS is an electronic risk system that is designed to contain approved risk tools and capture and report on risk.

Initially, Strategic and Operational Risk Registers will continue to be produced in consultation with operational areas through Workshops and captured in excel spreadsheet format.

The Corporate Services and Risk Manager will then be responsible for inputting these risk registers into CAMMS.

Operational areas will be responsible for the ongoing management of their respective risk registers in consultation with the Corporate Services and Risk Manager.

Council staff (as identified by each operational areas) will be trained in the use of CAMMS to enable ongoing and appropriate recording and managing of Strategic and Operational Risks.

Council staff must ensure that each step of the risk management process is appropriately recorded in the Risk Register through the use of the risk tools contained within the CAMMS software.

If treatment plans are developed, details of the treatment plan are to be included in the Risk Register.

Tools may be developed where necessary/as required to assist in the capturing of risk data in the Risk Register.

It is the responsibility of the risk owner to ensure the risk data contained in the Risk Register is up to date.

10.2 Monitoring and reporting of information in the Risk Register

To ensure the accuracy and relevance of information contained in the Risk Register, the Corporate Services and Risk Manager will periodically monitor the content of the Risk Register and discuss any entries with the Risk Owner where considered necessary.

Data will be extracted from the Risk Register and provided reported to the Audit and Risk Management Committee and CEO/ET Meetings (as required) for risk management monitoring purposes.

Operational area reports will be developed over time/as considered necessary, identifying the risk information and seeking a review and update of this information. This will ensure that the currency/relevance of the risk and the treatment plans are monitored on a regular basis.

It is proposed that as the Risk Register is developed further the reporting capabilities will improve and further reports identifying risk trends (for example, percentage of low to extreme risk, strategic risk profiles of operational areas etc.) will be able to be produced.

11. RISK MANAGEMENT TOOLS

Reference has been made to the various Council risk management tools to be used by staff throughout Section 9 - Risk Management Process of this framework.

For ease of reference, the table below identifies the various stages of the risk management process and the applicable tools:

Stage 1	Scope, Context, Criteria	Risk Appetite Statements (information only) Risk Management Framework (information only)
Stage 2	Risk Identification	Risk Management Process and Risk Treatment Flowcharts (Appendix D and E) (Information only) Risk Categories Examples (Appendix F) (information only) Key Risk Assessment Tools (Summary Sheet) (Appendix G)
Stage 3	Risk Analysis	
Stage 4	Risk Evaluation	
Stage 5	Risk Treatment	Treatment Plan (within CAMMS software)
Stage 6	Monitoring and Review	Risk Management Self-Assessment Checklist

12. LIST OF APPENDICES

Appendix A	Risk Quadrants
Appendix B	Risk Management Three Lines of Defence
Appendix C	Risk Management Reporting Hierarchy
Appendix D	Risk Management Process
Appendix E	Risk Treatment Flowchart
Appendix F	Risk Categories and Examples
Appendix G	Key Risk Assessment Tools (Summary Sheet)

13. REFERENCES

AS/NZS ISO 31000:2018 Risk Management – Guidelines.
Enterprise Risk Management – A Guide for Queensland Local Governments Parts 1 – 10.
Enterprise Risk Management Framework – Bundaberg Regional Council.
Enterprise-Wide Risk Management Framework – Logan City Council.
Enterprise Risk Management Plan – South Burnett Regional Council.
Enterprise Risk Management Framework and Handbook – Redland City Council.

14. GLOSSARY

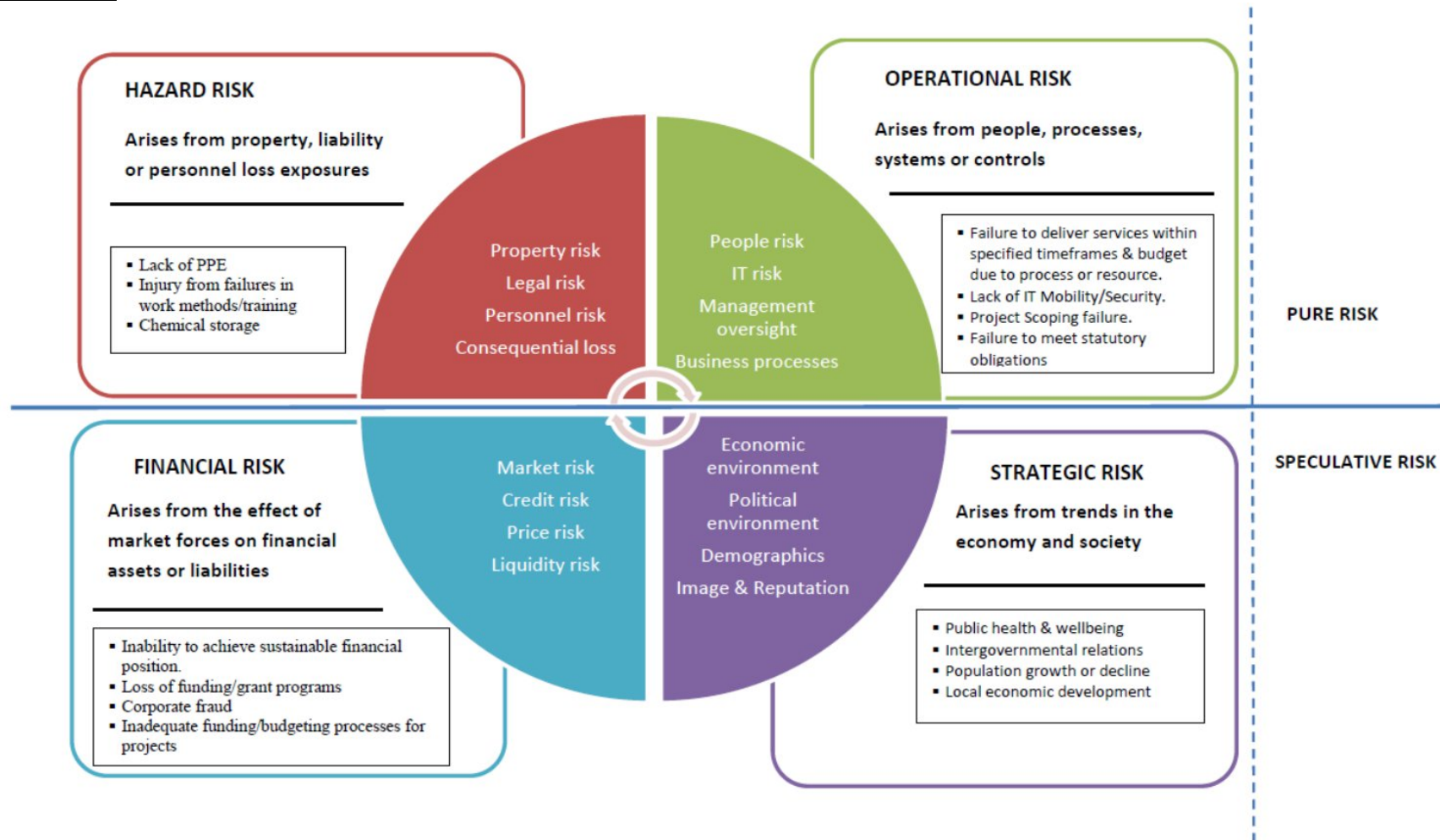
The below list provides a description for terminology used in this Framework and CAMMS.

Term	Description
Control	Measure that is modifying risk.
Control Rating	The rating assigned to a control.
Communication and consultation	Continual and iterative processes that an organisation conducts to provide, share or obtain information and to engage in dialogue with stakeholders and others regarding the management of risk.
Consequence	Outcome of an event affecting objectives.
External Context	External environment in which the organisation seeks to achieve its objectives.
Financial risk	Risk that arises from the effect of market forces on financial assets or liabilities.
Hazard risk	Risk that arises from property, liability or personal loss exposure. Management by Workplace Health & Safety branch.
Internal context	Internal environment in which the organisation seeks to achieve its objectives.
Likelihood	Chance of something happening.
Level of risk	The strategic, operational or project/event level within Council's organisational structure.
Monitoring	Continual checking, supervising, critically observing or determining the status in order to identify change from the performance level required or expected.
Operational risk	Risk that arises from people, processes, systems or controls.
Project/Event/Program Risk	Risks associated with developing or delivering Projects / Programs or discrete activities/events.
Residual risk	Remaining risk after risk treatment.
Responsible Department	Council department responsible for the management/mitigation or capturing of risks.
Responsible Person	Council officer responsible for the management of risk treatments (can be the same or different to the Risk Owner).
Review	Activity undertaken to determine the suitability, adequacy and effectiveness of the subject matter to achieve.

Term	Description
Risk	Effect of uncertainty on objectives. Risk is often expressed in terms of a combination of the consequences of an event and the associated likelihood of occurrence. Risk can be positive or negative.
Risk acceptance	An informed decision to accept a risk with either no treatment or existing treatments in place, based on acceptance of the likelihood and the consequences of a particular risk by staff that have the designated authority and capacity to make the decision.
Risk analysis	Process to comprehend the nature of risk and to determine the level of risk.
Risk appetite	Amount and type of risk that an organisation is prepared to pursue, retain or take in order to meet strategic objectives.
Risk assessment	Overall process of risk identification, risk analysis and risk evaluation.
Risk attitude	Organisation's approach to assess and eventually pursue, retain, take or turn away from risk.
Risk category	Pre-defined corporate risk categories into which identified risks are classified. The risk category defines the basis for assessing the significance and impact of risk to the major areas of council's operational areas.
Risk criteria	Terms of reference against which the significance of a risk is evaluated.
Risk description	Detail provided to explain the identified risk.
Risk evaluation	Process of comparing the results of risk analysis with risk criteria to determine whether the risk and/or its magnitude is acceptable or tolerable.
Risk identification	Process of finding, recognising and describing risks.
Risk management	Coordinated activities to direct and control an organisation with regard to risk.
Risk management framework	Set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation.

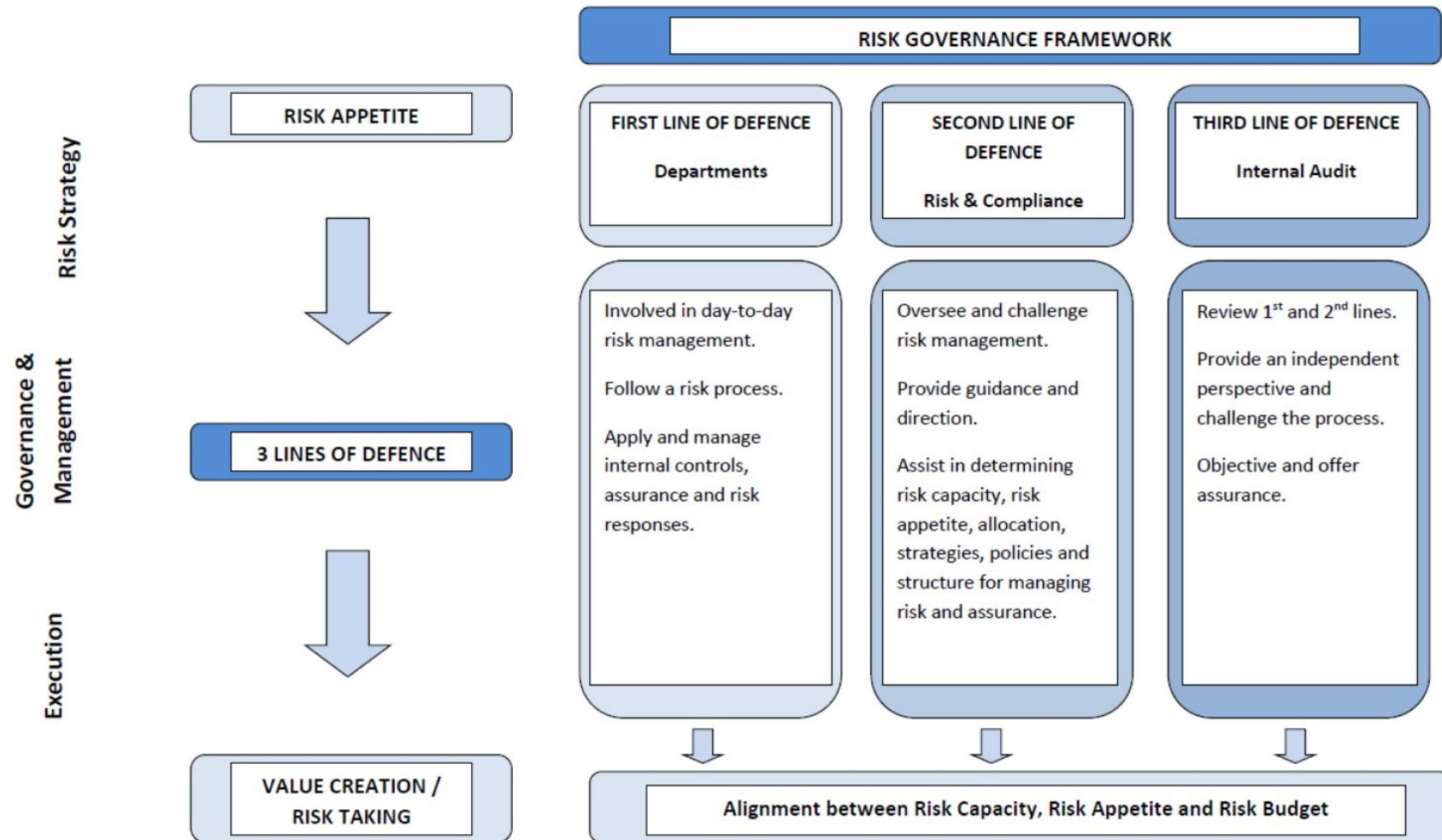
Term	Description
Risk management plan	Scheme within the Risk Management Framework specifying the approach, the management components and resources to be applied to the management of risk.
Risk management policy	Statement of the overall intentions and direction of an organisation related to risk management.
Risk management process	Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, treating, monitoring and reviewing risk.
Risk Matrix	A tool used in the ranking or prioritisation of risks.
Risk owner	Person or entity with the accountability and authority to manage the risk.
Risk register	A record of information about risks that have been identified in the organisation.
Risk score	Letter and numerical value given to a risk based on the consequence/likelihood of a risk having consideration to the risk assessment calculator. (Also known as Risk Rating).
Risk tolerance	The levels of variation an organisation is willing to accept around specific objectives.
Risk treatment	Process to modify risk.
Treatment plan	A record of the treatment and actions required to manage a risk, including responsibility and timeframes for implementation.
Stakeholder	Person or organisation that can affect, be affected by, or perceive themselves to be affected by a decision or activity.
Strategic risk	Risk that arises from trends in the economy and society.
Uncertainty	Uncertainty is the state, even partial, deficiency of information related to, understanding or knowledge of an event, its consequence or likelihood.

Appendix A – RISK QUADRANTS

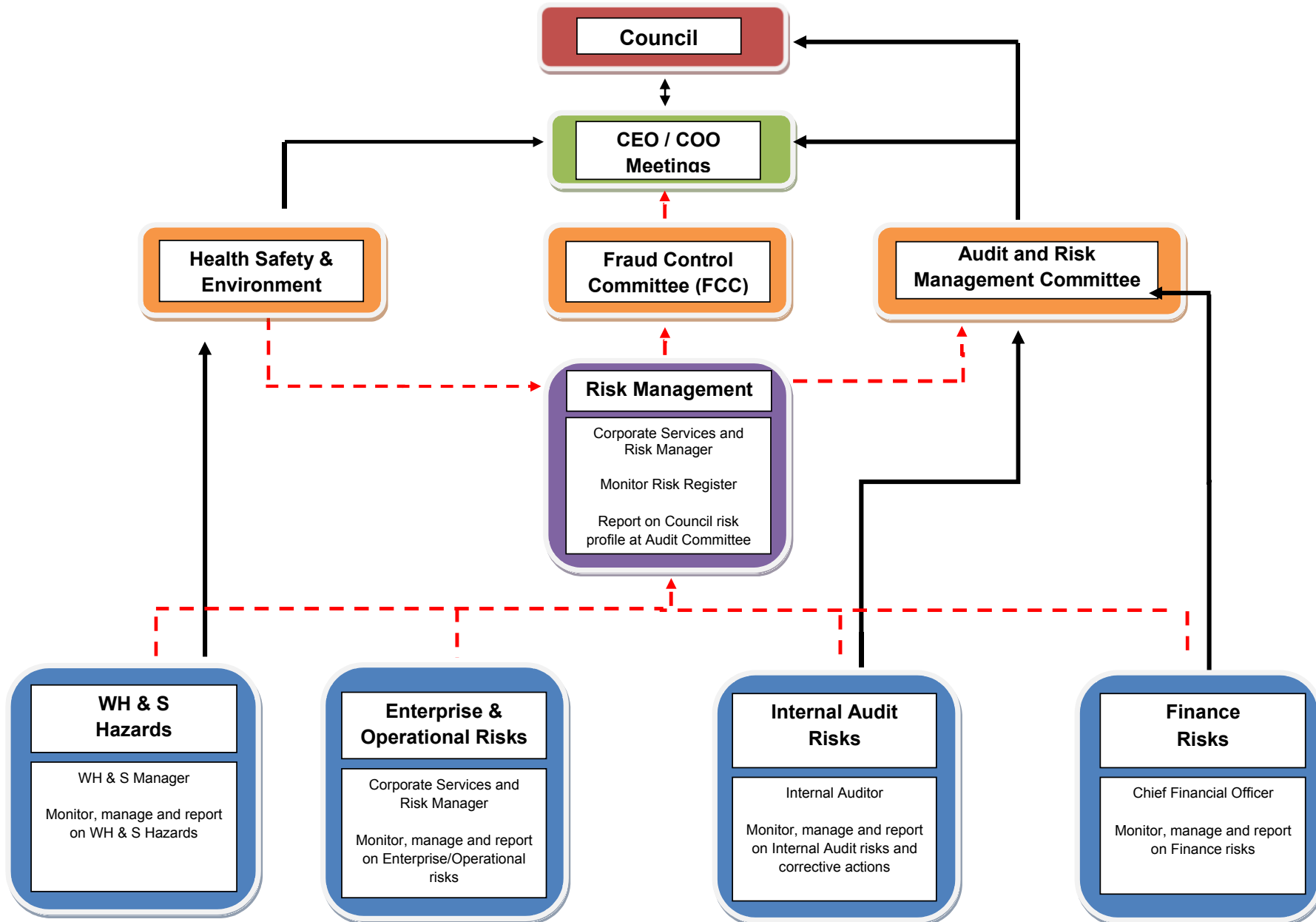


NOTE: Risk quadrants focus on the risk source and who traditionally manages it (i.e. Financial risk is traditionally managed by the CFO). There can be overlap among the various categories

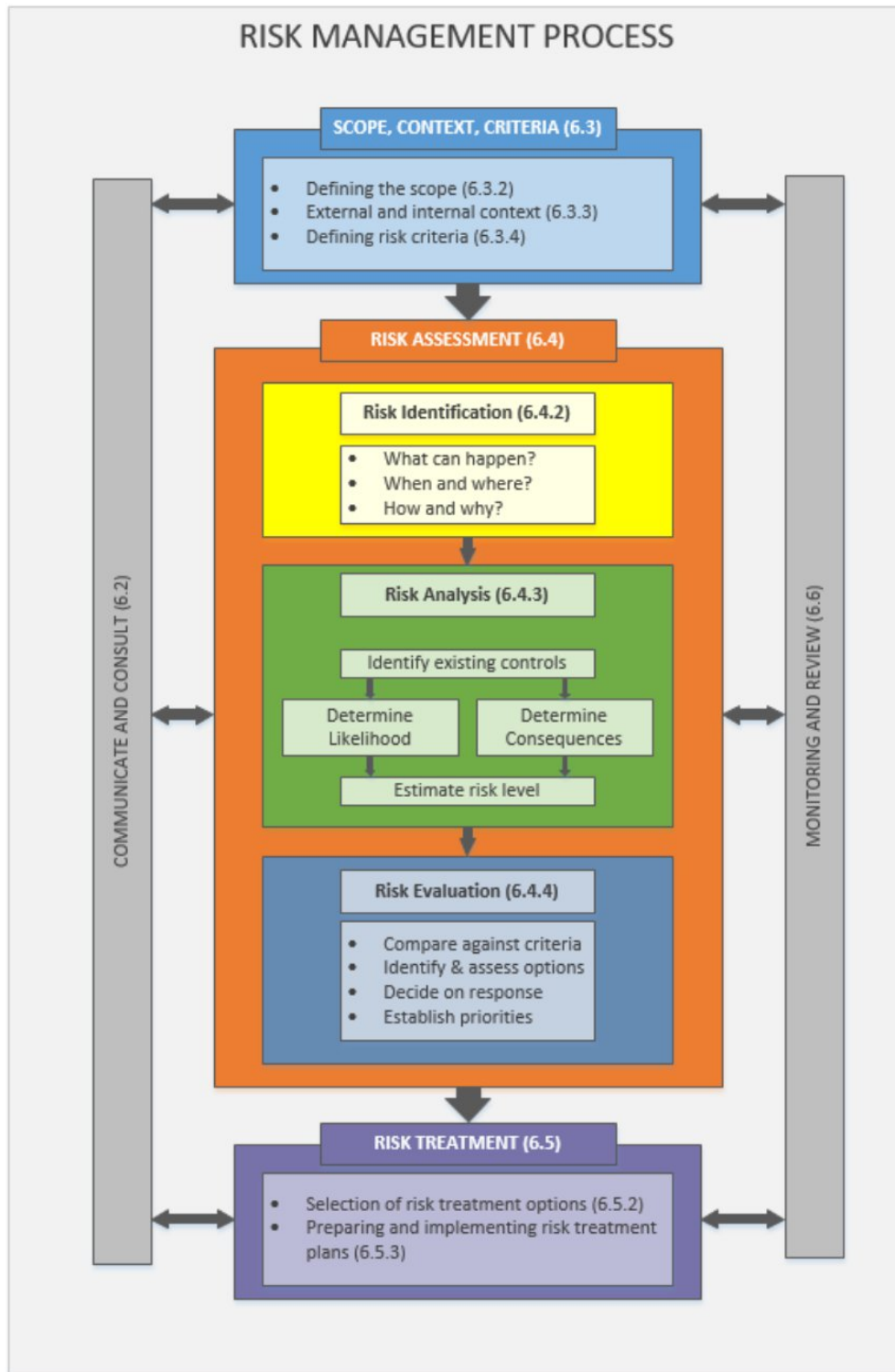
Appendix B – RISK MANAGEMENT THREE LINES OF DEFENCE



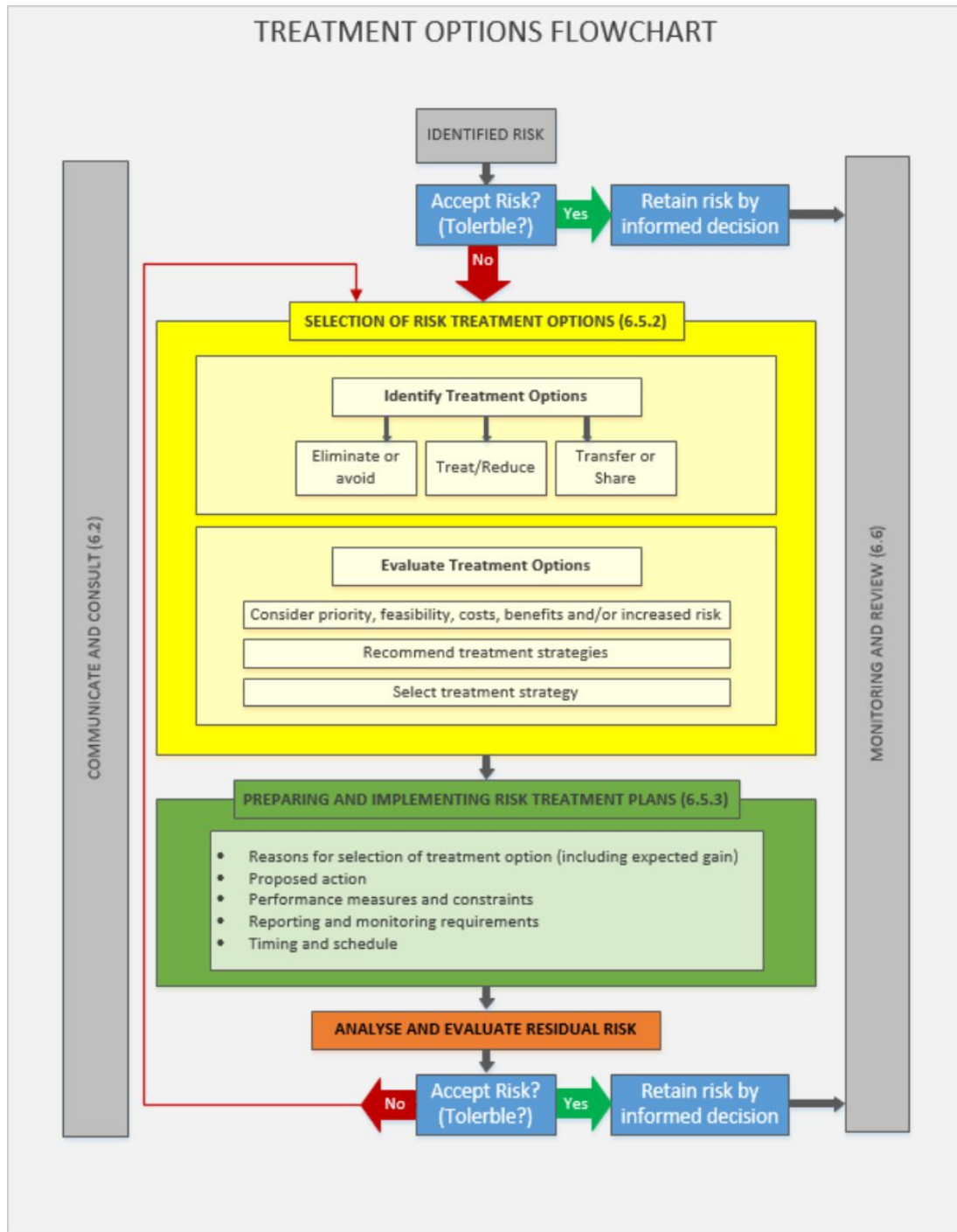
Appendix C – RISK MANAGEMENT REPORTING HIERARCHY



Appendix D – RISK MANAGEMENT PROCESS



Appendix E– RISK TREATMENT FLOWCHART



Appendix F – RISK CATEGORIES AND EXAMPLES

Risk Category Areas	Broad Definition	Examples of areas to consider within category (list is not exhaustive)	
Financial	Risks associated with financial management and transactions having monetary impact on Council operations.	Administration, including accommodation, payroll, transport and travel. Operational budgets. Facilities and asset management. Revenue and rates/utilities. External and internal auditing.	Forecasting and benchmarking. Resource accountability. Procurement and contracts management. Commercial management. Fraud and corruption.
Legal & Governance	Risks that have potential to cause or avoid legal action against Council. Risks associated with compliance/non-compliance with regulatory/statutory obligations. Risks impacting on the achievement of corporate/operational objectives, targets, projects or programs.	Litigation. Legal management. Contract management. Intellectual property. Public and product liability and professional indemnity. Complaints management.	Claims management. Strategic and operational planning. Governance structures and delegations. Legislative compliance. Performance management. Service level agreement. HSRS compliance activities/local laws.
Political/Reputation	Risks that may potentially impact Council's political activities/public image and/or reputation both internally and externally.	Political environment. Recruitment, continuing employment, learning and development. Complaints procedures (internal/external). Community engagement.	Communication strategies. Injury prevention. Reputation effect of fraud. Media engagement
Community and Environment	Risks that may potentially impact on the natural environment or the health, safety and wellbeing of the local community.	Essential services and utilities. Public health and wellbeing. Emergency and disaster response. Dangerous goods/pollutants/hazardous substances. Cultural heritage. Emergency and disaster response.	Environmental protection. Water & Wastewater management. Air quality, hearing, noise and lighting. Health & Safety. Security management and monitoring. Access to services and facilities. Arts and community development.
Health & Safety	Risks that may potentially impact on the likelihood and outcome of personal injury, health and safety.	Staffing levels/capabilities/supervision. Resources. Dangerous goods/pollutants/hazardous substances. Purchasing practices.	Work policies and procedures. Essential services. Adequacy of training/communication. Work pressures.
Service Delivery/Business Continuity	Risks associated with the delivery of Council services.	Emergency and disaster management. Essential services and utilities. Staffing levels and capabilities.	Resources. Security to systems and physical locations. Assets and infrastructure.
Information Confidentiality, Integrity and Access	Risks associated with Council's information assets.	IT resources. Cyber security/confidentiality. Malicious / accidental data releases. Cloud computing. CCTV/Safe City.	Information/records management. Destruction of information.

NB: many of the examples identified will also have impacts across all risk categories.

Appendix G – KEY RISK ASSESSMENT TOOLS (SUMMARY SHEET)

RISK CATEGORIES		Minimal (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
	Financial	<ul style="list-style-type: none"> Financial loss (fines, lost revenue/funding, increased cost) ≤\$500,000 	<ul style="list-style-type: none"> Financial loss (fines, lost revenue/funding, increased cost) >\$500,000 - ≤\$2M. 	<ul style="list-style-type: none"> Financial loss (fines, lost revenue/funding, increased cost) >\$2M - ≤\$10M. 	<ul style="list-style-type: none"> Financial cost (fines, lost revenue/funding, increased cost) >\$10M - ≤\$50M. 	<ul style="list-style-type: none"> Financial cost (fines, lost revenue/funding, increased cost) >\$50M.
	Legal & Governance	<ul style="list-style-type: none"> Low level legal issues (such as mediated contractual disputes), negligible failure to meet statutory timeframes, non-compliances and/or breaches of regulation/agreements; or Low level potential for complaints; or Negligible governance failure impacting on the achievement of corporate objectives. 	<ul style="list-style-type: none"> Minor legal issues (such as litigated contractual disputes, minor personal injury/workers' compensation claims), failure to meet statutory timeframes, non-compliances and/or breaches of regulation/agreements; or Potential for complaints; or Minor short term governance failure impacting on the achievement of corporate objectives. 	<ul style="list-style-type: none"> Serious legal issues (such as serious litigation, major personal injury/workers compensation claims), failure to meet statutory timeframes, non-compliances and/or breach of regulation/agreements; or Complaint or report to applicable authority with investigation pursued; or Moderate / serious governance failure impacting on the achievement of corporate objectives. 	<ul style="list-style-type: none"> Major legal issues, failure to meet statutory timeframes, non-compliances and/or breach of regulation/agreements (such as those resulting in Council decision/action being declared unlawful, requiring significant resources to remediate. (eg. widespread impact on Council decisions/actions, or major injunctions/specific performance orders); or Numerous complaints or reports to applicable authority with investigation pursued; or Major governance failure impacting on the achievement of corporate objectives requiring significant resource allocation to resolve. 	<ul style="list-style-type: none"> Extensive legal issues, failure to meet statutory timeframes, non-compliances and/or breach of regulations/agreements (such as those arising from class actions, or with widespread and substantial retrospective impact on Council decisions/actions, or extensive injunctions/specific performance orders); or Extensive governance failure impacting on the achievement of a large number of corporate objectives.
	Political / Reputation	<ul style="list-style-type: none"> Minimal short term adverse local publicity; or Minimal adverse impact on Council partnerships. 	<ul style="list-style-type: none"> Temporary degradation in public image; or Minor adverse local publicity; or Escalation to impacted Councillor; or Minor and temporary adverse impact on Council partnerships, easily rectified. 	<ul style="list-style-type: none"> Degradation of public image requiring effort/resources to regain; or Extended adverse local and state publicity; or Escalation to non-impacted Councillors and Mayor; or Moderate adverse impact on significant Council partnerships requiring moderate effort to rectify. 	<ul style="list-style-type: none"> Degradation of public image requiring major effort/resources to regain; or Significant and longer term adverse local, state and national publicity; or Major adverse impact on strategic Council partnerships requiring significant effort to rectify; or Serious community unrest. 	<ul style="list-style-type: none"> Large scale and permanent degradation of public image; or Sustained adverse local, state, national and international publicity; or Loss of strategic Council partnerships; or Widespread community unrest.
	Community and Environment	<ul style="list-style-type: none"> No lasting detrimental or negligible / isolated impact on the health and wellbeing of the community; or Environmental damage that is contained on-site and is fully recoverable with no permanent effect on the environment. It will take less than 6 months for full recovery. 	<ul style="list-style-type: none"> Minor, short-term isolated impact on the health and wellbeing of the community; or Localised environmental damage that can be mitigated onsite. It will take less than 2 years for full recovery. 	<ul style="list-style-type: none"> Moderate, medium-term, widespread impact on the health and wellbeing of the community; or Significant environmental damage requiring remedial action. It will take up to 10 years for full recovery. 	<ul style="list-style-type: none"> Serious, long-term, widespread impact on the health and wellbeing of the community; or Major environmental damage for a matter of environmental significance (local, state or federal). 	<ul style="list-style-type: none"> Severe / extensive on-going, widespread impact on the health and wellbeing of the community; or Irreversible Catastrophic environmental damage for a matter of environmental significance (state, local or federal). No remediation, mitigation or offset action can undo environmental damage caused and matters of environmental significance may undergo local extinctions.
	Health & Safety	<ul style="list-style-type: none"> Injuries treatable with first aid, no other medical treatment required; or Incident or compensable injury without time lost 	<ul style="list-style-type: none"> Medical Treatment not requiring hospitalisation; or Compensable injury requiring medical treatment. 	<ul style="list-style-type: none"> Medical Treatment requiring hospitalisation; or Extensive Injuries; or Notifiable to regulatory authority; or Compensable injury resulting in permanent impairment of 5 – 20% and/or damages claim. 	<ul style="list-style-type: none"> Permanent Disabilities; or Single fatality; or Compensable injury resulting in permanent impairment > 20% and/or damages claim. 	<ul style="list-style-type: none"> Multiple permanent disabilities and/or fatalities.
	Service Delivery / Business Continuity	<ul style="list-style-type: none"> Non-essential customer-facing services cannot be delivered for < 1 hour. 	<ul style="list-style-type: none"> Essential customer-facing services cannot be delivered for < 1 hour; or Essential customer-facing service(s) experience 50% degradation for < 1 day; or Non-essential customer-facing services cannot be delivered for 1 hour – 1 day. 	<ul style="list-style-type: none"> Essential customer-facing services cannot be delivered for 1 hour – 1 day; or Essential customer-facing service(s) experience 50% degradation for 1 day-1 week; or Non-essential customer-facing services cannot be delivered for 1 day – 1 week. 	<ul style="list-style-type: none"> Essential customer-facing services cannot be delivered for 1 day – 1 week; or Essential customer-facing service(s) experience 50% degradation for 1 week-4 weeks; or Non-essential customer-facing services cannot be delivered for 1 – 4 weeks. 	<ul style="list-style-type: none"> Essential customer-facing services cannot be delivered for more than 1 week; or Non-essential customer-facing service(s) experience 50% degradation for more than 4 weeks; or Non-essential customer-facing services cannot be delivered for more than 4 weeks.
	Information Confidentiality, Integrity and Accessibility	<ul style="list-style-type: none"> Low-level non-compliance with privacy principles/regulations, (such as localised release or unauthorised access to non-personal confidential information) with no lasting detrimental or negligible impacts; or Low-level permanent compromise of non-business-critical information (data corruption, errors, inaccuracies, inconsistencies) with negligible impacts; or Localised permanent loss of non-business-critical information; or Minimal, short-term disruption of access to information impacting: <ul style="list-style-type: none"> small customer numbers (< 1 hr.); or non-critical internal operations. 	<ul style="list-style-type: none"> Minor non-compliance with privacy principles/regulations, (such as localised release or unauthorised access to sensitive non-personal confidential information) with limited detrimental or negligible impacts; or Localised permanent compromise of non-business-critical information (data corruption, errors, inaccuracies, inconsistencies) with minor impacts; or Semi-localised permanent loss of non-business-critical information; or Minor, short-term disruption of access to information impacting: <ul style="list-style-type: none"> most customers (< 1 hr.); or small customer numbers (1 hr. - 1 day); or business-critical internal operations (< 1 day). 	<ul style="list-style-type: none"> Moderate non-compliance with privacy principles/regulations, (such as widespread release or unauthorised access to highly sensitive non-personal information); or Widespread permanent compromise of non-business-critical information (data corruption, errors, inaccuracies, inconsistencies) with moderate impacts; or Permanent and widespread loss of non-business-critical information; or Moderate short-term disruption of access to information impacting: <ul style="list-style-type: none"> most customers (1hr. – 1 day); or small customer numbers (1 day – 1 week); or business-critical internal operations (1 day – 1 week). 	<ul style="list-style-type: none"> Major non-compliance with privacy principles/regulations, (such as localised release or unauthorised access to personal information); or Localised permanent compromise of business-critical information (data corruption, errors, inaccuracies, inconsistencies) with major impacts; or Permanent and localised loss of business-critical information; or Major, medium-term disruption of access to information impacting: <ul style="list-style-type: none"> most customers (1 day - 1 week); or small customer numbers (1 – 4 weeks); or business-critical internal operations (1-6 weeks). 	<ul style="list-style-type: none"> Catastrophic non-compliance with privacy principles/regulations, (such as widespread release or unauthorised access to personal information); or Widespread permanent compromise of business-critical information (data corruption, errors, inaccuracies, inconsistencies) with catastrophic impacts; or Permanent and widespread loss of business-critical information; or Catastrophic long-term disruption of access to information impacting: <ul style="list-style-type: none"> most customers (more than 1 week); or small customer numbers (> 4 weeks); or business-critical internal operations (> 6 weeks).

		Minimal (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
		RISK RATING				
		Minimal	Minor	Moderate	Major	Catastrophic
LIKELIHOOD	Almost Certain Is expected to occur at most times	M-8	M-11	H-20	E-23	E-25
	Likely Will probably occur at most times	M-7	M-10	H-19	H-21	E-24
	Possible Distinct possibility of occurrence at some time	L-3	M-9	M-13	M-16	H-22
	Unlikely Could occur at some time but considered highly unusual	L-2	L-5	M-12	M-15	M-18
	Rare May occur in rare circumstances	L-1	L-4	L-6	M-14	M-17

LEGEND - RISK					
ESCALATION PATH		CONTROL RATING		CONTROL OPTIONS	
E	Extreme Risk Risk Owner = Executive Management Unacceptable. Prioritised and Urgent Action Required Risk must be reduced regardless of cost unless extraordinary circumstances apply Proactive control of the risk required by the Branch Manager or Executive Management with CEO oversight	OVER CONTROL (O)	Controls are effective but over control indicating a waste of resource that could be allocated where there are insufficient controls	ACCEPT	There is a level of risk accepted by management with appropriate level of approval and only if acceptable to Council's risk appetite and tolerance and might require Committee consideration if it is the belief that the level of acceptance is too high.
		EFFECTIVE (E)	Controls are well designed, appropriate and effective, monitored and maintained		
H	High Risk Risk Owner = Branch Manager Risk Tolerable. Immediate Action Required Risk tolerable only if reduction cost is grossly disproportionate to gain. Branch Manager authorisation required before work proceeds. Proactive monitoring by Branch Manager and reporting to Executive Management required.	REQUIRED OR POSSIBLE IMPROVEMENT (R)	Most controls are adequate and effective Some more work to be done to improve	ELIMINATE/ AVOID	Eliminate or avoid the risk completely (i.e. resources, processes, materials, substances, tasks)
M	Medium Risk Risk Owner = Officer, Supervisor or Manager Risk Tolerable. Planned Action Required Risk is tolerable if all reasonably practicable steps to reduce it are taken. Work can proceed. Sign off and monitoring by Officer, Supervisor/Team Leader or Manager required.	LIMITED (L)	Controls exist but are not currently effective, appropriate or sufficient Review and redesign required	TREAT/REDUCE	Additional treatments (such as isolation, engineering, administrative or personal protective equipment controls) are required to reduce the level of risk
L	Low Risk Risk Owner = Any Staff Member Acceptable Manage by Routine Procedure	INADEQUATE (I)	Significant control gaps Either controls do not treat root causes or they do not operate at all effectively	TRANSFER OR SHARE	Reallocate liability (i.e. take out insurance or outsource activity)
		NONE OR TOTALLY INEFFECTIVE (N)	Virtually no credible control or confidence in controls that exist		



IN THIS ISSUE

News from QAO

Welcome to the Autumn edition of *Insights*.

New deputy auditor-general

We are pleased to share that Daniele Bird is now QAO's Deputy Auditor-General. As deputy, Daniele will act for the Auditor-General when he is not available. She will also continue to lead the Performance Audit Division as the operational responsibilities of the previous deputy position have been shared between Assistant Auditors-General.

Sector director changes

We have recently completed recruitment for three new sector directors.

Michelle Reardon will take on the education and housing sector from May 2018, with John Welsh moving to community services in late 2018 when Nick George departs for well-earned retirement.

As of early March, Charles Strickland took on the health sector, with Damon Olive moving to energy and resources.

Vaughan Stemmett stepped into the water and infrastructure role.

David Adams has been appointed Director Audit Practice within Specialist Audit Services—a key role that will be filled on a two- to three-year rotation by a sector director.

The names and photos of our sector directors are on page 3.

New QAO branding

We are also delighted to share with you that on 1 May 2018 QAO will launch its new branding.

A new logo and corporate colours have been developed, which reflect our desire to be a contemporary organisation with professional-looking collateral. The new look is grounded in our strategic intent of being seen as a trusted, valued and independent organisation focused on better public services for Queensland.

You'll see the new brand throughout May as you receive your audit documents and reports to parliament or visit our website. Watch this space.

Strategic audit plan



Our strategic audit plan lists the audits we propose to perform over the next three years. It brings together the systemic challenges, risks and opportunities facing the public sector that drive our topic selection.

Our *Strategic Audit Plan 2018–2021* is nearing finalisation and we will publish it on our website in early May: www.qao.qld.gov.au/audits/program. We will also email all our subscribers and post on LinkedIn once it is up. There are some important topics on the horizon.

News from QAO	1
People of QAO	3
Fraud risk management tool	4
Feature: The auditee's perspective	5
New era of electronic signature	7
Standards update	8
Upcoming QAO events	14
Wider learnings	15
Audits in progress	18

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Your Sector Directors

Below are the friendly faces of QAO's new Sector Director team. They will be in touch regarding contact details for each sector in due course.

Queensland Audit Office Sector Directors	
 Education and Housing Michelle Reardon from May 2018	 Energy and Natural Resources Damon Olive
 Health Charles Strickland	 Central Agencies and Financial Services Paul Christensen
 Water and Infrastructure Vaughan Stemmett	 Community Services Nick George until Oct 2018
 Local Government Pat Flemming	 John Welsh from May 2018

People of QAO

2018 Graduate program

Welcome to our new graduate auditors! Our 2018 graduate cohort includes 12 keen auditors, five of whom started with QAO in October 2017. We wish them all the best for their graduate program, and their auditing careers.

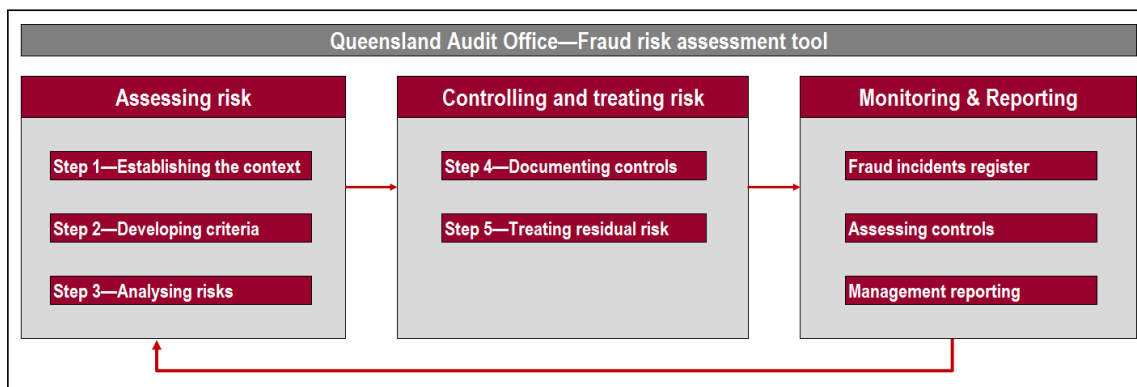


Fraud risk management tool

As part of the Fraud risk management audit, we developed a fraud risk assessment tool to help public sector agencies document:

- their assessments of fraud risk
- how they will control fraud risks
- how they will monitor and report their fraud risks.

We have published this tool on our website.



The five steps

The tool goes through each of the five steps of assessing risk and controlling and treating risk in detail, and provides templates, where applicable, for agencies to use.

Monitoring and reporting

This section contains a fraud incidents register, a template for assessing and recording internal controls, and dashboards for reporting.

Previous better practice resources

Risk management maturity model

QAO developed a risk management maturity model after extensive research into current developments in the public and private sectors in Australia and overseas.

The model outlines five levels of maturity across six key attributes of risk management and is a useful framework for self-assessment.

We encourage public sector entities to consider their internal risk management practices against the various attributes of risk as an internal control, and to discuss their self-assessments with their QAO engagement leader.

Fraud and corruption self-assessment tool

This is an easy-to-use tool that QAO developed to help public sector entities identify areas where they can improve their fraud controls. We based it on our audit observations and the Australian Standard 8001-2008 *Fraud Corruption and Control*.

In both *Report 19: 2014–15 Fraud management in local government* and *Report 9: 2012–13 Fraud risk management* we found that having only policies, plans and processes in place is not sufficient for public sector entities to combat fraud and avoid its high cost. An effective risk management framework needs to include an active strategy and effective controls to prevent, detect and respond to occurrences of fraud.

You can read, download and use all our better practice resources on our website: www.qao.qld.gov.au/reports-resources/better-practice

The auditee's perspective—audit preparation, insights and outcomes

QAO is always looking for ways to help entities better prepare for, and engage during, a performance audit, and how we can share the learnings and best practice we identify from our audit work with the wider public sector.

Perspectives from a recently audited entity on preparing for a performance audit, and their thoughts on our audit process, can provide valuable insights for entities soon to be involved in one.

We spoke to Stephanie Attard, Executive Director of Reform and Support Services, Court Services Queensland, within the Department of Justice and Attorney-General (DJAG), about her experiences as a performance audit contact officer for QAO.

The reports to parliament Stephanie refers to in this article are:

- *Provision of court recording and transcription services* (Report 9: 2015–16)
- *Criminal justice system—reliability and integration of data* (Report 4: 2016–17)
- *Criminal justice system—prison sentences* (Report 14: 2016–17).

Question: How you can prepare for a performance audit?

'In my opinion, if you are welcoming of an audit there is greater participation and a greater willingness to engage in the process. For myself and my team, this was definitely the case.'

— Stephanie Attard

Stephanie's recommendations for any entity involved in an audit is preparation and early engagement. She outlines two key ways that an entity can prepare:

1. Firstly, collect and prepare materials and background information likely to be relevant to the upcoming audit.
2. Secondly, brief staff working in areas that the audit may affect and encourage them to be open and honest when responding to the auditors.

Early engagement helps QAO to refine the audit scope, and allows entities to provide input into issues that would benefit from investigation during the first phase of the audit—the planning phase. Throughout the rest of audit, QAO continues to meet with the entities for progress updates, follow-up meetings and to seek regular feedback.

According to Stephanie, during the audit on the provision of court recording and transcription services, the 'level of QAO's engagement was thorough, collaborative and effective, resulting in a strong level of comfort that they [QAO] understood our business, our key challenges and opportunities for improvement'.

Early preparation and engagement with QAO can also help reduce the audit's impact on an entity.

'The impacts of the audits were, at times, significant. Specifically, in relation to the data that was requested. We appreciated that QAO was working to tight deadlines, but there was significant pressure on us to provide a really large amount of data in a short time frame.'

— Stephanie Attard.

In reflecting on the audits on the criminal justice system, Queensland Courts Service noted that their preparation, which they based on the topical questions QAO asked at the initial audit meeting, allowed them to minimise the audit's impact on their business.

QAO recognises that however well prepared an entity may be for an upcoming audit, the audit will still impact on the entity's day-to-day operations. Often, this is due to the volume of information QAO requires and the broad range of staff and stakeholders involved in providing it. Early preparation can reduce this impact, and by taking note of QAO's strategic audit plan, entities will know in advance if they are likely to be involved in an audit.

Case study: preparation and engagement in the criminal justice data audits

Engaging with multiple entities during one audit can be complicated due to differences in their organisational culture and levels of preparation.

The audits on the criminal justice system involved more than one business unit within DJAG and highlighted contrasts in how entities prepare for an audit and engage with QAO, and the impact on their day-to-day operations.

The advice from Queensland Courts was to be proactive in the early engagement phase—they organised meetings to discuss what information QAO required as soon as the audit scoping began. They then identified all appropriate source documents and data sets.

While they did experience issues providing the amount of information in a timely manner, they believe their preparation minimised the audit's impact on their operations.

Question 2: Who has input into a performance audit?

'You should never underestimate the desire of stakeholders to have their say.'

— Stephanie Attard

All entities involved in an audit have multiple opportunities to provide input and feedback.

Stephanie noted that 'regular discussions during the audit provided advice in terms of the audit teams' thinking along the way. This meant that there were no surprises when the initial drafts were provided for comment and feedback'.

In the case of the audits on the criminal justice system, the entities involved felt that more time to work collaboratively with QAO on constructing the recommendations would have been beneficial. Overall, implementing the recommendations from the two reports has seen positive changes in the criminal justice system, but more time to consider the wording of recommendations from an implementation perspective would help entities to achieve this.

QAO acknowledges and responds to entities' feedback throughout the audit and incorporates their final comments into the final report. We also provide opportunities for all entities to meet with QAO together, which allows them to collectively discuss preliminary findings, check their interpretation of the data, resolve issues, and formally close areas of contention or pieces of work.

Question 3: How do entities and QAO ensure the report is 'fair and balanced' and adds value to the entity?

'The recommendations provided the "encouragement" for action to be taken to formalise the inherent issues. It placed reporting time frames to ensure action was taken to address areas of concern.'

— Stephanie Attard

Entities involved in an audit may have a different view of how 'fair and balanced' the final report is. For the two reports on the criminal justice system, there were differing views on the transparency of data, fairness and balance of the reports, and opportunities to maximise buy in and improvements across the sector.

Where an entity prepares for, and is welcoming of, an audit, the subsequent report's value to the entity can be great. According to Stephanie, it 'can carry extra weight and help the organisation with business cases for improvements'.

This was the case with the report on the provision of court recording and transcription services, where DJAG staff experienced positive interactions with auditors, felt that the final report was balanced and delivered the outcomes desired, and gained a lot of insight.

Stephanie concluded that this report was extremely valuable as 'an external independent body [QAO] confirmed and acknowledged the known issues ... it provided a document that supported the assertion of DJAG officers and staff that there were inherent issues in how the outsourcing process had been forced to be conducted'.

We discuss the draft audit strategy with the entities involved to ensure the value of the audit to the entity, the parliament and the public.

So what is the ultimate 'take-away'?

Be prepared

Take the time to read through QAO's *Strategic Audit Plan 2017–20* and see if your entity is likely to be involved in an upcoming performance audit. You can then peruse the resources on our website on how to prepare for a performance audit, and implement the checklist provided. We will provide further information on the audit during initial meetings.

Provide your input

We aim to liaise with all relevant and interested parties during an audit. Anyone—whether they are from an entity involved in the audit or are a member of the general public—can provide a submission to an audit in progress via our [website](#). These submissions can be made anonymously.

See QAO's presentation on [How to prepare for a performance audit presentation](#). It includes five key steps an entity can take to prepare

New era of electronic signature

QAO is moving away from manually signing our independent auditor's report to signing electronically.

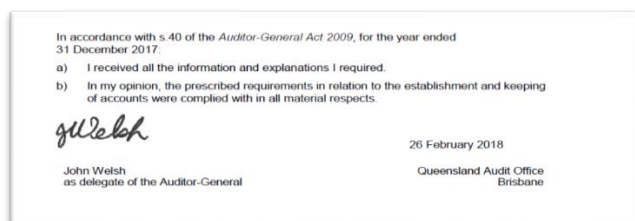
While electronic signatures are not a new concept, we have taken time to ensure we have covered Queensland's legal requirements.

To meet the legal requirements, there are three criteria for using an electronic transaction to 'sign' a document:

1. **Identification**—we must use a method to identify the person/people and capture their intentions. For example, the signing officer is bound by their declaration even if they did not send the communication but rather consented to someone sending it on their behalf.
2. **Reliability**—the process must maintain the integrity of the information. For example, the information must remain complete and unaltered throughout the course of a transaction.
3. **Consent**—parties agree to send and receive digitally signed documents.

We have successfully trialled electronic signatures when we certified the independent auditor's reports for the 2017 university financial statements.

Below is an example of a signature line.



Where are we at?

We are planning to further roll-out electronic signatures on the independent auditor's reports. Financial statements prepared for 2017–18 will be signed electronically.

In the lead up to financial year end, we will be issuing further communications about how you can prepare for this change.

If you have concerns with this change, please discuss them with your engagement leader.

So why are we making this change?

We are making this change to:

- reduce the time delays that our clients outside the south east Queensland district experience
- limit paper consumption with the aim to provide potential cost savings and a reduction in our environmental impact
- allow timely return of the certified financial statements electronically
- improve reproduction quality through the limited need to scan certified financial statements.

Standards update

By David Hardidge, Director Technical and Treasury Products

Registered charities with Australian Charities and Not-for-profits Commission

Is your entity registered with the Australian Charities and Not-for-profits Commission (ACNC)?

In the March 2017 edition of *Insights* we noted that we had identified around 80 public sector entities that were registered with the ACNC. Most entities were registered automatically with the ACNC in 2012. Since then, the *Charities Act 2013* commenced. Under the Act, a 'charity' cannot be a 'government entity'.

This raises the question as to which public sector entities meet the definition of 'government entity' and should not be registered with the ACNC. Inappropriate registration may mean that you are not eligible for Deductible Gift Recipient (DGR) status and receive other charity tax exemptions, such as from income tax, GST and fringe benefits tax.

Applying the definition of government entity is not simple. The ACNC Commissioner has released a 57-page Interpretation Statement ([Meaning of 'Government Entity'—CIS 2016/01](#)) on the issue.

A university is one example on the ACNC website of a public sector entity that is eligible for registration.

If you are registered with the ACNC, we recommend that you consider whether you meet the registration requirements as part of your risk management practices. If you do not meet the requirements, you can apply for deregistration.

AASB 9 Financial Instruments changes

Accounting standard AASB 9 *Financial Instruments* started 1 January 2018 if you have a December year end. It will start in a few months on 1 July 2018 if you have a June year end. Are you ready?

Not all of the previous standard has been changed. The major changes relate to:

- classification and measurement of financial assets
- impairment (provision for doubtful debts)
- hedging
- disclosures.

There were also some changes to liabilities measured at fair value through profit or loss (P&L) relating to own credit risk, but these are rarely applicable in the public sector.

The following remain largely unchanged:

- measurement of most financial liabilities (like payables, loans and borrowings)
- financial instrument definitions (including financial asset, financial liability and equity)
- derecognition of financial assets and financial liabilities.

The good news is that you will usually not have to restate comparative figures. However, balances at the commencement of the standard (for example, at 1 July 2018) will need to be restated using the new measurement rules, including impairment. The transitional provisions can be complicated to apply.

Classification and measurement

In the 2017 Summer edition of *Insights*, we discussed the changes to classification and measurement of financial assets. The four previous classifications have been reduced to two underlying methods, each of which has a sub-classification to be applied in certain situations.

The changes may affect how you measure some of your financial assets. In that article we discussed the criteria for the amortised cost method, which uses the effective interest rate method applicable to loan type financial instruments. If a financial asset does not meet the criteria for use of amortised cost, fair value is required.

If you have loans and advances (as a financial asset) you will need to focus on the new criteria, particularly the cash flow characteristic test known as 'solely payments of principal and interest' (SPPI). Some loans and advances need extra effort and analysis, including those to other public sector entities. These may have one or more of the following features:

- are interest-free
- are non-recourse
- do not have a set repayment date
- are repayable at call.

Appendix A gives some indicative expectations of classification issues for the SPPI test.

You will also need to consider the business model test that requires that you intend to collect the contractual cash flows, rather than trading the instruments—though some sales are permitted. Depending on your level of sales, you may need to follow the sub-classification accounting requiring fair value movements through other comprehensive income (OCI, that is, reserves), which allows recycling (recognition of profit on sale).

If you have investments, you are also affected. You will need to classify the investments between those that meet the new amortised cost criteria (for example government and corporate bonds) and the rest. The accounting for investments that appear debt like, such as hybrid instruments, may change.

If the loan or investment fails the SPPI test, or the business model test is not met, then you must account for the financial instrument at fair value through profit or loss. However, for financial instruments that are classified as equity by the issuer, you can choose to recognise fair value movements through OCI (reserves) with no recycling (no profit or loss on sale). This election is available for each financial instrument. For those of you subject to Treasury's

Financial Reporting Requirements, watch out for the upcoming 2017/2018 version, as it will include proposed policies on how this will apply to you.

If you have financial assets classified as available-for-sale, then you will need to determine how those assets will be accounted for under the new standard, as that classification has been removed.

If you have specifically designated certain debt financial instruments (such as investments) to be accounted for using fair value through P&L, you will need to make sure you want to keep using that approach and whether you continue to meet the criteria.

Impairment

Impairment, also referred to as the provision for doubtful debts, aims to make sure that the carrying amount of loans and other financial assets are not overstated. The current model is based on recognising an 'incurred loss' when something happens after the initial loan or investment is made. The new model is an expected credit loss model that recognises potential losses based on forward-looking information. The consequence of the new model is similar to the general provision for doubtful debts and a day one loss that occurred pre-International Financial Reporting Standards (IFRS).

The new model is applicable to all financial assets that apply the amortised cost approach (discussed above), and those recognised at fair value through OCI with recycling.

While the new model is similar to how banks and financial institutions manage their loans, the same model needs to be applied by non-financial institutions. Affected financial assets include:

- trade receivables
- investments in debt securities, such as government and corporate bonds
- loans to related parties (including controlled entities)
- other loans and advances
- financial guarantee contracts, for example a parent guaranteeing the debts of a subsidiary
- contract assets under AASB 15 (for example some work in progress).

The application to loans within the state total government sector is discussed below.

General approach—the three buckets

When banks lend money to borrowers, the bank aims to limit losses, though they expect that there will be some bad debts. Rather than recognise estimates of these bad debts over the life of each loan, the new model is based on recognising some estimated losses up-front, and then more losses when there is a significant increase in credit risk.

The model uses what has been referred to as a 'three bucket' or 'three stage' approach (colloquially known as the good, the bad and the ugly).

- Stage one: initial recognition—recognise 12 month expected credit losses.
- Stage two: significant increase in credit risk—recognise lifetime expected credit losses.
- Stage three: credit impaired—recognise lifetime expected credit losses and recognise interest revenue based on the written down amount.

A critical issue is determining when a loan (or advance or investment, and so on) has a significant increase in credit risk. This means moving from Stage one to Stage two, and the 'cliff effect' of recognising additional expected losses, from 12 months to lifetime expected losses. The aim is to recognise the additional losses before there is a default. One indicator of an increase in credit risk is if payments are more than 30 days overdue. The standard provides further guidance.

Expected credit losses

A common approach for determining expected credit losses by non-financial institutions is the following formula:

$$\begin{aligned} & \text{PD (probability of default)} \\ & \quad \text{multiplied by} \\ & \text{LGD (loss given default)} \\ & \quad \text{multiplied by} \\ & \text{EAD (exposure at default)} \end{aligned}$$

Using illustrative amounts for a low credit risk for 12 month expected losses is:

$$\begin{aligned} & 0.5\% \times 60\% \times \$10\,000\,000 \\ & = \$30\,000 \end{aligned}$$

Application to loans to Queensland Government entities

Most people would expect that the Queensland Government's probability of default in the next 12 months is very low. Consequently, the 12 month expected credit losses might not be material. Queensland Audit Office is currently in discussion with Treasury's Financial Management Division on how these provisions should be applied in practice, with different types of entities and differing loan securities.

Trade receivables and other simplifications

The standard includes simplifications, as applying the general approach to many—possibly thousands of—debtors would be onerous. The simplification is to recognise lifetime expected losses on initial recognition. As trade receivables are usually due within 12 months, this would result in much the same answer.

The simplifications also apply to contract assets under AASB 15 that do not have a significant financing component. Entities have an accounting policy to apply the simplified approach to:

- trade receivables and contract assets (under AASB 15) that have a significant financing component
- lease receivables.

However, entities do not have the option of applying the simplified approach to other loans, such as loans to related parties.

Provision matrix

Many entities determine the provision for doubtful debts for trade debtors based on their aging, (for example into current, 30 days overdue, 60 days overdue, or more than 90 days overdue) and then apply a historical default rate. This approach can be applied under the new standard with reference to a provision matrix. The difference to current practice is adjustments to historical discount rates for forward-looking information and to applying a probability of default to current debtors (that is, those not currently overdue).

In practice, this may not result in a materially different amount. However, you will need to assess the effect to determine if the difference is material or not.

Hedging

Hedging activities, often with the use of derivatives, can be complex; consequently, so is the accounting. The new hedging requirements are simpler, including the removal of the dreaded 80/125 prospective and retrospective effectiveness testing. The changes have implications for those entities not currently using hedge accounting, and would like to, and for those entities currently using hedge accounting.

Disclosures

Financial instrument disclosures have been expanded. These are included in the revised AASB 7 *Financial Instruments: Disclosures*. We encourage you to prepare draft disclosures under the new standards, tailored for your entity using focused financial reporting, well before next year's pro-forma financial statement deadlines.

The disclosures need to be prepared and applied in the context of your operations, using focused financial reporting principles to reduce the clutter and unnecessary disclosures.

How ready are you for AASB 9?

- Do those charged with governance (such as boards and audit committees) and management understand which financial instruments this standard impacts on?
- Will you be ready for the commencement date of financial years beginning on or after 1 January 2018? That is, 1 July 2018 in a few months for most entities.
- Do you have statutory receivables (for example rates, taxes and fines)? If so, do you understand the initial recognition changes when AASB 15 commences?

- Which financial instruments do you have, that were previously classified as loans and receivables, that do not meet the new tests for amortised cost?
- Do you currently use the available for sale classification and if so, have you determined how these instruments will be accounted for?
- Have you previously designated any financial instruments (such as investments) to be accounted for at fair value through P&L? If so, do you want to keep this approach and do you still meet the criteria?
- How will the new impairment rules, including the requirement to incorporate forward-looking information, affect the calculation of your provision for doubtful debts?
- Do you need to assess significant credit risk change from origination? If so, how will you assess this?
- Do you have inter-company or related party loans? If so, have you determined whether the impairment provision is material?
- Do you currently apply a provision matrix approach to measure the impairment of your trade receivables? If so, will the forward-looking estimates be materially different to historical averages?
- Do you undertake hedging activities? If so, and you do not currently apply hedge accounting, have you assessed whether the simpler requirements are suitable for you? If you currently apply hedge accounting, have you assessed the impact of the new requirements, or chosen to stay with the 'grandfathered' old requirements (subject to Treasury Financial Reporting Requirements, if applicable)?
- Have you discussed your plans with us—before you have undertaken significant implementation effort?
- What system changes and internal control changes will be required? Will you be able to change your systems in time before the standards commence?
- If you are subject to Treasury's Financial Reporting Requirements, have you considered the proposed transition choices (expected to be released in the 2017/2018 draft in March 2018)? If not, what transition choices have you made?
- Have you prepared tailored draft disclosures under the new standard, using focused financial reporting principles?
- Will your 30 June 2018 disclosures relating to the effect on you of the new accounting standard indicate that you are ready?

AASB 15 Revenue from Contracts with Customers—for-profit entities

After being issued over three and a half years ago, AASB 15 *Revenue from Contracts with Customers* will soon begin, with for-profit entities applying the standard from 1 July 2018. If you are a for-profit entity, you should be well advanced in getting ready, and be able to disclose the effects of changes in your 30 June 2018 financial statements.

Common issues found in the private sector include:

- tailoring the expanded disclosure requirements, even if revenue measurement does not change very much
- identifying performance obligations
- accounting for the various performance obligations
- changing when revenue (and profit) is recognised.

AASB 15 and AASB 1058 Income for Not-for-Profit Entities

Not-for-profit entities have been given an extra year to get ready. Don't waste the benefit, as you will need to deal with both AASB 15 and AASB 1058 *Income of Not-for-Profit Entities*.

The biggest complaint about the current accounting for revenue in the not-for-profit sector, mainly in relation to grants, is the lack of 'matching' between revenue and expenses. While the concept of matching has not been reintroduced, a similar outcome may occur if revenue is required to be deferred under the new standards. However, many will be disappointed that capital grants will still usually require up-front revenue recognition (though spread over the construction period), and therefore not match the depreciation recognised over the life of the asset.

To achieve deferral, AASB 15 needs to be applied. AASB 15 is based on IFRS 15, which was written for the for-profit sector. The AASB expanded the scope of AASB 15 to apply to the not-for-profit sector. The expansion includes guidance on how to apply the standard to arrangements in the not-for-profit and public sectors, including the five-step model. However, applying AASB 15 is likely to be challenging.

Two fundamental issues for not-for-profit entities to be within the scope of AASB 15, and which will require significant judgement, are:

- whether the arrangement is enforceable
- whether the arrangement is sufficiently specific.

Enforceable will usually be met when there is an obligation to return unspent funds.

Sufficiently specific broadly means that the terms are specific enough for you to know what goods you will be providing, or services you will perform, and to what extent you have completed those promises. AASB 15 calls these performance obligations. You must determine how far along you are in meeting these performance obligations to determine how much revenue to recognise or defer to future periods.

Sufficiently specific will require particular attention, as the term needs to be applied in accordance with the standards and related guidance, and not the dictionary definition. If revenue is received in advance, deferral is achieved as you recognise the proportion of the performance obligation not performed as a contract liability at balance date, and then recognise it in the next reporting period when you perform those activities.

If both criteria are not met, then the arrangement will likely be accounted for under AASB 1058 as up-front revenue.

Our experience so far is that the sufficiently specific requirement has caused the most difficulty. The example in AASB 1058 of providing counselling sessions for a given number of hours per week for the entire year is an example of being sufficiently specific. Some examples we have considered are:

- A department that includes proposed activities in its Service Delivery Statement. On investigation, the listing of proposed activities is analogous to a statement of intent, and entitlement to funding is not linked to the actual number of activities performed. Therefore, the sufficiently specific criteria is not met.
- Financial Assistance Grants to local councils (general component) are not expected to meet the criteria, as the grants are untied in the hands of local government. This allows councils discretion to spend the grants according to local priorities.
- Financial Assistance Grants to local councils (roads component) are not expected to meet the criteria. Even though the grants are specifically for roads, the grants are similarly untied in the hands of local government.

Appendix B gives some indicative expectations of issues arising from the new standards.

We also expect difficulties with the expanded disclosures when people put their minds to this aspect. We encourage you to prepare draft disclosures under the new standards, tailored for your entity using focused financial reporting, well before next year's pro-forma financial statement deadlines.

How ready are you for AASB 15 and AASB 1058?

- Do those charged with governance (such as boards and audit committees) and management understand what the new revenue and income of not-for-profit standards require?
- Do you understand the new concepts of performance obligation, enforceable and sufficiently specific?

- Has your entity prepared a plan to implement the new standard? Does the plan identify:
 - your revenue, income and grant sources, and include the effect on administered items?
 - the sources most likely to change under the new standards?
 - the consequences of any change?
 - time allowance to discuss and resolve matters requiring significant judgement, such as whether the sufficiently specific criteria has been met?
- Have you assessed individual arrangements to determine if they meet the requirements for deferral of revenue and recognition over time?
- Have you identified the applicable performance obligations?
- Have you captured the critical terms and conditions of the arrangements that will affect revenue recognition?
- Do you have systems to determine how much to recognise and how much to defer?
- Have you discussed your plans with us—before you have undertaken significant implementation effort?
- What system changes and internal control changes will be required? Will you be able to change your systems in time before the standards commence?
- If you are subject to Treasury's Financial Reporting Requirements, have you considered the proposed transition choices (expected to be released in the 2017/2018 draft in March 2018)? If not, what transition choices have you made?
- Have you prepared tailored draft disclosures under the new standard, using focused financial reporting principles?
- Will your 30 June 2018 disclosures relating to the effect on you of the new accounting standard indicate that you are ready?

If you have any questions, comments or feedback, please contact your QAO engagement leader or point of contact, or communications@qao.qld.gov.au.

Appendix A—Financial instruments

The following are indicative expectations of classification issues for the SPPI test under AASB 9. Actual treatment will depend on consideration of the facts and circumstances of the specific arrangements. If the SPPI test is met, further assessment will be required of the business model, and whether any instruments have been specifically designated as fair value through P&L.

Asset		SPPI issues
Cash at bank		Met.
Trade receivables		Met.
Loan and advances	To related entity (including controlled entities, another state government entity, joint venture or associate)	Will need consideration of terms and conditions of the loans, including: <ul style="list-style-type: none"> • whether interest rates are appropriate for the term and conditions of the loan • whether non-recourse • whether there is a fixed repayment date
Loan and advances	Other	Similar considerations as for loans to related entities.
Investments	Government and corporate bonds	Vanilla bonds (solely payments of principal and interest) will be met.
Investments	Corporate bonds (hybrids)	Unlikely to be met as they: <ul style="list-style-type: none"> • are sometimes classified as equity by the issuer • often have provisions that the dividend/interest does not have to be paid in certain situations • may have provisions allowing conversion of principal into equity/shares
Investments	Convertible bonds	Will not be met as includes equity features.
Investments	Managed funds	If underlying investments vanilla government and corporate bonds, may be met. Others unlikely to be met as they: <ul style="list-style-type: none"> • are sometimes classified as equity by the issuer • are often exposed to equity risk
Investments	Equity instruments (controlled entity, joint venture or associate)	Accounted for under a separate accounting standard (AASB 127).
Investments	Other equity instruments	Not met.
Derivatives		Not met.

Appendix B—Impact of revenue standards

The following are indicative expectations of issues arising from the new standards. Actual treatment will depend on consideration of the facts and circumstances of the specific arrangements. This consideration will include the other requirements in AASB 15 beyond sufficiently specific and the five-step model, for example principal versus agency.

	Likelihood of new revenue standards resulting in a material change for not-for-profit entities	
	Cash (or equivalent) received in advance	Cash (or equivalent) received in arrears
Arrangement/ service starts and ends within a financial year OR Arrangement is non-enforceable	Impact: unlikely (continue to recognise revenue up-front). Common examples: <ul style="list-style-type: none"> • Appropriation revenue • General purpose grants¹ • Non-refundable levies and licences^{1, 3} • Rates² 	Impact: unlikely (continue to recognise a receivable when the entity obtains the right to receive cash (or equivalent)). Common examples: <ul style="list-style-type: none"> • Provision of goods and services, where the arrangement starts and ends within a financial year • Specific purpose grants, where the arrangement starts and ends within a financial year • Most taxes and fines²
Arrangement/ service crosses over financial years AND Arrangement is enforceable	Impact: possible (recognise unearned revenue (i.e. deferral of revenue) if the arrangement is sufficiently specific). Common examples: <ul style="list-style-type: none"> • If sufficiently specific and crossing over financial years: <ul style="list-style-type: none"> – Specific purpose grants⁴ – Provision of goods and services • Refundable levies and licences³ 	Impact: possible (the amount of the receivable recognised each year (i.e. timing of revenue recognition) may change) Common examples: <ul style="list-style-type: none"> • If sufficiently specific and crossing over financial years: <ul style="list-style-type: none"> – Specific purpose grants⁴ – Provision of goods and services – Royalties

Notes:

¹ Amounts received prior to the start of the financial year for the following financial year are still recognised as revenue on receipt, assuming they are non-refundable at balance date. Further analysis is required if such receipts are refundable at balance date.

² When the new standards commence, AASB 9 will be amended to require the recognition of statutory receivables at fair value, which may be different to current accounting. Accounting for rates in advance may change as the right to receive the rates revenue is in the future.

³ Licences are subject to proposed additional specific requirements issued by the Australian Accounting Standards Board. These amendments are expected to be finalised before the new standards commence.

⁴ For specific purpose grants received in advance, note that:

- capital grants are recognised over the construction period
- determining whether research grants are sufficiently specific also requires consideration of whether intellectual property transfers to the grantor.

Upcoming QAO events

QAO hosts events to raise awareness of current and emerging issues related to audit and financial management, and to share insights from our work and audit program.

We upload the presentation pack after the event, and these are available on our website for you to read or download at: www.qao.qld.gov.au/reports-resources/presentations

8 May 2018—Briefing for audit committee chairs

Twice yearly, QAO briefs the chairs of public sector audit committees as they have an important role in the public sector governance framework. We share insights from our audit program, provide relevant technical updates and information, and seek feedback from the committees on their needs.

The next briefing will be held on Tuesday 8 May at the Sebel Hotel in Brisbane city. Invitations have been emailed with a link to register.

If your audit committee chair or contact details have changed, please notify your QAO engagement leader

October and November 2018—Audit service providers workshops in Brisbane and Cairns

Each year, we host a workshop for QAO's audit service providers to discuss how we can work together to improve client engagement and add value for the public sector entities we audit. We share QAO's strategic priorities, upcoming work program, learnings from our recent reports to parliament, and client feedback.

This year, the Brisbane workshop will be held on 19 October at the Sebel Hotel and the Cairns workshop will be held on 26 October at the Boland Centre. Invitations with a link to register will be emailed in August.

Live streaming for all events

QAO offers live streaming of each event so those who can't travel can hear the live presentations. We ask that those interested in viewing the presentation via live stream email communications@qao.qld.gov.au when they receive the initial invite email for the event. You do not need to register for a ticket if you intend to live stream. Instructions on joining the event will be sent the week beforehand.

Wider learnings

In each edition of *Insights*, we share with you the learnings and insights from our reports to parliament that have wider implications for all sectors. In this edition, we share our wider learnings from reports tabled between December 2017 and March 2018.

Reports tabled between December 2017 and March 2018

Rail and ports: 2016–17 results of financial audits (Report 3: 2017–18). Tabled 7 December 2017.

This report summarises the results of our financial audits of the six state-owned rail and ports entities.

Integrated transport planning (Report 4: 2017–18). Tabled 12 December 2017.

This audit assessed whether the state's approach to strategic transport planning enables effective use of transport resources and a transport system that is sustainable over the long term.

Water: 2016–17 results of financial audits (Report 5: 2017–18). Tabled 14 December 2017.

This report summarises our financial audits of the six main state and local governments owned water entities, and two controlled entities.

Fraud risk management (Report 6: 2017–18). Tabled 15 February 2018.

This audit assessed if agencies appropriately identify and assess fraud risks, and apply appropriate risk treatments and control activities to adequately manage their exposure to fraud risks.

Health: 2016–17 results of financial audits (Report 7: 2017–18). Tabled 15 February 2018.

This report summarises the results of our 2016–17 financial audits of the entities in the Queensland public health sector.

Confidentiality and disclosure of government contracts (Report 8: 2017–18). Tabled 20 February 2018.

This audit examined the use of confidentiality provisions in Queensland Government contracts.

Energy: 2016–17 results of financial audits (Report 9: 2017–18). Tabled 20 February 2018.

This report summarises the results of our financial audits of the Queensland Government's energy entities.

Finalising unpaid fines (Report 10: 2017–18). Tabled 22 February 2018.

This audit assessed the effectiveness and efficiency of public sector entities in finalising unpaid fines.

Queensland state government: 2016–17 results of financial audits (Report 11: 2017–18). Tabled 22 February 2018.

This report summarises the results of our financial audits for all entities that the Queensland Government owns or controls.

Wider learnings

Financial statement preparation

Rail and ports: 2016–17 results of financial audits (Report 3: 2017–18). Tabled 7 December 2017.

Water: 2016–17 results of financial audits (Report 5: 2017–18). Tabled 14 December 2017.

Energy: 2016–17 results of financial audits (Report 9: 2017–18). Tabled 20 February 2018.

- Strong year end close processes mean entities can produce high quality financial statements in a timely manner. This allows entities to meet legislative audit deadlines and have minimal, if any, adjustments to the key components within their draft financial statements.
- Entities that have numerous revenue and income sources, and/or revenue contracts that span multiple years, should not underestimate the effort required to prepare themselves for the new accounting standard AASB 15 *Revenue from Contracts with Customers*. Entities may have to make changes to systems, processes and accounting policies, and in some instances, to existing contracts.
- Effective systems of internal controls support reliable financial reporting. They eliminate the risk of material misstatement in financial statements due to fraud or error.

Health: 2016–17 results of financial audits (Report 7: 2017–18). Tabled 15 February 2018.

- Completing valuations of infrastructure assets early expedites an entity's ability to prepare annual financial reports in a timely manner and reduces the potential for late adjustments to draft financial statements.
- Avoiding trivial adjustments to financial statements will expedite the timely completion of the audit.

Financial position, performance and sustainability

Health: 2016–17 results of financial audits (Report 7: 2017–18). Tabled 15 February 2018.

- In an environment of constrained funding, careful management of cost and improved efficiency helps entities meet the increasing demand for services.
- Significant investments in information technology carry both financial and operational risks, which must be carefully managed to realise the intended benefits.

Internal controls

Health: 2016–17 results of financial audits (Report 7: 2017–18). Tabled 15 February 2018.

- Delays in resolving internal control deficiencies increases the risk of fraud or error. Both management and audit committees need to play an active role in ensuring these matters are addressed in a timely manner.

Management reporting that supports informed decision-making

Integrated transport planning (Report 4: 2017–18). Tabled 12 December 2017.

- Baseline performance measures enables an entity to assess to what extent it is achieving its objectives over time.
- Periodically publishing the results of performance against published plans improves transparency.
- To effectively monitor and measure outcomes for the community, entities need to describe key performance indicators, and the methods they will use to measure performance and assess and mitigate the risk of not achieving performance objectives.
- Public sector entities which have a role to advise government on policy issues should:
 - assess and analyse the risks of not achieving the government's objectives for service delivery
 - document, analyse scenarios and any assumptions they make, and retain evidence for the advice they provide to government on future plans for service delivery.

Governing and managing risk

Fraud risk management (Report 6: 2017–18). Tabled 15 February 2018.

- Agencies need to communicate, and assign, clear lines of accountability and responsibility for fraud control.
- Agencies should integrate fraud risk management with existing enterprise risk management practices.
- Key governance forums, including boards and audit committees, should ensure their agencies have appropriate systems and processes in place to identify, capture, assess and manage fraud. Executive and senior management also need to demonstrate their commitment to fraud risk management and align approaches with better practice.
- Agencies need to improve the quality of information and data analysis used to provide senior management with assurance over its potential exposure to fraud risks.

Achieving good procurement and contract management

Confidentiality and disclosure of government contracts (Report 6: 2017–18). Tabled 15 February 2018.

- The *Queensland Procurement Policy 2017* requires affected agencies to publish the basic details of awarded contracts valued at \$10 000 and over.
- Specifically, agencies should also:
 - improve their contract registers or contract management systems to ensure a complete and accurate record of all awarded contracts
 - meet all of the mandatory requirements set out in *Procurement Guidelines—Contract Disclosure*
 - document in their contract registers or management systems whether a contract has specific confidentiality provisions and the reasons for their use. They should also document the reasons for non-disclosure of contracts
 - specify confidentiality requirements and actions to mitigate any risks to confidentiality in contract management plans
 - they should not use contract templates without an informed, case-by-case assessment of when confidentiality provisions are justified, especially for specific confidentiality provisions.

Evaluating programs and policies

Finalising unpaid fines (Report 10: 2017–18). Tabled 22 February 2018.

- All public sector entities need to proactively review and challenge existing practices/policies to ensure they are effective and efficient, as unnecessary delays are often the result of historical practices. Entities should also evaluate the cost and effectiveness of their activities and programs. Efficiencies (time and cost), and the quality of customer experiences, can be improved through effective collaboration across government.

Audits in progress

Our performance audit program is well underway with the delivery of audits from our latest [strategic audit plan](#). Below are our audits in progress and their expected tabling month. You can stay up to date with the audits in progress by visiting www.qao.qld.gov.au/audits/audits-in-progress and see our topics from our *Strategic Audit Plan 2017–20* at www.qao.qld.gov.au/audits/program.

Topic	Audit objective	Expected tabling month
Monitoring and managing information and communication technology (ICT) programs	To assess whether the ICT dashboard is a reliable source of information, and whether the Queensland Government has effective processes to monitor, manage and enable successful delivery of ICT program and project outcomes.	April–July 2018
Managing local government rates and charges	To examine whether councils set and administer rates and charges appropriately to support long-term sustainability.	April–July 2018
Universities and grammar schools: 2017 results of financial audits	To summarise our financial audit results of the Queensland public universities and their controlled entities, the Queensland grammar schools, and a small number of other education-specific entities with a financial year end of 31 December.	April–July 2018
Implementing the National Disability Insurance Scheme (NDIS)	To assess how effectively the Queensland Government is managing the transition to the NDIS, and how well prepared it is to oversee arrangements, services and outcomes for Queenslanders with a disability post-transition to the NDIS.	April–July 2018
Effectiveness of the shared service model	To assess whether the Queensland Government's shared service functions are delivering value for money now, and are well positioned to successfully deliver into the future.	April–July 2018
Follow-up: Managing water quality in Great Barrier Reef catchments	To assess whether departments have effectively implemented the recommendations made in Report 20: 2014–15—Managing water quality in the Great Barrier Reef catchments.	April–July 2018
Deliver of shared services in Queensland	To assess whether the Queensland Government's shared services functions are delivering value for money now, and are well positioned to successfully deliver into the future.	April–July 2018
Digitising public hospitals	To examine how well Queensland Health has planned, and is delivering, its digital hospitals program, and whether it is realising the intended information sharing and patient benefits.	July–September 2018
Market-led proposals	To determine the extent that the Market-Led Proposal initiative is meeting its objective to create jobs and stimulate the economy.	July–September 2018
How efficient and effective are Queensland's forensic services	To assess the efficiency and effectiveness of Queensland's forensic services.	October–December 2018

Contribute now

Our performance audits go through three stages—planning, conduct, and reporting. We welcome your relevant submissions during the conduct stage. Audits that you can now contribute to include:

- Monitoring and managing information and communication technology (ICT) programs
- Delivery of shared services in Queensland
- Follow-up of Report 20: 2014–15 Managing water quality in the Great Barrier Reef catchments
- Digitising public hospitals
- Market-led proposals
- How efficient and effective are Queensland's forensic services.

You can contribute to these audits now on our [website](#).



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**'Queensland Audit Office
(QAO)'**

LB:LB
A4837174

City Management, Finance and Community Engagement Committee	
Mtg Date: 22.05.2018	OAR: YES
Authorisation: Jeffrey Keech	

The Chairperson has determined this matter is of real urgency and approval has been given to refer this report to the City Management, Finance and Community Engagement Meeting as a late item.

14 May 2018

MEMORANDUM

TO: ACTING CHIEF FINANCIAL OFFICER

FROM: BUSINESS ACCOUNTING MANAGER

RE: BUDGET AMENDMENT – APRIL 2018

INTRODUCTION:

This is a report by the Business Accounting Manager dated 14 May 2018 concerning an amendment of the 2017-2018 Budget.

BACKGROUND:

During April 2018, a budget review was undertaken to identify any proposed budget amendments affecting the year to date results and to estimate their likely full year impact. In accordance with s170(3) of the *Local Government Regulation 2012*, Council can resolve to amend its budget at any time during the financial year.

The overall impact of the proposed budget amendments are set out below with detailed explanations of the specific requested amendments included in Attachment D.

REQUESTED AMENDMENTS:

Council's forecast 2017-2018 Net Result (Surplus), which includes capital revenue (donated assets and capital grants), is \$112.1m, an increase of \$6.4m compared to Council's most recent adopted budget. The operating surplus excluding capital revenue is \$7.3m. The revenue has increased by approximately \$7.4m which has been offset by \$951k increase in operating expenses. The detail of the requested amendments from the departments is set out in Attachment D.

Based on the requested amendments, the overall capital budget has increased by a net \$2.89m, primarily as a result of some contractual commitments and bringing forward a multi-year project in order to execute the contract. Details of the requested amendments are detailed in Attachment D.

The overall cash impact of the proposed budget amendment is an increase to the forecast end of year cash position by \$3.5m.

As required by s169 of the *Local Government Regulation 2012*, attached is the latest Long Term Financial Forecast, Council's Revenue Policy and Revenue Statement. There are no changes to the Revenue Policy and Revenue Statement compared to the documents adopted in Council's annual 2017-2018 Budget.

ATTACHMENTS:

Name of Attachment	Attachment
2017-2018 Budget and Long Term Financial Forecast (including financial sustainability measures)	Attachment A
Revenue Policy	Attachment B
Revenue Statement	Attachment C

CONFIDENTIAL BACKGROUND PAPERS:

Confidential Background Papers	Background Papers
2017-2018 Detailed Requested Budget Amendments	Attachment D CONFIDENTIAL

RECOMMENDATIONS:

That the proposed amended budget 2017–2018, as detailed in Attachments A, B and C, to the report by the Business Accounting Manager dated 14 May 2018, be adopted.

Lavina Britton
BUSINESS ACCOUNTING MANAGER

I concur with the recommendation contained in this report.

Jeffrey Keech
ACTING CHIEF FINANCIAL OFFICER

2017-2018 Budget and Long Term Financial Forecast

STATEMENT OF INCOME AND EXPENDITURE

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028
	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue and Other Income:											
Differential general rates	168,255	178,134	189,259	201,407	214,213	227,507	241,505	256,039	271,328	287,203	303,786
Utility and other charges	31,228	33,995	36,129	38,449	40,874	43,411	46,063	48,835	51,732	54,759	57,921
less Discount and remission	(10,506)	(11,197)	(11,656)	(12,132)	(12,615)	(13,107)	(13,609)	(14,119)	(14,640)	(15,170)	(15,711)
Net Rates and Utility Charges	188,977	200,932	213,732	227,724	242,472	257,811	273,959	290,755	308,420	326,792	345,996
Fees and charges	28,398	29,471	31,093	32,848	34,666	36,638	38,687	40,914	43,234	45,628	48,119
Sales contracts and recoverable works	2,865	2,978	3,226	3,491	3,774	4,076	4,398	4,742	5,108	5,495	5,908
Government grants and subsidies	19,194	17,148	12,919	13,479	14,255	13,077	13,405	14,054	14,437	14,919	15,417
Developer donated assets	72,535	67,122	69,732	67,685	69,716	71,518	73,666	75,510	77,775	80,108	82,511
Developer cash contributions	25,818	27,647	32,357	38,302	39,008	39,775	40,558	41,457	42,372	43,383	48,154
Interest revenue	4,122	3,885	3,406	2,932	3,042	3,107	3,216	3,513	3,752	4,006	4,085
Other revenue	35,844	29,901	30,728	29,412	30,360	31,398	32,477	33,656	34,873	36,138	37,453
Gain on disposal of capital assets	-	-	-	-	-	-	-	-	-	-	-
Total Income	377,753	379,084	397,193	415,873	437,293	457,400	480,366	504,601	529,971	556,469	587,643
Expenses:											
Employee expenses	89,687	94,803	97,954	100,997	103,947	107,369	110,923	114,492	118,070	121,542	125,116
Materials and services	87,226	87,003	90,843	95,673	100,997	106,566	112,470	118,656	125,080	131,852	138,991
Depreciation	64,990	68,288	71,371	72,698	74,552	76,681	79,345	82,730	86,514	89,836	93,620
Finance costs	14,597	15,530	16,074	15,540	14,567	13,756	12,907	12,523	12,287	10,918	10,002
Other expenses	9,144	8,344	10,506	9,204	9,668	10,173	10,697	11,268	11,862	12,475	13,112
Loss on Market Value Adjustment	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	265,644	273,968	286,748	294,112	303,731	314,545	326,342	339,669	353,813	366,623	380,841
Net Result	112,109	105,116	110,445	121,761	133,562	142,855	154,024	164,932	176,158	189,846	206,802

2017-2018 Budget and Long Term Financial Forecast

STATEMENT OF FINANCIAL POSITION

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028
	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current Assets											
Cash and cash equivalents	140,781	142,043	99,381	94,161	88,779	96,008	93,571	97,587	105,826	110,548	121,646
Receivables	22,481	20,946	21,412	21,369	22,126	22,957	23,916	25,012	25,983	26,668	27,856
Inventories	1,121	1,190	1,265	1,346	1,431	1,520	1,613	1,710	1,811	1,917	2,028
Other financial assets	3,759	3,844	3,930	4,028	4,129	4,243	4,360	4,491	4,626	4,765	4,908
Total Current Assets	168,142	168,023	125,988	120,904	116,465	124,728	123,460	128,800	138,246	143,898	156,438
Non-Current Assets											
Other financial assets	38,467	38,467	38,467	38,467	38,467	38,467	38,467	38,467	38,467	38,467	38,467
Investments	310,800	310,800	310,800	310,800	310,800	310,800	310,800	310,800	310,800	310,800	310,800
Property, plant and equipment	2,271,691	2,452,577	2,613,745	2,722,970	2,840,974	2,966,439	3,108,493	3,270,650	3,438,936	3,583,967	3,753,754
Capital work in progress	96,269	102,226	110,366	117,619	122,534	127,844	133,490	139,882	147,179	154,752	161,279
Intangibles	22,301	17,742	14,102	11,837	10,528	10,009	10,094	10,446	10,796	11,051	11,232
Total Non Current Assets	2,739,528	2,921,812	3,087,480	3,201,693	3,323,303	3,453,559	3,601,344	3,770,245	3,946,178	4,099,037	4,275,532
TOTAL ASSETS	2,907,670	3,089,835	3,213,468	3,322,597	3,439,768	3,578,287	3,724,804	3,899,045	4,084,424	4,242,935	4,431,970
Current Liabilities											
Payables	36,242	40,274	39,970	32,445	34,084	36,032	39,285	43,205	45,169	42,870	47,198
Interest bearing liabilities	23,229	42,246	35,830	38,737	42,097	41,604	45,466	48,605	39,879	27,965	28,238
Other current liabilities	599	1,354	1,431	1,515	1,602	1,696	1,794	1,899	2,010	2,124	2,244
Total Current Liabilities	60,070	83,874	77,231	72,697	77,783	79,332	86,545	93,709	87,058	72,959	77,680
Non-Current Liabilities											
Payables	14,784	19,909	20,570	21,209	21,829	22,548	23,294	24,044	24,795	25,524	26,274
Interest bearing liabilities	245,507	293,627	312,797	304,060	281,963	275,359	259,893	261,288	276,409	258,444	235,206
Other non-current liabilities	77,836	77,836	77,836	77,836	77,836	77,836	77,836	77,836	77,836	77,836	77,836
Total Non-Current Liabilities	338,127	391,372	411,203	403,105	381,628	375,743	361,023	363,168	379,040	361,804	339,316
TOTAL LIABILITIES	398,197	475,246	488,434	475,802	459,411	455,075	447,568	456,877	466,098	434,763	416,996
NET COMMUNITY ASSETS	2,509,473	2,614,589	2,725,034	2,846,795	2,980,357	3,123,212	3,277,236	3,442,168	3,618,326	3,808,172	4,014,974
Community Equity											
Asset revaluation reserve	533,212	533,212	533,212	533,212	533,212	533,212	533,212	533,212	533,212	533,212	533,212
Accumulated surplus'	1,976,261	2,081,377	2,191,822	2,313,583	2,447,145	2,590,000	2,744,024	2,908,956	3,085,114	3,274,960	3,481,762
TOTAL COMMUNITY EQUITY	2,509,473	2,614,589	2,725,034	2,846,795	2,980,357	3,123,212	3,277,236	3,442,168	3,618,326	3,808,172	4,014,974

2017-2018 Budget and Long Term Financial Forecast

STATEMENT OF CASH FLOW

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028
	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash Flows from Operating Activities:											
Receipts from customers	303,281	309,808	323,376	345,080	363,618	381,771	402,346	424,316	447,288	471,473	499,627
Payments to suppliers and employees	(188,477)	(185,013)	(198,614)	(205,198)	(213,960)	(223,337)	(233,288)	(243,636)	(254,248)	(265,153)	(276,487)
	114,804	124,795	124,762	139,882	149,658	158,434	169,058	180,680	193,040	206,320	223,140
Interest received	4,143	4,223	3,463	2,989	3,029	3,099	3,203	3,477	3,724	3,975	4,076
Borrowing costs	(14,037)	(15,615)	(15,495)	(14,928)	(13,921)	(13,073)	(12,186)	(11,760)	(11,481)	(10,067)	(9,105)
Net Cash Inflow (Outflow) from Operating Activities	104,910	113,403	112,730	127,943	138,766	148,460	160,075	172,397	185,283	200,228	218,111
Cash Flow from Investing Activities:											
Payments for property, plant, equipment	(168,731)	(181,008)	(180,025)	(129,382)	(127,639)	(136,565)	(153,554)	(175,803)	(186,584)	(169,140)	(187,944)
Payments for intangibles	(2,700)	(2,800)	(2,900)	(3,000)	(3,100)	(3,200)	(3,300)	(3,400)	(3,500)	(3,500)	(3,500)
Proceeds from loan repayments / (Advances for new loans)	3,334	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of property, plant and equipment	4,289	4,530	14,779	5,049	5,328	5,631	5,946	6,288	6,645	7,013	7,396
Net Cash Inflow (Outflow) from Investing Activities	(163,808)	(179,278)	(168,146)	(127,333)	(125,411)	(134,134)	(150,908)	(172,915)	(183,439)	(165,627)	(184,048)
Cash Flow from Financing Activities:											
Proceeds from borrowings	50,000	94,600	55,000	30,000	20,000	35,000	30,000	50,000	55,000	10,000	5,000
Repayment of borrowings	(34,072)	(27,463)	(42,246)	(35,830)	(38,737)	(42,097)	(41,604)	(45,466)	(48,605)	(39,879)	(27,965)
Net Cash Inflow (Outflow) from Financing Activities	15,928	67,137	12,754	(5,830)	(18,737)	(7,097)	(11,604)	4,534	6,395	(29,879)	(22,965)
Net increase (decrease) in cash held	(42,970)	1,262	(42,662)	(5,220)	(5,382)	7,229	(2,437)	4,016	8,239	4,722	11,098
Cash at beginning of reporting period	183,751	140,781	142,043	99,381	94,161	88,779	96,008	93,571	97,587	105,826	110,548
CASH AT END OF REPORTING PERIOD	140,781	142,043	99,381	94,161	88,779	96,008	93,571	97,587	105,826	110,548	121,646

2017-2018 Budget and Long Term Financial Forecast

STATEMENT OF CHANGES IN EQUITY

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028
	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at Beginning of Year											
Accumulated surplus'	1,864,152	1,976,261	2,081,377	2,191,822	2,313,583	2,447,145	2,590,000	2,744,024	2,908,956	3,085,114	3,274,960
Asset revaluation reserve	533,212	533,212	533,212	533,212	533,212	533,212	533,212	533,212	533,212	533,212	533,212
Other reserves	-	-	-	-	-	-	-	-	-	-	-
Total Community Equity	2,397,364	2,509,473	2,614,589	2,725,034	2,846,795	2,980,357	3,123,212	3,277,236	3,442,168	3,618,326	3,808,172
Net Result for the Period											
Accumulated surplus'	112,109	105,116	110,445	121,761	133,562	142,855	154,024	164,932	176,158	189,846	206,802
Asset revaluation reserve											
Other reserves											
Total Community Equity	112,109	105,116	110,445	121,761	133,562	142,855	154,024	164,932	176,158	189,846	206,802
Balance at End of Period											
Accumulated surplus'	1,976,261	2,081,377	2,191,822	2,313,583	2,447,145	2,590,000	2,744,024	2,908,956	3,085,114	3,274,960	3,481,762
Asset revaluation reserve	533,212	533,212	533,212	533,212	533,212	533,212	533,212	533,212	533,212	533,212	533,212
Other reserves	-	-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY EQUITY	2,509,473	2,614,589	2,725,034	2,846,795	2,980,357	3,123,212	3,277,236	3,442,168	3,618,326	3,808,172	4,014,974

2017-2018 Budget and Long Term Financial Forecast

FINANCIAL RATIOS (as per Local Government Regulation 2012)

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028
	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Surplus	2.70%	1.07%	1.88%	4.14%	6.57%	8.62%	10.42%	11.91%	13.26%	14.94%	16.31%
<i>(Net Result (excluding Capital items)) / Total Operating Revenue)</i>											
This is an indicator of what extent to which revenues raised cover operational expenses only or are available for capital funding purposes. The operating surplus ratio is the operating surplus (deficit) expressed as a percentage of total operating revenue.											
Net Financial Liabilities	84.90%	110.94%	124.02%	115.67%	105.49%	95.98%	88.96%	85.08%	80.38%	67.48%	57.26%
<i>(Total Liabilities less Current Assets / Total Operating Revenue)</i>											
This is an indicator of the extent to which the net financial liabilities of a local government can be serviced by its operating revenues. A ratio greater than zero (positive) indicates that total financial liabilities exceed current assets. These net financial liabilities must be serviced using available operating revenues.											
Asset Sustainability	86.78%	86.63%	82.67%	91.11%	93.36%	97.09%	96.31%	98.00%	99.18%	100.64%	99.81%
<i>(Capex on replacement of assets / Depreciation Expense)</i>											
This is an approximation of the extent to which the infrastructure assets managed by the local government are being replaced as these reach the end of their useful lives. Depreciation expense represents an estimate of the extent to which the infrastructure assets have been consumed in a period.											
Increase in General Rates and Utility Charges Revenue											
The increase in General Rates and Utility Charges Revenue from Residential Owner Occupied properties is 2.17%, from Residential Non-owner Occupied properties an increase of 2.58%, from Commercial and Industrial properties an increase of 1.63%, for Primary Producer properties it is an increase of 0.1%, from the estimated growth in new properties an increase of 1.43% with the total increase for all properties across the City being 7.91%.											

2017-2018 Budget and Long Term Financial Forecast

OTHER FINANCIAL RATIOS (as determined by Council)

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028
	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Efficiency	1.05	1.01	1.02	1.04	1.07	1.09	1.12	1.14	1.15	1.18	1.19
<i>(Operating Revenue / Operating Expenses)</i>											
This ratio provides an indication of Council's capacity to recover the cost of the day to day expenses of Council. This includes the consumption of Council's asset base through depreciation expense.											
Debt Servicing	17.23%	15.33%	19.76%	16.54%	16.20%	16.03%	14.76%	14.84%	14.73%	11.59%	8.15%
<i>(I & R / Total Operating Revenue)</i>											
This ratio provides an indication of Council's capacity to service its outstanding loan borrowings.											
Working Capital (-- : 1)	2.80 : 1	2.00 : 1	1.63 : 1	1.66 : 1	1.50 : 1	1.57 : 1	1.43 : 1	1.37 : 1	1.59 : 1	1.97 : 1	2.01 : 1
<i>(Current Assets / Current Liabilities)</i>											
This ratio provides an indication of Council's ability to meet it's short term obligations as they fall due. Budget estimates are within satisfactory ranges.											
Note : Current Liabilities are exclusive of liability for infrastructure Credits.											
Return on Assets	0.95%	0.58%	0.65%	0.83%	1.03%	1.19%	1.35%	1.48%	1.60%	1.76%	1.88%
<i>(EBIT / Assets)</i>											
This ratio provides an indication of Council's efficiency in using its assets to generate earnings. (Where EBIT = Net Operating Result + Interest expense + tax)											

In accordance with section 169(3)(i)(2) of the *Local Government Regulation 2012*, Council is required to include in the budget the estimated costs of the activities of the local government's commercial business units.

Estimated Statement of Income and Expenditure - Ipswich Waste Services

	2017-2018 Estimated \$'000
<u>Revenue</u>	
Utilities and other charges	27,305
Fees and Charges	6,428
Interest revenue	235
Other revenue	84
Internal trading revenue	1,549
Total Revenue	35,599
<u>Expenses</u>	
Employee Expenses	5,830
Materials and Services	4,896
Depreciation	739
Other expenses	0
Internal trading expense	7,892
Tax equivalents expense	4,987
Total Expenses	24,345
Net Operating Surplus	11,255

REVENUE POLICY

1. Revenue Policy

In accordance with section 104(5)(c)(iii) of the *Local Government Act 2009* and section 193 of the *Local Government Regulation 2012*, the Council has prepared and adopted this revenue policy as a financial policy of the local government.

2. Objective

The objective of this revenue policy is to help ensure consistency between the Council's longer term objectives, as set out in the Financial Plan, and the revenue decisions made in the 2017-2018 budget process.

3. Policy Statement

3.1 General policy statement

It is an intended outcome of the Financial Plan that Council remains in a sound financial position at all times whilst delivering on the objectives contained within the Financial Plan. It is envisaged that overall net wealth of the community (total equity) will continue to be enhanced throughout the planning period.

To achieve this outcome the Council will seek to ensure that its revenues (after concessions on rates and charges) are sufficient to cover its costs having regard to year-to-year variations in revenues.

The Council has adopted a set of principles relating to the levying of rates and charges, granting concessions for rates and charges, recovering overdue rates and charges and cost-recovery methods.

The Council will take account of the principles of equity, economic efficiency and simplicity in levying rates and charges and granting concessions for rates and charges.

3.2 Levying rates and charges

3.2.1 Principles

In accordance with section 193(1)(a)(i) of the *Local Government Regulation 2012*, the Council intends to apply the principles as set out below for levying rates and charges.

In general terms, to ensure that Ipswich continues to be a great place to live and to attract business investment and employment, the Council intends to fund the cost of providing services from user charges, except where:

- (a) the benefits of a service or facility are available to all residents;
- (b) concessions for rates and charges are applicable to groups or individuals based on their lower capacity to pay and exceptional circumstances of groups or individuals who meet eligibility criteria;

- (c) it is not cost-effective to levy user charges;
- (d) not doing so provides net economic benefits in attracting and retaining businesses; and
- (e) in the opinion of the Council, such charges do not meet the objectives of the Financial Plan.

Further, from a practical perspective, in levying rates and charges, the Council intends to:

- (a) make the system for paying rates and charges simple and inexpensive to administer;
- (b) manage its cashflows from rates and charges by providing for quarterly payments, discounts for payment by the due date and interest on overdue amounts; and
- (c) provide an equitable payment system that provides a range of payment options for ratepayers to pay the rates and charges and arrears of any rates or charges.

3.2.2 Differential general rates

The Council specifically intends to levy differential general rates on all rateable land in the local government area. It is recognised that a single rate applied to all rateable land in the local government area would result in a substantial disparity in the general rates contributed by each rating category of rateable land.

For rateable land that is used for residential purposes or is used for commercial activities a higher rate may be applied than that applied to rateable land that has no capacity to produce revenue such as rateable land used for a residential purpose which is occupied by the land owner. This reflects the revenue-producing capacity of rateable land that may be rented or is used for commercial activities.

Differential general rating categories, described in the Revenue Statement, are reviewed each financial year in order to maintain a rating structure that is clear, cost effective and simple to administer.

Differential general rates will be set at levels:

- (a) to generate revenue sufficient to meet the difference between the outlays of the Council's business activities less any ordinary business or trading income, grants, subsidies or contributions received in respect of those programs and any internal financial accommodation arranged;
- (b) that recognise the different revenue-producing capacity of rateable land within the local government area; and
- (c) that recognise the differing level of benefits that rateable land in different rating categories receive from the Council's services and facilities.

3.2.3 Rateable value of land

The Council has determined that the rateable value of land shall be the 3-year averaged value of land and is the basis for calculating the differential general rates. The value of the land as determined by the Valuer-General in accordance with the *Land Valuation Act 2010*, will be used by the Council for calculating the 3-year averaged value of the land, and the 3-

year averaged value will be worked out in accordance with section 76 of the *Local Government Regulation 2012*.

3.2.4 Minimum amount of general rates and special rates and charges

The Council has determined that due to the cost of providing a minimum service to rateable land, an equitable contribution per rateable land is to apply in relation to the funding of the Council's services and facilities and that this contribution is to be made irrespective of where the rateable land is located or its valuation.

The Council has also determined that rateable land in certain rating categories may have a different minimum amount of general rates to that applying to other rating categories.

The Council may also elect to fix a minimum amount of special rates and charges.

3.2.5 Limitation of increase in rates or charges levied

The Council intends to limit the increase in the differential general rates for certain rating categories of rateable land in the local government area to moderate the impact of rapid, uneven and significant changes in land values across the local government area.

3.2.6 Special rates and charges

The Council may elect to levy special rates and charges, on a year by year basis, for rural fire brigades and other facilities or services which it considers have a special association with particular land in the local government area. The proceeds of the particular special rate and charge are directed towards the costs of the relevant initiative or facility.

3.2.7 Separate rates and charges

A separate charge for the Enviroplan will be levied equally on all rateable land within the local government area, to provide for the acquisition and protection of bushland areas and for the provision of facilities for public access to those areas, on the basis that the benefit is shared equally by all parcels of rateable land, regardless of their value. The revenue raised is used to contribute to the costs of acquiring bushland and for providing and managing public access.

3.2.8 Utility charges

Utility charges for waste management services are determined having regard to the following:

- (a) performance targets in the Ipswich Waste Services Annual Performance Plans;
- (b) the cost of provision of the services and infrastructure and an appropriate return on assets;
- (c) pricing oversight requirements of the Queensland Competition Authority;
- (d) operating and capital grants, subsidies or contributions received from others.

Some waste management utility charges are supplied by special agreement. The charges which have been negotiated under those agreements still have regard to the above principles.

The Council's waste management utility charges are applied on a per waste management service basis. All costs associated with providing the waste management service are recovered by levying the waste management utility charges.

3.2.9 Discount

It is the Council's policy to encourage the prompt payment of rates and charges by allowing a discount for the payment of certain rates or charges where payment is made in full on or before the end of the discount period stated in the rate notice being 30 days from the issue of the rate notice. A discount is not to apply to the payment of utility charges, separate charges, State Emergency Fire levies, rural fire resources levy and arrears of any rate and charge.

The Council also encourages prompt payment of selected fees such as annual dog registrations by offering a discount for the full payment by the due date.

3.3 Granting concessions for rates and charges

3.3.1 Principles

In accordance with section 193(1)(a)(ii) of the *Local Government Regulation* 2012, the Council intends to apply the following principles for granting concessions for rates and charges:

- (a) where an applicable Council policy in relation to the granting of the concession is in place, the Council will grant concessions where there is a need to resolve anomalies in order to ensure equitable treatment for groups and individuals in similar circumstances;
- (b) regard is to be had to the limited financial capacity to pay and exceptional circumstances of groups or individuals who meet eligibility criteria in any applicable Council policy;
- (c) that the requirements for granting concessions be clear and transparent in order to ensure the equitable treatment of all beneficiaries.

3.3.2 Purpose for the concessions

The purpose for the concession for rates and charges to be granted by the Council are stated in the following table.

Column 1 Concession for rates and charges	Column 2 Purpose for the concession
Concession to an eligible pensioner who owns and occupies rateable land.	Acknowledge that pensioners have limited financial capacity.
Concession to an eligible entity whose objects do not include making a profit which owns rateable land.	Support activities that do not make a profit.
Concession to an eligible entity that provides assistance or encouragement for arts or cultural development which owns rateable land.	Support activities that assist and encourage arts and cultural development.
Concession to an eligible landowner who is an individual and who is subject to financial hardship from the payment of rates and charges.	Support individuals where the payment of rates and charges will or has affected the wellbeing of the individuals in such a way as to constitute an unreasonable outcome based on present community standards.
Concession to an eligible landowner whose land is subject to a mining lease requiring the carrying out of improvement restoration for the mining lease.	Support the carrying out of improvement restoration for the mining lease which is exceptional and necessitated by the characteristics of the land.

3.4 Recovering overdue rates and charges

3.4.1 Principles

In accordance with section 193(1)(a)(iii) of the *Local Government Regulation 2012*, the Council intends to apply these principles set out below for recovering overdue rates and charges.

In general terms the Council exercises its rate recovery powers in order to reduce the overall rate burden on ratepayers.

The Council specifically intends to apply the following principles for recovering overdue rates and charges:

- (a) transparency by making clear the obligations of ratepayers and the processes used by the Council in assisting them to meet their financial obligations;
- (b) making the processes used to recover outstanding rates and charges clear, simple to administer and cost effective;
- (c) equity by having regard to capacity to pay in determining appropriate arrangements for different sectors of the community and providing the same treatment for ratepayers with similar circumstances;

- (d) flexibility to respond to community expectations by providing assistance to encourage or discourage certain behaviours.

3.4.2 Interest

The Council also intends to charge interest on overdue rates and charges from the day on which they become overdue and at the rate as may be determined under section 133(1)(a) of the *Local Government Regulation 2012* compounded on daily rests. However, if the overdue rates and charges are paid within 21 days from their due date, no interest shall be charged.

3.5 Cost-recovery methods

3.5.1 Principles

In accordance with section 193(1)(a)(iv) of the *Local Government Regulation 2012*, the Council intends to apply the following principles for cost-recovery methods:

- (a) fees and charges are set to recover the costs of the Council in providing services and taking actions associated with regulatory compliance;
- (b) the process for recovering the Council's costs is to be clear, simple to administer and cost effective.

3.5.2 Cost-recovery fees

The Council has fixed cost-recovery fees under section 97 of the *Local Government Act 2009*. All cost-recovery fees set by the Council are included in the Register of Cost Recovery Fees which is open for inspection at the Council's public office.

3.6 Funding of physical and social infrastructure costs for new development

In accordance with section 193(1)(c) of the *Local Government Regulation 2012*, the Council intends to fund the provision of local government trunk infrastructure networks for new development by the adoption and levying of infrastructure charges on new development in accordance with the *Sustainable Planning Act 2009*.

The infrastructure charges for providing local government trunk infrastructure networks are detailed in resolutions made by the Council under the *Sustainable Planning Act 2009* having regard to the Council's planning scheme including its priority infrastructure plan.

The Council also intends new development to meet the Council's additional costs of bringing forward development infrastructure and other physical and social infrastructure costs for a new development which is of sufficient magnitude to accelerate the growth rate of a specific area so that the availability of facilities is not adversely affected and existing ratepayers are not burdened with the cost of providing the additional infrastructure.

3.7 Other revenue

3.7.1 Commercial fees

The Council charges commercial fees for other services provided by the Council.

The Council intends to set the commercial fees having regard to the following:

- (a) the user pays principle;
- (b) the estimated cost of provision of services or access to the Council's facilities;
- (c) a fair return for the use of the Council's infrastructure;
- (d) the fees charged by any alternative providers;
- (e) the performance targets set for the Council's business activities;
- (f) the need to encourage or discourage particular behaviours.

3.7.2 Other revenue

The Council intends to pursue and collect other revenue, such as investment interest income, sale or disposal of assets, grants and subsidies, sale of Council's provision of goods or services and dividends from investments on the basis of the Council taking advantage of opportunities to maximise the efficient use of resources and activities under its control.

4 Roles and responsibilities

The Chief Operating Officers in each department, together with the Finance Branch of the Finance and Corporate Services Department, are responsible for ensuring compliance with this policy.

REVENUE STATEMENT

9.1 PURPOSE

- (1) In accordance with section 169 of the *Local Government Regulation 2012*, the Council has prepared this revenue statement for its budget for the 2017-2018 financial year.
- (2) The purpose of this revenue statement is to outline and explain the revenue measures adopted by the Council in the Budget for the 2017-2018 financial year (**2017-2018 Budget**) in compliance with relevant legislative requirements.
- (3) This revenue statement is to be read in conjunction with the Revenue Policy, Rating Resolutions and Budgeted Financial Statements in the 2017-2018 Budget.
- (4) The Council may, by resolution, amend the revenue statement for the financial year at any time before the end of the financial year.

9.2 RATES AND CHARGES

The Council has levied the following rates and charges in accordance with the principles stated in the revenue policy in the 2017-2018 Budget:

- (1) differential general rates (see Part 2 of the 2017-2018 Budget, Rating and Policy Resolutions);
- (2) waste management utility charges (see Part 3 of the 2017-2018 Budget, Rating and Policy Resolutions);
- (3) rural fire resources levy special charge (see Part 4 of the 2017-2018 Budget, Rating and Policy Resolutions);
- (4) enviroplan separate charge (see Part 5 of the 2017-2018 Budget, Rating and Policy Resolutions).

9.3 DIFFERENTIAL GENERAL RATES

- (1) The Council has decided to levy differential general rates for different rating categories of rateable land in the local government area on the basis set out in Part 2 of the 2017-2018 Budget.
- (2) The Council has decided that there are 55 rating categories for rateable land in the local government area as stated in column 1 of Table 1 (Differential General Rating Categories) in Part 2 of the 2017-2018 Budget. Each of these 55 rating categories and a description of each rating category is stated in Table 5.
- (3) The Council has decided that, due to the cost of providing services to rateable land, a minimum amount of general rates is to apply to certain rating categories of rateable land in the local government area as stated in Table 2 (Differential General Rates) in Part 2 of the 2017-2018 Budget.
- (4) The Council has decided that, to address the concerns of the community resulting from changes in the valuation of the rateable land from year to year, particularly where the Valuer-General has not undertaken a comprehensive review of all valuations each year, the increase in the differential general rates for certain rating categories of rateable land in the local government area is to be limited to not more than the differential general rates for the last financial year increased by the

percentage stated in column 4 of Table 2 (Differential General Rates) in Part 2 of the 2017-2018 Budget.

- (5) The Council has decided that the rateable value of land for 2017-2018 shall be the 3-year average of the valuations provided by the Valuer-General in accordance with the *Land Valuation Act 2010* and that the 3 -year averaged value will be used as the basis for calculating the differential general rates.

TABLE 5 – DIFFERENTIAL GENERAL RATING CATEGORIES

Column 1 Rating category of rateable land		Column 2 Description of rating category
1	Land not in Brookwater used for a residential purpose which is owner occupied.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily residential; (c) is owner occupied; (d) is not located in Brookwater.
4	Land not used for a residential purpose or for profit purpose.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is not used for a residential purpose or for profit purpose.
8	Land in Brookwater used for a residential purpose which is owner occupied or which is vacant land that is potential owner occupied.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is either: (i) primarily residential and owner occupied; or (ii) vacant land that is potential owner occupied; (c) is located in Brookwater.
9	Land not in Brookwater used for a residential purpose which is not owner occupied.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily residential; (c) is not owner occupied; (d) is not located in Brookwater.

Column 1 Rating category of rateable land		Column 2 Description of rating category
10	Land not in Brookwater which is vacant land less than 20,000m ² that is potential owner occupied.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is vacant land; (c) is less than 20,000m ² ; (d) is potential owner occupied; (e) is not located in Brookwater.
11	Land not in Brookwater used for a residential purpose which is owner occupied that is in a community titles scheme not in a high rise structure.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily residential; (c) is owner occupied; (d) is included in a community titles scheme; (e) is not in a high rise structure; (f) is not located in Brookwater.
15	Land in Brookwater used for a residential purpose which is not owner occupied or which is vacant land that is not potential owner occupied.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is either: (i) primarily residential and is not owner occupied; or (ii) vacant land that is not potential owner occupied; (c) is located in Brookwater.
16	Land not in Brookwater used for a residential purpose which is not owner occupied that is in a community titles scheme not in a high rise structure.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily residential; (c) is not owner occupied; (d) is included in a community titles scheme; (e) is not in a high rise structure; (f) is not located in Brookwater.

Column 1 Rating category of rateable land		Column 2 Description of rating category
17	Land not in Brookwater used for a residential purpose which is owner occupied that is in a community titles scheme in a high rise structure.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily residential; (c) is owner occupied; (d) is included in a community titles scheme; (e) is in a high rise structure; (f) is not located in Brookwater.
18	Land not in Brookwater used for a residential purpose which is not owner occupied that is in a community titles scheme in a high rise structure.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily residential; (c) is not owner occupied; (d) is included in a community titles scheme; (e) is in a high rise structure; (f) is not located in Brookwater.
19	Land not in Brookwater which is vacant land less than 20,000m ² that is not potential owner occupied.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is vacant land; (c) is less than 20,000m ² ; (d) is not potential owner occupied; (e) is not located in Brookwater.
22a	Land used for multi residential with two dwellings which are not owner occupied.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily residential; (c) includes two dwellings; (d) none of the dwellings are owner occupied.

Column 1 Rating category of rateable land		Column 2 Description of rating category
22b	Land used for multi residential with three to five dwellings which are not owner occupied.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily residential; (c) includes three to five dwellings; (d) one or more of the dwellings is not owner occupied.
22c	Land used for multi residential with six to nine dwellings which are not owner occupied.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily residential; (c) includes six to nine dwellings; (d) one or more of the dwellings is not owner occupied.
22d	Land used for multi residential with 10 to 14 dwellings which are not owner occupied.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily residential; (c) includes 10 to 14 dwellings; (d) one or more of the dwellings is not owner occupied.
22e	Land used for multi residential with 15 to 19 dwellings which are not owner occupied.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily residential; (c) includes 15 to 19 dwellings; (d) one or more of the dwellings is not owner occupied.
22f	Land used for multi residential with 20 to 29 dwellings which are not owner occupied.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily residential; (c) includes 20 to 29 dwellings; (d) one or more of the dwellings is not owner occupied.

Column 1 Rating category of rateable land		Column 2 Description of rating category
22g	Land used for multi residential with 30 to 39 dwellings which are not owner occupied.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily residential; (c) includes 30 to 39 dwellings; (d) one or more of the dwellings is not owner occupied.
22h	Land used for multi residential with 40 or more dwellings which are not owner occupied.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily residential; (c) includes 40 or more dwellings; (d) one or more of the dwellings is not owner occupied.
23	Land not in Brookwater which is vacant land that is 20,000m ² or greater and is potential owner occupied.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is vacant land; (c) is 20,000m ² or greater; (d) is potential owner occupied; (e) is not located in Brookwater.
24	Land not in Brookwater which is vacant land that is 20,000m ² or greater and is not potential owner occupied.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is vacant land; (c) is 20,000m ² or greater; (d) is not potential owner occupied; (e) is not located in Brookwater.

Column 1 Rating category of rateable land		Column 2 Description of rating category
25	Land which is vacant land requiring rehabilitation as the subject of a previous extractive industry involving coal mining.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is vacant land; (c) has the Secondary Land Use Code of 78 Previous extractive industries land use requiring site rehabilitation; (d) requires rehabilitation as the subject of a previous extractive industry involving coal mining.
41	Land used for a farming and grazing purpose which is owner occupied or potential owner occupied.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily for farming and grazing; (c) is either: (i) owner occupied; or (ii) potential owner occupied.
42	Land not in an Endorsed Context Plan Area or the Springfield Structure Plan Area used for a farming and grazing purpose which is not owner occupied.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily for farming and grazing; (c) is not owner occupied; (d) is not located in an Endorsed Context Plan Area; (e) is not located in the Springfield Structure Plan Area.
42a	Land in an Endorsed Context Plan Area used for a farming and grazing purpose which is not owner occupied.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily for farming and grazing; (c) is not owner occupied; (d) is located in an Endorsed Context Plan Area.

Column 1 Rating category of rateable land		Column 2 Description of rating category
42b	Land in the Springfield Structure Plan Area used for a farming and grazing purpose which is not owner occupied.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily for farming and grazing; (c) is not owner occupied; (d) is located in the Springfield Structure Plan Area.
43a	Land used for a commercial purpose with a rateable value of less than \$200,000.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily for a commercial use; (c) has a rateable value of less than \$200,000.
43b	Land used for a commercial purpose with a rateable value of \$200,000 to less than \$500,000.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily for a commercial use; (c) has a rateable value of \$200,000 to less than \$500,000.
43c	Land used for a commercial purpose with a rateable value of \$500,000 to less than \$1,000,000.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily for a commercial use; (c) has a rateable value of \$500,000 to less than \$1,000,000.
43d	Land used for a commercial purpose with a rateable value of \$1,000,000 to less than \$2,500,000.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily for a commercial use; (c) has a rateable value of \$1,000,000 to less than \$2,500,000.
44a	Land used for a commercial purpose with a rateable value of \$2,500,000 to less than \$5,000,000.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily for a commercial use; (c) has a rateable value of \$2,500,000 to less than \$5,000,000.

Column 1 Rating category of rateable land		Column 2 Description of rating category
44b	Land used for a commercial purpose with a rateable value of \$5,000,000 or greater.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily for a commercial use; (c) has a rateable value of \$5,000,000 or greater.
45	Land used for a noxious industry that is not in rating categories 46, 47b, 47c, 47d and 50.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily for a noxious industry; (c) is not in rating categories 46, 47b, 47c, 47d and 50.
46	Land used for a noxious industry involving waste recycling or waste processing.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) has the Secondary Land Use Code of 37 Noxious Industry - Waste Recycling/Processing; (c) is primarily for a noxious industry involving waste recycling or waste processing.
47a	Land used for an extractive industry involving coal mining or the rehabilitation of land the subject of a previous or current extractive industry involving coal mining.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) has the Secondary Land Use Codes of 00 Coal mining and ancillary and/or associated activities including mine rehabilitation; (c) is primarily for an extractive industry involving coal mining or the rehabilitation of land the subject of a previous or current extractive industry involving coal mining.

Column 1 Rating category of rateable land		Column 2 Description of rating category
47b	Land used for a noxious industry involving a landfill with a rateable value of less than \$750,000.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) has any of the following Secondary Land Use Codes: (i) 17 Noxious Industry Land Fill - Putrescible Material; (ii) 27 Noxious Industry Land Fill - Non Putrescible Material; (c) is primarily for a noxious industry involving a landfill; (d) has a rateable value of less than \$750,000.
47c	Land used for a noxious industry involving a landfill with a rateable value of \$750,000 to less than \$1,750,000.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) has any of the following Secondary Land Use Codes: (i) 17 Noxious Industry Land Fill - Putrescible Material; (ii) 27 Noxious Industry Land Fill - Non Putrescible Material; (c) is primarily for a noxious industry involving a landfill; (d) has a rateable value of \$750,000 to less than \$1,750,000.
47d	Land used for a noxious industry involving a landfill with a rateable value of \$1,750,000 or greater.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) has any of the following Secondary Land Use Codes: (i) 17 Noxious Industry Land Fill - Putrescible Material; (ii) 27 Noxious Industry Land Fill - Non Putrescible Material; (c) is primarily for a noxious industry involving a landfill; (d) has a rateable value of \$1,750,000 or greater.

Column 1 Rating category of rateable land		Column 2 Description of rating category
48	Land used for an extractive industry that is not in rating category 47a.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily for an extractive industry not involving any of the following: (i) coal mining; (ii) rehabilitation of land the subject of a previous or current extractive industry involving coal mining; (c) is not in rating category 47a.
49a	Land used for a light industry with a rateable value of less than \$500,000.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily for a light industry; (c) has a rateable value of less than \$500,000.
49b	Land used for a light industry with a rateable value of \$500,000 to less than \$1,000,000.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily for a light industry; (c) has a rateable value of \$500,000 to less than \$1,000,000.
49c	Land used for a light industry with a rateable value of \$1,000,000 to less than \$2,500,000.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily for a light industry; (c) has a rateable value of \$1,000,000 to less than \$2,500,000.
49d	Land used for a light industry with a rateable value of \$2,500,000 to less than \$5,000,000.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily for a light industry; (c) has a rateable value of \$2,500,000 to less than \$5,000,000.

Column 1 Rating category of rateable land		Column 2 Description of rating category
49e	Land used for a light industry with a rateable value of \$5,000,000 or greater.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily for a light industry; (c) has a rateable value of \$5,000,000 or greater.
50	Land used for a heavy industry.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) if the land has a Primary Council Land Use Code of 37 Noxious/Offensive Industry, the land also has a Secondary Land Use Code of 99 Power Station; (c) is primarily for a heavy industry.
51a	Land used for a drive-in shopping centre with a rateable value of less than \$3,000,000 and a GLA of less than 10,000m ² .	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) has a rateable value of less than \$3,000,000; (c) is primarily for a drive-in shopping centre with a GLA of less than 10,000m ² .
51b	Land used for a drive-in shopping centre with a rateable value of \$3,000,000 or greater and a GLA of less than 10,000m ² .	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) has a rateable value of \$3,000,000 or greater; (c) is primarily for a drive-in shopping centre with a GLA of less than 10,000m ² .
52a	Land used for a drive-in shopping centre with a GLA of 10,000m ² to less than 20,000m ² and a land area of less than 200,000m ² .	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily for a drive-in shopping centre with a GLA of 10,000m ² to less than 20,000m ² ; (c) has a land area of less than 200,000m ² .

Column 1 Rating category of rateable land		Column 2 Description of rating category
52b	Land used for a drive-in shopping centre with a GLA of 20,000m ² to less than 30,000m ² and a land area of less than 200,000m ² .	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily for a drive-in shopping centre with a GLA of 20,000m ² to less than 30,000m ² ; (c) has a land area of less than 200,000m ² .
52c	Land used for a drive-in shopping centre with a GLA of 30,000m ² to less than 45,000m ² and a land area of less than 200,000m ² .	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily for a drive-in shopping centre with a GLA of 30,000m ² to less than 45,000m ² ; (c) has a land area of less than 200,000m ² .
52d	Land used for a drive-in shopping centre with a GLA of 45,000m ² or greater and a land area of less than 200,000m ² .	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily for a drive-in shopping centre with a GLA of 45,000m ² or greater; (c) has a land area of less than 200,000m ² .
53a	Land used for a drive-in shopping centre with a GLA of 10,000m ² to less than 20,000m ² and a land area of 200,000m ² or greater.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily for a drive-in shopping centre with a GLA of 10,000m ² to less than 20,000m ² ; (c) has a land area of 200,000m ² or greater.
53b	Land used for a drive-in shopping centre with a GLA of 20,000m ² to less than 30,000m ² and a land area of 200,000m ² or greater.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily for a drive-in shopping centre with a GLA of 20,000m ² to less than 30,000m ² ; (c) has a land area of 200,000m ² or greater.
53c	Land used for a drive-in shopping centre with a GLA of 30,000m ² to less than 45,000m ² and a land area of 200,000m ² or greater.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily for a drive-in shopping centre with a GLA of 30,000m ² to less than 45,000m ² ; (c) has a land area of 200,000m ² or greater.

Column 1 Rating category of rateable land		Column 2 Description of rating category
53d	Land used for a drive-in shopping centre with a GLA of 45,000m ² or greater and a land area of 200,000m ² or greater.	Land which meets all of the following criteria: (a) has any of the Primary Council Land Use Codes for this rating category; (b) is primarily for a drive-in shopping centre with a GLA of 45,000m ² or greater; (c) has a land area of 200,000m ² or greater.

9.4 WASTE MANAGEMENT UTILITY CHARGES

- (1) The Council has decided to levy utility charges for waste management services (Waste Management Utility Charges) in respect of the following waste management services to rateable land in the local government area on the basis set out in Part 3 of the 2017-2018 Budget:
 - (a) waste service;
 - (b) green waste service;
 - (c) bulk bin service.
- (2) The waste management utility charges are applied on a per service basis and are set at a level to raise revenue as specified in the Ipswich Waste Services budget.
- (3) The waste management utility charges are levied on all rateable land in the local government area provided with the waste management service and are levied on a pro rata basis where a waste management service is provided for only part of the year.
- (4) Waste management utility charges are determined on a full-cost pricing basis in accordance with the National Competition Policy to recover sufficient income to meet the full cost outlays of the functional programs, including administrative costs and overheads not funded from general revenue, having regard to the following:
 - (a) performance targets in the Ipswich Waste Services Annual Performance Plan;
 - (b) the cost of capital provision and an appropriate return on assets;
 - (c) pricing oversight requirements of the Queensland Competition Authority;
 - (d) operating and capital grants, subsidies or contributions received from others.

9.5 RURAL FIRE RESOURCES LEVY SPECIAL CHARGE

- (1) The Council has decided to levy a special charge on rateable land within that part of the local government area that specially benefits from the purchase, maintenance of equipment and training by the Ipswich Group Rural Fire Brigades operating within the local government area on the basis set out in Part 4 of the 2017-2018 Budget.
- (2) The Council's policy is to levy special charges, on a year by year basis, for rural fire brigades and other associated facilities to particular areas of the local government area which specially benefits from the rural fire brigades and associated facilities.
- (3) The special charges collected by the Council are used to meet the costs of the relevant initiative or facility.

9.6 ENVIROPLAN SEPARATE CHARGE

The Council has decided to levy a separate charge for the Ipswich Enviroplan on all rateable land in the local government area on the basis set out in Part 5 of the 2017-2018 Budget.

9.7 DISCOUNT FOR RATES AND CHARGES

- (1) The Council has decided to allow a discount for payment of rates and charges on the basis set out in Part 6 of the 2017-2018 Budget.
- (2) The Council's policy is to encourage prompt payment of rates and charges by allowing a discount for full payment by the due date.
- (3) The discount is only to apply to the differential general rates (excluding utility charges, separate charges, Emergency Management Levy, rural fire resources levy and arrears of any rate and charge).

9.8 CONCESSIONS

- (1) The Council has decided to grant a concession for rates and charges for land to an eligible pensioner who owns and occupies rateable land on the basis set out in Part 8 of the 2017-2018 Budget.
- (2) The Council has also decided that the following concessions for rates and charges are to be granted in the financial year:
 - (a) concession to an eligible entity whose objects do not include making a profit which owns rateable land;
 - (b) concession to an eligible entity that provides assistance or encouragement for arts or cultural development which owns rateable land;
 - (c) concession to an eligible landowner who is an individual and who is subject to financial hardship from the payment of rates and charges;
 - (d) concession to an eligible landowner whose land is subject to a mining lease requiring the carrying out of improvement restoration for the mining lease.

9.9 INTEREST

The Council has decided that interest is payable on overdue rates or charges on the basis set out in Part 7 of the 2017-2018 Budget.

9.10 COST-RECOVERY FEES

- (1) Under section 97(2) of the *Local Government Act 2009*, a cost-recovery fee is a fee for any of the following:
 - (a) an application for the issue or renewal of a licence, permit, registration or other approval under a Local Government Act as defined in the *Local Government Act 2009*;
 - (b) recording a change of ownership of land;
 - (c) giving information kept under a Local Government Act as defined in the *Local Government Act 2009*;
 - (d) seizing property or animals under a Local Government Act as defined in the *Local Government Act 2009*;
 - (e) the performance of another responsibility imposed on the local government under the *Building Act 1975* or the *Plumbing and Drainage Act 2002*.
- (2) The Council has decided the amount of cost-recovery fees having regard to the following:

- (a) the estimated cost, including overheads, of operating each of the Council's regulatory regimes, such as:
 - (i) animal control;
 - (ii) environmental protection;
 - (iii) development approval;
 - (iv) community health and safety;
 - (v) entertainment venues;
 - (b) amounts prescribed by State legislation;
 - (c) the need to recover the cost of operating the regulatory regimes;
 - (d) the need to encourage compliance with relevant laws.
- (3) The Council's cost-recovery fees are included in the Register of Cost Recovery Fees which is open for inspection at the Council's public office.
- (4) The Council applies a common set of criteria to ensure cost-recovery fee concessions are granted equitably across each area of Council's operations.

9.11 COMMERCIAL FEES

- (1) Commercial fees are for services which relate to the provision of services or access to Council's facilities which are not regulated by a local law or other legislative schemes.
- (2) The Council has decided the amount of commercial fees having regard to the following:
 - (a) the estimated cost of provision of services or access to the Council's facilities;
 - (b) fees charged by any alternative providers;
 - (c) a fair return for the use of the Council's infrastructure;
 - (d) performance targets set for the Council's business activities;
 - (e) the need to encourage or discourage particular behaviours.

9.12 DEVELOPER FINANCIAL CONTRIBUTIONS FOR DEVELOPMENT INFRASTRUCTURE

- (1) The Council's intention is to ensure that development infrastructure costs and other physical and social infrastructure costs caused by the incremental development of premises in the local government area is funded or provided for by that development, to the extent authorised by law or negotiated by agreement.
- (2) The Council is to require financial contributions for providing local government trunk infrastructure networks in relation to the development of premises in accordance with the *Sustainable Planning Act 2009*.
- (3) Financial contributions for trunk infrastructure for the distributor-retailer's (Queensland Urban Utilities) water service and wastewater service may be collected by the Council under an agreement with Queensland Urban Utilities or to the extent required by law and remitted to Queensland Urban Utilities.
- (4) The developer is also required to provide the non trunk infrastructure considered by the Council to be appropriate for the development as a condition of a development approval.

9.13 OTHER REVENUE

The Council will seek to collect other revenue, such as investment interest income, grants and subsidies, income from the sale of the Council's provision of goods and services, dividends from investments and the income from the sale or disposal of assets, on the

basis of the Council taking advantage of opportunities to maximise the efficient use of resources and activities under its control.

9.14 MAINTENANCE OF THE COUNCIL'S OPERATING CAPABILITY

- (1) The Council will seek to ensure that its revenues (after concessions on rates and charges) are sufficient to cover its costs.
- (2) It is the Council's intention that the operating capability of the local government is to be increased to provide the capacity to invest in physical and social infrastructure for the growing community.
- (3) The Net Operating Surplus included in the Statement of Income and Expenditure describes the extent of the increase in the budget year.

City Management, Finance and Community Engagement Committee	
Mtg Date: 22.05.2018	OAR: YES
Authorisation: Gary Kellar	

The Chairperson has determined this matter is of real urgency and approval has been given to refer this report to the City Management, Finance and Community Engagement Meeting as a late item.

8 May 2018

MEMORANDUM

TO: CHIEF EXECUTIVE OFFICER

FROM: EXECUTIVE RESEARCH OFFICER

RE: REVIEW OF COUNCIL DELEGATIONS TO THE CHIEF EXECUTIVE OFFICER

INTRODUCTION:

This is a report by the Executive Research Officer dated 8 May 2018 concerning Chief Executive Officer (CEO) Delegations and Sub Delegations.

BACKGROUND:

The *Local Government Act 2009*, s257(4) requires Councils to review delegations to the CEO annually.

In September 2017, Council adopted a standing resolution to enable the ongoing amendments to delegations where the change related to a reference of a particular piece of legislation, committee, title or position. While this standing resolution provides the required support to council in its operational activities, it does not remove the requirements for annual review under the act.

Previously delegations were managed by the Finance and Corporate Services Department with oversight and assistance from the Legal Branch. The ongoing administration component of the delegations was transitioned to the Office of the CEO in January 2017.

Following the transition and staff changes in the former area of overall responsibility, the review process, legislation changes and legal interpretation required to support the ongoing administration of delegations including the implementation of additions and amendments have not been undertaken for a period of approximately 18 months.

DISCUSSION:

Due to the passage of time and continual cycle of amendments to not only the relevant legislation but also the nature of the operations in the various Council departments, a full review of each CEO delegation, officer delegations and Sub-Delegations is now required.

The review is an ideal opportunity to repeal any outdated/superseded delegations and sub-delegations and update those that are still current, but may require updating a superseded reference to legislation i.e. *Local Government Act 1993*.

Due to the large number of delegations it is suggested that it would be best to manage the review in a staged approach:

- **Stage 1** - Repeal of delegations which are superseded/outdated.
- **Stage 2** - Review of delegations which are current and approval of amendments as required, i.e. update reference to current legislation.
- **Stage 3** - Review of delegations which would benefit from further scrutiny as to whether they should remain a delegation or whether they may be more appropriately managed as a policy/procedure.

Stage one has been completed with 13 expired/completed delegations being identified as being completed (refer to Attachment A).

A working group should be formed with representatives from each department to inform the requirements of each work area and ensure they have the necessary powers to undertake their duties in an effective and efficient manner.

ATTACHMENT:

Name of Attachment	Attachment
Completed CEO Delegations to be removed	Attachment A

RECOMMENDATION:

- A. That the 13 expired/completed delegations as detailed in Attachment A be received and noted.
- B. That Finance and Corporate Services undertake a full review of delegations to determine currency, accuracy and organisational requirements as soon as practicable.
- C. That a specialist consultant be engaged where required to assist with the review.
- D. That a working group be formed with department stakeholders.

- E. That a further report be submitted to the City Management, Finance and Community Engagement Committee for any delegations that should be repealed, amended or introduced.

Wade Wilson
EXECUTIVE RESEARCH OFFICER

Completed Delegations

Position	Type	Title	Project Completion Date
Chief Executive Officer	Delegation	Exercise the Powers of Council Under the Local Government (Finance, Plans and Reporting) Regulation 2010 (Del)	Completed 20 April 2012
Chief Executive Officer	Delegation	Exercise the Powers of Council Under the Local Government Regulation 2012 (Alice Street Goodna Kerb and Channel Upgrade) (Del)	Completed 4 March 2017
Chief Executive Officer	Delegation	Exercise the Powers of Council Under the Local Government Regulation 2012 (Award Construction Tender for Small Creek Stage 1)	Completed 31 December 2017
Chief Executive Officer	Delegation	Exercise the Powers of Council Under the Local Government Regulation 2012 (Award of Construction Contracts - Flood Recovery Works) (Del)	Completed 30 June 2015
Chief Executive Officer	Delegation	Exercise the Powers of Council Under the Local Government Regulation 2012 (Conduct Commercial Negotiations to sell 73 Blackstone Road, Silkstone) (DEL)	Completed 29 November 2014
Chief Executive Officer	Delegation	Exercise the Powers of Council under the Local Government Regulation 2012 (Design Services Panel - Tender No 14-15-218) (DEL)	Completed 30 November 2016
Chief Executive Officer	Delegation	Exercise the Powers of Council under the Local Government Regulation 2012 (Environmental Offset - Spring Mountain Mixed Use) (Del)	Completed
Chief Executive Officer	Delegation	Exercise the Powers of Council under the Local Government Regulation 2012 (ICC Administration and Library Building) (Del)	Completed
Chief Executive Officer	Delegation	Exercise the Powers of Council Under the Local Government Regulation 2012 (Six Mile Creek Bridge and Approaches Project) (Del)	Completed 18 September 2016
Chief Executive Officer	Delegation	Exercise the Powers of Council under the Local Government Regulation 2012 (Thagoona Flood Mitigation Measures - Contract No 15-16-069) (Del)	Completed 27 April 2017
Chief Executive Officer	Delegation	Exercise the Powers of Council Under the Local Government Regulation 2012 (Toongarra Road Upgrade Project)(DEL)	Completed 29 April 2017
Chief Executive Officer	Delegation	Exercise the Powers of Council Under the Local Government Regulation 2012 (Redbank Plains Road Upgrade Project) (Del)	Completed 7 September 2015
Chief Executive Officer	Delegation	Negotiations Regarding Long Term Option to Purchase Property at Springfield Lakes (Del)	Completed 30 December 2015

City Management, Finance and Community Engagement Committee	
Mtg Date: 23.05.18	OAR: YES
Authorisation: Bryce Hines	

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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 City Management Finance and Community Engagement Committee Meeting as a late item.

15 May 2018

MEMORANDUM

TO: ACTING CHIEF EXECUTIVE OFFICER

FROM: ACTING CHIEF OPERATING OFFICER (WORKS PARKS AND RECREATION)

RE: SUPERCARS AGREEMENT – FIA TRACK UPGRADE REQUIREMENT

INTRODUCTION:

This is a report by the Acting Chief Operating Officer (Works Parks and Recreation) dated 15 May 2018 concerning the contractual obligation to upgrade the Queensland Raceway's track in accordance with the Agreement entered into with Supercars for the holding of events at Queensland Raceway.

BACKGROUND:

Council at its Ordinary Meeting on 30 May 2017 resolved to enter into a ten year sponsorship agreement (2017 to 2026) with Supercars. That agreement placed certain obligations on Council to fund improvements to track safety. At the time of entering into the agreement the extent of that funding commitment was unclear.

In February 2018 a report was presented to Council by the Mayors Executive Officer detailing the track upgrade requirements to meet the necessary safety standards. (Attachment A) Council resolved at the time:

- A. *That Council seek a revised event sponsorship arrangement with Supercars for a two (2) year agreement with the level of financial commitment to be further negotiated.*

B. That the Chief Executive Officer and Mayor be authorised to continue negotiations in regard to the final costs for the FIA safety upgrade, with the final budget to be presented to council for approval.

Since this time the extent of works required have been finalised. The works have been split into two components to be delivered in consecutive years. Queensland Raceway as lessee has been approached to deliver the works and have provided costings in this regard. In summary, the total cost of the works are now estimated at approximately \$1.2m with approximately \$850,000 in the first year. The proposal from Queensland Raceway is provided in Attachment B. The first year's works are required to be completed prior to the supercars round programmed for July 2018.

At this point the funding has not been allowed for in Council's 2017-2018 and 2018-2019 capital program. Therefore a budget amendment will be required to fund the works required this financial year and the works in 2018-2019 will need to be allowed for in the 2018-2019 capital program. The budget amendment is addressed through a separate report by the Acting Chief Financial Officer.

Due to the significant cost increase in the works from the original early estimates, a legal review of Council's options has been undertaken (Attachment C). In summary Council is legally obliged to deliver the works and would potentially expose itself to future legal action should it not deliver the works.

As the works are required to be undertaken prior to the Supercar round scheduled for the 20-22 July, there is little capacity for Council to complete a full tender process for the works. Therefore the only option is to utilise the emergency procurement powers under Section 235 (c) of the *Local Government Regulation 2012* to procure the work through the Lessee Queensland Raceway. To ensure that value for money is fully assessed an independent company with relevant industry experience has been procured to provide an opinion of the proposal provided by Queensland Raceway.


CONSULTATION:

Consultation with the Acting Mayor has occurred with regard to this matter.



CONCLUSION:

Council has a legal obligation to deliver safety upgrades to Queensland Raceway under the terms of the agreement to host the event that Council has previously entered into. The only viable option to deliver the works in accordance with the agreement is by entering into an agreement with Queensland Raceway to deliver the works

ATTACHMENT/S:

Name of Attachment	Attachment
Report to Council February 2018 <i>(contains confidential background papers)</i>	 Attachment A

CONFIDENTIAL BACKGROUND PAPERS

Confidential Background Papers	Background Papers
Quotation from Queensland Raceway	 Attachment B
Legal Advice	 Attachment C

RECOMMENDATION:

That Council is satisfied pursuant to section 235(c) of the *Local Government Regulation 2012* (the Regulation) that the exemption under s235(c) of the Regulation applies and that a genuine emergency exists, for Council to enter into a new contract with Queensland Raceway for the following reason:

- to meet Council's obligations under the terms of agreement with Supercars to host the 2018 V8 Supercar event, and
- the ability of the Lessee to deliver the works without detrimentally impacting on the facilities operations during the delivery of the works.

Bryce Hines

ACTING CHIEF OPERATING OFFICER (WORKS PARKS AND RECREATION)

I concur with the recommendation/s contained in this report.

Gary Kellar

ACTING CHIEF EXECUTIVE OFFICER

City Management Finance and Community Engagement Committee	
Mtg Date: 22.05.18	OAR: YES
Authorisation: Gary Kellar	

bh:bh
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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 City Management Finance and Community Engagement Committee Meeting as a late item.

14 May 2018

MEMORANDUM

TO: ACTING CHIEF EXECUTIVE OFFICER

FROM: ACTING CHIEF OPERATING OFFICER (WORKS PARKS AND RECREATION)

RE: MEMORANDUM OF UNDERSTANDING BETWEEN COUNCIL AND WEST MORETON HOSPITAL AND HEALTH SERVICES

INTRODUCTION:

This is a report by the Acting Chief Operating Officer (Works Parks and Recreation) dated 14 May 2018 concerning a proposed Memorandum of Understanding with West Moreton Hospital and Health Service.

BACKGROUND:

Works have commenced on Council's project to build a new administration building, civic plaza and library in the Ipswich Central Business District. The project is due to be completed in 2020, at which time, Council will move from the existing Council precinct.

In anticipation of the completion of the project, initial discussions have occurred with the West Moreton Hospital and Health Services (WMHH) to negotiate the potential sale of the existing Council sites to WMHH.

WMHH have expressed an interest in purchasing the Council sites to fulfil some of its additional infrastructure needs from early 2020.

Acknowledging that there is a range of matters that will be required to be addressed before any acquisition can be finalised it is proposed that Council and WMHH, through the establishment of a Memorandum of Understanding (MOU – Attachment A), agree to work together on and to assist each other for the period from the date of the commencement of the MOU up to and including settlement of any purchase of the Council Precinct.

MEMORANDUM OF UNDERSTANDING (MOU):


It is proposed that the parties will work together to deliver the purpose of the MOU as follows:

1. The parties wish to enter discussions to negotiate the potential sale of the Council sites.
2. Any agreement for the sale of the Council sites would be subject to the parties entering into a formal agreement of sale.
3. WMHH will investigate the potential development approval of the Council sites and Council will assist where possible, through its Planning and Development Department, to adopt the best approach to any development of the Council sites.
4. The Parties agree that they will each work collaboratively to form two joint technical working groups with:
 - a) the primary role of one of the technical working groups being to progress the Purpose in a timely and efficient manner; and
 - b) the primary role of the other technical working group being to assist with any development requests.
5. The joint working group referred to above will also discuss and assist with other town planning matters that do not form part of the transactions to acquire the Council sites, but of interest to WMHH, including, but not limited to, Ginn Street Ipswich, Chelmsford Avenue Ipswich, pedestrian access and public transport access. Whilst Council will assist with other matters, WMHH must fulfil its own statutory responsibilities and requirements, regarding any town planning matters.

CONCLUSION:

An opportunity exists to engage with WMSS with regard to the potential future acquisition of the Council Precinct that Council is vacating due to its proposed relocation to the new administration building in the Ipswich CBD. To ensure that these discussions occur within an agreed framework a MOU has been prepared for Councils consideration.

CONFIDENTIAL BACKGROUND PAPERS:

Name of Confidential Attachment	Confidential Attachment
Draft Memorandum of Understanding	 Attachment A

RECOMMENDATION:

- A. That Council enter into a Memorandum of Understanding with the West Moreton Hospital and Health Services, based on the proposed agreement as detailed in Attachment A to the report by the Acting Chief Operating Officer (Works Parks and Recreation) dated 14 May 2018.
- B. That the Chief Executive Officer be authorised to negotiate and finalise the terms of the Memorandum of Understanding to be executed by Council and to do any other acts necessary to implement Council's decision in accordance with section 13(3) of the *Local Government Act 2009*.

Bryce Hines

ACTING CHIEF OPERATING OFFICER (WORKS PARKS AND RECREATION)