



Minutes

Audit Committee

Monday, 23 May 2016

Council Chambers, 1 Omrah Avenue, Caloundra

AUDIT COMMITTEE MEMBERS

Councillor T Dwyer	Division 2
Councillor C Dickson	Division 6
Mr P Dowling AM	Independent Member (Chair)
Mr L Scanlan	Independent Member

AUDIT COMMITTEE MINUTES

23 MAY 2016

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Please Note: The resolutions as shown in italics throughout these minutes are the resolutions carried by the Audit Committee.

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1 DECLARATION OF OPENING

The Chair declared the meeting open at 9.06am.

2 RECORD OF ATTENDANCE AND LEAVE OF ABSENCE

AUDIT COMMITTEE MEMBERS

Councillor C Thompson	Division 4
Councillor C Dickson	Division 6
Mr P Dowling AM	Independent Member (Chair)
Mr L Scanlan	Independent Member

EXECUTIVE LEADERSHIP TEAM

Chief Executive Officer
Director Community Services
Director Corporate Services
Director Corporate Strategy and Delivery
Director Infrastructure Services
Director Regional Strategy and Planning

APOLOGIES

Mayor Mark Jamieson

ATTENDEES

Director Audit	Queensland Audit Office
Audit Manager	Queensland Audit Office
Associate Director	KPMG Australia

COUNCIL OFFICERS

Manager Finance
Coordinator Financial Accounting
Chief Information Officer
Coordinator Corporate Plan Reporting and Risk
Manager Human Resources

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3 RECEIPT AND CONFIRMATION OF MINUTES

Committee Recommendation

Moved: P Dowling
Seconded: L Scanlan

That the Minutes of the Audit Committee held on 25 January 2016 be received and confirmed.

Carried unanimously.

4 OBLIGATIONS OF MEMBERS

4.1 DECLARATION OF MATERIAL PERSONAL INTEREST ON ANY ITEM OF BUSINESS

Pursuant to the *Local Government Act 2009*, no declarations of material personal interest were made during this meeting.

4.2 DECLARATION OF CONFLICT OF INTEREST ON ANY ITEM OF BUSINESS

Pursuant to the *Local Government Act 2009*, no declarations of conflict of interest were made during this meeting.

Len Scanlan noted his appointment as probity adviser to SunCentral Maroochydtore Pty Ltd

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5 REPORTS

5.1 CHIEF EXECUTIVE OFFICER'S UPDATE

5.1.1 UPDATE - CHIEF EXECUTIVE OFFICER

File No: Council meetings
Author: Chief Executive Officer
Office of the Mayor and Chief Executive Officer

AUDIT COMMITTEE DISCUSSION POINTS

- Local government election
- Councillor portfolios
- Organisation improvements
- Project delivery
- 2016/17 Budget
- Capital expenditure and income
- Community Projects
- Bokarina Beach Master Plan
- Major Projects

Committee Recommendation (AC16/11)

Moved: P Dowling
Seconded: L Scanlan

That the Audit Committee receive and note the report titled "Update - Chief Executive Officer" and the discussions held by the Committee.

Carried unanimously.

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5.2 EXTERNAL AUDIT

5.2.1 ANNUAL FINANCIAL STATEMENT RISK AND PLANNING ASSESSMENT

File No: Financial Management - Audit
Author: Coordinator Financial Accounting
 Corporate Services Department
Attachments: Att 1 - Shell Financial Report Statements 2015/16
 Att 2 - Asset Revaluation Summary and Progress Status 2015/16
 Att 3 - Queensland Audit Office Briefing Note
 Att 4 - Queensland Audit Office 2016 External Audit Plan
 Att 5 - Draft Policy - AASB 124 Related Party Disclosures

Council has a statutory obligation to prepare "General Purpose" Financial Statements on an annual basis, culminating in audit certification in late October, before publication in Council's Annual Report.

Refer to timeline below.

Milestone	Documentation/Details	Date
Audit Committee Meeting	<ul style="list-style-type: none"> Queensland Audit Office (QAO) closing Report to the Audit Committee for the financial year ended 30 June 2015 QAO Management Certificate for the year ended 30 June 2015 QAO 2016 Draft External Audit Plan 	25 January 2016
Interim Audit	As per Client Strategy	18 April 2016 to 6 May 2016
Position Paper – <i>AASB 124 Related Party Disclosures</i>	Draft Policy	30 April 2016
Audit Committee Meeting	<ul style="list-style-type: none"> Shell Financial Report Statements Asset Revaluation Summary and Progress Update QAO Briefing Paper Draft Policy – <i>AASB 124 Related Party Disclosures</i> 	23 May 2016
Asset Valuation	Supporting work papers available to audit	30 June 2016
Audit Committee Meeting	<ul style="list-style-type: none"> QAO Interim Audit Report QAO Briefing Note 	5 September 2016
Final draft financial statements and current year financial sustainability statement	Final draft financial statements and current year financial sustainability statement	12 September 2016

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Milestone	Documentation/Details	Date
available for audit		
Audit clearance of financial statements and current year financial sustainability statement	QAO closing report/management representation letter.	5 October 2016
Audit Committee Teleconference	Audit Committee clearance (via teleconference) of financial statements and current year financial sustainability statement	5 October 2016
Council certification of financial statements and current year financial sustainability statement	Management Certificate	11 October 2016
Audit certification of financial statements and current year financial sustainability statement	QAO final management report	14 October 2016

In conjunction with QAO, Council endeavours each year to strengthen the quality control surrounding this process.

Major milestones in the process identified this year with QAO are the timely provision of "Shell Financial Report Statements" attached herewith, and also a summary of the progress made to date with the current year's revaluation of non-current assets.

A draft policy detailing Council's planned implementation of *AASB 124 Related Party Disclosures*, effective from 1 July 2016, is also attached.

Any changes to accounting standards that may have an impact on this year's statements have also been assessed and included in the planning for end of year.

AUDIT COMMITTEE DISCUSSION POINTS

External Audit

- Strong control environment and no significant issues arising from interim external audit

Related Party Disclosures

- LGAQ should have a common policy for local government
- Reporting KPIs to ensure review dates are achieved

Committee Recommendation (AC16/12)

Moved: P Dowling

Seconded: L Scanlan

That the Audit Committee receive and note the report titled "Annual Financial Statement Risk and Planning Assessment".

Carried unanimously.

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5.3 INTERNAL AUDIT

5.3.1 COMMISSIONING OF CONTRIBUTED ASSETS

File No: Council meetings
Author: Manager Audit and Assurance
Office of the Mayor and Chief Executive Officer

Internal Control and Performance Assessment

Impact / Criticality of Operation to Council	Critical	Significant	Low
Recommendations by Risk Ratings Risk Management Standard ISO 31000	Extreme 0	High 0	Medium/Low 6M / 0L
Audit Opinion	Strong	Adequate	Weak

Key Issues Identified

The audit opinion of adequate represents some scope to improve the timeliness, completeness and accuracy of data when commissioning assets. In particular, the review identified:

- Large delays in the commissioning of assets, where the State Government is the Assessing Agency
- Validation routines and internal checks need to be refined to improve accuracy and completeness of data and unit rates
- Updating of procedures and accounting manual not yet completed.

Committee Recommendation (AC16/13)

Moved: P Dowling
Seconded: L Scanlan

That Council receive and note the report titled "*Commissioning of Contributed Assets*".

Carried unanimously.

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5.3.2 CUSTOMER CONTACT CENTRES - CASH HANDLING AND RECEIPTING

File No: Council meetings
Author: Manager Audit and Assurance
Office of the Mayor and Chief Executive Officer

Internal Control and Performance Assessment

Impact / Criticality of Operation to Council	Critical	Significant	Low
Recommendations by Risk Ratings Risk Management Standard ISO 31000	Extreme 0	High 0	Medium/Low 0M / 2L
Audit Opinion	Strong	Adequate	Weak

Key Issues Identified

Strong control environment. Processes found to be consistent with best practice.

Committee Recommendation (AC16/14)

Moved: P Dowling
Seconded: L Scanlan

That the Audit Committee receive and note the report titled "Customer Contact Centres - Cash Handling and Receipting".

Carried unanimously.

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5.3.3 INFRINGEMENT SYSTEM PROCESSES

File No: Council meetings
Author: Manager Audit and Assurance
Office of the Mayor and Chief Executive Officer

Internal Control and Performance Assessment

Impact / Criticality of Operation to Council	Critical	Significant	Low
Recommendations by Risk Ratings Risk Management Standard ISO 31000	Extreme 0	High 0	Medium/Low 2M / 4L
Audit Opinion	Strong	Adequate	Weak

Key Issues Identified

The infringement system is a high volume/low value transaction processing environment with initiatives underway to exploit mobile technology and improve efficiencies. The following improvement opportunities are designed to provide increased confidence over the quality of data and operational performance;

- review and confirm processing procedures with the software supplier and enhance performance reporting particularly around gaining assurance over the accuracy and completeness of data and finalisation of infringements within specified timeframes
- establish processes that ensure unpaid balances greater than five years are written-off in a timely manner and that the write-off and cancel transaction types are used correctly
- establish appropriate authorisation of charges updated to the infringement system, investigate options to address long standing credit balances, ensure that the additional costs associated with searches and debt transfer to State Penalties Enforcement Registry are recovered, document the control environment and confirm key controls being relied upon

Committee Recommendation (AC16/15)

Moved: P Dowling
Seconded: L Scanlan

That Council receive and note the report titled "*Infringement System Processes*".

Carried unanimously.

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5.3.4 CORPORATE PURCHASE CARD PROCESS

File No: Council meetings
Author: Manager Audit and Assurance
Office of the Mayor and Chief Executive Officer

Internal Control and Performance Assessment

Impact / Criticality of Operation to Council	Critical	Significant	Low
Recommendations by Risk Ratings Risk Management Standard ISO 31000	Extreme 0	High 0	Medium/Low 3M / 1L
Audit Opinion	Strong	Adequate	Weak

Key Issues Identified

An effective control and policy framework is established and processes substantially operate within this framework. Opportunities identified include;

- improved timeliness of purchase transaction acquittal and postings to the General Ledger
- verification that independent reviews on the appropriateness of purchases are undertaken
- review the use of Go Via Toll Accounts and toll road charges associated with private use.

Committee Recommendation (AC16/16)

Moved: P Dowling
Seconded: L Scanlan

*That the Audit Committee receive and note the report titled "**Corporate Purchase Card Process**".*

Carried unanimously.

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5.3.5 AUDIT AND ASSURANCE STATUS UPDATE

File No: Council meetings
Author: Manager Audit and Assurance
Office of the Mayor and Chief Executive Officer
Attachments: Att 1 - Detailed Audit Recommendations

The report provides the Audit Committee with an update on the 2015/16 Audit Plan and the status reporting on Audit Recommendations. As at April 2016, the Audit Work Plan is progressing on schedule and audit recommendations are effectively managed.

Committee Recommendation (AC16/17)

Moved: P Dowling
Seconded: L Scanlan

That Council receive and note the report titled "Audit and Assurance Status Update".

Carried unanimously.

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5.3.6 2016 - 2017 INTERNAL AUDIT WORK PLAN

File No: Council meetings
Author: Manager Audit and Assurance
Office of the Mayor and Chief Executive Officer

The proposed 2016 – 2017 Internal Audit Plan is presented to the Audit Committee and is subject to final adoption by Council.

The audit plan methodology ensures that audit resources are effectively utilised and that appropriate coverage is achieved in accordance with risk based auditing standards.

Committee Recommendation (AC16/18)

Moved: P Dowling
Seconded: L Scanlan

That the Audit Committee receive and note the report titled “2016 - 2017 Internal Audit Plan”.

Carried unanimously.

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5.3.7 AUDIT COMMITTEE AND INTERNAL AUDIT CHARTERS

File No: Council meetings
Author: Manager Audit and Assurance
Office of the Mayor and Chief Executive Officer
Attachments: Att 1 - Audit Committee Charter
Att 2 - Internal Audit Charter

Annual review of Audit Committee and Internal Audit Charters to ensure legislative compliance and best practice is incorporated where applicable. The Charters were last reviewed 7 September 2015 by the Audit Committee and subsequently endorsed by Council 15 October 2015.

Amendments to the Audit Committee Charter are as follows;

- The *Local Government Regulation 2012* has been amended and requires one councillor representative as a minimum where it was previously two councillors (refer item 4 Composition of the Audit Committee)
- a 4th Audit Committee meeting will occur as a final review of the Financial Statements prior to certification. The meeting will be more efficiently conducted by teleconference and as such, teleconferencing must be approved by Council in accordance with S276 of the *Local Government Regulation 2012* (refer item 6 Meetings)

There are no amendments to the Internal Audit Charter.

Committee Recommendation (AC16/19)

Moved: P Dowling
Seconded: L Scanlan

That the Audit Committee:

- receive and note the report titled "**Audit Committee and Internal Audit Charters**" and*
- recommend to Council that the attached Audit Committee Charter (Appendix A) and the Internal Audit Charter (Appendix B) be endorsed.*

Carried unanimously.

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5.4 GOVERNANCE REPORTING

5.4.1 ICTS TRANSITION STRATEGY

File No: F2016/165745
Author: Brian Beswick, Chief Information Officer
Corporate Services Department
Appendices: App A - ICT Strategic Transition Report

A new Information Communication Technology Services (ICTS) strategy has been developed to facilitate Council wide adoption of new digital technologies, address changing community expectations and improve service delivery. The strategy was developed in conjunction with Professor Peter Grant and has been endorsed by the Organisational Review Panel (ORP), Executive Leadership Team (ELT), and IT governance group (Strategic Knowledge Services Committee (SKSC)). Findings from the strategy review were presented to the Audit Committee in 2015, which noted the development of a transition plan to implement the revised strategy. The ICTS Transition report (attached) was developed by Professor Peter Grant, advising on the program, and actions to be taken. The following is a summary of the report. A presentation will also be provided to the committee.

Innovations in digital technology, the ICT industry and changes in community expectations are changing how we all operate in our personal and professional life, commonly known as "Digital Disruption". These same changes and expectations are determining how council will deliver services to the community. These innovations in technology and expectations are affecting how the Information Communication and Technology Services team delivers services to business areas across council and how council delivers services to the community.

While the rapid increase in the use of technology by the business and community will see a rise in overall costs, this strategy looks to reduce this impact by lowering the unit costs of IT delivery.

The organisation needs to transition its operating model or it will risk relying on IT infrastructure that will be outdated and no longer supported. The new ICTS model will position council well to respond to future changes with solutions by providing a contemporary agile ecosystem.

The new ICTS model will require significant changes. These changes have been grouped into three main categories: Technical Infrastructure, Applications, and Workforce Capabilities. It is important to note that these changes will be required in both ICTS and also throughout the organisation.

The use of cloud computing provides the ability to acquire technology infrastructure as needed rather than major upfront capital investments in systems that are supposed to future proof the council for the next three to five years. This strategy confirms the existing IT strategic plans and activities, and the recommendations in many ways provide a confirmation of actions, as well as focusing on transition efforts and clarity on the future state.

AUDIT COMMITTEE DISCUSSION POINTS

- Annual assurance around security environment for cloud based systems

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- Queensland Legislation may preclude all data from going offshore.

Committee Recommendation (AC16/20)

Moved: P Dowling

Seconded: L Scanlan

That Council:

- receive and note the report titled "**ICTS Transition Strategy**"; and*
- receive and note the attached ICT Branch Transition report by IBRS (Prof. Peter Grant).*

Carried unanimously.

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5.4.2 FRAUD RISK MANAGEMENT UPDATE

File No: Council meetings
Author: Coordinator Corporate Plan Reporting and Risk
Corporate Services Department
Attachments: Att 1 - KPMG - Fraud Risk Management Report

The Corporate Governance Branch have a project underway to address the key findings from the Queensland Audit Office (QAO) report on Fraud Management in Local Government Report 19: 2014-2015.

The report from the QAO concluded that most councils are not effective in managing and identifying fraud and corruption risks within their organisations.

Independent consultants KPMG have been advising on the fraud risk management project and have finalised their report outlining areas for improvement to further review and minimise fraud risks. Their report on current practices at council clearly identifies that robust systems are in place to minimise fraud and corruption risks. The findings by KPMG are very positive and support council's strong internal controls in this area.

As part of the review, 36 common risks were considered and 15 risks were identified as worthy enough for further analysis as part of a recommended two year Fraud & Corruption Risk Assessment Plan. Should the two year plan be rolled out it is expected that further analysis will confirm the ongoing actions being taken within council to minimise fraud and corruption is in line with 'leading practice and recommendations'.

Committee Recommendation (AC16/21)

Moved: P Dowling
Seconded: L Scanlan

That the Audit Committee:

- (a) receive and note the report from KPMG titled "***Fraud Risk Management Update***"
- (b) request the Chief Executive Officer to consider the commencement of Phase 4 (Fraud Risk Assessment Project) particularly implementation of the two year Fraud and Corruption Risk Assessment Plan.

Carried unanimously.

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5.4.3 GOVERNANCE REPORT

File No: Statutory Meetings
Author: Manager Corporate Governance
Corporate Services Department
Attachments: Att 1 - Risks Over Tolerance
Att 2 - Strategic Risks

The Governance in Action program has been heavily focused over the past nine months on rolling out the mandatory Employee Code of Conduct sessions across the organisation. As at end of April 2016 over 1300 employees have attended the sessions. The feedback from the sessions has been very positive.

Strategic and Operational Risks continued to be monitored and this report provides information on the 231 risks rated from 'low to extreme'. It also highlights risks that are higher than the set risk tolerance.

As part of our Complaints Management program, elevated complaints continue to be managed within timeframes and analysis is done to assess the cause of each complaint and what management or system improvements can be implemented.

Committee Recommendation (AC16/22)

Moved: P Dowling
Seconded: L Scanlan

That the Audit Committee receive and note the report titled "Governance Report".

Carried unanimously.

AUDIT COMMITTEE MINUTES

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5.4.4 WORK HEALTH AND SAFETY REPORT MAY 2016

File No: F2016/163134
Author: Manager Human Resources
Corporate Services Department

Sunshine Coast Council continues to promote and embed the **Work Safe: Live Well** message across all areas of the organisation. The increase focus on Health & Safety has seen a significant reduction in the occurrence of Lost Time Injuries and the proactive engagement of supervisors and line managers in the rehabilitation process has also supported an early return to work of injured workers and consequently a reduction in the number of days lost as a result of work related injury or illness.

The Annual Health & Safety Management Plan has been endorsed for 2016. The Plan supports a number of initiatives and key projects that are designed to create sustainable safety solutions to further improve overall performance and minimise the potential of harm for all persons connected with Council's business or undertakings.

There was a single incident that was reportable to Work Health and Safety Queensland that occurred in the period December 2015 - March 2016. The incident involved an Electrical Contractor receiving an electrical shock while performing maintenance work on an overhead gantry crane in the Nambour Depot. This incident has been thoroughly investigated and corrective action have been implemented to ensure that this type of incident may be prevented in the future.

AUDIT COMMITTEE DISCUSSION POINTS

- Internal audit give consideration to a future audit around electrical practices and contractors.

Committee Recommendation (AC16/23)

Moved: P Dowling
Seconded: L Scanlan

*That the Audit Committee receive and note the report titled "**Work Health and Safety Report May 2016**".*

Carried unanimously.

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Committee Recommendation

Moved: P Dowling
Seconded: L Scanlan

That the Audit Committee adopt the recommendations of the Audit Committee Meeting of 23 May 2016 and submit the recommendations to Council.

Carried unanimously.

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6 GENERAL BUSINESS

7 NEXT MEETING

The next Ordinary Meeting will be held on 5 September 2016 in the Council Chambers, Corner Currie and Bury Streets, Nambour.

8 MEETING CLOSURE

The meeting closed at 11:14am.

Confirmed 5 September 2016.

CHAIR

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9 APPENDICES

5.3.7 AUDIT COMMITTEE AND INTERNAL AUDIT CHARTERS - ATT 1 - AUDIT COMMITTEE CHARTER

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5.3.7 AUDIT COMMITTEE AND INTERNAL AUDIT CHARTERS - ATT 2 - INTERNAL AUDIT CHARTER

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5.4.1 ICTS TRANSITION STRATEGY - APP A - ICT STRATEGIC TRANSITION REPORT

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