

Minutes

Audit Committee

Thursday, 21 January 2021

Council Chambers, 1 Omrah Avenue, Caloundra

AUDIT COMMITTEE MEMBERS

Councillor J Natoli	Division 4
Councillor E Hungerford	Division 7
Mr P Dowling AM	External Member (Chair)
Mr L Scanlan	External Member
Mr M Petrie	External Member
Mr P McCallum	External Member

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

1 DECLARATION OF OPENING

The Chair declared the meeting open at 9:03am.

Councillor E Hungerford acknowledged the Traditional Custodians of the land on which the meeting took place.

2 RECORD OF ATTENDANCE AND LEAVE OF ABSENCE**AUDIT COMMITTEE MEMBERS**

Councillor J Natoli	Division 4
Councillor E Hungerford	Division 7
Mr P Dowling AM	External Member (Chair)
Mr L Scanlan	External Member
Mr M Petrie	External Member
Mr P McCallum	External Member

EXECUTIVE LEADERSHIP TEAM

Chief Executive Officer
Group Executive Built Infrastructure
A/Group Executive Business Performance
Group Executive Customer Engagement and Planning Services
Group Executive Economic and Community Development
Group Executive Liveability and Natural Assets
Chief Strategy Officer

APOLOGIES

Nil

ATTENDEES

Engagement Manager	Queensland Audit Office
Engagement Leader	Queensland Audit Office
Manager	KPMG

COUNCIL OFFICERS

A/Manager Asset Management
Coordinator Financial Accounting
Manager Audit and Assurance
Head of People & Culture
Manager Corporate Governance

3 INFORMING OF CONFLICTS OF INTEREST

Patrick McCallum noted his son, Lance McCallum, is the ALP Member for Bundamba and the Assistant Minister for Hydrogen Development and the 50% Renewable Energy Target by 2030.

Patrick McCallum noted his wife, Marion Renouf, is member of the Kabi Kabi First Nation Traditional Owners group which has an active native title claim which includes portions of the Sunshine Coast council area.

Mitchell Petrie noted he is a former Partner of KPMG Australia in charge of the Queensland Risk Advisory practice providing advice and assurance in the areas of corporate governance, risk management and internal audit.

Mitchell Petrie is currently an independent member of the Audit Committee of Brisbane City Council, Redland City Council, Bundaberg Regional Council Audit and Risk Committee and the LGIA Super Audit and Risk Committee. Until recently he was a Chair of Gold Coast City Council Audit and Risk Committee.

Mitchell Petrie is Member of the Council/Board of QIMR Berghofer, Director of Hughenden Irrigation Project Company Pty Ltd and Company Secretary of Metro Mining Limited

3.1 PRESCRIBED CONFLICTS OF INTEREST

Pursuant to Section 150EL of the *Local Government Act 2009*, no declarations of prescribed conflicts of interest were made during this meeting.

3.2 DECLARABLE CONFLICTS OF INTEREST

Pursuant to Section 150EQ of the *Local Government Act 2009*, no declarations of declarable conflicts of interest were made during this meeting.

4 REPORTS

4.1 OFFICE OF THE CEO

4.1.1 CHIEF EXECUTIVE OFFICER'S UPDATE

File No: Audit Committee
Author: Coordinator Organisational Performance
Office of the CEO

EXECUTIVE SUMMARY

I am pleased to be providing my first update report since commencing the role of Chief Executive Officer in November 2020. It is not lost on me that I have come into the role at a pivotal time in history as the presence of COVID-19 in the world impacts us all. This has presented challenges to people from across our community, our visitors and our employees as we work together to respond to changes and keep each other safe.

Despite this there is still much to feel optimistic about. Our Sunshine Coast community, our local businesses and our Council have shown great resilience and been able to adapt, evolve and make the most of opportunities. Our corporate values have been on display as we strive for service excellence and ensure that all people are treated with respect and that our decision-making is compassionate and inclusive.

Early planning and our ability to be agile and transition to this 'new normal' has provided the opportunity for the Sunshine Coast to remain open to visitors who are choosing our region as a holiday destination to explore, access our facilities, sample our local businesses, and enjoy our way of life. This has provided an important stimulus into our economy and created high demand for many of our services.

Through this Council has maintained a focus on our vision to be Australia's most sustainable region – healthy, smart creative. In the period since the previous Audit meeting, a number of notable milestones have been achieved, including:

- Council opened the first of three Renewable Energy Facilities in Caloundra that will convert waste to electricity
- Walker Corporation signed a development agreement with Council and SunCentral Maroochydore, and will invest \$2.5 billion into the Maroochydore City Centre project
- The new \$23.5 million eight-storey ParknGo Mooloolaba Central car park opened to the public.

Council has achieved a \$27.4 million operating result - \$6.9 million higher than current budget year to date, and is on track to deliver all 64 Operational Plan activities in the 2020/21 financial year.

Committee Recommendation (AC21/1)

Moved: Councillor J Natoli
Seconded: Councillor E Hungerford

*That the Audit Committee receive and note the report titled “**Chief Executive Officer’s Update**”.*

Carried unanimously.

4.1.2 ASSET INFORMATION SYSTEM RISK UPDATE

File No: Audit Committee
Author: A/Manager Asset Management
Built Infrastructure Group

EXECUTIVE SUMMARY

As previously reported the Confirm Asset Information Management System is being implemented by Sunshine Coast Council to achieve the following:

1. Create one work scheduling system
2. Create one work ordering system
3. Create one asset register

The project to date has been delivered in two phases.

Phase 1 of the system implementation was completed in June 2020 across Council's largest asset classes including:

- Parks and Gardens
- Civil Asset Management
- Storm Water
- Buildings and Facilities Management
- Public Arts
- Waste

Phase 1 is delivering the following benefits:

- Improve asset data quality.
- Streamline and simplify asset management processes.
- Support better asset related decisions.
- Enable better alignment of asset management and associated financial decisions.
- Support better asset valuation and depreciation.
- Enable more productive time in the field.
- Progress alignment with industry standards for best practice Asset Management practice.

Phase 2 finalisation has progressed well, completing the 'go live' process on 18 December 2020. This finalised the implementation of the remaining asset classes:

- Environmental Operations
- Quarry
- Transport and Infrastructure Management: Electrical and Telecommunications

The Solar farm has been excluded from scope at this stage whilst current contractual arrangements progress with the operator. Once these are completed the finalisation of the transition to Confirm will occur.

Phase 1 of the Confirm Project was completed on 30 June 2020, and Phase 2 was completed on 18 December 2020.

The October 2020 Audit Committee Report identified several risks of the Confirm project. These included:

1. Asset Valuation module unable to be implemented in Confirm
2. Data integrity risks for Confirm Asset Information System (Confirm) and Geospatial Information System (GIS) due to a lack of automation and synchronisation.
3. Lack of data governance or asset information standards to manage the use of the asset information system and the interrelations with other systems such as Council's GIS system.
4. Capability of Confirm to capture standard cost data.

Committee Recommendation (AC21/2)

Moved: Councillor J Natoli
Seconded: Councillor E Hungerford

That the Audit Committee

- (a) *receive and note the report titled "**Asset Information System Risk Update**".*
- (b) *note further investigation will be provided to the May 2021 Audit Committee meeting including an update on the status of strategic assessment of asset management and*
- (c) *note the Chief Executive Officer and Group Executive Built Infrastructure to review the roadmap in more detail.*

Carried unanimously.

4.2 EXTERNAL AUDIT**4.2.1 PLANNING FOR THE 2020/21 FINANCIAL STATEMENTS AUDIT PROCESS**

File No: Council Meetings
Author: Coordinator Financial Accounting
Business Performance Group

EXECUTIVE SUMMARY

Queensland Audit Office (QAO) conducted their 2020/21 Planning Audit during November/December 2020 and have issued their 2021 External Audit Plan for Audit Committee review and Chief Executive Officer sign-off.

Committee Recommendation (AC21/3)

Moved: Councillor J Natoli
Seconded: Councillor E Hungerford

That the Audit Committee receive and note the report titled "Planning for the 2020/21 Financial Statements Audit Process".

Carried unanimously.

**4.2.2 FINALISATION OF COUNCIL'S 2019/20 FINANCIAL STATEMENTS
AUDIT PROCESS**

File No: Council Meetings
Author: Coordinator Financial Accounting
Business Performance Group

EXECUTIVE SUMMARY

The Queensland Audit Office (QAO) has carried out its audit of Council's financial statements, including Council's controlled entities, for the year ended 30 June 2020, and has issued an unmodified audit opinion.

Committee Recommendation (AC21/4)

Moved: Councillor J Natoli
Seconded: Councillor E Hungerford

That the Audit Committee receive and note the report titled "Finalisation of Council's 2019/20 Financial Statements Audit Process".

Carried unanimously.

4.3 AUDIT AND ASSURANCE**4.3.1 KPMG FRAUD AND CORRUPTION RISK ASSESSMENT - PAYROLL**

File No: Audit Committee
Author: Manager Audit and Assurance
Office of the CEO

EXECUTIVE SUMMARY

Provide the Audit Committee with the KPMG report on the Payroll - Fraud and Corruption Risk Assessment in accordance with the endorsed 2020 – 2021 Internal Audit Work Plan. The review determined that sound prevention and detection controls have been implemented with some further improvement opportunities identified.

Committee Recommendation (AC21/5)

Moved: Councillor J Natoli
Seconded: Councillor E Hungerford

That the Audit Committee receive and note the report titled “KPMG Fraud and Corruption Risk Assessment - Payroll”.

Carried unanimously.

4.3.2 COMMERCIAL LEASES ADMINISTERED BY THE LAND MANAGEMENT UNIT

File No: Council Report
Author: Manager Audit and Assurance
Office of the CEO

EXECUTIVE SUMMARY

The review assessed commercial lease management practices and the accuracy and completeness of associated revenue. Opportunities were identified to ensure all revenue due is received on time and activities are efficient and effective.

Committee Recommendation (AC21/6)

Moved: Councillor J Natoli
Seconded: Councillor E Hungerford

*That the Audit Committee receive and note the report titled “**Commercial Leases Administered By The Land Management Unit**”.*

Carried unanimously.

4.3.3 PAYMENT REQUEST PROCESS

File No: Council Report
Author: Manager Audit and Assurance
Office of the CEO

EXECUTIVE SUMMARY

The Payment Request process was reviewed to provide assurance that the processes were operating in an effective and efficient manner. The operating framework is considered to be sound with some low level risk improvement opportunities identified.

Committee Recommendation (AC21/7)

Moved: Councillor J Natoli
Seconded: Councillor E Hungerford

*That the Audit Committee receive and note the report titled "**Payment Request Process**".*

Carried unanimously.

4.3.4 AUDIT AND ASSURANCE STATUS REPORT

File No: Council Meetings
Author: Manager Audit and Assurance
Office of the CEO

EXECUTIVE SUMMARY

As at January 2021, the 2020/21 Internal Audit Work Plan is on schedule.

Committee Recommendation (AC21/8)

Moved: Councillor J Natoli
Seconded: Councillor E Hungerford

*That the Audit Committee receive and note the report titled “**Audit and Assurance Status Report**”.*

Carried unanimously.

4.3.5 AUDIT COMMITTEE EFFECTIVENESS REVIEW

File No: Council Meetings
Author: Manager Audit and Assurance
Office of the CEO

EXECUTIVE SUMMARY

The practices of Council's Audit Committee were assessed against the Queensland Audit Office Report 2: 2020 - 21 "Effectiveness of Audit Committees in State Government Entities", September 2020. The report covers the audit committees of departments and statutory bodies, but the insights can be broadly applied to Local Government Audit Committees.

The Queensland Audit Office review focused on five key questions of Audit Committee practices which subsequently resulted in 11 actions to be considered the responsibility of Audit Committees, Chief Executive Officers and Queensland Treasury.

Council's Audit Committee practices demonstrates significant conformance to the Queensland Audit Office guidance. However, the Queensland Audit Office has also scheduled a review of Local Government Audit Committees in 2021 – 2022 which will provide a more relevant benchmark.

Committee Recommendation (AC21/9)

Moved: Councillor J Natoli
Seconded: Councillor E Hungerford

*That the Audit Committee receive and note the report titled "**Audit Committee Effectiveness Review**".*

Carried unanimously.

4.3.6 AUDIT COMMITTEE AND INTERNAL AUDIT CHARTERS

File No: Council Meetings
Author: Manager Audit and Assurance
Office of the CEO

EXECUTIVE SUMMARY

Best practice guidelines from Queensland Treasury and other professional bodies advocate that Audit Committees conduct reviews of their performance and effectiveness.

Accordingly, an annual review of the Audit Committee and the Internal Audit Charters is undertaken to ensure legislative compliance and best practice is incorporated where applicable. The Charters were last reviewed and endorsed by Council in February 2020.

There are no proposed amendments to either Charter.

Committee Recommendation (AC21/10)

Moved: Councillor J Natoli
Seconded: Councillor E Hungerford

That the Audit Committee:

- (a) *receive and note the report titled “**Audit Committee and Internal Audit Charters**” and*
- (b) *recommend to Council that the attached Audit Committee Charter and the Internal Audit Charter be endorsed.*

Carried unanimously.

4.4 GOVERNANCE REPORTING

4.4.1 WORK HEALTH AND SAFETY REPORT

File No: Council Meetings
Author: Head of People & Culture
Business Performance Group

EXECUTIVE SUMMARY

The reporting period, 1 July to 30 September 2020, has seen the continuation of the COVID-19 pandemic which has provided many challenges but mostly opportunities relating to the influence of the WHS function at Branch level across Council. The People and Culture Branch continued to consult with internal customers to ensure core services were enabled whilst adhering to directions issued by State Government.

During the reporting period, similar to the previous reporting period, there were no incidents which required notification to Workplace Health and Safety Queensland or the Electrical Safety Office.

A total of 155 work related incidents were reported during the quarter. Of these, Built Infrastructure reported 92 which reflects the type and volume of high risk work the business area undertakes. The remainder of incidents were spread across the organisation consistent with risks associated with each business area. There was a significant increase in tick bites in August suffered by Liveability and Natural Assets workers. A Safe Work Month initiative addressing tick bites was delivered in October.

Incidents are generally being reported in the Council incident reporting system on time, however, there is an opportunity for improvement in this area.

'Actual' severity of incidents occurring during the reporting period did not exceed moderate. There were 8 incidents reporting a 'potential' severity of major and one reporting 'catastrophic'. All incidents have been investigated and appropriate actions have been raised.

Generally, corrective and preventative actions being raised are to a high standard with 49% utilising elimination, substitution or engineering controls to address risk in workplaces. Only 2% of actions utilise the most ineffective control method, the use of PPE.

Council's duration rate was below like sized Councils in July and August but has risen to above the average in September. There has been a total of 15 new claims during the reporting period, with 5 each month.

Committee Recommendation (AC21/11)

Moved: Councillor J Natoli
Seconded: Councillor E Hungerford

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

Carried unanimously.

4.4.2 GOVERNANCE AND RISK REPORT

File No: Council Meetings
Author: Manager Corporate Governance
Office of the CEO

EXECUTIVE SUMMARY

Council continues to grow and mature in its approach to governance and risk management matters. Strategic and operational risks continue to be monitored and managed in an effective and efficient manner as is reflected in the information contained within this report. The current Strategic and Operational Risks are being reviewed over the coming quarter, having particular regard to any changes in the external environment that may have significant impact on SCC operations (e.g. COVID-19 and associated financial circumstances).

The Governance in Action Program continues to be successful in raising awareness in governance matters. The Corporate Governance branch has seen a steady rise in requests for further information and training on a variety of governance related topics. These requests demonstrate an increased culture of awareness across the organisations regarding the importance of governance responsibilities and obligations.

As part of our Integrity Management Program, complaint matters elevated to the Corporate Governance Branch continue to be actioned within set timeframes. Analysis is done to assess the cause of each complaint and what management or system improvements can be implemented to ensure continuous improvement growth and the prevention of similar issues or concerns in the future.

Committee Recommendation (AC21/12)

Moved: Councillor J Natoli
Seconded: Councillor E Hungerford

*That the Audit Committee receive and note the report titled “**Governance and Risk Report**”.*

Carried unanimously.

5 GENERAL BUSINESS

6 NEXT MEETING

The next Audit Committee Meeting will be held on 24 May 2021 in the Council Chambers, 1 Omrah Avenue, Caloundra.

7 MEETING CLOSURE

The meeting closed at 11:30am.

Confirmed 25 February 2021.

CHAIR
