



# Minutes

## Audit Committee

Monday, 25 January 2016

Council Chambers, Corner Currie and Bury Streets, Nambour

### 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



AUDIT COMMITTEE MINUTES

25 JANUARY 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
Mr P Dowling AM	Independent Member (Chair)
Mr L Scanlan	Independent Member

**EXECUTIVE LEADERSHIP TEAM**

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

**APOLOGIES**

Councillor C Dickson	Division 6
Director Community Services	

**ATTENDEES**

Director Audit	Queensland Audit Office
Audit Manager	Queensland Audit Office

**COUNCIL OFFICERS**

Manager Audit and Assurance  
Manager Finance  
Coordinator Financial Accounting  
Manager Human Resources  
Coordinator Corporate Planning Report and Risk Management

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**3 RECEIPT AND CONFIRMATION OF MINUTES**

Committee Recommendation

Moved: L Scanlan  
Seconded: Councillor C Thompson

*That the Minutes of the Audit Committee held on 7 September 2015 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.

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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

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AUDIT COMMITTEE DISCUSSION POINTS

- Audit of Council's 2014/15 financial statements
- Major projects Update
  - Maroochydore City Centre
  - Sunshine Coast Airport
  - Undersea broadband cable
  - Solar Farm
  - Light Rail
- Caloundra South development
- Managing and developing the workforce
- Work Health and Safety
- Local government elections

**Committee Recommendation** (AC16/1)

*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 QUEENSLAND AUDIT OFFICE CLOSING REPORT AND FINAL  
MANAGEMENT CERTIFICATE 2015, AND QUEENSLAND AUDIT OFFICE  
2016 DRAFT EXTERNAL AUDIT PLAN

File No:	Audit
Author:	Coordinator Financial Accounting Corporate Services Department
Attachments:	Att 1 - QAO Closing Report to the Audit Committee for the financial year ended 30 June 2015 Att 2 - QAO Management Certificate for the year ended 30 June 2015 Att 3 - QAO 2016 Draft External Audit Plan

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**EXECUTIVE SUMMARY**

The Queensland Audit Office has carried out its audit of Council's financial statements including its controlled entities for the year ended 30 June 2015, in accordance with Section 40 of the *Auditor-General Act 2009*.

The audit of Council's consolidated Financial Report has resulted in no qualifications or amendments with an unqualified audit opinion issued on the 27 October 2015.

During the independent audit of Council's financial statements, there was a material adjustment of a reduction in assets of \$29.6 million required to the statements previously presented to the Audit Committee. This impacted the Asset revaluation surplus as well as Property, plant & equipment and required the removal of duplicated road asset components. The duplication originated from the road spatial data held in Council's Geospatial Information System (GIS). Remedies have now been put in place to prevent this reoccurring.

Also, during the review of the accounting provision for future closure and rehabilitation of Council's landfills, it was suggested by QAO that following a change to the external contracts for waste collection and management, a further one-off increase to the amount of the provision was required. This adjustment resulted in an overall increase to the provision of \$8.2 million for the current year. Council's total provision is now \$29.9 million being the net present value of the estimated funds required for post closure monitoring and rehabilitation over the next 30 years.

In terms of the QAO 2016 Draft External Audit Plan (**Attachment 3**), Council is requested to provide feedback on the plan by 1 February 2016, particularly with respect to the major milestones in Appendix D of the plan.

**AUDIT COMMITTEE DISCUSSION POINTS**

- Management provided assurance that effective controls are now operating to detect potential duplication of assets as recommended by the Queensland Audit Office
  - Consideration for an additional meeting of the Audit Committee to specifically review the final audited Financial Statements prior to certification by the Mayor and Chief Executive Officer
  - The Queensland Audit Office Information Systems Team will undertake reviews of Property Management, TechnologyOne Finance, Chris21 and selected network
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security controls for the 2015/16 financial year. In addition, an overview of Information Systems reviews undertaken in recent years by the Queensland Audit Office and Internal Audit was provided

- Key drivers for the reduction in audit fees were associated with implementation of specialist sector teams, knowledge sharing, improvement in Council's asset and rating control environments and increased reliance on Internal Audit work

**Committee Recommendation** (AC16/2)

*That the Audit Committee receive and note the report titled "Queensland Audit Office Closing Report and Final Management Certificate 2015, and Queensland Audit Office 2016 Draft External Audit Plan".*

Carried unanimously.

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**5.3 GOVERNANCE REPORTING**

**5.3.1 WORK HEALTH AND SAFETY REPORT**

**File No:** Work Health and Safety Report January 2016  
**Author:** Manager Human Resources  
Corporate Services Department

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**EXECUTIVE SUMMARY**

Work Safe Live Well and the Seven Safety Essentials have been well received across the organisation with a large scale launch event hosted by Infrastructure Services during this period. The keynote speakers at the event highlighted the deadly implications of shortcuts in Work Health and Safety practices for employees and their families.

Drug and Alcohol education and testing has continued throughout this period with a small number of non-negative results. 2016 will see a renewed focus on education and the inclusion of additional screening as part of pre-employment medical assessments.

The number of new claims incurring lost time throughout the reporting period has been significantly lower with only one Lost Time Injury day recorded in October 2015.

Investigations have commenced with the view to becoming self-insured for workers compensation purposes. Council's premium with Local Government Workcare was reduced in 2014/15 due to low Lost Time Injury (LTI) rates and it is anticipated that with self-insurance, these costs could be further reduced with no loss of support and service for injured workers.

Two incidents that were reportable to Work Health and Safety Queensland occurred in the period August - November this year.

**AUDIT COMMITTEE DISCUSSION POINTS**

- Property condition assessments are undertaken across council properties with quarterly hazard inspections undertaken at Aquatic Centres

**Committee Recommendation** (AC16/3)

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

**Carried unanimously.**

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**5.3.2 GOVERNANCE AND RISK REPORT**

**File No:** Statutory Meetings  
**Author:** Manager Corporate Governance  
Corporate Services Department  
**Attachments:** Att 1 - Risks over tolerance  
Att 2 - Strategic Risks

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**EXECUTIVE SUMMARY**

Over the past quarter a detailed risk review has been undertaken resulting in a number of risk ratings previously on or above the set risk tolerance level, being reduced.

Application of sound risk management practices and awareness are responsible for this positive change and these practices are continuing to grow and be encouraged across the organisation.

Council received an award at the LGAQ Annual Conference in recognition of best practice Risk Management.

The organisational governance awareness program has trained approximately 630 employees in areas such as risk management, conflicts of interest, gifts and disclosures, right to information, information privacy, integrity and ethics, and changes to the *Crime and Corruption Act 2001*.

Since July 2015, Corporate Governance has delivered Employee Code of Conduct sessions to over 574 employees across the organisation. Further sessions are scheduled for early 2016.

Elevated complaints continue to be managed within timeframes. During the 2014/2015 financial year a total of 76 complaints were received and since July 2015 to December 2016, 58 complaints have been received. The majority of the complaints received in the 2014/2015 financial year related to recovery action taken in relation to overdue rates.

**AUDIT COMMITTEE DISCUSSION POINTS**

- Governance in Action Program presentation delivered by Acting Manager Corporate Governance

**Committee Recommendation** (AC16/4)

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

**Carried unanimously.**

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**5.3.3 FRAUD RISK MANAGEMENT UPDATE**

**File No:** Statutory Meetings  
**Author:** Manager Corporate Governance  
Corporate Services Department  
**Attachments:** Att 1 - Preliminary Report - Fraud Risk Assessment Project

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**EXECUTIVE SUMMARY**

The Queensland Audit Office (QAO) released a report on Fraud Management in Local Government Report 19: 2014-2015.

The Corporate Governance Branch has a project underway to address the key findings from the report and to document the key fraud risks faced by council. KPMG has been engaged to provide expertise to the project and advise on fraud risk management.

A number of workshops and interviews were undertaken in December 2015 by KPMG consultants to identify the key fraud risks to be included in a fraud risk management plan. KPMG has provided a progress report on the project and this is included as an attachment to this report (**Attachment 1**).

**AUDIT COMMITTEE DISCUSSION POINTS**

- KPMG (Fraud risk consultancy specialists) have been engaged to conduct the review to address the findings of the Queensland Audit Office report "Fraud Management in Local Government"
- KPMG's draft Risk Assessment report covers 36 potential risk areas including cyber-attack
- Proposed to update the risk assessment every two years

**Committee Recommendation** (AC16/5)

*That the Audit Committee:*

- (a) *receive and note the report titled "**Fraud Risk Management Update**" and*
- (b) *note the attached progress report presented by KPMG.*

**Carried unanimously.**

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**5.4 INTERNAL AUDIT**

**5.4.1 MAJOR EVENTS SPONSORSHIP**

**File No:** Audit Committee 25 January 2016  
**Author:** Manager Audit and Assurance  
Office of the Mayor and Chief Executive Officer

**EXECUTIVE SUMMARY**

**Internal Control and Performance Assessment**

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

**Key Issues Identified**

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

**AUDIT COMMITTEE DISCUSSION POINTS**

- Results of audit noted

**Committee Recommendation** (AC16/6)

*That the Audit Committee receive and note the report titled "Major Events Sponsorship".*

**Carried unanimously.**

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5.4.2 ACCOUNTS PAYABLE SYSTEM INCLUDING PAYMENT REQUEST AND  
PETTY CASH ANALYSIS

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

EXECUTIVE SUMMARY

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	Medium/Low 2M / 2L
Audit Opinion	Strong	Adequate	Weak

Key Issues Identified

The Accounts Payable control environment is soundly structured and managed. However, improvements to purchasing practices across council will result in accounts payable process efficiencies.

- Review processes with regard to the Privacy Act to ensure Privacy Statements are recorded on all forms where Council is requesting and collecting personal information and the general user access to documents containing personal information
- Review and refine performance reporting to identify operational areas where training and support can be provided to improve the efficiencies with regard to invoice processing and petty cash use

AUDIT COMMITTEE DISCUSSION POINTS

- Results of audit noted
- Performance reporting being developed and will be presented to the Executive Management Team

Committee Recommendation (AC16/7)

*That the Audit Committee receive and note the report titled "Accounts Payable System Including Payment Request and Petty Cash Analysis".*

Carried unanimously.

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5.4.3 WASTE COLLECTION - REVENUE AND CONTRACT PAYMENTS

File No: Audit Committee 25 January 2016  
Author: Manager Audit and Assurance  
Office of the Mayor and Chief Executive Officer

EXECUTIVE SUMMARY

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 1M / 2L
Audit Opinion	Strong	Adequate	Weak

Key Issues Identified

The Waste Collection – Revenue and Contract payment control environments are soundly structured and managed. The documenting of the control framework for the different revenue and expenditure processes including the key controls being relied upon remains outstanding.

Comments by Director Infrastructure Services, Andrew Ryan

The report is endorsed in full and it is pleasing to note the ongoing strong control framework and actions from previous audits that have been put in place by the Waste Branch in partnership with the Finance Branch from the Corporate Services Department.

Comments by Director Corporate Services, Ray Turner

The 'Strong' audit opinion provides assurance that the financial management controls associated with the waste collection process are sound. The report and its recommendations are supported.

AUDIT COMMITTEE DISCUSSION POINTS

- Results of audit noted

Committee Recommendation (AC16/8)

*That the Audit Committee receive and note the report titled "Waste Collection - Revenue and Contract Payments".*

Carried unanimously.

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5.4.4 AUDIT AND ASSURANCE STATUS UPDATE

File No: Audit Committee 25 January 2016  
Author: Manager Audit and Assurance  
Office of the Mayor and Chief Executive Officer  
Attachments: Att 1 - Detailed Audit Recommendations

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**EXECUTIVE SUMMARY**

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

**AUDIT COMMITTEE DISCUSSION POINTS**

- Results of audit noted

**Committee Recommendation** (AC16/9)

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

Carried unanimously.



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**6 GENERAL BUSINESS**

Nil

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**Committee Recommendation** (AC16/10)

**Moved:** L Scanlan  
**Seconded:** Councillor C Thompson

*That Council adopt the recommendations of the Audit Committee Meeting of 25 January 2016 and submit the recommendations to Council.*

**Carried unanimously.**

**7 NEXT MEETING**

The next Ordinary Meeting will be held on 23 May 2016 in the Nambour Council Chambers, Corner Currie and Bury Streets, Nambour.

**8 MEETING CLOSURE**

The meeting closed at 10:19am.

Confirmed 23 May 2016.

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CHAIR

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