

# Minutes

## Audit Committee

**Monday, 27 May 2019**

**Council Chambers, Corner Currie and Bury Streets, Nambour**

### **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



## TABLE OF CONTENTS

ITEM	SUBJECT	PAGE NO
1	DECLARATION OF OPENING .....	5
2	RECORD OF ATTENDANCE AND LEAVE OF ABSENCE .....	5
3	RECEIPT AND CONFIRMATION OF MINUTES .....	6
4	INFORMING OF PERSONAL INTERESTS.....	6
4.1	MATERIAL PERSONAL INTEREST .....	6
4.2	CONFLICT OF INTEREST / PERCEIVED CONFLICT OF INTEREST .....	6
5	REPORTS .....	7
5.1	CHIEF EXECUTIVE OFFICER'S UPDATE.....	7
5.1.1	CHIEF EXECUTIVE UPDATE.....	7
5.1.2	ASSESSMENT OF SUNCENTRAL MAROOCHYDORE CORPORATE GOVERNANCE .....	9
5.1.3	PROBITY IN CONTRACT AUDIT (CRIME AND CORRUPTION COMMISSION) - ACTION PLAN.....	11
5.1.4	PREFERRED SUPPLIER ARRANGEMENTS - UPDATE .....	13
5.1.5	ASSET MANAGEMENT PLANS AND SYSTEMS - UPDATE .....	15
5.2	EXTERNAL AUDIT.....	16
5.2.1	ANNUAL FINANCIAL STATEMENT RISK AND PLANNING ASSESSMENT .....	16
5.2.2	QUEENSLAND TREASURY CORPORATION - CREDIT REVIEW 2019.....	21
5.3	AUDIT AND ASSURANCE.....	22
5.3.1	SUNSHINE COAST AIRPORT EXPANSION PROJECT - RUNWAY CONSTRUCTION CONTRACT PAYMENT PROCESS (BDO REVIEW) .....	22
5.3.2	OVERTIME AND ALLOWANCES - CIVIL ASSET MANAGEMENT .	25
5.3.3	CASH BOND AND BANK GUARANTEE SECURITY PROCESSES	27

- 5.3.4 SUNSHINE COAST STADIUM - EVENT MANAGEMENT FINANCIAL CONTROLS (BDO REVIEW) .....29
- 5.3.5 AUDIT AND ASSURANCE STATUS REPORT .....31
- 5.3.6 2019 - 2020 INTERNAL AUDIT WORK PLAN.....33
- 5.3.7 AUDIT COMMITTEE CHARTER.....35
- 5.4 GOVERNANCE REPORTING .....36**
- 5.4.1 WORK HEALTH AND SAFETY REPORT .....36
- 5.4.2 GOVERNANCE AND RISK REPORT .....37
- 6 GENERAL BUSINESS .....38**
- 7 NEXT MEETING.....38**
- 8 MEETING CLOSURE.....38**

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 9:00am.

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

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

**BOARD OF MANAGEMENT**

Group Executive Built Infrastructure  
Group Executive Business Performance  
Group Executive Customer Engagement and Planning Services  
Group Executive Economic and Community Development  
Group Executive Liveability and Natural Assets  
Portfolio Director, Major Projects  
Executive Manager, Office of Mayor & CEO

**APOLOGIES**

Councillor T Dwyer	Division 2
Councillor C Dickson	Division 6
Chief Executive Officer Manager Audit and Assurance	

**ATTENDEES**

Director Audit	Queensland Audit Office
Director of Information Systems Audit	Queensland Audit Office

**COUNCIL OFFICERS**

Coordinator Contract & Supply Services  
Manager Asset Management  
Coordinator Financial Accounting  
Chief Financial Officer  
Principal Internal Auditor  
Head of People & Culture  
Manager Corporate Governance

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**3 RECEIPT AND CONFIRMATION OF MINUTES****4 INFORMING OF PERSONAL INTERESTS****4.1 MATERIAL PERSONAL INTEREST**

Pursuant to Section 175C of the *Local Government Act 2009*, no declarations of material personal interest were made during this meeting.

**4.2 CONFLICT OF INTEREST / PERCEIVED CONFLICT OF INTEREST**

Pursuant to Section 175E of the *Local Government Act 2009*, no declarations of conflict of interest were made during this meeting.

Independent member Mr L Scanlan reminded the Committee of his involvement as a probity auditor for infrastructure procurement by SunCentral Maroochydore.

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**5 REPORTS****5.1 CHIEF EXECUTIVE OFFICER'S UPDATE****5.1.1 CHIEF EXECUTIVE UPDATE**

**File No:** Statutory Meeting  
**Author:** Chief Executive Officer  
Office of the CEO

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For the first time, Sunshine Coast has been named as one of the world's Top7 Intelligent Communities by the prestigious Intelligent Communities Forum. This award recognises global leaders in smart technology and innovation, and best models of economic, social and cultural development.

We are the only region in Australia to gain the recognition this year—all our co-winners are located in the USA, Canada or Taiwan. This is an outstanding achievement not only for Council but for our entire community—our submission included contributions from 27 local businesses and organisations, and outlined 20 council initiatives. Most excitingly, this places us in the running for number one, which will be announced later this year.

In line with our 'intelligent community' profile, this quarter we've made it easier for investors to connect with local business opportunities through our new Invest Sunshine Coast App. We also used, for the first time, an innovative drone technique to undertake a parking survey in Mooloolaba. This will provide better data and assist with operational planning.

The Sunshine Coast Council Corporate Plan 2019-2023 was endorsed by Council at the Ordinary Meeting on 28 February 2019. The corporate plan aligns the goals and pathways to objectives over the next five years (2019-2023), placing a stronger emphasis on how council is interacting with and delivering for the community. The corporate plan will help council ensure the region is well equipped to meet the needs and expectations of a growing population by pursuing five key goals: fostering a strong community; maintaining a healthy environment; creating a smart economy; a commitment to service excellence, and; an outstanding organisation.

Another highlight of the quarter was the release of Adventure Sunshine Coast, Australia's first online trail guide to our great outdoors. The mobile-friendly website showcases more than 150 free walking, riding and paddling activities, and is set to transform the Sunshine Coast adventure scene. This website encourages residents and visitors to get out there, get active and explore our beautiful natural environment.

**Committee Recommendation** (AC19/14)

**Moved:** L Scanlan  
**Seconded:** P Dowling

*That the Audit Committee receive and note the report titled "**Chief Executive Update**".*

**Carried unanimously.**





### 5.1.2 ASSESSMENT OF SUNCENTRAL MAROOCHYDORE CORPORATE GOVERNANCE

**File No:** F2019/23936  
**Author:** Portfolio Director, Major Projects  
 Office of the CEO

**Independent member Mr L Scanlan reminded the Committee of his involvement as a probity auditor for infrastructure procurement by SunCentral Maroochydore. He informed the Committee that he has not had involvement for some time.**

The strategic risk “Priority Development Area (PDA) – Precincts 1 – 7 inability to deliver a viable and contemporary city centre as per the SunCentral Maroochydore Statement of Corporate Intent 13 May 2015” was assessed and rated as ‘high’ (H80) in Council’s Risk Register for the period ended 31 December 2018, with subsequent reporting to:

- Audit Committee on 29 January 2019
- SunCentral Maroochydore Shareholder Representative Group (SRG) meeting on 30 January 2019 and
- Special Meeting (Region Making Projects) on 28 February 2019

There are two main factors contributing to the ‘high’ risk being:

1. project governance, controls and project reporting and
2. a lag in realisation of forecast sales from original projections.

The further updated Corporate Risk Register, Strategic Risks, for the period ended 31 March 2019.

This report provides further information on the Actions to control the risk, in particular, information and actions arising from item 1a in Table 1 below – SunCentral Maroochydore Pty Ltd governance review.

**Table 1. Main factors contributing to high risk and actions to control the risk**

Main factors contributing to high risk	Actions to control the risk
1. Project governance, controls and project reporting	1a. SunCentral Maroochydore Pty Ltd (SunCentral) governance review
	1b. Four year community engagement strategy requested from SunCentral
2. Lag in realisation of forecast sales from original projections	2a. Review of the contract of sale timeframe
	2b. Revised project staging
	2c. Expression of interest process for balance of land
	2d. SunCentral have been requested to provide a targeted Investment Attraction and Marketing Strategy for the site.

#### AUDIT COMMITTEE DISCUSSION POINTS

- Timing around revenue realisation.
- Site to become accessible to public soon.
- Targeted investment and marketing attraction strategy.

**Committee Recommendation** (AC19/15)**Moved:** L Scanlan**Seconded:** P Dowling*That the Audit Committee*

- (a) *receive and note the report titled “**Assessment of SunCentral Maroochydore corporate governance**” and*
- (b) *that the targeted investment and marketing attraction strategy be presented to the Audit Committee on 9 September 2019.*

**Carried unanimously.**

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### 5.1.3 PROBITY IN CONTRACT AUDIT (CRIME AND CORRUPTION COMMISSION) - ACTION PLAN

**File No:** Council meetings  
**Author:** Manager Business Development  
Business Performance Group

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In April 2019, the Crime and Corruption Commission (CCC) Queensland released a Probity in Contract Audit . The audit had been conducted of two State Government Departments, four Statutory Bodies and six Councils, including Sunshine Coast Council. The objectives of the audit were to:

- examine whether agencies are demonstrably achieving value for money from their goods/services contracts, and in their decisions to extend, renew or re-tender their contracts (Procurement and Contract Framework)
- assess how appropriately each agency has dealt with allegations of corrupt conduct relating to procurement and contracting functions. (Complaints Framework)

The audit found Councils Complaints Framework to have satisfactory controls.

The audit did not directly review the Procurement and Contract Framework for Sunshine Coast Council. Despite this, the audit identified a number of improvement opportunities for other organisations.

Council determined to consider those improvement opportunities in light of, and compared with, Council's Procurement and Contracts Framework. This comparison confirmed that Council has an effective and robust Procurement and Contracts Framework, however, a number of minor modifications could be made to improve.

To realise the improvement opportunities, Council has prepared an Action Plan – Response to Probity in Contract Audit. The Action Plan will result in improvement modifications, which will be implemented into to the 2019/20 Procurement Policy and associated documents and processes. The outcome will be an enhanced Procurement and Contracts Framework.

#### AUDIT COMMITTEE DISCUSSION POINTS

- Proactive measures taken by Procurement Branch were commended by the Audit Committee.

#### Committee Recommendation (AC19/16)

**Moved:** L Scanlan  
**Seconded:** P Dowling

*That Audit Committee receive and note the report titled “**Probity in Contract Audit (Crime and Corruption Commission) - Action Plan**”.*

**Carried unanimously.**



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**5.1.4 PREFERRED SUPPLIER ARRANGEMENTS - UPDATE**

**File No:** Council meetings  
**Author:** Group Executive  
Built Infrastructure Group

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The Preferred Supplier Arrangements Audit Committee Report which was presented on 29 January 2019 had the following eight recommendations:

1. Establish a monitoring and review process to provide assurance over selection decisions and in collaboration with relevant Branch Managers, investigate examples which do not appear to be commensurate with value for money and ethical dealing principles.
2. In conjunction with Finance Branch, develop a routine report around plant usage by team and supplier to allow monitoring and review of selection decisions and refine plant types and capacities within Technology One.
3. Formalise the requirement for the Procurement and Contracts Committee to periodically oversee selection decisions that are not commensurate with rankings as part of the annual performance review of preferred supplier arrangements by contract administrators.
4. Investigate plant hire price increases to ensure they are consistent with the terms of the agreement and implement quality checks and validation protocols over the spreadsheet to ensure rankings, prices and capacities are correct.
5. Improve plant hire invoice checking activities and improve submission rates of signed dockets from supervisors in the field or investigate more effective ways of performing checks.
6. Expand the performance review steps to include guidance around when and how to remove poor performing suppliers from arrangements or whether rankings should be adjusted accordingly.
7. Prior to the expiry of the current Plant Hire with Operator arrangement in September 2019, collaborate with Procurement and Contracts and other major stakeholders in the development of a procurement plan i.e. a successful arrangement that achieves optimum design and administration outcomes for end users.
8. Plant Hire Booking Spreadsheet – Refine the audit trail in support of selection decisions where the highest ranked supplier is not selected.

This report provides an update on how the recommendations have been addressed over the period January 2019 to date.

**Committee Recommendation** (AC19/17)

**Moved:** L Scanlan  
**Seconded:** P Dowling

*That Audit Committee receive and note the report titled “Preferred Supplier Arrangements - Update”.*

**Carried unanimously.**



**5.1.5 ASSET MANAGEMENT PLANS AND SYSTEMS - UPDATE**

**File No:** Council meetings  
**Author:** Manager Asset Management  
Built Infrastructure Group

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A report on the Asset Management Audit recommendations was presented to the Audit Committee on 29 January 2019.

The report made recommendations on the way forward with the outstanding Audit recommendations on the Asset Management Plans and System.

Three actions arose from the January 2019 report.

The purpose of this report is to update the Audit Committee on the progress made in implementing these three actions.

**AUDIT COMMITTEE DISCUSSION POINTS**

- The approach to the road map and outstanding audit actions were commended and the connection to continuous improvement and culture were also noted.

**Committee Recommendation** (AC19/18)

**Moved:** L Scanlan  
**Seconded:** P Dowling

*That Audit Committee receive and note the report titled “**Asset Management Plans and Systems - Update**”*

**Carried unanimously.**

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## 5.2 EXTERNAL AUDIT

## 5.2.1 ANNUAL FINANCIAL STATEMENT RISK AND PLANNING ASSESSMENT

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

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.

Legend: Blue shading = complete

\*\* Measurable milestone

Milestone	Documentation/Details	Proposed Date
<b>2018/19 Planning Audit Visit</b>	As per Client Assistance Strategy	8 January 2019 to 18 January 2019
QAO external audit plan	Provided by QAO	18 January 2019
**Accounting papers on known accounting issues	New accounting standards:- <ul style="list-style-type: none"> <li>• AASB 9 <i>Financial Instruments</i></li> <li>• AASB 15 <i>Revenue</i> and AASB 1058 <i>Income of Not-for-Profit Entities</i></li> <li>• AASB 16 <i>Leases</i></li> </ul>	18 January 2019
<b>Audit Committee Meeting</b>	Finalisation of Council's 2017/18 Financial Statement Audit Process <ul style="list-style-type: none"> <li>• QAO Final Management Report 2018</li> <li>• SunCentral Maroochydore Pty Ltd – QAO 2018 Closing report to the Board</li> <li>• SunCentral Maroochydore Pty Ltd Annual Report 2018</li> <li>• Sunshine Coast Events Centre Pty Ltd Annual Report 2017-2018</li> </ul> Planning for the 2018/19 Financial Statements <ul style="list-style-type: none"> <li>• QAO 2019 External Audit Plan</li> <li>• QAO Briefing Paper</li> <li>• Position Paper – AASB 9 <i>Financial Instruments</i></li> <li>• Briefing Paper – Revenue</li> <li>• Briefing Paper - Leases</li> </ul>	29 January 2019
QAO feedback on accounting papers	New accounting standards	18 February 2019
<b>1<sup>st</sup> Interim Audit Visit</b>		18 March 2019 to 29 March 2019
**Accounting papers on known accounting issues	<ul style="list-style-type: none"> <li>• Maroochydore City Centre</li> <li>• Sunshine Coast International Broadband Network</li> </ul>	25 March 2019



<b>Milestone</b>	<b>Documentation/Details</b>	<b>Proposed Date</b>
**Accounting papers on known accounting issues	<ul style="list-style-type: none"> <li>Sunshine Coast Airport Expansion Project</li> </ul>	3 April 2019
QAO 1 <sup>st</sup> Interim Management Report	Provided by QAO	15 April 2019
QAO feedback on accounting papers	<ul style="list-style-type: none"> <li>Maroochydore City Centre</li> <li>Sunshine Coast International Broadband Network</li> </ul>	30 April 2019
<b>Audit Committee Meeting</b>	<ul style="list-style-type: none"> <li>Annual Financial Statement Risk and Planning Assessment</li> <li>Draft Pro-forma Financial Statements 2018/19</li> <li>Asset Revaluation Summary and Progress Update</li> <li>Accounting papers on known accounting issues(3) <ul style="list-style-type: none"> <li>Maroochydore City Centre</li> <li>Sunshine Coast International Broadband Network</li> <li>Sunshine Coast Airport Expansion Project</li> </ul> </li> </ul>	27 May 2019
QAO feedback on accounting papers	<ul style="list-style-type: none"> <li>Sunshine Coast Airport Expansion Project</li> </ul>	31 May 2019
**Draft pro-forma financial statements	<ul style="list-style-type: none"> <li>Draft Pro-forma Financial Statements incorporating Audit Committee feedback</li> </ul>	31 May 2019
<b>2<sup>nd</sup> Interim Audit Visit</b>		10 June 2019 to 14 June 2019
Audit review of pro-forma financial statements	Feedback provided by QAO	14 June 2019
QAO 2 <sup>nd</sup> Interim Management Report	Provided by QAO	30 June 2019
**Asset valuations completed	Supporting work papers available to Audit	30 June 2019
<b>Valuation Audit Visit</b>		8 July 2019 to 19 July 2019
QAO review of asset valuations		31 July 2019
<b>Audit Committee Meeting</b>	Draft Financial Statements 2018/19	9 September 2019
<b>Final Audit Visit</b>	Year end visit	9 September 2019 to 20 September 2019
**Final work papers available	As per Client Assistance Schedule	9 September 2019
**Complete draft financial statements	Provided to QAO	11 September 2019
QAO Audit Clearance	Closing Report	3 October 2019

Milestone	Documentation/Details	Proposed Date
<b>Audit Committee Meeting</b>	Audit Committee/management clearance of financial statements and current year financial sustainability statement	8 October 2019
Council certification of financial statements and current year financial sustainability statement	Signed financial statements including management certificate	10 October 2019
QAO signs financial statements		14 October 2019
QAO final management report	Provided by QAO	28 October 2019
QAO review of annual report	Provided to QAO following Council Agenda Review 7 November 2019	8 November 2019
QAO Report to Parliament	Report to Parliament on the results of Local Government Audits	February 2020

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

Major milestones in the process identified this year with Queensland Audit Office are detailed in the table above, with some timeframes reduced compared to the prior year.

#### AUDIT COMMITTEE DISCUSSION POINTS

- Significant deficiency was noted in the briefing paper around the payroll fraud. QAO confirmed this was a consistent response to other similar cases that had been identified in other Councils/Agencies.
- It was noted that the fraud was sophisticated and widespread and that it was important to learn lessons more broadly with a no blame culture.
- Awareness and training was being rolled out across the organisation and control measures have been reinforced.
- Management actions and comprehensive response to the significant payroll deficiency was commended.
- A second significant deficiency for internal controls was also noted by the Committee.
- The timely and proactive development of briefing papers to address the new accounting standards and the impact on region making projects was acknowledged by the audit committee.
- It was noted that approval to invest in US dollars had been obtained in relation to the submarine cable.

#### Committee Recommendation (AC19/19)

**Moved:** L Scanlan  
**Seconded:** P Dowling

*That the Audit Committee*

- receive and note the report titled "Annual Financial Statement Risk and Planning Assessment"*
- receive an update on the implementation status and risks of the new payroll system.*

Carried unanimously.



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**5.2.2 QUEENSLAND TREASURY CORPORATION - CREDIT REVIEW 2019**

**File No:** Council meetings  
**Author:** Chief Financial Officer  
Business Performance Group

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The 2019 QTC Credit Review has analysed Council's 10 year financial forecast which includes the region making projects of Maroochydore City Centre, the Sunshine Coast Airport Expansion project and the Sunshine Coast International Broadband Network project.

Council's QTC credit rating has been maintained at Strong, however the outlook has been revised down to Negative from Neutral.

The Strong rating continues to reflect Council's strong and growing ratepayer base coupled with strong investment in the region. Council has also demonstrated a willingness to implement regular rate rises in order to recover the additional costs associated with the increased level of services to cater for the growing population.

The revised outlook to a Negative is due to a deterioration in both actual and forecast metrics which could result in a downgrade from Strong to Sound over the next 24 months unless operating performance improves.

Sunshine Coast Council is one of only three councils in Queensland to have a strong credit rating from QTC.

**AUDIT COMMITTEE DISCUSSION POINTS**

- The reduced credit rating has no impact on the cost of funds.

**Committee Recommendation** (AC19/20)

**Moved:** L Scanlan  
**Seconded:** P Dowling

*That the Audit Committee receive and note the report titled "Queensland Treasury Corporation 2019 Credit Review".*

**Carried unanimously.**

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### 5.3 AUDIT AND ASSURANCE

#### 5.3.1 SUNSHINE COAST AIRPORT EXPANSION PROJECT - RUNWAY CONSTRUCTION CONTRACT PAYMENT PROCESS (BDO REVIEW)

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

#### Internal Control and Performance Assessment

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

#### Key Issues Identified

All applicable contract terms relating to progress claims have been adhered to with no exceptions observed. Compliance with the Building Industry Fairness (Security of Payment) Act 2017 has been confirmed.

Identified controls in place to mitigate the risks associated with the authorisation of progress claims and contract variations, including subsequent payment, have been evaluated for design effectiveness and validated for operating effectiveness. No exceptions were noted. Whilst BDO note that the overall process for the authorisation of progress claims and contract variations is very robust, process improvement opportunities have been identified to aid in refining the process further.

Opportunities relate to ensuring that:

- Variation Notice (VN) authorisations are issued with sufficient detail including the VN number, a brief description of the variation, the value being authorised by Council and the name of the authoriser. Records of such authorisation should then be maintained
- all VN authorisations are documented to ensure the approval of such is within the appropriate Council delegation limits

#### Comments by Acting Group Executive Built Infrastructure, Nick Cooney

The Sunshine Coast Airport Expansion Project is of a scale and complexity that demands a high standard of governance with associated rigor applying to project management work practices. The external audit informing this report has provided an in-depth review of process and practice relating to the Construction Contract Payment Process. The review has identified two recommendations of medium only risk, supporting the overall assessment that this aspect of Contract Management is being very well managed with only minor adjustment required. The undertaking of this audit together with the endorsement of sound project management are duly acknowledged

**Committee Recommendation** (AC19/21)

**Moved:** L Scanlan  
**Seconded:** P Dowling

*That the Audit Committee receive and note the report titled “**Sunshine Coast Airport Expansion Project - Runway Construction Contract Payment Process (BDO Review)**”.*

**Carried unanimously.**







### 5.3.2 OVERTIME AND ALLOWANCES - CIVIL ASSET MANAGEMENT

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

#### 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 5M/1L
Audit Opinion	Strong	<b>Adequate</b>	Weak

#### Key Issues Identified

The review identified some unresolved opportunities to improve the level of oversight around overtime and allowances across the organization together with potential efficiencies relating to the Built Infrastructure Group. The key findings are:

- Develop exception reports so that management can monitor the reasonableness of claims and hours worked
- Follow up timesheet accuracy anomalies
- Formalise overtime procedures especially around approvals and time recording
- Review time allocations and re-evaluate the business case to undertake routine organising and servicing activities outside the normal span of hours within the Built Infrastructure Group

#### Comments by Group Executive - Built Infrastructure - Tom Jamieson:

I appreciate this audit being undertaken as much of the overtime work practices have established from historical arrangements.

The inconsistency of overtime claims across teams is of interest and I look forward to working with the Managers to more closely monitor this.

It is expected that the peopleHub system will offer solutions to ensure timesheets accurately reflect the hours worked, alert supervisors of excess hours worked from a fatigue management perspective and ensure the appropriate use of codes.

The service review that is being undertaken by the Civil Asset Management Branch will also reveal some improvements to work practices - including overtime - to achieve servicing and planned work programs. I expect that improved processes including pre-approval of overtime and time off in lieu provisions will part of these service reviews.

I am confident that the Managers of Civil Asset Management and People & Culture will work together to address this issue and potentially realise some savings to the budget without comprising the delivery of services to our region.

**Comments by Acting Group Executive - Business Performance - Paul Skillen**

The Audit has found the existing systems and processes for overtime and allowances to be adequate, while identifying a number of improvement opportunities. It was also identified that some improvement opportunities from previous audits have not yet been realised. It is important to note the implementation of PeopleHub, anticipated for July 2019, will have a significant positive affect on how overtime and allowances are paid. The PeopleHub system has the capacity to bring together and apply the overtime and allowance payments in line with relevant certified agreements/industrial awards and has a far more streamlined approval and monitoring process than what currently exists. Process and procedure improvements to support that system will be necessary to implement a new process that provides higher levels of operational performance and governance for overtime and allowance payments.

**Committee Recommendation** (AC19/22)

**Moved:** L Scanlan  
**Seconded:** P Dowling

*That the Audit Committee receive and note the report titled “**Overtime and Allowances - Civil Asset Management**”.*

**Carried unanimously.**

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### 5.3.3 CASH BOND AND BANK GUARANTEE SECURITY PROCESSES

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

#### Internal Control and Performance Assessment

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

#### Key Issues Identified

The Public Trustee Act 1978 requires the Public Trustee of Queensland to collect and be accountable for all government trust and unclaimed funds in the State of Queensland. This legislation places an onus on council to actively manage cash bonds provided as security and not to rely on third parties re-claiming those securities. Similarly, third party guarantees must be actively managed.

System improvement opportunities relate to:

- enhanced reporting to facilitate review and monitoring of cash bonds and guarantees by the business areas i.e. data cleansing of the corporate database. Implementation of corporate reporting to Management and the Board of Management on status of the data cleansing progress
- inherent costs associated with managing cash bonds and guarantees requires a risk based approach around the requirement for security
- Open Windows Contract Management System to facilitate exception reporting highlighting contracts without a registered security.

#### Comments by Acting Group Executive Business Performance, Paul Skillen

The Audit has found the Council framework for requiring, holding and managing cash bonds and bank guarantees is adequate, while identifying a number of improvement opportunities. The recommendations, when implemented, will improve the existing framework by reducing holdings, adopting a risk based assessment method and by incorporating and linking information technologies introduced to Council in recent years. Full implementation will strengthen the framework, improve Councils governance and compliance with legislation.

**Committee Recommendation** (AC19/23)

**Moved:** L Scanlan  
**Seconded:** P Dowling

*That the Audit Committee receive and note the report titled "**Cash Bond and Bank Guarantee Security Processes**".*

**Carried unanimously.**

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### 5.3.4 SUNSHINE COAST STADIUM - EVENT MANAGEMENT FINANCIAL CONTROLS (BDO REVIEW)

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

#### 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 7M / 0L
Audit Opinion	Strong	Adequate	<b>Weak</b>

#### Key Issues Identified

The Sunshine Coast Stadium continues to progress systems and processes with a Finance and Business Analyst being permanently appointed and the implementation of a new Events Management System (USI) and the new point of sale system "Epos Now" which had just been implemented at the time the review.

Given that financial governance issues reported in this current review are similar to those identified in the 2015 review (refer below) and with identified system control issues relating to the implementation of a new "Epos Now" (point of sale system), opportunities remain to strengthen the overall financial control framework and to increase confidence in financial operations.

Reported opportunities include:

- event financial performance reporting within the T1 corporate finance system including budgets, actuals and timely post event financial review
- event fees and charges including delegated authority for discounting Council approved fees
- debt management recovery procedures associated with locally based sporting teams
- stocktakes be undertaken at the closure of each event and the processing of inventory adjustments as required
- cash handing including timely receipting, reconciliation and posting to the T1 corporate finance system
- financial operations are single point sensitive with no alternate personnel trained.

**Comments by Group Executive Business Performance, Greg Laverty**

In the past two years, significant steps have been taken to ensure best practice financial management at the Stadium. This has included the full time recruitment of a Finance and Business Analyst and dedicated Food and Beverage Supervisor. This has coincided with the introduction of two significant new systems at the Stadium, being a Events and Venue Management System (USI) and new Point of Sale system (Epos Now). The recent installation of WiFi at the venue will also play a significant role in respect to management practices on site, particularly for the Point of Sale system and associated efficiencies with managing stock. These systems will help the business however there is still some refinement of the processes associated with using the systems which will further enhance the financial processes.

The Stadium also faces significant challenges in respect to the conflicted role it plays in being a community venue by which it would not be realistic to pursue full cost recovery and being a venue which is competing in the commercial sphere for content. There are also occasions where the Stadium is required to be flexible in its operations to ensure an event is attracted to or maintained in the region to ensure maximum economic benefit for the region is achieved.

The report presented to the audit committee does raise some minor concerns and it will be a priority for the Sport and Community Venues Branch to ensure these issues are addressed. Some of these can be and will be addressed immediately whilst some other recommendations will be implemented before the completion of the current financial year.

**Committee Recommendation** (AC19/24)

**Moved:** L Scanlan  
**Seconded:** P Dowling

*That the Audit Committee receive and note the report titled “**Sunshine Coast Stadium - Event Management Financial Controls (BDO Review)**”.*

**Carried unanimously.**

**5.3.5 AUDIT AND ASSURANCE STATUS REPORT**

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

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The report provides the Audit Committee with an update on the 2018/19 Audit Plan and the status on Audit Recommendations. As at May 2019, the current financial year's Internal Audit Work Plan is progressing on schedule and there are 39 audit recommendations in total to be actioned including 8 which have exceeded expected completion dates.

**AUDIT COMMITTEE DISCUSSION POINTS**

- It was noted that the asset recognition and capital works project finalization processes review would be deferred to the 2019/20 Internal Audit Plan.

**Committee Recommendation** (AC19/25)

**Moved:** L Scanlan  
**Seconded:** P Dowling

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

**Carried unanimously.**

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**5.3.6 2019 - 2020 INTERNAL AUDIT WORK PLAN**

**File No:** Council meetings  
**Author:** Principal Internal Auditor  
Office of the CEO

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The proposed 2019 – 2020 Internal Audit Work Plan is presented to the Audit Committee and is subject to final endorsement by Council.

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

**Committee Recommendation** (AC19/26)

**Moved:** L Scanlan  
**Seconded:** P Dowling

*That the Audit Committee:*

- (a) *receive and note the report titled “2019 - 2020 Internal Audit Work Plan” and*
- (b) *recommend to Council that the 2019 – 2020 Internal Audit Work Plan be endorsed.*

**Carried unanimously.**

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### 5.3.7 AUDIT COMMITTEE CHARTER

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

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Councillor appointments to the Audit Committee is a function of the post-election process with those appointments being for the full council term, unless otherwise determined by Council.

The concept of Independent Audit Committee member rotation is an important vehicle for strengthening the independence of the Audit Committee. However, there is no formal policy regarding the tenure of Independent Members.

Benchmarking suggests that a maximum of two consecutive terms is generally accepted as the optimum tenure i.e. 8 years for a Local Government Audit Committee.

Accordingly, it is proposed to amend the Audit Committee Charter to improve transparency around the appointment process and tenure, whilst providing flexibility to reappointment independent members based on performance and where it benefits Council.

The amended Charter will guide future advertising and selection processes with appointments being for a maximum of two consecutive council terms i.e. 8 years, unless otherwise determined by Council. Independent Audit Committee rotation is to commence and align with the 2020 Local Government Elections such that the new Council will appoint Audit Committee representatives.

#### **Committee Recommendation** (AC19/27)

**Moved:** L Scanlan  
**Seconded:** P Dowling

*That the Audit Committee:*

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

**Carried unanimously.**

## 5.4 GOVERNANCE REPORTING

### 5.4.1 WORK HEALTH AND SAFETY REPORT

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

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The Queensland Government requires workers compensation self-insurers to satisfy a range of WH&S obligations as a condition of the renewal of their self-insurance license.

For the license renewal in 2019, the Office of Industrial Relations (OIR) selected 6 LGW members to be audited including Sunshine Coast Council. This external audit was conducted 28-30 January 2019 and is the first time Sunshine Coast Council has been audited by OIR for the purposes of supporting the LGW scheme in the workers compensation self-insurance license renewal.

Mr Adam Stevenson from Jardine Lloyd Thompson presented an update to the Health and Safety Steering Committee on 3 April 2019. By way of background, Mr Stevenson explained that in 2018 their results fell below the benchmark requirement for the scheme of 70% and were issued provisional one year licence and qualified as high risk scheme due to this result.

Although the final 2019 report is pending, Mr Stevenson advised the result for the overall group of 6 Councils was 74.8% with Sunshine Coast Council the top scorer of 82.29%.

During the reporting period there were six (6) incidents which required Council to notify Workplace Health and Safety Queensland (WHSQ). Five of these involved contractors to Council and one involved a Council worker. Only one of these incidents resulted in injury to persons, with a contractor sustaining a crush injury to his thumb.

#### **Committee Recommendation** (AC19/28)

**Moved:** L Scanlan  
**Seconded:** P Dowling

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

**Carried unanimously.**

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## 5.4.2 GOVERNANCE AND RISK REPORT

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

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Council continues to grow and mature in its approach to risk management. Reviews of strategic (enterprise level) and operational (branch level) risks have been recently undertaken with a more rigorous focus on documented evidence or risk mitigation treatments and plans.

The Governance in Action program has been active with specific targeted training and awareness sessions with both internal staff and external members on Council's Arts Advisory Board. The program continues to raise awareness in governance areas to ensure that Council continues to achieve the Corporate Plan goal of being 'an outstanding organisation' as well as ensuring community confidence in Council activities. The Corporate Governance Branch is committed to assist the building of a strong positive culture towards compliance across the organisation through the investment of ongoing governance training for staff.

Risk management is also an important aspect with Strategic and Operational Risks continuing to be monitored and managed. This report provides information on the current 266 risks rated from 'low to extreme'.

As part of our Integrity Management Program, complaint matters elevated to the Corporate Governance Branch continue to be actioned within set time frames. 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.

This reporting period also sees the introduction of the *FairCall* whistleblowers hotline as part of Council's integrity management framework.

### **Committee Recommendation** (AC19/29)

**Moved:** L Scanlan  
**Seconded:** P Dowling

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

**Carried unanimously.**

**6 GENERAL BUSINESS**

**7 NEXT MEETING**

The next Ordinary Meeting will be held on 9 September 2019 in the Council Chambers, 1 Omrah Avenue, Caloundra.

**8 MEETING CLOSURE**

The meeting closed at 11:08am.

Confirmed 9 September 2019.

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CHAIR

  
  

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