

# Minutes

## Audit Committee

Monday, 12 May 2014

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

12 MAY 2014

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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 9.02 am.

**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**

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

**ATTENDEES**

Councillor E Hungerford	Division 7
Director Local Government	Queensland Audit Office
Audit Senior	Queensland Audit Office

**COUNCIL OFFICERS**

Manager Finance  
Manager Human Resources  
Manager Audit and Assurance

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**3 RECEIPT AND CONFIRMATION OF MINUTES**

Committee Recommendation

*That the Minutes of the Audit Committee held on 3 February 2014 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: ECM  
Author: Chief Executive Officer  
Office of the Mayor and Chief Executive Officer

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**AUDIT COMMITTEE DISCUSSION POINTS**

- Corporate Plan
- Sunshine Coast Planning Scheme
- Corporate Image Project
- Maroochydore City Centre Priority Development Project
- 2014 – 2015 Budget

**Committee Recommendation** (AC14/13)

*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 - SCRC CLIENT STRATEGY**

File No: Financial Management/ External Audit  
Author: Acting Financial Accounting Coordinator  
Corporate Services Department  
Attachments: Att 1 - Briefing Paper  
Att 2 - 2014 SCRC Draft Client Strategy

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**EXECUTIVE SUMMARY**

The Queensland Audit Office will be conducting the financial audit of the Sunshine Coast Council and its controlled entities for the year ended 30 June 2014.

The purpose of the Queensland Audit Office Strategy is to communicate the audit approach and estimated timing of key deliverables to the Audit Committee.

**AUDIT COMMITTEE DISCUSSION POINTS**

- Audit risks identified include finalisation of de-amalgamation and new accounting standards requirement for fair value measurement of assets and liabilities
- The size of future audit fees to be reviewed due to de-amalgamation

Committee Recommendation (AC14/14)

*That the Audit Committee receive and note the report titled "Queensland Audit Office - SCRC Client Strategy".*

Carried unanimously.

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**5.2.2 ANNUAL FINANCIAL STATEMENT RISK ASSESSMENT**

**File No:** Audit  
**Author:** Acting Financial Accounting Coordinator  
Corporate Services Department  
**Attachments:** Att 1 - Asset Revaluation Summary 2013/14

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**EXECUTIVE SUMMARY**

Council has a statutory obligation to prepare "General Purpose" Financial Statements on an annual basis.

There are a number of challenges this year, including the finalisation of Noosa de-amalgamation and new requirements for fair value measurement of assets and liabilities.

Where possible the impacts of these have been assessed and included in the planning for end of year.

These issues are in various stages of planning, with their full impact still being scoped, however current operational strengths include the continuity of key personnel in the Finance Branch, and solid financial systems in place.

**AUDIT COMMITTEE DISCUSSION POINTS**

- Council's risk assessment has not identified any significant risks to the annual financial statement preparation process

**Committee Recommendation** (AC14/15)

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

Carried unanimously.

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**5.3 GOVERNANCE REPORTING**

**5.3.1 WORK HEALTH AND SAFETY REPORT**

File No: ECM 12 May 2014  
Author: Manager Human Resources  
Corporate Services Department

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**EXECUTIVE SUMMARY**

The Work Health and Safety team have remained focused on staff health and wellbeing in the 2<sup>nd</sup> and 3<sup>rd</sup> quarters of the 2013/2014 financial year. The level of incidents has continued to show a steady decrease over the period and it is pleasing to note that there have been very few injuries and accidents.

There has unfortunately been one reportable incident to Work Health and Safety Queensland during this quarter whereby a Project Officer received a fracture to his L-3 vertebra as a result of a boating incident whilst working.

A Flu Prevention program was rolled out during the months of March and April to try to minimise the total number of days absent due to illness and also reduce the potentially harmful impacts that influenza may have on individual's health. A total of 432 employees participated in this year's vaccination program.

An Internal Audit of Work Health and Safety related training was initiated as an action item from the Corporate Health and Safety Steering Committee that was held on 4 December 2013. The audit was conducted by Internal Audit in April 2014 from which a number of recommendations have been made to improve the management and coordination of the training function. A rectification action plan is being developed and it is expected that all corrective actions will be implemented by September 2014.

The Work Health and Safety Team have developed an online Health and Safety Induction to enhance council's ability to provide adequate training and instruction to all council employees, councillors, contractors, trainees, work experience students, volunteers and labour hire staff on health and safety related matters. The Online Induction module was presented at the Corporate Health and Safety Steering Group meeting that was held on 19 March 2014. The Steering Group endorsed the module and recommended that it be completed by all relevant parties on a biannual basis. It is proposed the new induction module will be rolled out during May 2014.

The Work Health and Safety team in conjunction with ICTS have been investigating a Work Health and Safety and Risk Management software solution to further advance safety performance through improved reporting and risk management strategies. *Cintellate* by SAI Global has been identified as the preferred product and contract negotiations have commenced with regard to procuring the system. It is expected that implementation of the system will commence in May 2014.

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**AUDIT COMMITTEE DISCUSSION POINTS**

- Corporate Training including WH&S legislative requirements
- On-line training modules have been developed to assist in training needs

**Committee Recommendation** (AC14/16)

*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 MAY 2014**

File No: 37.2.1  
Author: Manager Corporate Governance  
Corporate Services Department  
Attachments: Att 1 - Corporate Risk Register  
Att 2 - Risk Matrix Summary  
Att 3 - Analysis of Risk  
Att 4 - BCP Review Project Update

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**EXECUTIVE SUMMARY**

A review of council's strategic and operational risk register as at 30 March confirmed:

- there are 141 risks identified and included in the register
- every risk in the register has mitigation actions and treatments in place
- there is one extreme risk in the register relating to the Caloundra South Development.

Council's Business Continuity Plan (BCP) Development project continued this quarter. The Business Continuity Plan's are a subset of council's Enterprise Risk Management Framework. GHD consultants worked closely with council staff to develop eight key BCP's in 2013. The plans are now ready for testing, and the first round of testing occurred on selected BCP's on 1 April 2014.

Elevated complaints continue to be managed within timeframes and a total of 29 complaints have been received so far in 2013/2014.

**AUDIT COMMITTEE DISCUSSION POINTS**

- Auditor-General's Discussion Paper – Risk and Innovation in the Public Sector
- Potential to explore the organisation's risk appetite and reporting of risk appetite in the Corporate Risk Register to provide greater context
- Council continues to explore innovative opportunities whilst managing risks e.g. solar farm, expansion of Sunshine Coast Airport and outsourcing of services

**Committee Recommendation** (AC14/17)

*That the Audit Committee receive and note the report titled "Governance and Risk Report May 2014".*

Carried unanimously.

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**5.4 INTERNAL AUDIT**

**5.4.1 CONTRACT MANAGEMENT FRAMEWORK - BEST PRACTICE REVIEW**

File No: ECM1  
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	<b>Critical</b>	Significant	Low
Recommendations by Risk Ratings Risk Management Standard ISO 31000	Extreme 0	High 0	Medium/Low 3M
Audit Opinion	<b>Strong</b>	Moderate	Weak

**Key Issues Identified**

High level of consistency with best practice with some minor opportunities to:

- finalise draft contract management procedures
- improve tender evaluation panel audit trails and
- update CGC Charter and delegations.

**Comments by Director Corporate Services**

The 'strong' audit opinion for the Best Practice Review is a very good result. The three recommendations in the report will further enhance our contract management framework and are supported.

**Committee Recommendation** (AC14/18)

*That the Audit Committee receive and note the report titled "Contract Management Framework - Best Practice Review".*

Carried unanimously.

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5.4.2 PURCHASE CARDS

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 0	Medium/Low 2M/2L
Audit Opinion	Strong	Moderate	Weak

Key Issues Identified

- Ensure all accountable officers are notified to undertake the monthly independent review of purchase card transactions and establish a corporate guidance in regard to retained evidence that demonstrates monthly independent reviews are completed and
- Establish periodic sample reviews based on materiality that confirm tax invoices are retained and FBT Forms are completed. Consider the control and efficiency benefits of cardholders scanning purchase card tax invoices greater than \$82.50.

Comments by Director Corporate Services

The use of purchase cards provides an efficient option for our minor purchases. The 'strong' audit opinion is a pleasing result considering the widespread use of the cards across Council. The improvement recommendations are supported.

Committee Recommendation (AC14/19)

*That the Audit Committee receive and note the report titled "Purchase Cards".*

Carried unanimously.

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**5.4.3 CORPORATE PAYROLL**

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 0	Medium/Low 1M/3L
Audit Opinion	Strong	Moderate	Weak

**Key Issues Identified**

The control environment governing corporate payroll is soundly based and well managed. However, there is scope for Council to reinforce initiatives to reduce employees' excess annual leave balances. While there has been some progress since the last review in 2010/11, there remain a significant number of employees with excess leave balances.

**Comments by Director Corporate Services**

The 'strong' audit finding on the control environment governing our payroll systems and processes is an excellent result. All recommendations are supported.

The improvement in overdue leave balances considering the very difficult times of de-amalgamation and the organisational review is a good outcome.

More work is now required to bring overdue balances down to acceptable levels.

**Committee Recommendation** (AC14/20)

*That the Audit Committee receive and note the report titled "Corporate Payroll".*

Carried unanimously.

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**5.4.4 ROAD RESEAL PROGRAM AND CAPITALISATION PROCESSES**

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	<b>Critical</b>	Significant	Low
Recommendations by Risk Ratings Risk Management Standard ISO 31000	Extreme 0	High 0	Medium/Low 3M
Audit Opinion	<b>Strong</b>	Moderate	Weak

**Key Issues Identified**

Sound management practices evident including detailed monitoring of reseal job costs and job forecasting by Civil Works Contract Officers. The asset capitalisation control process is effectively managed by the Asset Accounting team.

The following improvement opportunities exist:

- Align the financial data and engineering data to reflect actual asset replacement strategies to provide accurate information and consistent understanding of the current service levels to inform future budgets
- Confirm service levels and update the Transport Asset Management Plan
- Implement a procurement framework that defines when council's quarry product must be used and the circumstances when purchases from external suppliers external are acceptable

**Comments by Director Infrastructure Services**

The audit findings are fully supported. It is also pleasing to see a strong audit outcome in this area, as it the suite of tasks involved comprise a complex set of activities, and it is also of critical importance that we have strong financial and project management controls in place with such a large budget to manage, and that we ensure that our asset registers are accurate and up to date.



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**Comments by Director Corporate Services**

The audit findings and comments from the Manager Finance on the alignment of the condition of road surfaces and the remaining useful lives of the assets are strongly supported.

A review of the Quarry Operations is nearing completion and this will provide clarity in addressing recommendation 3 of the audit.

**Committee Recommendation (AC14/21)**

*That the Audit Committee receive and note the report titled "Road Reseal Program and Capitalisation Processes".*

Carried unanimously.

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**5.4.5 PUBLIC TRANSPORT LEVY**

File No: ECM1  
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 3M / 1L
Audit Opinion	Strong	Moderate	Weak

**Key Issues Identified**

Some scope to improve overall governance and transparency by;

- Refining spending guidelines
- Validating expenditure items and
- Improve communication and formalize agreements for all confirmed projects across both departments.

**Comments by Director Regional Strategy and Planning**

This audit report has identified strong performance which will be further enhanced with the allocation of financial oversight of Levy expenditure management, to one Branch of Council.

This audit and recommendations are fully supported.

**Comments by Director Infrastructure Services**

The audit findings and recommendations are fully accepted. A review of the capital works prioritization process is proposed post the current year's budget that will seek to address the issues of priority identification and reconciliation with current approved projects and strategies.

**Committee Recommendation** (AC14/22)

*That the Audit Committee receive and note the report titled "Public Transport Levy".*

Carried unanimously.

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5.4.6 CORPORATE TRAINING

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 2	Medium/Low 2
Audit Opinion	Strong	Moderate	Weak

Key Issues Identified

Limited assurance that the organisation is meeting its safety training obligations in an efficient and effective manner and specifically:

- Scope to demonstrate all safety training needs have been identified and delivered
- Scope to address opportunities around efficiency and effectiveness of delivery model and
- Opportunity to improve reporting lines and accountabilities.

Comments by Director Corporate Services

The 'moderate' audit opinion and the findings and recommendations in this report highlight the need for improvement in our training program, especially some components of our Workplace Health and Safety training. All recommendations are supported and will be actioned.

Committee Recommendation (AC14/23)

*That the Audit Committee receive and note the report titled "Corporate Training".*

Carried unanimously.

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**5.4.7 AUDIT AND ASSURANCE STATUS REPORT**

File No: ECM  
Author: Manager Audit and Assurance  
Office of the Mayor and Chief Executive Officer  
Attachments: Att 1 - Detailed Outstanding Management Actions

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**EXECUTIVE SUMMARY**

The report provides the Audit Committee with an update on the 2013/2014 Audit Plan and Outstanding Audit Risks being addressed by Management.

Committee Recommendation (AC14/24)

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

Carried unanimously.

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**5.4.8 2014 - 2015 INTERNAL AUDIT PLAN**

**File No:** ECM  
**Author:** Manager Audit and Assurance  
Office of the Mayor and Chief Executive Officer  
**Attachments:** Att 1 - 2014 - 2015 Audit Plan Methodology

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**EXECUTIVE SUMMARY**

The proposed 2014 – 2015 Internal Audit Plan is presented to the Audit Committee and is subject to final adoption by Council.

The audit plan development methodology ensures that audit resources are effectively utilised and that appropriate coverage of critical, significant and low impact systems is achieved i.e. critical systems are expected to have elements reviewed frequently whilst significant and low impact systems will be reviewed on periodic cycles.

**Committee Recommendation** (AC14/25)

*That the Audit Committee receive and note the report titled "2014 - 2015 Internal Audit Plan".*

Carried unanimously.

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**6 GENERAL BUSINESS**

Nil.

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**Committee Recommendation** (AC14/26)

Moved: L Scanlan  
Seconded: Councillor C Dickson

*That the Audit Committee:*

- (a) *adopt the recommendations of the Audit Committee Meeting of 12 May 2014 and submit the recommendations to Council and*
- (b) *note that there are no specific improvement recommendations for council to action.*

**Carried unanimously.**

**7 NEXT MEETING**

The next Audit Committee Meeting will be held on 8 September 2014 in the Council Chambers, Corner Currie and Bury Streets, Nambour.

**8 MEETING CLOSURE**

The meeting closed at 10.19 am.

Confirmed 8 September 2014.

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CHAIR

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