



# Minutes

## Audit Committee

Monday, 4 May 2015

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

4 MAY 2015

**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	OBLIGATIONS OF MEMBERS .....	6
4.1	DECLARATION OF MATERIAL PERSONAL INTEREST ON ANY ITEM OF BUSINESS .....	6
4.2	DECLARATION OF CONFLICT OF INTEREST ON ANY ITEM OF BUSINESS .....	6
5	REPORTS .....	7
5.1	CHIEF EXECUTIVE OFFICER'S UPDATE.....	7
5.1.1	UPDATE - CHIEF EXECUTIVE OFFICER .....	7
5.2	EXTERNAL AUDIT.....	8
5.2.1	QAO INDEPENDENT AUDIT REPORT - SOLAR FARM PROJECT .....	8
5.2.2	ANNUAL FINANCIAL STATEMENT RISK AND PLANNING ASSESSMENT .....	9
5.3	GOVERNANCE REPORTING .....	10
5.3.1	WORK HEALTH AND SAFETY REPORT .....	10
5.3.2	GOVERNANCE AND RISK REPORT MAY 2015.....	12
5.3.3	INFORMATION COMMUNICATION TECHNOLOGY SERVICES GOVERNANCE ASSESSMENT AND FUTURE DIRECTION .....	13
5.4	INTERNAL AUDIT .....	15
5.4.1	COMMUNITY GRANTS .....	15
5.4.2	PLAYGROUND SAFETY MANAGEMENT SYSTEM .....	16
5.4.3	PURCHASING - PROPERTY MANAGEMENT .....	17
5.4.4	AUDIT AND ASSURANCE STATUS UPDATE .....	18
5.4.5	2015 - 2016 INTERNAL AUDIT PLAN.....	19

AUDIT COMMITTEE MINUTES		4 MAY 2015
6	GENERAL BUSINESS .....	20
7	NEXT MEETING .....	20
8	MEETING CLOSURE .....	20

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

**AUDIT COMMITTEE MINUTES**

**4 MAY 2015**

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**1 DECLARATION OF OPENING**

The Chair declared the meeting open at 9:01am.

**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**

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

**APOLOGIES**

Director Regional Strategy and Planning  
Director Community Services

**ATTENDEES**

Director Audit	Queensland Audit Office
Audit Manager	Queensland Audit Office

**COUNCIL OFFICERS**

Manager Audit and Assurance  
Coordinator Financial Accounting  
Coordinator Corporate Plan Report and Risk  
Chief Information Officer

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AUDIT COMMITTEE MINUTES

4 MAY 2015

**3 RECEIPT AND CONFIRMATION OF MINUTES**

Committee Recommendation

Moved: P Dowling

Seconded: L Scanlan

*That the Minutes of the Audit Committee held on 9 February 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.

Mr L Scanlan declared that his appointment as Probity Advisor to the State Government's Queens Wharf Redevelopment and Integrated Resort Developments has been completed.

**AUDIT COMMITTEE MINUTES**

**4 MAY 2015**

---

**5 REPORTS**

**5.1 CHIEF EXECUTIVE OFFICER'S UPDATE**

**5.1.1 UPDATE - CHIEF EXECUTIVE OFFICER**

**File No:** ECM  
**Author:** John Knaggs, Chief Executive Officer  
Office of the Mayor and Chief Executive Officer

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**AUDIT COMMITTEE DISCUSSION POINTS**

- Financial sustainability
- Organisational climate
- Workplace health and safety
- ICTS governance and future direction
- Assets and stewardship
- Major projects commitments
- Queensland Audit Office
- Operation of Audit Committee
- Audit Committee External Members

**AUDIT COMMITTEE DISCUSSION POINTS**

The Audit Committee Chair thanked John Knaggs for his assistance over the years and noted that he leaves the organisation well positioned.

**Committee Recommendation** (AC15/15)

*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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AUDIT COMMITTEE MINUTES

4 MAY 2015

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5.2 EXTERNAL AUDIT

5.2.1 QAO INDEPENDENT AUDIT REPORT - SOLAR FARM PROJECT

File No: Financial Management - Audit  
Author: Coordinator Financial Accounting  
Corporate Services Department  
Attachments: Att 1 - QAO Independent Auditors Report - Solar Farm Project

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**EXECUTIVE SUMMARY**

The independent report is provided under Section 54 of the *Auditor-General Act 2009*, presenting a summary of the results of the audit conducted over certain aspects of Council's proposed project to develop and operate a solar farm at Valdora.

The audit was commissioned following the receipt of correspondence from various sources to the Auditor-General, and was considered to be in the public interest to undertake an independent investigation.

The results from the audit were satisfactory with no significant audit findings that would need to be brought to Council's attention.

**AUDIT COMMITTEE DISCUSSION POINTS**

- Noted that the audit report had been presented to Council and the public were informed via media releases

**Committee Recommendation** (AC15/16)

*That the Audit Committee receive and note the report titled "QAO Independent Audit Report - Solar Farm Project".*

Carried unanimously.

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AUDIT COMMITTEE MINUTES

4 MAY 2015

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5.2.2 ANNUAL FINANCIAL STATEMENT RISK AND PLANNING ASSESSMENT

**File No:** Financial Management - Audit  
**Author:** Coordinator Financial Accounting  
Corporate Services Department  
**Attachments:** Att 1 - Shell Financial Report Statements  
Att 2 - Asset Revaluation Summary and Progress Status  
Att 3 - Audit Committee Briefing Paper (*Under Separate Cover*)

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**EXECUTIVE SUMMARY**

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.

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

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

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

**AUDIT COMMITTEE DISCUSSION POINTS**

- Australian Accounting Standards Board issued their guidance on asset residual values and the Queensland Audit Office had requested all Council's to do a position paper to determine impacts on 2014/15 Financial Statements
- Expectation that Financial Statements will be certified by the Queensland Audit Office within agreed timeframe of 16 October 2015
- Caloundra South contingent liability is dependent on the timing of an agreement signoff and accordingly, the associated note as presented in the Shell Financial Statements may need to be amended
- The Queensland Audit Office indicated that Financial Statements relating to SunCentral Maroochydore Pty Ltd could be produced as at the 30 June 2015 or for the 18 month period ending 30 June 2016
- The Annual Financial Statement Risk and Planning Assessment determined there are no material risks to Financial Statement certification.

**Committee Recommendation** (AC15/17)

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

Carried unanimously.

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**AUDIT COMMITTEE MINUTES**

**4 MAY 2015**

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**5.3 GOVERNANCE REPORTING**

**5.3.1 WORK HEALTH AND SAFETY REPORT**

**File No:** Work Health and Safety Report May 2015  
**Author:** Manager Human Resources  
Corporate Services Department

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**EXECUTIVE SUMMARY**

An all user email message sent in early January referring to completion of the on-line Safety Induction saw 350 employees renew or complete the on-line training. This was followed by the very successful audit from Local Government WorkCare which is detailed in this report.

Reportable work health and safety incidents have been limited in this reporting period and return to work progress for injured employees has been positive with the assistance of managers and supervisors.

**Work Health and Safety Audit**

Jardine Lloyd Thompson (JLT) who manages the Queensland local government WorkCare Scheme completed their audit in January 2015. Sunshine Coast Council was awarded the highest ever rating received by a Queensland Council in this particular audit scoring 91.1%.

A presentation was made to Council's Ordinary Meeting in March 2015. The Work Health and Safety team and all those who participated in the survey and assessment are to be congratulated. This is a major achievement and it demonstrates the focus on safety in all aspects of the work performed in Council.

**Work Health and Safety Management Plan 2015**

The WH&S Steering Group endorsed the annual Safety management plan for 2015 at its February meeting. The report was discussed further at the Executive Leadership Team. ELT received and noted the Work Health and Safety Action Plan for 2015 at its 11 March 2015 meeting. The strategies that are outlined for 2015 are underway at they will continue to focus on employee safety and wellbeing, tool box talks, Work Health and Safety training, safety and machinery competency and first aid.

The Executive Leadership Team also committed to a focus on mental health and wellbeing in the workplace for 2015. A recent conference presentation at the SCC Leaders Forum by a leading expert Dr John Mendoza highlighted the support that employees can require from colleagues and management in handling anxiety, depression, psychological illness, relationship matters and other issues.

The FRESH program and the Employee Assistance Program offer preventative measures and ongoing support to employees who face challenging mental health issues. The HR Branch will provide ELT with a plan for managing mental health which will include raising awareness, reducing stigma, providing support and identifying the symptoms.

**Work Health and Safety Statistics**

Details of days lost to injury, and the frequency rate of these injuries Lost Time Injury (LTI) are provided in the following tables. The information refers to the months of January and February 2015 due to the timing of the report for the Audit Committee.

**AUDIT COMMITTEE DISCUSSION POINTS**

- Noted the excellent result associated with the Jardine Lloyd Thompson (JLT) Work Health and Safety audit in January 2015

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**Sunshine Coast Regional Council**

**AC Minutes Page 10 of 20**

*This is not an official copy of Council's Minutes*

**AUDIT COMMITTEE MINUTES**

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**4 MAY 2015**

**Committee Recommendation** (AC15/18)

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

**Carried unanimously.**

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AUDIT COMMITTEE MINUTES

4 MAY 2015

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5.3.2 GOVERNANCE AND RISK REPORT MAY 2015

**File No:** 37.2.1  
**Author:** Manager Corporate Governance  
Corporate Services Department  
**Attachments:** Att 1 - Strategic Risks  
Att 2 - Summary Information of Strategic and Operational Risks

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**EXECUTIVE SUMMARY**

Following the success of the 2014/2015 Risk Awareness Project, policies, guidelines and factsheets are being updated as part of the final phase of the project.

214 risks were identified and are recorded in the corporate risk register. Commentary on the status of risks is being captured as part of Quarter 3 performance reporting.

The organisational governance awareness building program has trained approximately 500 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*.

Elevated complaints continue to be managed within timeframes. During the first half of the 2014/2015 financial year a total of 50 complaints were received.

**AUDIT COMMITTEE DISCUSSION POINTS**

- Risk Awareness Project presentation by the Co-ordinator Corporate Plan Report and Risk was noted.

**Committee Recommendation** (AC15/19)

*That the Audit Committee receive and note the report titled "Governance and Risk Report May 2015".*

**Carried unanimously.**

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**AUDIT COMMITTEE MINUTES**

**4 MAY 2015**

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**5.3.3 INFORMATION COMMUNICATION TECHNOLOGY SERVICES  
GOVERNANCE ASSESSMENT AND FUTURE DIRECTION**

**File No:** Statutory Meeting  
**Author:** Chief Information Officer  
Corporate Services Department  
**Attachments:** Att 1 - ICT Strategic Review Recommendations Summary  
Att 2 - Summarised ICTS Internal Audit Framework  
Att 3 - ICTS Corporate Risk Review  
Att 4 - Current ICTS Action Supporting ICT Strategic Review  
Recommendations

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**EXECUTIVE SUMMARY**

The Director Corporate Services commissioned an independent review of information communication technology service and resourcing requirements for the Sunshine Coast Council to support its business objectives. The focus of the review was to identify the gaps in the current operational model of Information Communications Technology (ICT) in SCC, and the strategic plans, with SCC, business, and community expectations. The work was undertaken by Intelligent Business Research Services (IBRS) with Professor Peter Grant being the lead consultant.

IBRS reviewed current operations, undertook a variety of interviews with Executive Leadership Team members, key business managers, selected Information Communication Technology Services (ICTS) branch staff, as well as engaging industry colleagues to assist in understanding industry trends.

As part of the review IBRS undertook an assessment of the current ICT operations using the internationally recognised Control Objectives for Information and Related Technology tool (COBIT). The COBIT tool identifies the core requirements for ICT business/business areas to operate effectively which are organised under five overarching domains; Governance, Management, Acquire and Implement, Delivery and Support, and Monitor and Evaluate. ICTS have also been assessing the operations utilising this tool, and working with Internal Audit in the implementation of this tool as a part of an ongoing self-managed audit review.

In summary the report found that provision of IT to councils, particularly organisations like SCC, is challenging due to the complex nature of the business, and the diverse number of services. In addition, Sunshine Coast Council faces all the similar financial and legislative restraints that many government organisations now have to manage. Externally, the report noted major changes occurring in business service delivery and the IT industry, due to the 'Digital Revolution' as a result of rapid digitisation of almost all aspects of business.

The report, and internal COBIT assessment, has found that the current Information Technology operations is generally delivering well in terms of meeting the business objectives. IBRS has rated Sunshine Coast Council as more than adequately addressing four of the five COBIT categories they assessed ('Governance', 'Manage', 'Acquire and Implement', and 'Delivery and Support'). It was also noted that there was reasonable alignment with the fifth domain 'Monitor and Evaluate'. The internal assessment utilising COBIT supported this finding, and ICTS will be utilising this tool as part of our self-managed audit process to monitor progress.

Thirty recommendations have been made by IBRS and accepted by the Executive Leadership Team and the Organisation Review Panel. These recommendations are

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**AUDIT COMMITTEE MINUTES**

**4 MAY 2015**

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discussed in more detail further in this report, however generally they relate to better preparing the council for the future challenges principally due to industry change and rapid technological advancement, e.g. Social Media, Mobility, Analytics/Big Data, Consumerisation, Cloud Computing, and the Internet of Everything.

The IBRS recommendations address:

- the migration of certain functions to ICT-as-a-Service
- dealing with diverse business models (legacy and as-a-service)
- funding of new initiatives
- responsibility for ICT operations
- alternative approaches to governance
- a target ICT business model and
- future skill sets for ICT staff.

The following principles are key to the recommendations on ICT as a service:

- Start small and start early;
- Aim to deliver commodity services through Software-as-a-Service architectures; and,
- Accept that an interim stage will mean two different ICT paradigms are in play in Council at the same time – and this may remain the case for several years.

**AUDIT COMMITTEE DISCUSSION POINTS**

- Information Communications Technology Strategic Review presentation by the Chief Information Officer was noted.

**Committee Recommendation** (AC15/20)

*That the Audit Committee receive and note the report titled “**Information Communication Technology Services Governance Assessment and Future Direction**”.*

**Carried unanimously.**

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AUDIT COMMITTEE MINUTES

4 MAY 2015

5.4 INTERNAL AUDIT

5.4.1 COMMUNITY GRANTS

File No: Statutory Meetings  
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 (0 Rejected Recommendations)	Extreme 0	High 0	Medium/Low 1M
Audit Opinion	<b>Strong</b>	Moderate	Weak

Key Issues Identified

A strong governance framework was identified with one minor improvement opportunity to better demonstrate that lower priority is given to applicants who have been funded within the previous 12 months across any other relevant programs or sub programs.

AUDIT COMMITTEE DISCUSSION POINTS

- The implementation of Community Grants across Local Government has inherent difficulties and the result of this audit is a good outcome for Council
- Noted that the review used the Queensland Audit Office checklist.

Committee Recommendation (AC15/21)

*That the Audit Committee receive and note the report titled "**Community Grants**".*

**Carried unanimously.**

AUDIT COMMITTEE MINUTES

4 MAY 2015

5.4.2 PLAYGROUND SAFETY MANAGEMENT SYSTEM

File No: Statutory Meetings  
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 (0 Rejected Recommendations)	Extreme 0	High 0	Medium/Low 2M / 1L
Audit Opinion	<b>Strong</b>	Moderate	Weak

Key Issues Identified

Playground safety management system was found to be largely consistent with Australian Standards with some scope to improve records and better demonstrate compliance around.

- Inspection frequencies and checklists and
- Formalising response times and aligning urgent work to risks.

AUDIT COMMITTEE DISCUSSION POINTS

- Result of audit was noted.

Committee Recommendation (AC15/22)

*That the Audit Committee receive and note the report titled "Playground Safety Management System".*

Carried unanimously.



AUDIT COMMITTEE MINUTES

4 MAY 2015

5.4.3 PURCHASING - PROPERTY MANAGEMENT

File No: Statutory Meetings  
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 (0 Rejected Recommendations)	Extreme 0	High 0	Medium/Low 2M / 3L
Audit Opinion	<b>Strong</b>	Moderate	Weak

Key Issues Identified

Processes were determined to be operating efficiently and effectively and substantially compliant with Legislation and Corporate Policies. Improvement opportunities relate to;

- compliance with contracting principles viz; value for money and open and effective competition including the tendering of some services
- financial delegates ensuring that appropriate supporting documentation is attached to the purchase requisitions/order and evidenced prior to approval
- invoice payment timeframes be monitored to ensure late payments are minimised
- the use of purchase cards for transactions of less than \$1,000 where practicable.

AUDIT COMMITTEE DISCUSSION POINTS

- Result of audit was noted.

Committee Recommendation (AC15/23)

*That the Audit Committee receive and note the report titled "**Purchasing - Property Management**".*

Carried unanimously.

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AUDIT COMMITTEE MINUTES

4 MAY 2015

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5.4.4 AUDIT AND ASSURANCE STATUS UPDATE

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

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**EXECUTIVE SUMMARY**

The report provides the Audit Committee with an update on the 2014 - 2015 Audit Plan and the status reporting of Outstanding Audit Risk Recommendations. As at May 2015, the Audit Plan is being completed on schedule and audit recommendations have been effectively managed.

**AUDIT COMMITTEE DISCUSSION POINTS**

- Director Infrastructure Services confirmed that recommendations associated with the Natural Disaster Relief and Recovery Arrangements audit report were completed and that natural disaster procedures were tested and operated effectively during the recent cyclone Marcia event including the capture of necessary information to optimise Natural Disaster Relief and Recovery Arrangement claims.

**Committee Recommendation** (AC15/24)

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

**Carried unanimously.**

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**AUDIT COMMITTEE MINUTES**

**4 MAY 2015**

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**5.4.5 2015 - 2016 INTERNAL AUDIT PLAN**

**File No:** ECM  
**Author:** Manager Audit and Assurance  
Office of the Mayor and Chief Executive Officer  
**Attachments:** Att 1 - 2015 - 2016 Detailed Audit Plan Methodology

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**EXECUTIVE SUMMARY**

The proposed 2015 – 2016 Internal Audit Plan is presented to the Audit Committee and is subject to final adoption by Council.

The audit plan methodology ensures that audit resources are effectively utilised and that appropriate coverage 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 less frequently.

**AUDIT COMMITTEE DISCUSSION POINTS**

- Future opportunity to demonstrate high level alignment of corporate risks, the corporate strategic objectives and the proposed internal audit work plan.

**Committee Recommendation** (AC15/25)

*That the Audit Committee receive and note the report titled “2015 - 2016 Internal Audit Plan”.*

**Carried unanimously.**

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**AUDIT COMMITTEE MINUTES**

**4 MAY 2015**

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**6 GENERAL BUSINESS**

Nil.

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**Committee Recommendation** (AC15/26)

**Moved:** P Dowling

**Seconded:** L Scanlan

That the Audit Committee adopt the recommendations of the Audit Committee Meeting of 4 May 2015 and submit the recommendations to Council.

**Carried Unanimously.**

**7 NEXT MEETING**

The next Ordinary Meeting will be held on 7 September 2015 in the Council Chambers, Corner Currie and Bury Streets, Nambour.

**8 MEETING CLOSURE**

The meeting closed at 10:37am.

Confirmed 7 September 2015.

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CHAIR

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