

Minutes

Audit Committee

Monday, 10 September 2018

Council Chambers, 1 Omrah Avenue, Caloundra

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

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1 DECLARATION OF OPENING

The Chair declared the meeting open at 9:02am.

2 RECORD OF ATTENDANCE AND LEAVE OF ABSENCE**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

BOARD OF MANAGEMENT

Chief Executive Officer
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

APOLOGIES

Nil

ATTENDEES

Engagement Leader	Queensland Audit Office
Team Leader	Queensland Audit Office

COUNCIL OFFICERS

Manager Business Development
Head of Information Technology
Coordinator Information Management
Coordinator Financial Accounting
Manager Audit and Assurance
Head of People & Culture
Manager Corporate Governance

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.

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

AUDIT COMMITTEE DISCUSSION POINTS

- Brisbane Road Car Park
- Sunshine Coast Airport runway
- Sunshine Coast Solar Farm
- Pacific Paradise town centre
- Caloundra South community centre
- Draft Integrated Transport Strategy
- Street Tree Master Plan
- Land for Wildlife
- Maroochydore City Centre
- Local Government Infrastructure Plan
- Customer Service Statistics
- Capital Works Program
- Queensland Government's Maturing the Infrastructure Pipeline Program
- Sunshine Coast Exhibition and Convention Facility
- Local Government Management Challenge Queensland Champions

Committee Recommendation (AC18/29)

Moved: L Scanlan
Seconded: Councillor C Dickson

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

Carried unanimously.

5.1.2 STRATEGIC CONTRACTING PROCEDURES

File No: Statutory Meeting
Author: Manager Business Development
Business Performance Group

EXECUTIVE SUMMARY

The *Local Government Act 2009* (LGA) and the *Local Government Regulation 2012* (LGR) outline the frameworks through which Councils may conduct procurement of goods and services, and disposal of non-current assets.

The Local Government Regulation 2012 provides two frameworks through which Council may conduct procurement of goods and services and the disposal of surplus assets. The two frameworks are:

- Strategic Contracting Procedures (SCP)
- Default Contracting Procedures (DCP)

Council has previously relied upon the Default Contracting Procedures, but has recently adopted the Strategic Contracting Procedures. The Strategic Contracting Procedures allow Council to, under certain conditions, adopt, develop and implement its own procurement and contracting framework that takes a strategic approach to contracting. This approach allows Council to identify its potential opportunities, while managing the adverse risks, associated with contracting.

Councils Strategic Contracting Procedures consist of:

- Procurement Policy
- Contracting Manual
- Contracting Plan, which includes:
 - Local Preference in Procurement Guideline
 - Indigenous (Aboriginal & Torres Strait Islander) Guideline
 - Social Benefit Procurement Guideline
- Significant Contracting Plan/s for procurements with a high value (>\$5m), risk, and/or complexity

The new framework also applies to Disposal Contracts for plant and equipment and other non-current assets (except land). It cannot be applied to disposal of land, meaning land disposal is still conducted under the Default Contracting Procedures.

Council currently spends upwards of \$250 million per year in procuring goods and services. A strategic approach to procurement across such a significant spend will provide significant opportunities to obtain better contracting outcomes.

Council will continually consider its spending profile, and other relevant information, to inform strategies for better and more effective procurement. Interested Stakeholders will be engaged regarding this information in order to permit collaborative decision making on procurement and contracting strategies.

The new framework will give Council far greater latitude to develop its own strategies for procuring goods and services.

AUDIT COMMITTEE DISCUSSION POINTS

- Sole and specialised suppliers to be revisited
- In conjunction with Economic Development, building the local business expertise to address current and future opportunities
- Increased aggregation of contracts and associated competition impacts for local suppliers

Committee Recommendation (AC18/30)

Moved: L Scanlan
Seconded: Councillor C Dickson

*That the Audit Committee receive and note the report titled "**Strategic Contracting Procedures**".*

Carried unanimously.

5.1.3 DIGITAL INFORMATION SERVICES REVIEW

File No: Council Meetings
Author: Group Executive
Business Performance Group

EXECUTIVE SUMMARY

Following the organisation wide 'Next Steps' review of Council in 2017, a recommendation was made to undertake a deep dive review of Digital and Information Services (DIS). This review was undertaken by an external party, and the scope of the review included Strategic Alignment, Capabilities/Performance requirements and Service delivery. With knowledge of this review, an action from the January 2018 Audit Committee meeting was to provide an update on the agreed outcomes and implementation plan as a result of the review findings.

BDO Consulting were selected to undertake the DIS review, with the key business sponsor being the Group Executive Business Performance. The work by the consultants utilised their methodology, including key components of match fit analysis – strategic, structure and roles, delivery. It involved desktop analysis of relevant SCC documentation (over 60), and engagement of major stakeholders.

BDO Consulting handed down the report at the end of March 2018 which included 12 recommendations for improvement opportunities. The Group Executive Business Performance and the Acting CIO developed a draft implementation plan, with impact and risk analysis, for consideration by the Board of Management (BoM) and the Chief Executive Officer. A report was also provided to the Next Steps Steering Group, which includes the Chief Executive Officer, Mayor and Deputy Mayor, mid June 2018.

BDO completed benchmarking around the budget spend and FTE and this was found to be on par with other Queensland Councils. The transition strategy, which includes capability development and alignment was assessed and found to be consistent and appropriate for future requirements. It was recommended to continue with this process.

A project team was formed in June to progress each of the 12 recommendations:

Executive Program Sponsor: Group Executive Business Performance

Steering Committee: Group Executive Business Performance
Head of Information Technology
Coordinator Customer Service & IT Delivery
Team Leader DIS Governance

Initiative Owner: Head of Information Technology

Program Manager: Project Manager Cloud Transition

Implementation of recommendations began in June 2018 with the majority of items expected to be implemented by December 2018.

AUDIT COMMITTEE DISCUSSION POINTS

- Ensure Digital Information Services employees have the appropriate training and transition support to ensure staff have the skills for the future
- Engagement with Chief Strategy Officer (corporate plan/corporate strategy) will set the future technology directions
- Eddie Update (Records Management) provided by the Coordinator Information Management
 - Records may be stored in Share Point and EDDIE which is adding complexity to the implementation
 - The Business Classification System is established within EDDIE with the objective to providing consistency of data storing and recovery
 - Proposed follow up audit requested in two years

Committee Recommendation (AC18/31)

Moved: L Scanlan
Seconded: Councillor C Dickson

*That the Audit Committee receive and note the report titled “**Digital Information Services Review**”.*

Carried unanimously.

5.2 EXTERNAL AUDIT

5.2.1 DRAFT 2017/18 FINANCIAL STATEMENTS

File No: Financial Management
Author: Coordinator Financial Accounting
Business Performance Group

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 line with Council's policy to provide the Audit Committee with regular updates on key issues, the following is provided:-

1. **Queensland Audit Office (QAO) Briefing Note (Attachment 1)** – provides an update on key audit matters.
2. **Draft financial statements 2017/18 (Attachment 2).**

The attached general purpose financial statements for 2017/18 have been prepared for review by the Audit Committee prior to their lodgment with the Auditor-General – Queensland Audit Office (QAO).

These statements contain an estimate for the dividends and share of profit of Council's investment in Unitywater, as the audited result for Unitywater was outstanding at the time of preparation of these accounts. Final adjustments will be made once the audited figures are available.

In addition, some prior year balances have been restated, mainly resulting from the timing of recognition of some assets. Further details are in Note 36 of the financial statements.

3. **Update on 2017/18 Non-Current Asset Revaluation (Attachment 3)**

Council undertook its annual non-current asset revaluation during the year in conjunction with various external valuation firms and by application of appropriate indices.

Overall, there was a net increase to Council's non-current asset base of \$57.65 million.

Details are included in Attachment 3.

4. **Briefing paper – Sunshine Coast Airport Transaction (Attachment 4)**

Completion of the Sunshine Coast Airport Transaction occurred on 1 December 2017 with commencement of the Sunshine Coast Airport Freehold Lease with Palisade Investment Partners Limited. Palisade acquired all the units and shares in Sunshine Coast Airport Pty Ltd (SCAPL), and commenced operating the airport. The transfer of the airport business to Palisade is represented as a Discontinued Operation in Council's financial statements.

Further details of the Sunshine Coast Airport Transaction are available in Attachment 4 as well as Note 10 of the financial statements.

5. **Explanation of major variances to prior year (Attachment 5)**

The attached report provides commentary around variances between 2017/18 Statement of Comprehensive Income and the prior year, as well as other material financial items.

Variances to budget are provided in the August 2018 Ordinary Meeting Report 8.5.2.

6. Update on new accounting standards (Attachment 6).

A number of new accounting standards impacting Council have been issued by the Australian Accounting Standards Board (AASB).

Council provided an update to the 29 January 2018 Audit Committee on its progress with implementation of these new standards. A further update is included in Attachment 6.

Council is on track to implement these standards by the required dates.

7. Audit Committee Key Milestones – 2017/18 financial statements (Attachment 7).

The attached Audit Committee Key Milestones (Attachment 7) provides a detailed timeline and required deliverables associated with the 2017/18 financial statements.

All of Council's key audit milestones have been met or are not yet due.

AUDIT COMMITTEE DISCUSSION POINTS

- Contributed Assets (prior period error) - influencing Economic Development Queensland and local developers to provide their "as constructed" data in a timely manner
- Asset Sustainability Ratio - influencing the Department of Local Government, Racing and Multicultural Affairs to provide a different (lower) Asset Sustainability Ratio target for growing councils

Committee Recommendation (AC18/32)

Moved: L Scanlan
Seconded: Councillor C Dickson

That the Audit Committee:

- receive and note the report titled "Draft 2017/18 Financial Statements" and*
- provide feedback to be incorporated into the Draft 2017/18 Financial Statements to be submitted to the Auditor General by 12 September 2018.*

Carried unanimously.

5.3 AUDIT AND ASSURANCE

5.3.1 PURCHASE ORDER PROCESSES - BUILT INFRASTRUCTURE

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

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 5M / 1L
Audit Opinion	Strong	Adequate	Weak

Key Issues Identified

Purchasing processes have improved with further improvement opportunities identified around:

- Supplier late payments - investigation and resolution of the underlying causes
- Performance and compliance – timely receipting, order splitting, demonstration of value for money principle and the implementation of executive performance reporting

Comments by Group Executive Built Infrastructure, Tom Jamieson

I acknowledge and thank the auditor for highlighting the purchase related issues within the Built Infrastructure Group and the six recommendations provided to improve performance. Of particular concern is the rate of non-compliance with the Procurement Policy and this is an area which will be focused on. All persons who purchase items will be reminded of their obligation to adhere to the Procurement Policy; and in some instances refresher training will be organised to ensure staff are aware of current practice. Furthermore, this will be supported by the relevant management information being used by our Branch Managers to increase awareness and compliance. We are comfortable with the management responses identified and look forward to working with the relevant employees to ensure improvement in these areas. Four of the recommendations as related to late supplier payments, increased use of credit cards for low value transactions and the seeking of quotes to ensure value for money will be addressed internally by the Built Infrastructure Group. The remaining two recommendations will be undertaken in collaboration with Business Performance employees. I thank the auditor for bringing these issues to my attention and look forward to seeing increased compliance and associated improvements in the coming months.

Comments by Group Executive Business Performance, Jeanette Allom-Hill

This audit report and its findings are welcomed. Although processes have improved since the previous audit, a number of improvement opportunities have been identified. Support and development of Order Controllers in developing efficiencies will enhance the effectiveness of the existing system and provide greater protections for Council. Incorporation of these opportunities at the time of future contract negotiations and the need to instigate a tighter reporting and review regime is strongly supported.

Therefore the review and improvement opportunities that have been identified are welcomed and supported.

AUDIT COMMITTEE DISCUSSION POINTS

- Monitoring and reducing identified cases of order splitting
- The adoption of the Strategic Contracting Procedures framework and the specialised nature of contract administration, contracting skills and procurement structures across the organisation must be considered to meet future challenges
- Proposed follow up audit requested in two years

Committee Recommendation (AC18/33)

Moved: L Scanlan
Seconded: Councillor C Dickson

*That the Audit Committee receive and note the report titled "**Purchase Order Processes - Built Infrastructure**".*

Carried unanimously.

5.3.2 HORIZON FESTIVAL

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

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/2L
Audit Opinion	Strong	Adequate	Weak

Key Issues Identified

Although Horizon objectives are largely achieved there is scope to improve the integrity of attendance records, economic benefit figures and the recording of financial transactions against the dedicated Horizon budget by;

- Adopting a conservative organisation wide economic benefit methodology
- Determining and validating attendance and retaining supporting documentation
- Allocating all direct costs associated with Horizon to the operational account in T1 Financials

Comments by Group Executive Economic and Community Development Greg Laverty:

The review has identified a long list of strengths and positive outcomes that the Horizon Festival delivers. The recommendations and improvements identified during the review will further add to the benefits that flow from the festival.

AUDIT COMMITTEE DISCUSSION POINTS

- Integrity of the projects financial reporting was reaffirmed

Committee Recommendation (AC18/34)

Moved: L Scanlan
Seconded: Councillor C Dickson

*That the Audit Committee receive and note the report titled "**Horizon Festival**".*

Carried unanimously.

5.3.3 AUDIT AND ASSURANCE STATUS REPORT

File No:	Council Meetings
Author:	Manager Audit and Assurance Office of the CEO
Attachments:	Att 1 - Audit Committee Annual Work Plan with Standing Agenda Items Att 2 - Total Audit Recommendations Att 3 - Overdue Audit Recommendations

EXECUTIVE SUMMARY

The report provides the Audit Committee with an update on the 2017/18 and the 2018/19 Audit Plans and the status on Audit Recommendations. As at September 2018, the current financial year's Internal Audit Work Plan is progressing on schedule and there are 35 audit recommendations in total to be actioned including 11 which have exceeded expected completion dates.

AUDIT COMMITTEE DISCUSSION POINTS

- Implementation of recommendations associated with the EDDIE (Records Management) System review to be monitored
- The low total annual costs associated with the provision of the Audit Committee, Audit and Assurance services were noted

Committee Recommendation (AC18/35)

Moved: L Scanlan
Seconded: Councillor C Dickson

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

Carried unanimously.

5.4 GOVERNANCE REPORTING

5.4.1 WORK HEALTH AND SAFETY REPORT

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

EXECUTIVE SUMMARY

Council continues to improve its safety culture through the introduction of Positive Investigation Techniques as part of the incident investigation process. This proactive technique aims to recognise and reinforce the great work in health & safety that is being performed by Council workers while continually looking for opportunities for improvement.

As part of this continual improvement process Council has developed an external web interface to allow for important health & safety information to be communicated to all key stakeholders. Information on this site includes links to legislation, relevant Australian and Council specific standards, Contractor & Volunteer inductions and Safety Alerts.

The Corporate Health and Safety Steering Committee was held on the 10 April 2018. The meeting focused on establishing the improving safety for frontline workers in response to a significant increase in the number of incidents being reported in relation to physical and verbal abuse by members of the public.

The Corporate Health and Safety Steering Committee also supported partnering with the Stroke Foundation to enhance the health & wellbeing of employees through the promotion of the My Health for Life program. This program focus on identifying high risk individuals and assisting them to make sustainable lifestyle changes that ultimately improve their overall health and wellbeing.

Sunshine Coast Council has enhanced its level of protection for its workers that are regularly or frequently working exposed to sunlight and hot work conditions through the introduction of the mandatory wearing of long pants. This Sun Smart initiative extends to all workers engaged by Council to perform work.

There was a single notifiable incident that occurred during the reporting period involving Members of the public pool experiencing a tingling sensation when they touched various pool handgrips and handrails at the Caloundra Aquatic Centre. The pool was closed for a period of time until the problem was identified and the matter resolved. There were no injuries sustained as a result of this incident.

AUDIT COMMITTEE DISCUSSION POINTS

- Risk management processes surrounding the Caloundra Aquatic Centre notifiable incident were noted

Committee Recommendation (AC18/36)

Moved: L Scanlan
Seconded: Councillor C Dickson

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

Carried unanimously.

5.4.2 GOVERNANCE AND RISK REPORT

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

EXECUTIVE SUMMARY

The Governance in Action program continues to focus on raising awareness in all areas of governance to ensure that Council continues to achieve the Corporate Plan goal of being 'an outstanding organisation' as well as ensure community confidence in Council activities. Emphasis has been placed on building awareness and developing proactive strategies and governance tools to assist the organisation in their everyday tasks, activities, obligations and decision making. The Corporate Governance Branch is committed to building a strong positive attitude and 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 257 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.

The current period reflects an interesting and concerning time in Queensland local government history. Council has taken the opportunity to implement the new amendments to the *Local Government Act* and reflect on Council's policy standards, procedures and governance frameworks relating to matters identified within the CCC's Belcarra Report.

AUDIT COMMITTEE DISCUSSION POINTS

- Board of Management recently reviewed strategic risks and updated reporting will be available at the next meeting
- Further information and clarification around conflicts of interest and gift declaration to be provided by the Manager Corporate Governance
- Investigation of opportunities to capture staff commendations was referred to Group Executive Business Performance

Committee Recommendation (AC18/37)

Moved: L Scanlan
Seconded: Councillor C Dickson

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

Carried unanimously.

6 GENERAL BUSINESS

7 NEXT MEETING

The next Audit Committee will be held on 8 October 2018 in the Council Chambers, Corner Currie and Bury Streets, Nambour.

8 MEETING CLOSURE

The meeting closed at 11.08am.

Confirmed 11 October 2018.

CHAIR
