



# Minutes

## Audit Committee

**Monday, 7 September 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

7 SEPTEMBER 2015

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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 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  
Director Community Services  
Acting Director Corporate Services  
Director Corporate Strategy and Delivery  
Director Infrastructure Services

**APOLOGIES**

Director Regional Strategy and Planning  
Manager Audit Queensland Audit Office

**ATTENDEES**

Director Audit Queensland Audit Office

**COUNCIL OFFICERS**

Manager Audit and Assurance  
Coordinator Financial Accounting  
Manager Human Resources  
Manager Corporate Governance  
Coordinator Corporate Plan Report and Risk

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**3 RECEIPT AND CONFIRMATION OF MINUTES**

Committee Recommendation

Moved: L Scanlan  
Seconded: Councillor C Thompson

*That the Minutes of the Audit Committee held on 4 May 2015 be received and confirmed.*

Carried unanimously.

**4 OBLIGATIONS OF MEMBERS**

**4.1 DECLARATION OF MATERIAL PERSONAL INTEREST ON ANY ITEM OF BUSINESS**

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

**4.2 DECLARATION OF CONFLICT OF INTEREST ON ANY ITEM OF BUSINESS**

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

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**5 REPORTS**

**5.1 CHIEF EXECUTIVE OFFICER'S UPDATE**

**5.1.1 UPDATE - CHIEF EXECUTIVE OFFICER**

**File No:** Statutory Meetings  
**Author:** Acting Chief Executive Officer  
Office of the Mayor and Chief Executive Officer

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**AUDIT COMMITTEE DISCUSSION POINTS**

- New chief executive officer
- Interim 2014/15 financial result
- 2015/16 Budget
- Major projects update
  - Maroochydore City Centre
  - Sunshine Coast Airport
  - Undersea broadband cable
  - Solar Farm
  - Light Rail
- Caloundra South
- Local government elections

**Committee Recommendation** (AC15/27)

*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 2014/2015 INTERIM AUDIT REPORT BY QUEENSLAND AUDIT OFFICE AND GENERAL UPDATE**

**File No:** Financial Management  
**Author:** Coordinator Financial Accounting  
Corporate Services Department  
**Attachments:** Att 1 - Interim Audit Report 2014/2015  
Att 2 - Briefing Note

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**EXECUTIVE SUMMARY**

The Queensland Audit Office has performed an interim audit of Council's financial systems during May 2015. This audit included a detailed assessment of the existing system controls, in order to identify any weaknesses or opportunities for improvement.

The Interim Audit Report provides the overall status of audit and summarises the principal matters that arose during the course of the audit. The report did not identify any management issues to be addressed and represents a significant achievement from all in council involved.

In addition, a general update on matters relevant to Sunshine Coast Council was also provided.

**AUDIT COMMITTEE DISCUSSION POINTS**

- Note the Queensland Audit Officer letter of 5 June 2015 – no significant deficiencies identified through the interim audit.

**Committee Recommendation** (AC15/28)

*That the Audit Committee receive and note the report titled "2014/2015 Interim Audit Report by Queensland Audit Office and General Update".*

**Carried unanimously.**

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**5.2.2 DRAFT 2014/2015 FINANCIAL STATEMENTS**

**File No:** Financial Management  
**Author:** Coordinator Financial Accounting  
Corporate Services Department  
**Attachments:** Att 1 - Draft Financial Statements 2014/2015

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**EXECUTIVE SUMMARY**

The general purpose financial statements for 2014/2015 have been prepared for review by the Audit Committee prior to their lodgment with the Auditor-General – Queensland Audit Office (QAO).

The majority of Council's non-current assets including infrastructure have been revalued during the year in conjunction with various external valuation firms.

Council's policy is to ensure an efficient and transparent process in the development of these statements, with regular updates provided to the members of the Committee on key issues including asset revaluations and other significant reporting events.

These statements contain an estimate for the dividends and share of profit of council's investment in Unitywater, as the result for Unitywater was outstanding at the time of preparation of these accounts. Final adjustments will be made once the figures are known, and the carrying value of council's investment is tested for impairment.

Council has also received the Interim Management Report from the Queensland Audit Office based on their review of our processes conducted during May this year. This report did not identify any management issues to be addressed, and represents a significant achievement from all in council involved.

**AUDIT COMMITTEE DISCUSSION POINTS**

- Adequacy of Notes to the Financial Statements addressed SunCentral disclosure, Note 5 Materials and Services, Note 22 Other Liabilities, Note 32 Events.
- Other issues addressed potential contingent assets, accounting policy disclosures, preparedness for new accounting standard AASB 124 related party disclosures (July 2016).
- Review the significant movement in the value of council's assets.
- Clarity of message regarding operating performance to be addressed in Mayoral statement contained within the Annual Report.

**Committee Recommendation** (AC15/29)

*That the Audit Committee*

- (a) *note the report titled "Draft 2014/2015 Financial Statements" and*
- (b) *subject to the outcome of the Queensland Audit Office audit, recommend that the accounts be signed by management.*

**Carried unanimously.**

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5.3 GOVERNANCE REPORTING

5.3.1 WORK HEALTH AND SAFETY REPORT SEPTEMBER 2015

File No: Work Health and Safety Report - Audit Committee Sept 2015  
Author: Manager Human Resources  
Corporate Services Department

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EXECUTIVE SUMMARY

The Executive Leadership Team has taken a number of steps to influence positive safety behaviours and raise the profile of Work Health and Safety in Council. These initiatives include:

- listing Work Health and Safety as a standing ELT agenda item
- involving an ELT member on the Corporate Work Health and Safety Steering Group
- requiring our management team to attend a Work Health and Safety leadership update every two years
- circulating safety and incident notifications to all Branch Managers and
- commissioning a refresh of our safety message (Figure 1).



Figure 1: SCC Safety message

In regard to the safety message our new campaign for Work Health and Safety is **Work Safe Live Well**. This message replaces "Zero Harm Great Health" which has served Council well for the past seven years. The new package of materials includes the **Seven Safety Essentials** for Council employees which when combined with the FRESH program and the mental health awareness and support messages reflect the need for all of us to work safely and take care of our health and well-being.

In addition to these positive initiatives the new risk management system Cintellate is now operational and being used by Infrastructure Services and in the process of being rolled out for use by the rest of the organisation. This electronic hazard notification and risk management system allows for much faster incident reports, faster rectification and better record keeping of Rectification Action Plans. All incidents and near misses are being recorded in Cintellate, and any manual incident forms are being entered by Health and Safety Advisors to ensure they are captured in Cintellate for consistency in reporting. The Work Health and Safety team wishes to acknowledge the support of the ICT Services Branch in the implementation and project management of this important Software as a Service.

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## AUDIT COMMITTEE MINUTES

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### Seven Safety Essentials

Managers and Coordinators will be promoting the following messages across teams for the future. Work Health and Safety will seek to focus on certain parts of the Safety Essentials message (Figure 2) through the year at team meetings and via a new caravan that will visit sites to ensure competencies and knowledge in regard to safety are well understood.



Figure 2: Safety Essentials

### Work Health and Safety Statistics

Details of days lost to injury, and the duration of these injuries Lost Time Injury (LTI) are provided in the following tables. The information refers to 13 months July 2014 – July 2015. The trend is generally downwards however the workforce must stay vigilant and aware hence the new message for safety across the organisation.

### AUDIT COMMITTEE DISCUSSION POINTS

- Details of the new safety awareness message “Work Safe Live Well” were outlined.
- Background and reasons on the reportable incidents were addressed.
- Council’s management of contractor safety procedures from awarding of contracts, monitoring and contract extensions were outlined.
- The Committee requested a further update regarding contractor safety management and performance at the May 2016 meeting.
- New initiative to improve safety awareness with the production of onsite safety video associated with the Evans Street project.
- Cintellate risk management software confirmed as implemented and operational
- An overview of Council’s Drug Testing Policy was provided which has resulted in 400 random tests being conducted.

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- Council's Mental Health initiatives were outlined.

**Committee Recommendation** (AC15/30)

*That the Audit Committee receive and note the report titled "**Work Health and Safety Report September 2015**".*

**Carried unanimously.**

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**5.3.2 GOVERNANCE AND RISK REPORT SEPTEMBER 2015**

**File No:** Statutory Meetings  
**Author:** Manager Corporate Governance  
Corporate Services Department  
**Attachments:** Att 1 - Strategic Risks - Period Ended June 2015  
Att 2 - Risk Assessment Calculator

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**EXECUTIVE SUMMARY**

- Following the success of the 2014/2015 Risk Awareness Project, policies, guidelines and factsheets have been updated as part of the final phase and implementation of the project.
- 215 risks were identified and are recorded in the corporate risk register. Commentary on the status of risks is being captured as part of Quarter 4 performance reporting.
- The organisational governance awareness building program has trained approximately 630 employees in areas such as risk management, conflicts of interest, gifts and disclosures, right to information, information privacy, integrity and ethics, and changes to the *Crime and Corruption Act 2001*.
- Elevated complaints continue to be managed within timeframes. During the 2014/2015 financial year a total of 63 complaints were received. The majority of these complaints related to recovery action taken in relation to overdue rates.

**AUDIT COMMITTEE DISCUSSION POINTS**

- The typical 16 risk exposures associated with local government operations which are analysed across most departments as well as more specific risks has resulted in the large numbers of risks being recorded in the register i.e. 215 risks.
- The committee requested that future reporting also include details on those risks that are outside the determined tolerance levels.
- Council's Risk Awareness Project undertaken in 2014/15 was entered into the 2015 LGM QLD Risk Management Excellence Awards. Council's winning entry. Was considered by the Board of Management of LGM QLD to have significant potential for other LGM QLD Members.

**Committee Recommendation** (AC15/31)

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

**Carried unanimously.**

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**5.3.3 FRAUD RISK MANAGEMENT UPDATE**

**File No:** Statutory Meetings  
**Author:** Manager Corporate Governance  
Corporate Services Department  
**Attachments:** Att 1 - SCC Corporate Governance Framework

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**EXECUTIVE SUMMARY**

Council's approach to fraud risk management is a core accountability control within the corporate governance framework. Council currently has a suite of fraud control documents supported by administrative systems and processes. These documents are reviewed and updated on a regular basis to ensure the robustness and viability of accountability controls.

The Queensland Audit Office (QAO) recently released a report on Fraud Management in Local Government Report 19: 2014-2015. The report was formulated following a performance audit on fraud in local government. This report provides information on council's fraud risk management framework and provides a brief reflection on the QAO's findings.

**AUDIT COMMITTEE DISCUSSION POINTS**

- The Fraud Risk Framework was outlined with the opportunity to better demonstrate how the framework and initiatives undertaken address specific issues/recommendations raised in the Queensland Audit Office report – Fraud Management in Local Government; note Appendix E – Red Flag Indicators: <https://www.qao.qld.gov.au/files/file/FINALProposedFraud.pdf>
- Reporting thresholds to be determined.
- Significant reviews of purchasing and accounts payable including testing of bank account details has confirmed sound controls established. Council continues to monitor control improvement opportunities to minimise fraud risk exposures.

**Committee Recommendation** (AC15/32)

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

*That the Audit Committee receive and note the report titled "**Fraud Risk Management Update**".*

Carried unanimously.

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5.4 INTERNAL AUDIT

5.4.1 CEMETERIES

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>Moderate</b> | Low               |
| Recommendations by Risk Ratings<br>Risk Management Standard ISO<br>31000 | Extreme<br>0 | High<br>0       | Medium/Low<br>3/0 |
| Audit Opinion                                                            | Strong       | <b>Adequate</b> | Weak              |

Key Issues Identified

Although substantial progress has been made towards the automation of cemetery services and transfer of data to the T1 Property system, opportunities for efficiency and effectiveness remain until the projects are fully implemented. In particular:

- Review timelines and resources to achieve the full implementation of both the burial data mapping project and the implementation of the plaques module in T1 Property
- Instigate a monthly review of the Cemetery Plus modules (T1 Property) to ensure transactions have been processed correctly and follow up actions around unearned revenue, outstanding debtors and cancellations
- Review and renew procurement arrangements around plaques, masonry and mowing.

AUDIT COMMITTEE DISCUSSION POINTS

- Results of audit noted.
- Queensland is one of the only states where Council are directly involved with cemeteries.

Committee Recommendation (AC15/33)

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

Carried unanimously.

**AUDIT COMMITTEE MINUTES**

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**5.4.2 AQUATIC CENTRES**

**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>Moderate</b> | Low               |
| Recommendations by Risk Ratings Risk Management Standard ISO 31000 | Extreme<br>0 | High<br>2       | Medium/Low<br>3/0 |
| Audit Opinion                                                      | Strong       | Adequate        | <b>Weak</b>       |

**Key Issues Identified**

Assurance over the governance and compliance regime across aquatic centres is limited due to the failure of one operator to meet the required minimum safety standards and Council failing to adequately address non-compliance and breach of contract issues. Also, there is a lack of audit trails, evidence to support that compliance checks have been undertaken and that key documents and certificates are current across all facilities. Opportunities were identified to:

- improve compliance monitoring and reporting especially around health and safety requirements
- implement an integrated hazard inspection program and report all risks and incidents to Health and Safety Branch
- recover all unpaid revenue in accordance with agreements
- further develop business models and management agreement specifications based on commercial analysis and business cases
- raise work order to address water damage and overall poor condition of Eumundi plant room.

**AUDIT COMMITTEE DISCUSSION POINTS**

- Results of audit noted.
- Noted the significant progress achieved in addressing the issues raised.
- Aquatic Centre operating models to be reviewed with a future report presented to Council.



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**Committee Recommendation** (AC15/34)

**Moved:** L Scanlan

**Seconded:** Councillor C Thompson

*That the Audit Committee receive and note the report titled "Aquatic Centres".*

**Carried unanimously.**

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AUDIT COMMITTEE MINUTES

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5.4.3 SUNSHINE COAST STADIUM SPORT FACILITIES - FINANCIAL CONTROLS

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>Moderate</b> | Low               |
| Recommendations by Risk Ratings Risk Management Standard ISO 31000 | Extreme<br>0 | High<br>1       | Medium/Low<br>5/4 |
| Audit Opinion                                                      | Strong       | Adequate        | <b>Weak</b>       |

Key Issues Identified

The transition of the Sunshine Coast Stadium operations from a separate entity with oversight by an independent board to operating directly under Council control has been challenging and remains a work in progress. As a result, opportunities to improve governance, process controls as well as continued education in corporate systems and wider communication were identified as follows:

- Financial management and ledger posting controls to improve the quality and accuracy of financial reporting.
- Debtor management and reporting the status and recovery actions taken.
- Food and beverage controls to improve system integrity and reporting of stock levels, stock losses and profitability. The suitability of the Swiftpos (point of sale) system to be reviewed.
- Event management controls for revenue optimisation, profit sharing arrangements, segregation of duties and post event independent performance reviews.

AUDIT COMMITTEE DISCUSSION POINTS

- Results of audit noted.
- Noted the significant progress achieved in addressing the issues raised including secondment of financial expertise to assist Stadium operations.

Committee Recommendation (AC15/35)

*That the Audit Committee receive and note the report titled "**Sunshine Coast Stadium Sport Facilities - Financial Controls**".*

Carried unanimously.

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5.4.4 ASSET CAPITALISATION PROCESSES - PARKS AND GARDENS

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> | Moderate  | Low             |
| Recommendations by Risk Ratings Risk Management Standard ISO 31000 | Extreme<br>0    | High<br>0 | Medium/Low<br>0 |
| Audit Opinion                                                      | <b>Strong</b>   | Adequate  | Weak            |

Key Issues Identified

Sound asset capitalisation control processes have been established by the Asset Accounting team.

AUDIT COMMITTEE DISCUSSION POINTS

- Results of audit noted.

Committee Recommendation (AC15/36)

*That the Audit Committee receive and note the report titled "**Asset Capitalisation Processes - Parks and Gardens**".*

Carried unanimously.

AUDIT COMMITTEE MINUTES

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5.4.5 PURCHASING - REGIONAL STRATEGY AND PLANNING

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     | Significant | Low              |
| Recommendations by Risk Ratings Risk Management Standard ISO 31000 | Extreme<br>0 | High<br>0   | Medium/Low<br>2L |
| Audit Opinion                                                      | Strong       | Moderate    | Weak             |

Key Issues Identified

Purchase order processes are soundly controlled and substantially compliant with Legislation and Corporate Policies. Continual improvement opportunities relate to:

- financial delegates ensuring that quotations and appropriate supporting documentation is attached to the purchase requisitions/order prior to approval
- invoice payment timeframes being monitored to ensure late payments are minimised.

AUDIT COMMITTEE DISCUSSION POINTS

- Results of audit noted.

Committee Recommendation (AC15/37)

*That the Audit Committee receive and note the report titled "Purchasing - Regional Strategy and Planning".*

Carried unanimously.

**AUDIT COMMITTEE MINUTES**

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**5.4.6 AUDIT AND ASSURANCE STATUS REPORT**

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

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**EXECUTIVE SUMMARY**

The report provides the Audit Committee with an update on the 2014/2015 and the 2015/2016 Audit Plans and the status reporting on Audit Recommendations. As at September 2015, the Audit Plans had are progressed as scheduled and audit recommendations are effectively managed.

**AUDIT COMMITTEE DISCUSSION POINTS**

- Overdue actions to be addressed by management as soon as practicable.

**Committee Recommendation** (AC15/38)

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

**Carried unanimously.**

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**5.4.7 AUDIT COMMITTEE AND INTERNAL AUDIT CHARTERS**

**File No:** Statutory Meetings  
**Author:** Manager Audit and Assurance  
Office of the Mayor and Chief Executive Officer  
**Appendices:** App A - Audit Committee Charter  
App B - Internal Audit Charter

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**EXECUTIVE SUMMARY**

In accordance with Best Practice, the Audit Committee and Internal Audit Charters should be reviewed annually to ensure compliance with Legislation.

The Charters were last reviewed 8 September 2014 by the Audit Committee and subsequently endorsed by Council. There are no proposed changes to the Audit Committee and Internal Audit charters as the *Local Government Regulation 2012* and Best Practice associated with Local Government Audit Committees and Internal Audit has not changed.

**AUDIT COMMITTEE DISCUSSION POINTS**

- Confirmed that Queensland Audit Office reviewed financial statements will be distributed electronically to committee members for comment prior to final sign-off by Mayor and Chief Executive Officer.

**Committee Recommendation** (AC15/39)

*That the Audit Committee:*

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

**Carried unanimously.**

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**AUDIT COMMITTEE MINUTES**

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**6 GENERAL BUSINESS**

Nil

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**Committee Recommendation** (AC15/40)

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

*That the Audit Committee*

- (a) *adopt the recommendations of the Audit Committee Meeting of 7 September 2015 and submit the recommendations to Council and*
- (b) *formally thank the finance team for their efforts in the preparation of the financial statements and in particular to Mark Taylor; in addition thank Ray Turner for his support of the Audit Committee during his acting role.*

**Carried unanimously.**

**7 NEXT MEETING**

The next Ordinary Meeting will be held on 25 January 2016 in the Council Chambers, Corner Currie and Bury Streets, Nambour.

**8 MEETING CLOSURE**

The meeting closed at 10:47am.

Confirmed 25 January 2016.

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CHAIR

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