



# Minutes

## Audit Committee

**Monday, 4 September 2017**

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



AUDIT COMMITTEE MINUTES

4 SEPTEMBER 2017

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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 9:03am.

**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

**EXECUTIVE LEADERSHIP TEAM**

Chief Executive Officer  
Director Community Services  
Acting Director Corporate Services  
Director Economic Development and Major Projects  
Acting Director Infrastructure Services  
Director Planning and Environment

**APOLOGIES**

Director Infrastructure Services  
Director Corporate Services

**ATTENDEES**

Engagement Leader	Queensland Audit Office
Audit Manager	Queensland Audit Office

**COUNCIL OFFICERS**

Coordinator Financial Accounting  
Manager Finance  
Manager Audit and Assurance  
Manager Human Resources  
Coordinator Governance Process & Policy  
Manager Waste & Resource Management

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**3 RECEIPT AND CONFIRMATION OF MINUTES**

**Committee Recommendation**

**Moved: L Scanlan**  
**Seconded: Councillor T Dwyer**

*That the Minutes of the Audit Committee held on 22 May 2017 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 CHIEF EXECUTIVE OFFICER UPDATE

File No: Council meetings  
Author: Chief Executive Officer  
Office of the Mayor and Chief Executive Officer

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AUDIT COMMITTEE DISCUSSION POINTS

- Financial Performance
- Sunshine Coast Airport
- International Broadband Submarine Cable
- Draft Parking Management Plan
- Draft Environment and Liveability Strategy
- Sunshine Coast Solar Farm
- Budget for 2017/18 delivered
- An Outstanding Organisation – The Next Steps
- Certified Agreement negotiations
- Managing and developing the workforce
- SEQ Regional Plan – Growth/KPIs

**Committee Recommendation** (AC17/26)

Moved: L Scanlan  
Seconded: Councillor T Dwyer

*That the Audit Committee*

- (a) *receive and note the report titled "Chief Executive Officer Update" and*
- (b) *request the Chief Executive Officer report back to a future audit committee meeting on the changing regional demographic risk profile in terms of growth and challenges for the council and community.*

Carried unanimously.

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**5.2 EXTERNAL AUDIT**

**5.2.1 DRAFT 2016/17 FINANCIAL STATEMENTS**

<b>File No:</b>	<b>Financial Management</b>
<b>Author:</b>	<b>Coordinator Financial Accounting Corporate Services Department</b>
<b>Attachments:</b>	<b>Att 1 - Queensland Audit Office (QAO) Briefing Note Att 2 - Draft Financial Statements 2016/17 (Under Separate Cover) Att 3 - Non-Current Asset Accounting Policy Att 4 - Deloitte Letter of Advice 31 May 2017 - Long Term Lease of the Sunshine Coast Airport Att 5 - Deloitte Addendum to Letter of Advice August 2017 - Long Term Lease of the Sunshine Coast Airport Att 6 - Deloitte Report on Accounting and Disclosure Implications Att 7 - Audit Committee Key Milestones - 2016/17 financial statements</b>

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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.

The Audit Committee Key Milestones provides a detailed timeline and required deliverables.

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 – provides an update on key audit matters.
2. Draft financial statements 2016/17.

The general purpose financial statements for 2016/17 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.

3. Update on the 2016/17 Non-Current Asset Revaluation

The majority of Council's non-current assets have been revalued during the year in conjunction with various external valuation firms and by application of appropriate indices. Details are included in the body of this report.

4. Draft update of the Non-Current Asset Accounting Policy

The Non-Current Asset Accounting Policy forms part of Council's Accounting Manual, and as such, is reviewed on a regular basis to ensure currency with legislation, Australian accounting standards and Council practice. The updated policy reflects proposed



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adjustments to Council practice for Audit Committee review as well as endorsement by the Chief Executive Officer and Council.

The proposed adjustments relate to:-

- Amendments to the Non-Current Asset Revaluation Schedule,
  - Disclosure of Third Party Expenses.
5. Deloitte advice on the accounting treatment of the Sunshine Coast Airport transaction.

**AUDIT COMMITTEE DISCUSSION POINTS**

Draft Financial Statements 2016/17

- Landfill provisions
- Disclosure of the Sunshine Coast Airport transaction
- Revaluation of land under water and recognition of canal construction costs
- Non-Current Asset Accounting Policy

Queensland Audit Office Update

- New Auditor General commenced
- Queensland Audit Office 2017 – 2020 Strategic Audit Plan

**Committee Recommendation** (AC17/27)

**Moved:** L Scanlan  
**Seconded:** Councillor T Dwyer

*That the Audit Committee:*

- (a) *receive and note the report titled "Draft 2016/17 Financial Statements"*
- (b) *recommend updated Non-Current Asset Accounting Policy to the Chief Executive Officer and Council for formal approval and*
- (c) *receive and note the Deloitte advice on the accounting treatment of the Sunshine Coast Airport transaction.*

**Carried unanimously.**

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**5.2.2 QUEENSLAND TREASURY CORPORATION 2017 CREDIT REVIEW**

**File No:** Financial Management  
**Authors:** Coordinator Financial Accounting  
Corporate Services Department  
Manager Finance  
Corporate Services Department  
**Attachments:** Att 1 - Queensland Treasury Corporation (QTC) 2017 Sunshine  
Coast Regional Council Credit Review

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**EXECUTIVE SUMMARY**

The 2017 QTC Credit Review has analysed Council's 10 year financial forecast which includes the region making projects of Maroochydore City Centre, the Sunshine Coast Airport Expansion Project and the Solar Farm. Council's QTC credit rating remains as "strong with a neutral outlook" – the highest in the state.

**AUDIT COMMITTEE DISCUSSION POINTS**

- The sound result was acknowledged

**Committee Recommendation** (AC17/28)

**Moved:** L Scanlan  
**Seconded:** Councillor T Dwyer

*That the Audit Committee receive and note the report titled "Queensland Treasury Corporation 2017 Credit Review".*

**Carried unanimously.**

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5.3 AUDIT AND ASSURANCE

5.3.1 CONTRIBUTED ASSETS - QUALITY CONTROL FRAMEWORK

File No: Council 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 0	High 6	Medium/Low 8M
Audit Opinion	Strong	Adequate	Weak

Key Issues Identified

The opinion reflects considerable scope for increased collaboration between various departments and branches to improve the overall quality control framework and asset owner satisfaction. Limited assurance is provided in the absence of effective audit trails to better demonstrate that due process has been followed consistently. In particular, the following opportunities were identified:

- Undertake proactive research and condition analysis as part of improved asset management practices
- Improve oversight role over the effectiveness of the Policy for Development Works and necessary refinements
- Collaborate and coordinate refinements to the Policy for Development Works across standards, specifications, inspection, testing and certification regime
- Better demonstrate what checks are being undertaken over test results, CCTV, hold point and the on/off maintenance inspections
- Increase overall quality assurance and accountability over the inspection regime including the improved utilisation of the T1 Property module reporting facility
- Improve internal customer focus, skill sharing and access to critical asset management information and data

Comments by Director Planning and Environment, Warren Bunker

While we support the need for continual improvement and for greater emphasis/resources to be allocated to the asset handover, monitoring and improved standards, one needs to consider the following:

1. The new planning scheme and planning scheme policy has been only lawful since May 2014 and therefore very few assets provided to Council to date will have been assessed

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conditional and off maintenance, in accordance with this new policy. Normal lag time for policy to be evident on the ground is at least 5 years (e.g. 2019 onwards)

2. The new planning policy will have limited or no effect on developments and assessments with Caloundra South, Maroochydore (PDA's) or Kawana (infrastructure agreement requirements) or previously approved developments in master planned communities (old approvals). Unfortunately, this is a significant proportion of new contributed assets, but is intended that the new policy will be used as a guide.
3. Some contributed assets have been and may in the future be defined by the court system, with a focus on the 'reasonable and relevant' test, rather than Council's policy position, noting that under a performance based system our policy provides only one way to achieve the desired outcome.

Unfortunately for contributed assets, there will always be a gap between what Council would like to achieve and what can be reasonably be requested of the developer (both under scoped or over embellished), closing the gap is a constant challenge for Council.

**Comments by Director Infrastructure Services, Andrew Ryan**

This audit report and its findings are welcomed. Council inherits a significant amount of new capital assets over time from development than we construct as an entity, but conversely have less control over the asset standards as we are the specifier of the asset functionality via our planning scheme, but do not have direct control of the design and construction processes. Hence the need to instigate a tighter control regime is strongly supported, noting that developers and their consultants will continue to push for sign off and asset acceptance due to their own commercial pressures. I would also suggest that all recommendations that allude to paper based systems, also take consideration of the potential of app based mobile technology to allow greater and more accurate asset capture information to occur.

**AUDIT COMMITTEE DISCUSSION POINTS**

- Complexities associated with planning scheme and planning policy adopted in May 2014, the planning scheme has little effect with Caloundra South, Maroochydore (PDA's) or Kawana (infrastructure agreement requirements) and legislatively council is able to define outcomes as opposed to mandate standards of construction
- Improvement strategies focus on increasing engineer accountabilities, handover procedures, inspections and early detection of potential issues, standards including landscape infrastructure, increase collaboration resulting in optimum use of internal resources
- Also, acknowledgement of the many sound controls established across the key functions

**Committee Recommendation (AC17/29)**

**Moved:** L Scanlan  
**Seconded:** Councillor T Dwyer

*That the Audit Committee*

- (a) *receive and note the report titled "**Contributed Assets - Quality Control Framework**" and*
- (b) *request the Chief Executive Officer report back to May 2018 Audit Committee meeting on the approved improvement plan strategies and the associated progress.*

**Carried unanimously.**

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5.3.2 VALDORA SOLAR FARM CONSTRUCTION CONTRACT PAYMENTS

File No: Council 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 0	High 0	Medium/Low 0M / 2L
Audit Opinion	Strong	Adequate	Weak

Key Issues Identified

The Valdora Solar Farm construction contract payment controls and processes were confirmed to be operating effectively. Low risk opportunities relate to;

- The timeliness of receipting the approved amount for payment to the purchase order
- Ensuring Statutory Declarations on worker's entitlements are received prior to claim certification

Comments by Director Infrastructure Services, Andrew Ryan

The audit report is supported in full and the recommendations will enhance the current strong processes. This is a complex project but similar in nature to many smaller scale projects where the same contractual obligations exist, hence the outcome is a strong validation of the current process and well established contract management procedures that Council has established.

AUDIT COMMITTEE DISCUSSION POINTS

- The sound result was acknowledged.

Committee Recommendation (AC17/30)

Moved: L Scanlan  
Seconded: Councillor T Dwyer

*That the Audit Committee receive and note the report titled "Valdora Solar Farm Construction Contract Payments".*

Carried unanimously.

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**5.3.3 AUDIT AND ASSURANCE STATUS REPORT**

**File No:** Council Meetings  
**Author:** Manager Audit and Assurance  
Office of the Mayor and Chief Executive Officer  
**Attachments:** Att 1 - Audit Committee Annual Work Plan  
Att 2 - Detailed Audit Recommendations

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**EXECUTIVE SUMMARY**

The report provides the Audit Committee with an update on the 2016/17 and 2017/18 Audit Plans and the status on Audit Recommendations. As at September 2017, the Audit Work Plan is progressing on schedule and outstanding and audit recommendations are being effectively managed.

**AUDIT COMMITTEE DISCUSSION POINTS**

- Nil

**Committee Recommendation** (AC17/31)

**Moved:** L Scanlan  
**Seconded:** Councillor T Dwyer

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

**Carried unanimously.**

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**5.4 GOVERNANCE REPORTING**

**5.4.1 WORK HEALTH AND SAFETY REPORT**

**File No:** Council Meetings  
**Author:** Manager Human Resources  
Corporate Services Department

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**EXECUTIVE SUMMARY**

There were two (2) notifiable incidents for the reporting period involving people receiving an electrical shock. A significant increase in Lost Time Injury (LTI) has occurred in the period of April through to July. This is a result of a significant number of serious injury incidents with four requiring surgery throughout this period.

Proactive steps are being taken by employees, managers and Rehabilitation Advisors in supporting effective return to work programs. In May 17, Local Government Workcare's Injury Management Consultant, conducted training 'Partnering to Assist Injured Workers' to 55 leaders and supervisors to refresh knowledge of their roles and responsibilities in managing injured workers.

Traffic and vehicle incidents are occurring on a regular basis with 84 Plant/Vehicle incidents occurring during the reporting period. WH&S staff are work closely with Fleet management to investigate the accidents and identify strategies for improvement.

Council is looking to hold a WH&S Safety Symposium in November this year. This annual event to reinforce the importance of health & safety and provides an opportunity for our 350 outdoor workers to reflect and consider why safety is important to them in line with Council's **Work Safe: Live Well** Safety campaign.

**AUDIT COMMITTEE DISCUSSION POINTS**

- Continual focus on the **Work Safe: Live Well** Safety campaign to improve culture and officer accountability
- Timing issues relating to comparison data
- Ageing workforce, increasing medical costs
- Councillors were invited to attend the SCC Safety Symposium in November 2017

**Committee Recommendation** (AC17/32)

**Moved:** L Scanlan  
**Seconded:** Councillor T Dwyer

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

**Carried unanimously.**

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**5.4.2 GOVERNANCE REPORT**

**File No:** Council Meetings  
**Author:** Manager Corporate Governance  
Office of the Mayor and Chief Executive Officer  
**Attachments:** Att 1 - Strategic Risks - Period Ending 06/2017

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**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'. Emphasis has been placed on delivering mandatory Employee Code of Conduct training sessions across the organisation, building risk awareness, providing governance tools and frameworks, and managing integrity and elevated complaint matters.

Strategic and Operational Risks continued to be monitored and this report provides information on the 260 risks rated from 'low to extreme'. Strategic Risks are in the process of being reviewed and will be based on the goals set out in the new Corporate Plan 2017-2021. Operational risks were finalised in January 2017 following a series of workshops and are monitored by Branch Managers on a quarterly basis.

As part of our Integrity Management Program, complaint matters elevated to Corporate Governance branch continue to be managed within timeframes. Analysis is done to assess the cause of each complaint and what management or system improvements can be implemented.

**AUDIT COMMITTEE DISCUSSION POINTS**

- Increase in the complaints about administrative action and associated improvements
- Crime and Corruption Commission is now conducting a series of audits including record keeping requirements, conflicts of interest and Councillor's interests and use of information

**Committee Recommendation** (AC17/33)

**Moved:** L Scanlan  
**Seconded:** Councillor T Dwyer

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

**Carried unanimously.**



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**5.4.3 WASTE COLLECTION AND MANAGEMENT LEGISLATIVE CHANGES  
AND ASSOCIATED RISKS**

**File No:** Audit Committee Meetings  
**Author:** Manager Corporate Governance  
Office of the Mayor and Chief Executive Officer

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**EXECUTIVE SUMMARY**

On 29 August 2014, the *Environmental Protection (Waste Management) Regulation 2000* was repealed. The Regulation included provisions relating to the placement and use of bins as well as a "head of power" to allow Councils to designate a waste collection area.

The waste management provisions were temporarily moved to Chapter 5A of the *Environmental Protection Regulation 2008* to allow local governments to put alternative measures in place to deal with local waste management issues, with a 1 September 2016 expiry date placed upon them.

At the same time, the "head of power" to designate a waste collection area was created as Section 7 of the *Waste Reduction and Recycling Regulation 2011*. A sunset clause of 1 September 2016 was also placed on this section. On 23 June 2017 the Minister formally extended the expiry date of both Chapter 5A and Section 7 to 1 July 2018.

It is unclear if the Minister intends to continue negotiating an outcome with Councils (through LGAQ) or if this is a final extension to allow Council's sufficient time to implement a Local Law to replace the expiring provisions, in any case it is likely that the Minister will take no further action on this matter prior to the next State election which is scheduled to be held on or before 5 May 2018.

Despite the LGAQ continuing to lobby the State to repeal the expiry date of the current legislation, Council at its Ordinary Meeting held on 17 August 2017 resolved to proceed with commencing the local law making process for a permanent local law on this subject.

This report gives an overview of the current risks and implications for Council.

**AUDIT COMMITTEE DISCUSSION POINTS**

- Councillor Strategic Discussion Forum to be scheduled for October
- Risks and impacts associated with potential Legislative changes

**Committee Recommendation** (AC17/34)

**Moved:** L Scanlan  
**Seconded:** Councillor T Dwyer

*That the Audit Committee receive and note the report titled "Waste Collection and Management Legislative and Associated Risks".*

**Carried unanimously.**

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**5.4.4 STATUS REPORT ON MAJOR PROJECTS**

**File No:** Council meetings  
**Author:** Director  
Economic Development and Major Projects Department

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**AUDIT COMMITTEE DISCUSSION POINTS**

- Sunshine Coast Airport's commercial operating partner
- Sunshine Coast Airport Expansion project
- Maroochydore City Centre
- Sunshine Coast Solar Farm
- Sunshine Coast Light Rail project
- International Broadband Submarine Cable

**Committee Recommendation** (AC17/35)

**Moved:** L Scanlan  
**Seconded:** Councillor T Dwyer

*That the Audit Committee receive and note the report titled "**Status Report on Major Projects**".*

**Carried unanimously.**

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**6 GENERAL BUSINESS**

**7 NEXT MEETING**

The next Ordinary Meeting will be held on 9 October 2017 by Teleconference.

**8 MEETING CLOSURE**

The meeting closed at 11:22am.

Confirmed 12 October 2017.

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CHAIR

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