

# Minutes

## Audit Committee

Monday, 3 February 2014

Council Chambers, Corner Currie and Bury Streets, Nambour

### AUDIT COMMITTEE MEMBERS

Councillor C Thompson	Division 4
Councillor C Dickson	Division 6
Mr P Dowling AM	Independent Member (Chair)
Mr L Scanlan	Independent Member



AUDIT COMMITTEE MINUTES

3 FEBRUARY 2014

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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**

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

**APOLOGIES**

Nil

**ATTENDEES**

Councillor M Jamieson	Mayor
Councillor E Hungerford	Division 7
Director Audit	Queensland Audit Office
Manager Audit	Queensland Audit Office

**COUNCIL OFFICERS**

Manager Human Resources  
Health and Safety Manager  
Manager Corporate Governance  
Manager Audit and Assurance

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**3 RECEIPT AND CONFIRMATION OF MINUTES**

**Committee Recommendation**

*That the Minutes of the Audit Committee held on 9 September 2013 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**

Mr L Scanlan declared his appointments to the Board of Queensland Building and Construction Commission and as Probity Advisor to the Government Precinct Redevelopment.

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**5 REPORTS**

**5.1 CHIEF EXECUTIVE OFFICER'S UPDATE**

**5.1.1 UPDATE - CHIEF EXECUTIVE OFFICER**

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

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**AUDIT COMMITTEE DISCUSSION POINTS**

- De-amalgamation and Organisation Review update
- Sunshine Coast Planning Scheme – 1<sup>st</sup> State Interest Check
- Maroochydhore City Centre Priority Development Area
- Community Services events
- Centralising Sunshine Coast Council call centre
- Capital Works expenditure
- Unqualified audit opinion for 2012/2013 annual financial statements
- Air New Zealand extension into Sunshine Coast Airport
- Banksia Sustainability Award – Council recognised for dedication to sustainability
- Appointment of Director Corporate Services
- Caloundra South development

**Committee Recommendation (AC14/1)**

*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 FINANCIAL STATEMENTS 2012/2013 - FINAL

File No: ECM  
Author: Financial Accounting Coordinator  
Corporate Services Department

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EXECUTIVE SUMMARY

The draft statements that were presented to the Committee Meeting on the 9 September 2013 have undergone substantial changes before the final accounts were signed by the Queensland Audit Office on 26 November 2013.

These changes were brought about as a result of the up-coming de-amalgamation of Noosa Shire Council on the 1 January 2014. The original draft statements were recast to extract out the operations of Noosa Shire Council in both the current year and the prior year comparatives, in the Statements of Comprehensive Income and following note disclosure.

Assets and liabilities of Noosa Shire Council as at the 30<sup>th</sup> of June 2013 were also separately identified and disclosed in the Statements of Financial Position.

AUDIT COMMITTEE DISCUSSION POINTS

- The financial report and the financial sustainability statement had been audited and unmodified opinions provided.
- Sunshine Coast Council has done significant work on capturing and recovering de-amalgamation costs. There are associated outstanding issues currently with the Minister. The Transition Committee remains in place until June 2014.
- ASSB 13 Fair Value Measurement (updated Asset Valuation Standard) has been implemented by Logan City Council to the satisfaction of Queensland Audit Office. Logan City Council's implementation of the updated accounting standard should benefit Sunshine Coast Council.
- The Queensland Audit Office stated that the Department of Local Government sets the ratios associated with the sustainability indicators and that the ratios are applied to all councils regardless of size or asset quality. Also, many factors can influence the ratios including depreciation rates and most councils are in a similar position.
- As a result of management's action to address Queensland Audit Office's Information Technology recommendations, the associated risks are now downgraded to low.
- Queensland Audit Office planning for financial year 2013/2014 has been delayed until 24 February 2014 due to de-amalgamation and the Audit Strategy is expected to be issued at the end of March.

Committee Recommendation (AC14/2)

Moved: L Scanlan

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**Seconded: Councillor C Thompson**

*That the Audit Committee receive and note the report titled "Financial Statements 2012/2013 - Final"*

**Carried unanimously.**

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5.2.2 QAO FINAL MANAGEMENT LETTER 2012/2013 AND BRIEFING PAPER

File No: ECM  
Author: Financial Accounting Coordinator  
Corporate Services Department

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EXECUTIVE SUMMARY

The Queensland Audit Office have carried out their audit of Council's financial statements including its controlled entities for the year ended 30 June 2013, in accordance with Section 40 of the *Auditor-General Act 2009*, and have expressed their opinion there-on.

The audit of Council's consolidated Financial Report was completed and an unqualified audit opinion issued on the 26 November 2013.

Detailed in the attached reports from the Queensland Audit Office are performance opportunities that were identified during the course of the audit. The issues have also been assessed as to the level of risk that they present to Council.

AUDIT COMMITTEE DISCUSSION POINTS

- Queensland Audit Office acknowledged and appreciate the considerable effort Finance Branch undertook to finalise the financial statements, particularly in relation to the additional work for de-amalgamation of the Noosa Shire Council.

Committee Recommendation (AC14/3)

*That the Audit Committee receive and note the report titled "QAO Final Management Letter 2012/2013 and Briefing Paper"*

Carried unanimously.

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**5.3 GOVERNANCE REPORTING**

**5.3.1 3 FEBRUARY 2014 WORK HEALTH AND SAFETY REPORT**

**File No:** ECM 3 Feb 2013  
**Author:** Manager Human Resources  
Corporate Services Department

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**EXECUTIVE SUMMARY**

The Workplace Health and Safety team have remained focused on staff health and wellbeing in the last quarter of 2013 and early 2014. The level of incidents has been steadily declining and it is pleasing to note that during this recent period of significant change there have been very few injuries and accidents.

The Corporate Health and Safety Steering group last met on 4 December 2013 where a number of topics were discussed. It is expected that these discussions will lead to changes in the provision of WH&S training in 2014. In addition it was recommended that workers compensation premiums be devolved to a Branch level to improve responsibility for return to work programs. This change is recommended for the 2014/2015 financial year and it will be implemented in consultation with management accountants.

**AUDIT COMMITTEE DISCUSSION POINTS**

- Local Government Workcare insurance costs to be apportioned across departments.
- Monthly reporting of staff injury rehabilitation and return to work statistics are occurring and that strategies are being progressed to engage with medical practitioners on Council's return to work policy.

**Committee Recommendation (AC14/4)**

*That the Audit Committee receive and note the report titled "3 February 2014 Work Health and Safety Report"*

Carried unanimously.

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5.3.2 GOVERNANCE AND RISK REPORT FEBRUARY 2014

File No: 37.2.1  
Author: Manager Corporate Governance  
Corporate Services Department

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**EXECUTIVE SUMMARY**

Council's risk register as at 31 December 2013 had 130 risks identified and under management. A status report compiled from the risk register on the risks rated as 'extreme' and 'high'. A matrix which graphically plots the extreme, high and medium strategic and operational risks for the organisation. It is important to note that all risks contained within the risk register have mitigation actions and treatments in place to ensure the appropriate management and reduction of any impacts associated with the risk is achieved. At present the register reflects one extreme rated risk relating to the Caloundra South Development.

A subset of Council's Enterprise Risk Management Framework is the organisational business continuity plans (BCP's). The organisation finalised the development of eight key BCP's in July 2013. Selected business continuity plan owners will participate in testing of their plans in March and April 2014.

Elevated complaints continue to be managed within timeframes and a total of 20 complaints have been received so far in 2013/14. All complaints from 2012/2013 year have been resolved.

**AUDIT COMMITTEE DISCUSSION POINTS**

- Potential to further develop risk management reporting with the inclusion of Council's risk appetite against each reported item. The risk appetite will provide greater context to the priorities of proposed actions eg. to accept greater risk. Agreed to explore this opportunity and report back to the Committee.

**Committee Recommendation (AC14/5)**

Moved: L Scanlan  
Seconded: Councillor C Thompson

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

Carried unanimously.

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5.4 INTERNAL AUDIT

5.4.1 CORPORATE ACCOUNTS RECEIVABLE

File No: ECM  
Author: Manager Audit and Assurance  
Office of the Mayor and Chief Executive Officer

EXECUTIVE SUMMARY

Internal Control and Performance Assessment

Impact / Criticality of Operation to Council	Critical	Significant	Low
Recommendations by Risk Ratings Risk Management Standard ISO 31000	Extreme 0	High 0	Medium/Low 4M / 1L
Audit Opinion	Strong	Moderate	Weak

Key Issues Identified

- Incorrect set up of the control parameters within the T1 Property Debtors Module governing the posting of some invoice transactions to the general ledger and affecting the treatment of GST.
- Improvements in credit management through the development of comprehensive policy and procedures and timely follow-up of overdue debts.

Comments by Director Corporate Services

The 'Strong' audit opinion is a good result. The process and other improvements identified in the report and defined in the recommendations are supported.

AUDIT COMMITTEE DISCUSSION POINTS

- The sound control environment was acknowledged and the identified improvement opportunities were accepted.

Committee Recommendation (AC14/6)

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

Carried unanimously.

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5.4.2 PURCHASING - FINANCE AND BUSINESS AND EXECUTIVE OFFICE

File No: ECM  
Author: Manager Audit and Assurance  
Office of the Mayor and Chief Executive Officer

EXECUTIVE SUMMARY

Internal Control and Performance Assessment

Impact / Criticality of Operation to Council	Critical	Significant	Low
Recommendations by Risk Ratings Risk Management Standard ISO 31000	Extreme 0	High 0	Medium/Low 3M
Audit Opinion	Strong	Moderate	Weak

Key Issues Identified

- Amend the monthly Creditors Late Payment Statistics and widely advertise and educate the organization in regard to the availability of the Creditors Late Payment report.
- Provide refresher training to reinforce that Financial delegates must not approve purchase requisitions unless they have witnessed appropriate supporting documentation that ensures compliance with the Procurement Policy and that the evidence is attached to purchase requisitions and purchase orders within the T1 Financial System.
- Implement monthly reporting of user profiles and purchase order/requisition approvals > \$100,000 and review these reports to strengthen the existing sound controls.

Comments by Director Corporate Services

The 'strong' audit opinion on the efficiency, effectiveness and compliance of the department's purchasing activities is a good result.

The three recommendations for improvement are supported.

Comments by Director Corporate Strategy and Delivery

It is pleasing to see only 3 medium/low recommendations on such an important aspect of Councils operations. The audit has reinforced with staff the importance of close attention to the purchasing processes and deadlines. The recommendations will further support their focus and the ongoing contribution of Internal Audit is acknowledged.

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**AUDIT COMMITTEE DISCUSSION POINTS**

- Implementation of late invoice payment reporting and sound controls were acknowledged . The identified improvement opportunities were accepted.

**Committee Recommendation** (AC14/7)

*That the Audit Committee receive and note the report titled "Purchasing - Finance and Business and Executive Office".*

Carried unanimously.

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AUDIT COMMITTEE MINUTES

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5.4.3 INFRASTRUCTURE AGREEMENTS

File No: ECM1  
Author: Manager Audit and Assurance  
Office of the Mayor and Chief Executive Officer

EXECUTIVE SUMMARY

Internal Control and Performance Assessment

Impact / Criticality of Operation to Council	<b>Critical</b>	Significant	Low
Recommendations by Risk Ratings Risk Management Standard ISO 31000	Extreme 0	High 0	Medium/Low 5M / 2L
Audit Opinion	Strong	<b>Moderate</b>	Weak

Key Issues Identified

- Improve sign off process associated with all infrastructure agreement deliverables including officer accountabilities for cash reconciliations, raising invoices and audit trails that clearly evidence all cash and assets have been received.
- Opportunity to improve the integrity of data within the Infrastructure Agreement Register (IAR) to enable reliable monitoring and reporting of outstanding deliverables.
- Opportunity to investigate the further development of the IAR in consultation with Information Communication and Technology Services (ICTS) in becoming a transaction based system similar to Infrastructure Chargers Register (ICR).
- Investigate some incidences where land transfers may have been incorrectly transferred in the name of the State.
- Formalise procedures around negotiation activities including review of calculations, routine use of developer self-monitoring checklists and the use of different types of price indexes.

Comments by Director Regional Strategy and Planning

The establishment of the Infrastructure agreement register has enabled a starting point to both record the obligations (cash, land and infrastructure works) and as a management tool to flag timeframes and trigger for obligation coming on line.

Continued improvement of the infrastructure agreement register and a better understanding of outstanding conditions of approval (infrastructure obligations) is required.

The requirement for registered – responsible officer for each infrastructure agreement is supported, particularly with the considerable change in personnel and roles over the past 10 years and noting that many of the infrastructure agreements have long lives over 10 years.

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**AUDIT COMMITTEE DISCUSSION POINTS**

- The significant control improvement obtained with the implementation of the centralised Infrastructure Agreement Register (records infrastructure agreement deliverables, status and audit trails) is acknowledged and the identified improvement opportunities were accepted.

**Committee Recommendation** (AC14/8)

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

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

**Carried unanimously.**

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AUDIT COMMITTEE MINUTES

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5.4.4 WASTE DISPOSAL OPERATIONS INCLUDING WEIGHBRIDGE OPERATIONS

File No: ECM  
Author: Manager Audit and Assurance  
Office of the Mayor and Chief Executive Officer

EXECUTIVE SUMMARY

Internal Control and Performance Assessment

Impact / Criticality of Operation to Council	Critical	Significant	Low
Recommendations by Risk Ratings Risk Management Standard ISO 31000	Extreme 0	High 0	Medium/Low 1M
Audit Opinion	Strong	Moderate	Weak

Key Issues Identified

- Some scope to improve the control framework governing the approval of front-end recycling and recovery contractors' invoices.

Comments by Director Infrastructure Services

This is a very pleasing result, given the scale, complexity, and number of transactions that the waste business undertakes on a daily basis. The findings and recommendations are supported in full and the staff at all levels are to be complimented on this audit outcome, as it reflects the very large reform and integration program they have embarked upon since amalgamation.

AUDIT COMMITTEE DISCUSSION POINTS

- The sound control environment was acknowledged and the identified improvement opportunities were accepted.

Committee Recommendation (AC14/9)

*That the Audit Committee receive and note the report titled "Waste Disposal Operations including Weighbridge Operations".*

Carried unanimously.

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**5.4.5 ANIMAL REGISTRATION**

**File No:** ECM  
**Author:** Manager Audit and Assurance  
Office of the Mayor and Chief Executive Officer

**EXECUTIVE SUMMARY**

**Internal Control and Performance Assessment**

Impact / Criticality of Operation to Council	Critical	Significant	<b>Low</b>
Recommendations by Risk Ratings Risk Management Standard ISO 31000	Extreme 0	High 0	Medium/Low <b>1M/2L</b>
Audit Opinion	Strong	<b>Moderate</b>	Weak

**Key Issues Identified**

- Establish an effective governance framework that can demonstrate the integrity of the animal register and associated financial information in both T1 Property and T1 Financial systems.

**Comments by Director Community Services**

I welcome the work Internal Audit has undertaken regarding the animal registration processes undertaken by the Community Response Branch in the Community Services Department.

It is pleasing to note the operation strengths identified in the audit and I note the three recommendations identified in the report, two of which are identified as low risk.

I will work with the Manager Response Services in actioning the recommendations within the given timeframes.

**AUDIT COMMITTEE DISCUSSION POINTS**

- Changes to Animal Legislation will require revisiting the current animal registration strategies with Council. The identified improvement opportunities were accepted.

AUDIT COMMITTEE MINUTES

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Committee Recommendation (AC14/10)

Moved: L Scanlan

Seconded: Councillor C Thompson

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

Carried unanimously.

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AUDIT COMMITTEE MINUTES

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5.4.6 AUDIT AND ASSURANCE STATUS REPORT

File No: ECM  
Author: Manager Audit and Assurance  
Office of the Mayor and Chief Executive Officer

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EXECUTIVE SUMMARY

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

AUDIT COMMITTEE DISCUSSION POINTS

- The Committee noted that the internal work plan was on schedule and acknowledged the improvement in actioning the overdue audit recommendations.

Committee Recommendation (AC14/11)

Moved: L Scanlan  
Seconded: Councillor C Thompson

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

Carried unanimously.

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**AUDIT COMMITTEE MINUTES**

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**6 GENERAL BUSINESS**

Nil.

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**Committee Recommendation** (AC14/12)

**Moved:** L Scanlan

**Seconded:** Councillor C Thompson

*That the Audit Committee:*

- (a) *adopt the recommendations of the Audit Committee Meeting of 3 February 2014 and submit the recommendations to Council and*
- (b) *note that there are no specific improvement recommendations for council to action.*

**Carried unanimously.**

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**7 NEXT MEETING**

The next Meeting of the Audit Committee will be held on 12 May 2014 in the Council Chambers, Corner Currie and Bury Streets, Nambour.

**8 MEETING CLOSURE**

The meeting closed at 10.23am.

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