



# Minutes

## Audit Committee

**Monday, 8 September 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

8 SEPTEMBER 2014

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

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**1 DECLARATION OF OPENING**

The Chair declared the meeting open at 9.00 am.

**2 RECORD OF ATTENDANCE AND LEAVE OF ABSENCE**

**AUDIT COMMITTEE MEMBERS**

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

**EXECUTIVE LEADERSHIP TEAM**

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

**APOLOGIES**

Councillor C Dickson	Division 6
Chief Executive Officer	

**ATTENDEES**

Director Audit	Queensland Audit Office
Director Financial Audit Services	Queensland Audit Office

**COUNCIL OFFICERS**

Coordinator Financial Accounting  
Coordinator Corporate Plan Report and Risk Management  
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 12 May 2014 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.

Len Scanlan noted that he has stepped down from Audit Committee of Toowoomba Regional Council.

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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 – Outstanding Issues
  - Finalisation of the de-amalgamation cost allocation, progress and timing regarding finalisation of the annual accounts
- Caloundra South
- Maroochydore City Centre Priority Development Area
- Sunshine Coast Airport Expansion
- 2014 – 2015 Budget
- Additional Update
  - Fraud Control Plan
  - Legislative Compliance Self Audit

**Committee Recommendation** (AC14/27)

*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 2013/14 INTERIM AUDIT REPORT BY QUEENSLAND AUDIT OFFICE (QAO) AND GENERAL UPDATE MATTERS RELEVANT TO SUNSHINE COAST COUNCIL**

**File No:** Financial Management: Audit  
**Author:** Financial Accounting Coordinator  
Corporate Services Department  
**Attachments:** Att 1 - 2013/14 Interim Audit Report

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**EXECUTIVE SUMMARY**

The Queensland Audit Office has performed an interim audit of Council's financial systems during May 2014. 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 is also provided.

**AUDIT COMMITTEE DISCUSSION POINTS**

- Interim audit findings overall internal controls are generally operating effectively.
- No high or moderate risks were identified during the interim audit.
- Queensland Audit Office have performed testing over the proposed balances to be transferred to Noosa Shire Council at 1 January 2014 and noted that the methodology applied is consistent with the suggested Queensland Treasury Corporation balance sheet methodology.
- Discussion around the non-current asset revaluation particularly the decrement in valuation of land was discussed and agreed.

**Committee Recommendation** (AC14/28)

*That the Audit Committee receive and note the report titled "2013/14 Interim Audit Report by Queensland Audit Office (QAO) and General Update Matters Relevant to Sunshine Coast Council".*

Carried unanimously.

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**5.2.2 DRAFT FINANCIAL STATEMENTS REVIEW 2013/14**

**File No:** Financial Management: Audit  
**Author:** Financial Accounting Coordinator  
Corporate Services Department  
**Attachments:** Att 1 - Draft 2013/14 Financial Statements (*Under Separate Cover*)  
Att 2 - Valuation Land Assets - AssetVal Pty Ltd (*Under Separate Cover*)  
Att 3 - Valuation Building & other Structures - APV (*Under Separate Cover*)

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**EXECUTIVE SUMMARY**

The attached general purpose financial statements for 2013/2014 have been prepared for review by the Audit Committee prior to their lodgement with the Auditor-General – Queensland Audit Office (QAO) (Attachment 1).

Significant financial reporting issues faced this financial year included the de-amalgamation of the former Noosa Shire Council on 31 December 2013, resulting in a loss on transfer of assets and liabilities to the new council of \$1,040 million.

Council's Land and Building non-current assets were comprehensively revalued during the year by external valuers, with other asset classes reviewed by the application of relevant indices.

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 de-amalgamation and asset revaluations.

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.

**Committee Recommendation** (AC14/29)

*That the Audit Committee receive and note the report titled "Draft Financial Statements Review 2013/14".*

Carried unanimously.

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**5.3 GOVERNANCE REPORTING**

**5.3.1 WORK HEALTH AND SAFETY REPORT**

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

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**EXECUTIVE SUMMARY**

The Health and Safety Team have remained focused on staff health and wellbeing in quarter four of the 2013/2014 financial year. The level of incidents has continued to steadily decrease over the period. It is pleasing to note that there have been very few injuries and no reportable incidents to Workplace Health and Safety Queensland during this quarter.

Recent survey results from the 2014 Organisational Climate Survey identified that employees valued being provided with a safe working environment as the most important aspect of working with Sunshine Coast Council. In addition to this information, Sunshine Coast Council should be very proud of the fact that employees rated the top two items in order of current performance as being provided with a safe workplace and their immediate supervisor showing interest in the health, safety and wellbeing of the employees in their area.

The Health and Safety Team in conjunction with ICTS have procured and implemented a Workplace Health and Safety and Risk Management software solution titled Cintellate, developed by SAI Global. The test environment of the software solution was implemented on 1 July 2014 with the live production mode to commence mid-August. Cintellate will be rolled out in a staged approach initially to the Health and Safety Advisors and Safety Representatives, and then to line management and employees. The expectation is that the software solution will further enhance councils' ability to improve safety performance through enhanced reporting and risk management strategies once fully established.

**AUDIT COMMITTEE DISCUSSION POINTS**

- Good performance across the board in Work Health and Safety.
- Note the strategy to improve performance in Fire Safety Training which is slipping below an acceptable level.

**Committee Recommendation** (AC14/30)

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

**Carried unanimously.**

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**5.3.2 GOVERNANCE AND RISK REPORT SEPTEMBER 2014**

**File No:** 37.2.1  
**Author:** Manager Corporate Governance  
Corporate Services Department  
**Attachments:** Att 1 - Corporate Risk Register  
Att 2 - Risk Matrix Summary  
Att 3 - Risk Analysis

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**EXECUTIVE SUMMARY**

A review of council's strategic and operational risk register as at end of July confirmed:

- there are 131 risks identified and included in the register
- every risk in the register has mitigation actions and treatments in place

Commencing in September 2014, Corporate Governance will undertake a project to update risk registers and raise awareness of risks and how they are managed. This project is timely following the establishment of the new organisational structure and roll-out of the new corporate plan, providing a fresh approach to risk management.

Elevated complaints continue to be managed within timeframes and a total of 33 complaints were received for 2013/2014.

**AUDIT COMMITTEE DISCUSSION POINTS**

- Risk awareness project currently underway – full reporting at next meeting.

**Committee Recommendation** (AC14/31)

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

**Carried unanimously.**

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5.4 INTERNAL AUDIT

5.4.1 SUNSHINE COAST AIRPORT 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	<b>Significant</b>	Low
Recommendations by Risk Ratings Risk Management Standard ISO 31000	Extreme 0	High 0	Medium/Low <b>2M/3L</b>
Audit Opinion	<b>Strong</b>	Moderate	Weak

Key Issues Identified

- Improvement opportunities relating to the payment of invoices for services provided under the preferred supplier agreement with labour hire agencies; and
- Outstanding credit card variances in the monthly car park revenue reconciliations need to be resolved.

Comments by Director Corporate Strategy and Delivery

The audit and resulting recommendations are welcomed.

Committee Recommendation (AC14/32)

*That the Audit Committee receive and note the report titled “Sunshine Coast Airport Operations”.*

Carried unanimously.

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5.4.2 LAKE KAWANA COMMUNITY CENTRE

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 1	Medium/Low 2/1
Audit Opinion	Strong	Moderate	<b>Weak</b>

Key Issues Identified

The Sunshine Coast Performance and Community Venues Plan providing future strategic opportunities are currently being considered by Council. However, successful strategy outcomes must be supported by sound governance and robust management control systems to improve performance and systems integrity with regard to the:

- Effectiveness of charging and pricing practices
- Adequacy of banking and revenue reconciliation control processes
- Effectiveness of approval and review processes around entrepreneurial program decisions.

Comments by Director Community Services

I have noted the report. Improvements to the financial operations have commenced implementation in consultation with Council's Finance Branch. This work will include mapping of revenue streams and implementing the required controls in our processes. A Business Analyst from Corporate Services will be utilised to ensure the appropriate rigor is applied to this piece of work.

Post the implementation of the required controls and the revenue mapping process, a further report will be provided to the Audit and Assurance Branch. The outcomes of this analysis will also be applied to SCC's other major venues, namely the Nambour Civic Centre and the Sunshine Coast Stadium.

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**Committee Recommendation** (AC14/33)

*That the Audit Committee receive and note the report titled "**Lake Kawana Community Centre**".*

Carried unanimously.

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5.4.3 INFRASTRUCTURE CHARGES

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	<b>Critical</b>	Significant	Low
Recommendations by Risk Ratings Risk Management Standard ISO 31000	Extreme 0	High 0	Medium/Low <b>3M/1L</b>
Audit Opinion	<b>Strong</b>	Moderate	Weak

**Key Issues Identified**

Sound controls with some moderate improvement opportunities around:

- investigating and updating the status of older applications
- ongoing monitoring of charges made obsolete and lapsed events and
- improving Infrastructure Charges Register system functionality.

**Comments by Director Regional Strategy and Planning**

The outcome is good, considering the constant change in legislation in this area over the past 10 years and the need to continuously review associated systems and processes.

I support the recommended improvements.

**Committee Recommendation** (AC14/34)

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

**Carried unanimously.**

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5.4.4 SUPPLY DEPOTS - INVENTORY MANAGEMENT

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 2M / 2L
Audit Opinion	Strong	Moderate	Weak

Key Issues Identified

Improvement opportunities relate to:

- management validation of stock issued to staff
- disposal of stock items that are obsolete or no longer required
- update of the stores master file to include preferred supplier contract details
- formal scheduling of rolling stocktakes

Comments by Director Corporate Services

The audit opinion of "strong" provides an assurance that council's depot inventory management practices are sound. The recommendations for improvement will enhance the already sound practices and are supported.

Committee Recommendation (AC14/35)

*That the Audit Committee receive and note the report titled "Supply Depots - Inventory Management".*

Carried unanimously.



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5.4.5 NATURAL DISASTER RELIEF AND RECOVERY ARRANGEMENTS

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	<b>Significant</b>	Low
Recommendations by Risk Ratings Risk Management Standard ISO 31000	Extreme 0	High <b>4</b>	Medium/Low 0M / 0L
Audit Opinion	Strong	Moderate	<b>Weak</b>

Key Issues Identified

Improvement opportunities relate to:

- operational compliance with Queensland Reconstruction Authority submission guide
- systems and processes to capture critical information to substantiate claims and provide assurance that revenue is maximized
- establishing a formal reporting system to monitor and report overall compliance, performance and submission status

Comments by Director Infrastructure Services

The report findings are welcomed and supported in full. The NDRRA system has been one that has seen moving guidelines and continuing scrutiny of relatively minor claims as government funding became scarcer with the continuing disaster events across Queensland. Our Council is not alone in finding ourselves under pressure to implement a robust and fully controlled process for cost capture and recovery to justify our claims for compensation, and the level of scrutiny and evidence has continued to increase over the last few years to justify claims. Of great concern is the fact that a claim for the 2013 event Emergent Works was not submitted within the deadline and subsequent requests to submit the claim were then refused by the QRA. Meetings with staff and an audit of emails sent by two key officers at the time of the QRA /NDRRA deadlines suggested that all claims had actually been submitted. However it has become apparent these emails related to the Restoration Works claims, and the Emergent Claim was still outstanding at the time of departure of the two officers (who both left early 2014). This is a clear system breakdown and cannot occur again.

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Payments by the QRA for claims for Emergent Works are subject to threshold claim levels relative to the size of the Council, and also go through significant scrutiny for even minor items, and also exclude many incurred cost items, such as day labour costs. Consequently the most recent claim for the 2011/12 resulted in approximately 11.3% of the total amount claimed being received by Council.

Meetings have been held and are ongoing with Civil Works Services and Finance Branch staff members to review and fully upgrade the cost capture and recovery procedures, to refine our mobile data collection apps, to train staff in the methodology of data capture and to embed the revised procedures and processes within the Departments' Quality Assurance system, as per the key recommendations within this report. The revised system will also be tested during our forthcoming annual disaster management exercise, being held in October, and will be incorporated into future exercises.

**Comments by Director Corporate Services**

The Finance Branch will continue to work with Infrastructure Services Department to improve the recording and reporting systems for NDRRA and other grant programs.

**Committee Recommendation** (AC14/36)

*That the Audit Committee receive and note the report titled "**Natural Disaster Relief and Recovery Arrangements**".*

**Carried unanimously.**

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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  
Attachments: Att 1 - Detailed Outstanding Management Actions

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EXECUTIVE SUMMARY

The report provides the Audit Committee with an update on the 2013/2014 Audit Plan and associated Business Improvement Observations, 2014/2015 Audit Plan and the status of Outstanding Audit Risk Recommendations being addressed by Management.

**Committee Recommendation** (AC14/37)

*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:** ECM  
**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 9 September 2013 by the Audit Committee and subsequently endorsed by Council. Since that time, the *Local Government Regulation 2012* and Best Practice associated with Local Government Audit Committees and Internal Audit has not changed.

Accordingly, there has been only one change to the Internal Audit Charter that being the addition of section 7 Managements Responsibilities for the Risk and Control Environment, recommended to the Audit Committee.

**Committee Recommendation** (AC14/38)

*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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**5.4.8 AUDIT COMMITTEE PERFORMANCE ASSESSMENT**

**File No:** ECM  
**Author:** Manager Audit and Assurance  
Office of the Mayor and Chief Executive Officer  
**Attachments:** Att 1 - 2014 Performance Assessment - Detailed Scores and  
Comments

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**EXECUTIVE SUMMARY**

The Audit Committee Performance Assessment is a requirement of the Audit Committee Charter (Section 9). The assessment is designed to provide assurance and continual improvement opportunities over the Audit Committee and associated governance operations. The assessment was adapted to suit the Local Government framework using Best Practice Checklists from government agencies, professional bodies and major accounting firms as follows:

- Australian National Audit Office and Queensland Treasury Guidelines
- CPA and Institute of Internal Auditors Guidelines
- Deloitte, KPMG and Price Waterhouse Coopers Guidelines.

**Committee Recommendation** (AC14/39)

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

**Carried unanimously.**

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**6 GENERAL BUSINESS**

Nil.

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**Committee Recommendation** (AC14/40)

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

*That the Audit Committee:*

- (a) *adopt the recommendations of the Audit Committee Meeting of 8 September 2014 and submit the recommendations to Council and*
- (b) *note that there are no specific improvement recommendations for council to action.*

**Carried unanimously.**

**7 NEXT MEETING**

The next Audit Committee Meeting will be held on Monday 9 February 2015 in the Council Chambers, Corner Currie and Bury Streets, Nambour.

**8 MEETING CLOSURE**

The meeting closed at 10.15am.

Confirmed 9 February 2015.

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CHAIR

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