



Minutes

Audit Committee

Monday, 7 September 2020

Council Chambers, 1 Omrah Avenue, Caloundra

AUDIT COMMITTEE MEMBERS

Councillor J Natoli	Division 4
Councillor E Hungerford	Division 7
Mr P Dowling AM	Independent Member (Chair)
Mr L Scanlan	Independent Member

AUDIT COMMITTEE MINUTES

7 SEPTEMBER 2020

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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 J Natoli	Division 4
Councillor E Hungerford	Division 7
Mr P Dowling AM	Independent Member (Chair)
Mr L Scanlan	Independent Member

EXECUTIVE LEADERSHIP TEAM

Acting Chief Executive Officer
Group Executive Built Infrastructure
Acting Group Executive Business Performance
Group Executive Customer Engagement and Planning Services
Group Executive Economic and Community Development
Acting Group Executive Liveability and Natural Assets
Chief Strategy Officer

APOLOGIES

ATTENDEES

Engagement Manager	Queensland Audit Office (Attendance via Teams)
Engagement Leader	Queensland Audit Office (Attendance via Teams)
Councillor M Suarez	

COUNCIL OFFICERS

Manager Asset Management
Coordinator Financial Accounting
Manager Audit and Assurance
Head of People & Culture
Manager Corporate Governance

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3 RECEIPT AND CONFIRMATION OF MINUTES

4 INFORMING OF PERSONAL INTERESTS

4.1 MATERIAL PERSONAL INTEREST

Pursuant to Section 175C of the *Local Government Act 2009*, no declarations of material personal interest were made during this meeting.

4.2 CONFLICT OF INTEREST / PERCEIVED CONFLICT OF INTEREST

Pursuant to Section 175E of the *Local Government Act 2009*, no declarations of conflict of interest were made during this meeting.

5 REPORTS

5.1 OFFICE OF THE CEO

Nil

5.2 EXTERNAL AUDIT

Nil

5.3 AUDIT AND ASSURANCE

Nil

5.4 GOVERNANCE REPORTING

Nil

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CLOSURE OF THE MEETING TO THE PUBLIC

Committee Recommendation

Moved: L Scanlan
Seconded: Councillor E Hungerford

That the meeting be closed to the public in accordance with the endorsed Audit Committee Charter (OM20/31) and pursuant to section 275 (h) of the Local Government Regulation 2012 to consider the following items:

- 6.1.1 CEO Update
- 6.1.2 Update Crime and Corruption Commission Report – Probity into Councillors' use of Councillor discretionary funds: An audit of Councils and the local government department
- 6.1.3 Asset Management Update
- 6.2.1 Draft 2019/20 Financial Statements
- 6.2.2 Final Report – Delays in Recording of Contributed Assets
- 6.3.1 Timeliness of Asset Recognition and Finalisation of Capital Works
- 6.3.2 Procurement Framework – Low Value Purchase Analysis
- 6.3.3 Audit and Assurance Status Report
- 6.4.1 Work Health and Safety Report
- 6.4.2 Governance and Risk Report

Carried unanimously.

Councillor J Natoli was absent for the vote on this motion.

RE-OPENING OF THE MEETING TO THE PUBLIC

Committee Recommendation

Moved: Councillor E Hungerford
Seconded: Councillor J Natoli

That the meeting be re-opened to the public.

Carried unanimously.

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6 GENERAL BUSINESS

6.1 OFFICE OF THE CEO

6.1.1 CONFIDENTIAL - NOT FOR PUBLIC RELEASE - ACTING CHIEF EXECUTIVE OFFICER'S UPDATE

File No: Audit Committee
Author: Coordinator Organisational Performance
Office of the CEO

In preparing this report, the Chief Executive Officer recommends it be considered confidential in accordance with section 275 (1) (h) of the *Local Government Regulation 2012* as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage.

EXECUTIVE SUMMARY

The Sunshine Coast spent quarter four in uncharted territory as Council monitored and responded to the novel coronavirus (COVID-19) pandemic.

Throughout this time, Council continued to build and evolve support measures and remained focused on the continuity of service delivery and the health and wellbeing of our community, and our employees.

Council has been agile in its response to the changing operating environment by transforming face-to-face services and programs, and adapting ways of connecting with and assisting our communities were implemented.

Tranches two and three of Council's economic stimulus package were released in April and June and included an economic resurgence plan to fast track the region's economic recovery. Initiatives implemented under these packages include:

- 25 projects delivered earlier than scheduled as a result of Council bringing forward \$3.4 million in capital projects to keep residents in jobs and money flowing through our economy.
- Council injected \$15 million per month earlier into the local economy by expediting payments to local contractors within seven days (usually 30 days).
- \$73 million was spent with local suppliers during the last quarter which represents 72% of Council's total procurement spend.
- More than \$1.1 million in grant funding was allocated through 257 community grants.

Despite all of the challenges and effort invested in our response and recovery, Council was still able to deliver 74% of the Operational Plan 2019-20 activities on schedule. Operational Plan activities include a number of significant achievements accomplished between May and September:

- An important milestone was achieved on 14 June, with the first aircraft landing on the new 2450 metre international-standard runway at the Sunshine Coast Airport.

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- Council adopted the \$782 million budget for the 2020-21 financial year on 25 June 2020. The cornerstone of the budget is supporting our community to recover from the impacts of the COVID-19 pandemic.

Committee Recommendation (AC20/30)

Moved: L Scanlan
Seconded: Councillor E Hungerford

That the Audit Committee note the discussions held in confidential session in relation to the Acting Chief Executive Officer's update.

Carried unanimously.

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6.1.2 CONFIDENTIAL - NOT FOR PUBLIC RELEASE - UPDATE CRIME AND CORRUPTION COMMISSION REPORT - PROBITY INTO COUNCILLORS' USE OF COUNCILLOR DISCRETIONARY FUNDS: AN AUDIT OF COUNCILS AND THE LOCAL GOVERNMENT DEPARTMENT

File No: Audit Committee
Author: Community Connections and Partnerships - Lead
Economic & Community Development Group

In preparing this report, the Chief Executive Officer recommends it be considered confidential in accordance with section 275 (1) (h) of the *Local Government Regulation 2012* as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage.

EXECUTIVE SUMMARY

The results of an audit undertaken by the Crime and Corruption Commission examining the use of Councillor discretionary funds was reported to the 28 January 2020 meeting of the Audit Committee. The report included details of improvements implemented in response to the three audit recommendations for Sunshine Coast Council:

1. Update policies, procedures and assessment forms to include all types of conflicts of interest.
2. Update acquittal procedures and finalise three outstanding acquittals.
3. Enhance policies and procedures to align with Crime and Corruption Commission Guidance Notes.

The improvements implemented fully complete Council's response to the Crime and Corruption Commission audit recommendations.

Committee Recommendation (AC20/31)

Moved: L Scanlan
Seconded: Councillor E Hungerford

That the Audit Committee note the discussions held in confidential session in relation to Update Crime and Corruption Commission Report – Probity into Councillors' use of Councillor discretionary funds: An audit of Councils and local government department.

Carried unanimously.

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6.1.3 CONFIDENTIAL - NOT FOR PUBLIC RELEASE - ASSET MANAGEMENT UPDATE

File No: Council meetings
Author: Manager Asset Management
Built Infrastructure Group

In preparing this report, the Chief Executive Officer recommends it be considered confidential in accordance with section 275 (1) (h) of the *Local Government Regulation 2012* as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage.

EXECUTIVE SUMMARY

The Asset Management Roadmap (Roadmap) was presented to the Audit Committee in September 2019.

The Roadmap articulates the desired short and medium future state for asset management and identifies the actions that are needed to be implemented to ensure continued delivery of outstanding, excellent services to the Sunshine Coast community.

Committee Recommendation (AC20/32)

Moved: L Scanlan
Seconded: Councillor E Hungerford

That the Audit Committee:

- (a) *note the discussions held in confidential session in relation to the Asset Management Update.*
- (b) *Provide an update to the Audit Committee meeting to be held in October 2020.*

Carried unanimously.

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6.2 EXTERNAL AUDIT

6.2.1 CONFIDENTIAL - NOT FOR PUBLIC RELEASE - DRAFT 2019/20
FINANCIAL STATEMENTS

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

In preparing this report, the Chief Executive Officer recommends it be considered confidential in accordance with section 275 (1) (h) of the *Local Government Regulation 2012* as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage.

EXECUTIVE SUMMARY

Council has a statutory obligation to prepare general purpose financial statements on an annual basis, culminating in audit certification in late October, before publication in Council's Annual Report.

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

1. Queensland Audit Office 2020 Audit and Risk Committee Briefing Paper – provides an update on the status of the audit along with key audit matters.
2. Queensland Audit Office 2020 Second Interim Report

This report details the outcome of the Second Interim Audit for 2019/20 conducted in June 2020 with outcomes as follows:

Item	Result
1. Internal control assessment	Generally effective
2. Financial reporting issues	Nil
3. Other matters	Resolved subject to audit verification.
4. Areas of audit significance	No issues to date
5. Milestones	All met or not yet due

Based on the results of the testing completed for the period 1 July 2019 to 31 May 2020, Queensland Audit Office (QAO) have assessed Council's overall internal control environment as generally effective, meaning the environment supports an audit strategy which relies upon key controls.

The 2020 Second Interim Audit Report will be presented to the September 2020 Ordinary Meeting of Council.

3. Draft financial statements 2019/20

The attached general purpose financial statements for 2019/20 have been prepared for review by the Audit Committee prior to their lodgment with the Auditor-General, Queensland Audit Office.

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Council has implemented two new Australian Accounting Standards, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*, for the first time, the impacts of which are included in the financial statements.

Some prior year balances have been restated, mainly resulting from the timing of recognition of assets, as well as impacts of the new revenue accounting standard on Rates Revenue and the Sunshine Coast Airport Expansion Project (SCAEP). Further details are in the Restated Balances note in the financial statements as well as a separate SCAEP note.

4. Explanation of major variances to prior year

The attached report provides commentary around variances between 2019/20 Statement of Comprehensive Income and the prior year, as well as details of the items that make up "all other materials and services" in the Materials and Services note of the financial statements.

5. Sunshine Coast Events Centre Pty Ltd – 2019/20 Year End Management Accounts

The above year end management accounts are attached, along with the final QAO Management Letter advising that no significant issues were identified during the course of the audit.

6. Audit Committee Key Milestones – 2019/20 financial statements

The attached Audit Committee Key Milestones provides a detailed timeline and required deliverables associated with the 2019/20 financial statements.

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

Committee Recommendation (AC20/33)

Moved: L Scanlan
Seconded: Councillor E Hungerford

That the Audit Committee note the discussions held in confidential session in relation to the Draft 2019/20 Financial Statements.

Carried unanimously.



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**6.2.2 CONFIDENTIAL - NOT FOR PUBLIC RELEASE - FINAL REPORT -
DELAYS IN RECORDING OF CONTRIBUTED ASSETS**

File No: Council Meetings
Author: Coordinator Financial Accounting
Business Performance Group

In preparing this report, the Chief Executive Officer recommends it be considered confidential in accordance with section 275 (1) (h) of the *Local Government Regulation 2012* as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage.

EXECUTIVE SUMMARY

As a result of the Queensland Audit Office (QAO) recommendations associated with delays in the financial recording of contributed assets, a working group was established to investigate delays in the end to end process and identify improvement opportunities.

The working group has implemented a number of measures that have significantly reduced the likelihood of future delays and prior year adjustments and continues to oversee the full implementation and effectiveness of improvement opportunities.

Committee Recommendation (AC20/34)

Moved: L Scanlan
Seconded: Councillor E Hungerford

That the Audit Committee note the discussions held in confidential session in relation to delays in recording of Contributed Assets.

Carried unanimously.

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6.3 AUDIT AND ASSURANCE

6.3.1 CONFIDENTIAL - NOT FOR PUBLIC RELEASE - TIMELINESS OF ASSET
RECOGNITION AND FINALISATION OF CAPITAL WORKS

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

In preparing this report, the Chief Executive Officer recommends it be considered confidential in accordance with section 275 (1) (h) of the *Local Government Regulation 2012* as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage.

EXECUTIVE SUMMARY

The review evaluated capital works finalisation processes to ensure timely and accurate recognition of assets in Council's financial management and reporting systems.

Some opportunities have been identified to improve process efficiencies and the timeliness of notifications and financial recognition of assets relating to capital works.

Committee Recommendation (AC20/35)

Moved: L Scanlan
Seconded: Councillor E Hungerford

That the Audit Committee note the discussions held in confidential session in relation to Timeliness of Asset Recognition and Finalisation of Capital Works.

Carried unanimously.

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**6.3.2 CONFIDENTIAL - NOT FOR PUBLIC RELEASE - PROCUREMENT
FRAMEWORK - LOW VALUE PURCHASE ANALYSIS**

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

In preparing this report, the Chief Executive Officer recommends it be considered confidential in accordance with section 275 (1) (h) of the *Local Government Regulation 2012* as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage.

EXECUTIVE SUMMARY

The procurement analysis was conducted to provide an assurance that lower value purchase order processes were in compliance with Council's adopted Procurement Policy.

The overall procurement framework and systems are considered sound with some opportunities to consolidate procurement activities and improve control/consistency of low value procurement practices.

Committee Recommendation (AC20/36)

Moved: L Scanlan
Seconded: Councillor E Hungerford

That the Audit Committee note the discussions held in confidential session in relation to the Procurement Framework - Low Value Purchase Analysis.

Carried unanimously.

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6.3.3 CONFIDENTIAL - NOT FOR PUBLIC RELEASE - AUDIT AND ASSURANCE STATUS REPORT

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

In preparing this report, the Chief Executive Officer recommends it be considered confidential in accordance with section 275 (1) (h) of the *Local Government Regulation 2012* as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage.

EXECUTIVE SUMMARY

As at September, the 2019/20 Internal Audit Work Plan is finalised and the 2020/21 Internal Audit Work Plan is on schedule. The Audit Committee monitors progress on the implementation of Listed Actions including six Listed Actions currently exceeding the nominated expected completion date.

Committee Recommendation (AC20/37)

Moved: L Scanlan
Seconded: Councillor E Hungerford

That the Audit Committee note the discussion held in confidential session in relation to the Audit and Assurance Status.

Carried unanimously.

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6.4 GOVERNANCE REPORTING

6.4.1 CONFIDENTIAL - NOT FOR PUBLIC RELEASE - WORK HEALTH AND SAFETY REPORT

File No: Audit Committee
Author: Head of People & Culture
Business Performance Group

In preparing this report, the Chief Executive Officer recommends it be considered confidential in accordance with section 275 (1) (b) of the *Local Government Regulation 2012* as it contains information relating to industrial matters affecting employees.

EXECUTIVE SUMMARY

Council has experienced significant disruption to all operations across the organisation during the reporting period due to the current pandemic. Council has been required to develop new processes and tools to address the risk posed by COVID-19.

Council has provided clear direction with the formation of a COVID-19 Control Group and a COVID-19 Working Group consisting of key personnel from across Council. These teams have anticipated and provided strategies and directions to enable Council's essential services to continue to operate safely.

During the reporting period April to June 2020 there were no incidents which required notification to Workplace Health and Safety Queensland, Electrical Safety Office or the Department of Natural Resources, Mines and Energy.

Committee Recommendation (AC20/38)

Moved: L Scanlan
Seconded: Councillor E Hungerford

That the Audit Committee note the discussions held in confidential session in relation to Health and Safety.

Carried unanimously.

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6.4.2 CONFIDENTIAL - NOT FOR PUBLIC RELEASE - GOVERNANCE AND RISK REPORT

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

In preparing this report, the Chief Executive Officer recommends it be considered confidential in accordance with section 275 (1) (h) of the *Local Government Regulation 2012* as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage.

EXECUTIVE SUMMARY

Council continues to grow and mature in its approach to governance and risk management matters. Strategic and operational risks continue to be monitored and managed in an effective and efficient manner as is reflected in the information contained within this report. The current Strategic and Operational Risks are to be reviewed over the coming quarter, having particular regard to any changes in the external environment that may have significant impact on SCC operations (eg COVID-19 and associated financial circumstances).

The Governance in Action Program has been successful in raising awareness in governance issues with the number of requests for further information or training increasing as officers become more aware of their responsibilities and obligations. Training sessions continued to be delivered remotely during the height of the COVID-19 pandemic to new employees.

As part of our Integrity Management Program, complaint matters elevated to the Corporate Governance Branch continue to be actioned within set timeframes. Analysis is done to assess the cause of each complaint and what management or system improvements can be implemented to ensure continuous improvement growth and the prevention of similar issues or concerns in the future.

Committee Recommendation (AC20/39)

Moved: L Scanlan
Seconded: Councillor E Hungerford

That the Audit Committee note the discussions held in confidential session in relation to Governance and Risk Report.

Carried unanimously.

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7 NEXT MEETING

The next Ordinary Meeting will be held on 6 October 2020 in the Council Chambers.

8 MEETING CLOSURE

The meeting closed at 11:00am.

Confirmed 6 October 2020.

CHAIR
