



Minutes

Audit Committee

Monday, 9 February 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

9 FEBRUARY 2015

TABLE OF CONTENTS

ITEM	SUBJECT	PAGE NO
1	DECLARATION OF OPENING	5
2	RECORD OF ATTENDANCE AND LEAVE OF ABSENCE	5
3	RECEIPT AND CONFIRMATION OF MINUTES	6
4	OBLIGATIONS OF MEMBERS.....	6
4.1	DECLARATION OF MATERIAL PERSONAL INTEREST ON ANY ITEM OF BUSINESS	6
4.2	DECLARATION OF CONFLICT OF INTEREST ON ANY ITEM OF BUSINESS	6
5	REPORTS	7
5.1	CHIEF EXECUTIVE OFFICER'S UPDATE.....	7
5.1.1	UPDATE - CHIEF EXECUTIVE OFFICER	7
5.2	EXTERNAL AUDIT.....	8
5.2.1	QAO FINAL MANAGEMENT LETTER 2014 AND 2014/2015 CLIENT STRATEGY.....	8
5.3	GOVERNANCE REPORTING	9
5.3.1	WORK HEALTH AND SAFETY REPORT	9
5.3.2	GOVERNANCE AND RISK REPORT FEBRUARY 2015	10
5.4	INTERNAL AUDIT	11
5.4.1	BENEFIT AREA LEVIES - LANDSCAPE MAINTENANCE.....	11
5.4.2	HAZARDOUS CHEMICAL STORAGE, HANDLING AND DISPOSAL (PESTICIDES).....	12
5.4.3	RATES - SPECIAL LEVIES, EARLY PAYMENT DISCOUNTS, INTEREST CHARGES, PENSIONER CONCESSIONS AND FIRE LEVIES	13
5.4.4	TREASURY CASH MANAGEMENT OPERATIONS	14
5.4.5	CAPITAL ONCOST ALLOCATION PROCESS	15

AUDIT COMMITTEE MINUTES

9 FEBRUARY 2015

5.4.6	COUNCILLOR FUNDING PROGRAMS - EMERGENT CAPITAL WORKS, MINOR OPERATIONAL WORKS AND DISCRETIONARY FUNDING	16
5.4.7	HEALTH LICENCE REVENUE PROCESS	17
5.4.8	BUILDING SERVICES - APPLICATION AND LODGEMENT FEES.....	18
5.4.9	AUDIT AND ASSURANCE STATUS REPORT	19
6	GENERAL BUSINESS	20
7	NEXT MEETING.....	20
8	MEETING CLOSURE.....	20

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

AUDIT COMMITTEE MINUTES

9 FEBRUARY 2015

1 DECLARATION OF OPENING

The Chair declared the meeting open at 9:03 am.

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

Auditor Senior	Queensland Audit Office
Audit Manager	Queensland Audit Office

ATTENDEES

Councillor M Jamieson	Mayor
Director Audit	Queensland Audit Office

COUNCIL OFFICERS

Coordinator Corporate Plan Report and Risk Management
Acting Manager Audit and Assurance

AUDIT COMMITTEE MINUTES

9 FEBRUARY 2015

3 RECEIPT AND CONFIRMATION OF MINUTES

Committee Recommendation

That the Minutes of the Audit Committee held on 8 September 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

Len Scanlan declared in relation to Item 5.4.8 that he has stepped down from the Audit Committee for Brisbane City Council and declared his appointment to the Board of the NSW Electoral Commission.

Councillor C Thompson declared a perceived conflict of interest in relation to Item 5.4.6 (as defined in section 173 of the *Local Government Act 2009*).

AUDIT COMMITTEE MINUTES

9 FEBRUARY 2015

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

AUDIT COMMITTEE DISCUSSION POINTS

- De-amalgamation Cash Allocation
- Light Rail
- Solar Farm
- Maroochydore City Centre
- SC Airport Expansion
- Certified Agreement
- Qld Treasury Corp Credit Review
- Risk Awareness Project
- Emerging Issues:
 - Review of state government election outcomes and implications for Sunshine Coast Council and the region.

Committee Recommendation (AC15/1)

*That the Audit Committee receive and note the report titled "**Update - Chief Executive Officer**" and the discussions held by the Committee.*

Carried unanimously.

AUDIT COMMITTEE MINUTES

9 FEBRUARY 2015

5.2 EXTERNAL AUDIT

5.2.1 QAO FINAL MANAGEMENT LETTER 2014 AND 2014/2015 CLIENT STRATEGY

File No: Financial Management
Author: Coordinator Financial Accounting
Corporate Services Department
Attachments: Att 1 - QAO Final Management Letter 2014
Att 2 - QAO 2015 Client Strategy

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 2014, in accordance with Section 40 of the *Auditor-General Act 2009*.

The audit of Council's consolidated Financial Report has resulted in no qualifications or amendments with an unqualified audit opinion issued on the 31 October 2014.

AUDIT COMMITTEE DISCUSSION POINTS

- Future briefing meeting with QAO on the governance arrangements over capital projects and asset management including project plans, risk management and control groups.

Committee Recommendation (AC15/2)

That the Audit Committee receive and note the report titled "QAO Final Management Letter 2014 and 2014/2015 Client Strategy".

Carried unanimously.

AUDIT COMMITTEE MINUTES

9 FEBRUARY 2015

5.3 GOVERNANCE REPORTING

5.3.1 WORK HEALTH AND SAFETY REPORT

File No: WHS Audit Report
Author: Manager Human Resources
Corporate Services Department

EXECUTIVE SUMMARY

The Work Health and Safety team have remained focused on staff health and wellbeing in the first and second quarter of the 2014/2015 financial year.

Work Health and Safety Audit

Local Government WorkCare (LGW) scheme manager Jardine Lloyd Thompson (JLT) conducted a Work Health and Safety desk top component of the Audit between 24 and 28 November 2014, with Council receiving a favourable result of 88.5% which is the highest rating the scheme has awarded a member (the previous high rating was 86.2%). A verification audit to ensure our systems and processes are enacted in the workplace will be conducted 2 to 6 March 2015.

Work Health and Safety Risk Management Software

The Work Health and Safety team in conjunction with Information Communication Technology Service (ICTS) procured and implemented a Work Health and Safety and Risk Management software solution titled *Cintellate*, developed by SAI Global. The live environment of the software solution was implemented on 1 October 2014 being rolled out initially to the Health and Safety Advisors. Statistical incident data has been uploaded from 1 July 2014. Further roll outs to Safety Representatives and line management will take place in the third quarter of 2014/2015. The expectation is that the software solution will further enhance council's ability to improve safety performance through enhanced reporting and risk management strategies once fully established.

Work Health and Safety Statistics

The number of injuries incurring lost time, days lost to injury, and the Lost Time Injury (LTI) frequency rate were all above benchmarks for the first six months of the financial year.

Details of the statistics and actions implemented to address these results are included in the Proposal section of this report.

AUDIT COMMITTEE DISCUSSION POINTS

- Favourable results from the Local Government Work Care Audit
- Safety statistics and injuries involving contractors

Committee Recommendation (AC15/3)

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

Carried unanimously.

AUDIT COMMITTEE MINUTES

9 FEBRUARY 2015

5.3.2 GOVERNANCE AND RISK REPORT FEBRUARY 2015

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

EXECUTIVE SUMMARY

Council continues to refine and improve its management of risks in accordance with its adopted Enterprise Risk Management Framework and the Corporate Plan objective of being a public sector leader. A risk awareness project has been underway over the past five months and is nearing completion.

The project involved a major review of risks associated with service delivery and a fresh assessment of strategic risks. Risk registers are currently being updated and commentary on risks will be captured at the end of March 2015, as part of Quarter 3 progress reporting. The Audit Committee will be provided with new risk reports at the May 2015 Audit Committee meeting.

The organisational governance awareness building program has trained approximately 400 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 first half of the 2014/2015 financial year a total of 41 complaints were received.

AUDIT COMMITTEE DISCUSSION POINTS

- High and extreme risks to be reported to Audit Committee
- A deep dive into some risk examples to be provided at a future meeting

Committee Recommendation (AC15/4)

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

Carried unanimously.

AUDIT COMMITTEE MINUTES

9 FEBRUARY 2015

5.4 INTERNAL AUDIT

5.4.1 BENEFIT AREA LEVIES - LANDSCAPE MAINTENANCE

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

Key Issues Identified

Sound control environment with an opportunity to:

- Periodically review cost models to ensure that charges for additional levels of service continue to be relevant

Committee Recommendation (AC15/5)

*That the Audit Committee receive and note the report titled "**Benefit Area Levies - Landscape Maintenance**".*

Carried unanimously.

AUDIT COMMITTEE MINUTES

9 FEBRUARY 2015

5.4.2 HAZARDOUS CHEMICAL STORAGE, HANDLING AND DISPOSAL
(PESTICIDES)

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	Critical	Significant	Low
Recommendations by Risk Ratings Risk Management Standard ISO 31000	Extreme 0	High 2	Medium/Low 2M / 0L
Audit Opinion	Strong	Moderate	Weak

Key Issues Identified

Whilst many examples of best practice were identified, there is an opportunity to share those good practices more widely and to improve the overall monitoring role of Work Health and Safety (WH&S) across the following:

- Implementation of an organisation wide register and hazardous chemical management system
- Implementation of a program of periodic audits of hazardous chemical storage and handling across the organisation by properly trained individuals and report findings to Corporate Health and Safety Steering Group
- Adoption of approved lists of pesticides
- Implementation of routine inventories of hazardous chemical stock

AUDIT COMMITTEE DISCUSSION POINTS

- Assurance was received that Queensland Police Services were satisfied with the weapons handling process and protocols around explosives were monitored by the Public Mines Authority.

Committee Recommendation (AC15/6)

That the Audit Committee receive and note the report titled "Hazardous Chemical Storage, Handling and Disposal (Pesticides)".

Carried unanimously.

AUDIT COMMITTEE MINUTES

9 FEBRUARY 2015

5.4.3 RATES - SPECIAL LEVIES, EARLY PAYMENT DISCOUNTS, INTEREST CHARGES, PENSIONER CONCESSIONS AND FIRE LEVIES

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 / 0L
Audit Opinion	Strong	Moderate	Weak

Key Issues Identified

An effective control framework was confirmed to be operating across the areas reviewed and the following improvement opportunity will address potential manual errors associated with the payment of fire levies and state government pension concession claims.

- Bring forward the rates year end closing balances to the new financial year in July each year to avoid manual adjustments associated with State Government concession claims

Committee Recommendation (AC15/7)

That the Audit Committee receive and note the report titled "Rates - Special Levies, Early Payment Discounts, Interest Charges, Pensioner Concessions and Fire Levies".

Carried unanimously.

AUDIT COMMITTEE MINUTES

9 FEBRUARY 2015

5.4.4 TREASURY CASH MANAGEMENT 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 0M / 1L
Audit Opinion	Strong	Moderate	Weak

Key Issues Identified

The review confirmed the effectiveness of the internal control environment governing Council's Treasury and Cash Management Operations. Surplus funds are invested in compliance with the legislation to maximise returns whilst maintaining the security of the investment capital and providing sufficient liquidity to meet Council's operational requirements.

Committee Recommendation (AC15/8)

That the Audit Committee receive and note the report titled "Treasury Cash Management Operations".

Carried unanimously.

AUDIT COMMITTEE MINUTES

9 FEBRUARY 2015

5.4.5 CAPITAL ONCOST ALLOCATION PROCESS

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 0M / 1L
Audit Opinion	Strong	Moderate	Weak

Key Issues Identified

The review provides assurance that the capital oncost allocation process is effective and the interpretation and application of the process is in accordance with the Accounting Standards - AASB 116 Property, Plant and Equipment.

Committee Recommendation (AC15/9)

That the Audit Committee receive and note the report titled "Capital Oncost Allocation Process".

Carried unanimously.

AUDIT COMMITTEE MINUTES

9 FEBRUARY 2015

5.4.6 COUNCILLOR FUNDING PROGRAMS - EMERGENT CAPITAL WORKS,
MINOR OPERATIONAL WORKS AND DISCRETIONARY FUNDING

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 0M / 2L
Audit Opinion	Strong	Moderate	Weak

Key Issues Identified

Processes were determined to be operating efficiently and effectively and substantially compliant with Legislation and Corporate Policies. Legislative compliance opportunities relate to:

- the Public Notification of Discretionary Funding for the total amount of \$50,000 provided to each Councillor as required by Section 202(3) of the *Local Government Regulations 2012*
- the requirement under Section 202(4b) of the *Local Government Regulations 2012* for the Mayor's and Chief Executive Officer's approval prior to directing budgeted discretionary funds to council's capital works program.

Committee Recommendation (AC15/10)

That the Audit Committee receive and note the report titled "Councillor Funding Programs - Emergent Capital Works, Minor Operational Works and Discretionary Funding".

Carried unanimously.

AUDIT COMMITTEE MINUTES

9 FEBRUARY 2015

5.4.7 HEALTH LICENCE REVENUE PROCESS

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

Overall the Health Licence Revenue Processes are operating effectively with recent system improvements still being refined. Improvement opportunities relate to:

- establishing the standard licence period of 1st September – 31st August for all businesses and establish annual licence fee control/exception reporting
- the appropriate use and authorisation by financial delegate of write-off transactions and establish discount transactions associated with charitable organisation fees
- establish licence fee refund process to address business closures part way through the licence period
- resolve the minor variance in the reconciliation of unpaid balances between T1 Financial Ledger and T1 Property Plus systems

Committee Recommendation (AC15/11)

That the Audit Committee receive and note the report titled "Health Licence Revenue Process".

Carried unanimously.

AUDIT COMMITTEE MINUTES

9 FEBRUARY 2015

5.4.8 BUILDING SERVICES - APPLICATION AND LODGEMENT FEES

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	Critical	Significant	Low
Recommendations by Risk Ratings Risk Management Standard ISO 31000	Extreme 0	High 0	Medium/Low 0M / 2L
Audit Opinion	Strong	Moderate	Weak

Key Issues Identified

Sound control environment with some minor opportunities identified around:

- Monitoring outstanding balances and
- Consistent approach to refund and adjustment transactions and scope to formalise refund policy in relation to searches.

Committee Recommendation (AC15/12)

*That the Audit Committee receive and note the report titled "**Building Services - Application and Lodgement Fees**".*

Carried unanimously.

AUDIT COMMITTEE MINUTES

9 FEBRUARY 2015

5.4.9 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 Audit Recommendations

EXECUTIVE SUMMARY

The report provides the Audit Committee with an update on the 2014 - 2015 Audit Plan and the status reporting of Outstanding Audit Risk Recommendations. As at February 2015, the Audit Plan is being completed on schedule and audit recommendations have been effectively managed.

AUDIT COMMITTEE DISCUSSION POINTS

- Update on two overdue internal audit recommendations to be provided at the next meeting.

Committee Recommendation (AC15/13)

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

Carried unanimously.

AUDIT COMMITTEE MINUTES

9 FEBRUARY 2015

6 GENERAL BUSINESS

Nil

Committee Recommendation (AC15/14)

Moved: Councillor C Dickson
Seconded: Councillor C Thompson

That the Audit Committee:

- (a) adopt the recommendations of the Audit Committee Meeting of 9 February 2015 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 4 May 2015 in the Council Chambers, Corner Currie and Bury Streets, Nambour.

8 MEETING CLOSURE

The meeting closed at 10:14 am.

Confirmed 4 May 2015.

CHAIR
