



# Minutes

## Audit Committee

Monday, 22 May 2017

Council Chambers, Corner Currie and Bury Streets, Nambour

### 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

22 MAY 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 9:00am.

**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  
Director Corporate Services  
Director Corporate Strategy and Delivery  
Director Infrastructure Services  
Director Regional Strategy and Planning

**APOLOGIES**

Nil

**ATTENDEES**

Audit Manager	Queensland Audit Office
Audit Manager - IS Risk	Queensland Audit Office
Partner	BDO Australia

**COUNCIL OFFICERS**

Coordinator Financial Accounting  
Manager Audit and Assurance  
Manager Human Resources  
Manager Corporate Governance

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**3 RECEIPT AND CONFIRMATION OF MINUTES**

Committee Recommendation (AC17/14)

Moved: L Scanlan  
Seconded: Councillor T Dwyer

*That the Minutes of the Audit Committee held on 30 January 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 UPDATE - CHIEF EXECUTIVE OFFICER

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

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AUDIT COMMITTEE DISCUSSION POINTS

- Corporate Plan
- Sunshine Coast Airport
- Maroochydore City Centre
- Sunshine Coast Light Rail project
- SEQ Regional Plan
- 50<sup>th</sup> Anniversary celebrations launched
- Sunshine Coast Stadium sets new record
- More arts and culture on the Horizon
- Medical school for Sunshine Coast University Hospital
- Australia's first carbon neutral airport
- Mary Cairncross Scenic Reserve Rainforest Discovery Centre
- Sunshine Coast Solar Farm
- New council depot at Beerwah
- Council's presence in Maroochydore
- A revised Corporate Plan
- Audit report shows Coast is in good financial health
- Managing and developing the workforce

Committee Recommendation (AC17/15)

Moved: L Scanlan  
Seconded: Councillor T Dwyer

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

Carried unanimously.

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5.2 EXTERNAL AUDIT

5.2.1 ANNUAL FINANCIAL STATEMENT RISK AND PLANNING ASSESSMENT

- File No: Council Meetings
- Author: Coordinator Financial Accounting  
 Corporate Services Department
- Attachments: Att 1 - Queensland Audit Office Briefing Note  
 Att 2 - Queensland Audit Office Interim Management Report for 2016/17  
 Att 3 - Queensland Audit Office Insights Newsletter March 2017  
 Att 4 - Queensland Audit Office Better Practice Guide - Long Term Financial Planning  
 Att 5 - Shell Financial Report Statements 2016/17  
 Att 6 - Asset Revaluation Summary and Progress Status 2016/17  
 Att 7 - Position Paper - Landfill Rehabilitation Provision and the Net Present Value (NPV) Rate  
 Att 8 - Briefing Paper - Sunshine Coast Airport Transaction  
 Att 9 - Queensland Audit Office 2017 External Audit Plan

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.

Refer to timeline below.

Milestone	Documentation/Details	Proposed Date
<i>Legend: Shaded = complete</i>		
2016/17 Planning Audit	As per Client Strategy	21 November 2016 to 9 December 2016
<b>Audit Committee Meeting</b>	<ul style="list-style-type: none"> <li>QAO Final Management Report 2016</li> <li>Financial statements for Council's controlled entities SunCentral Maroochydore Pty Ltd and Sunshine Coast Events Centre Pty Ltd</li> <li>QAO Draft External Audit Plan 2017</li> <li>Draft Disclosure – AASB 124 Related Party Disclosures (for period 1 July 2016 to 30 September 2016))</li> </ul>	30 January 2017
Interim Audit	<ul style="list-style-type: none"> <li>Draft Disclosure – AASB 124 Related Party Disclosures (for period 1 July 2016 to 31 December 2016)</li> <li>Shell Financial Statements</li> </ul>	20 March 2017 to 7 April 2017
Interim Management Letter	<ul style="list-style-type: none"> <li>Provided by QAO following Interim Audit</li> </ul>	28 April 2017
<b>Audit Committee Meeting</b>	<ul style="list-style-type: none"> <li>QAO Briefing Note</li> </ul>	22 May 2017



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Milestone	Documentation/Details	Proposed Date
	<ul style="list-style-type: none"> <li>Shell Financial Report Statements 2016/17</li> <li>Asset Revaluation Summary and Progress Status 2016/17</li> <li>Position Paper – Landfill Rehabilitation Provision and the Net Present Value (NPV) Rate</li> <li>Briefing Paper – Sunshine Coast Airport Transaction</li> <li>QAO 2017 External Audit Plan (final)</li> </ul>	
Resolution of complex or contentious accounting issues	Position Papers for	
	<ul style="list-style-type: none"> <li>AASB 124 Related Party Disclosures</li> </ul>	31 May 2017
	<ul style="list-style-type: none"> <li>Landfill Rehabilitation Provision and the Net Present Value (NPV) Rate</li> </ul>	31 May 2017
	<ul style="list-style-type: none"> <li>Sunshine Coast Airport – accounting treatment of transaction</li> </ul>	31 May 2017
Asset Valuation	Supporting work papers available to Audit	30 June 2017
<b>Audit Committee Meeting</b>	<ul style="list-style-type: none"> <li>QAO Interim Audit Report</li> <li>QAO Briefing Note</li> <li>Draft Financial Statements 2016/17</li> </ul>	4 September 2017
Final draft financial statements and current year financial sustainability statement available for audit	Final draft financial statements and current year financial sustainability statement	11 September 2017
Audit clearance of financial statements and current year financial sustainability statement	QAO closing report / management representation letter	9 October 2017
<b>Audit Committee Meeting (teleconference)</b>	Audit Committee clearance (via teleconference) of financial statements and current year financial sustainability statement	9 October 2017
Council certification of financial statements and current year financial sustainability statement	Management Certificate	10 October 2017
Audit certification of financial statements and current year financial sustainability statement		16 October 2017
Audit final management report provided		30 October 2017

In conjunction with Queensland Audit Office, Council endeavours each year to strengthen the quality control surrounding this process.

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Major milestones in the process identified this year with Queensland Audit Office are detailed in the table above, with timeframes reduced compared to the prior year.

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**Audit Committee Discussion Points**

- Solar Farm accounting treatment and future revaluation methodology
- Australis Asset Advisory Group appointed to undertake comprehensive asset revaluation of land, building and other facilities
- Control improvement opportunities identified in the Queensland Audit Office Interim Report

**Committee Recommendation** (AC17/16)

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

*That the Audit Committee receive and note the report titled "**Annual Financial Statement Risk and Planning Assessment**".*

**Carried unanimously.**

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5.3 AUDIT AND ASSURANCE

5.3.1 INFORMATION TECHNOLOGY CYBER SECURITY REVIEW BY BDO PTY LTD

File No: Council Meetings  
Author: Manager Audit and Assurance  
Office of the Mayor and Chief Executive Officer  
Attachments: Att 1 - Information Technology Cyber Security Review by BDO Pty Ltd

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**EXECUTIVE SUMMARY**

Council engaged BDO (QLD) Pty Ltd to conduct a review of council's information technology cyber security resilience capability across nominated areas/functions of the current information communication and technology environment, including: critical network security components, cloud-based services and Internet of Things (IoT) connected systems forming part of the Smart City framework.

Key findings and recommendations include:

- Council has established a good foundation of technical security controls which are generally well implemented and maintained and are functioning as needed to protect SCC from cyber security incidents
- The core security team is relatively small for the organisation with the agenda it has to adopt new Information Technology capabilities (i.e. Smart City framework) and service delivery approaches (i.e. Cloud computing)
- Improve formal cyber security governance and oversight to oversee and effectively manage cyber security risks and investments
- Address specific Cloud and IoT security standards
- Formalise cyber security risk management process that would assist SCC to identify, assess, mitigate or monitor cyber security risks that could impact SCC
- Address some technical security vulnerabilities identified within corporate network environment and external web applications.

This review also addresses the activity identified in the KPMG Fraud Risk Assessment Plan.

**Audit Committee Discussion Points**

- Confirmation that recommendations fully accepted and to be implemented
- Explanation of risk ratings
- Benchmarking opportunities with other Queensland Local Governments

**Committee Recommendation** (AC17/17)

Moved: L Scanlan  
Seconded: Councillor T Dwyer

*That the Audit Committee receive and note the report titled "Information Technology Cyber Security Review by BDO Pty Ltd".*

Carried unanimously.

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5.3.2 RECRUITMENT AND SELECTION

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 2M / 2L
Audit Opinion	Strong	Adequate	Weak

Key Issues Identified

Although recruitment and selection processes were largely consistent with best practice, some improvement opportunities were identified around:

- further mitigating against potential fraud and corruption risks associated with pre-employment screening and declarations of no conflict of interest
- ensuring recruitment and selection documentation is up to date and interview assessment scores have been recorded
- refinement of policy and procedures.

Comments by Director Corporate Services, Ray Turner.

The 'strong' audit opinion provides assurance that our policy, procedures, and controls in relation to minimising the potential of fraud through our recruitment and selection processes are effective.

All recommendations are supported.

Committee Recommendation (AC17/18)

Moved: L Scanlan  
Seconded: Councillor T Dwyer

That the Audit Committee receive and note the report titled "**Recruitment and Selection**".

Carried unanimously.

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**5.3.3 KPMG FRAUD RISK ASSESSMENT PLAN**

**File No:** Council Meetings  
**Author:** Manager Audit and Assurance  
Office of the Mayor and Chief Executive Officer  
**Attachments:** Att 1 - KPMG Fraud Risk Assessment - Planning and  
Environment Department

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**EXECUTIVE SUMMARY**

In response to the Queensland Audit Office's (QAO) report, Fraud Management in Local Government Report 19: 2014-15, KPMG Forensic Pty Ltd was engaged to undertake a council-wide fraud risk assessment and to develop a two year fraud risk assessment plan. KPMG's report was presented at the May 2016 Audit Committee with the proposed two year fraud risk assessment plan referred to the Chief Executive Officer for consideration.

Subsequently, KPMG were engaged to undertake the "deep dive" fraud risk assessments of higher inherent risk processes with the Rates, Procurement and Accounts Payable, Planning and Development Department assessments being completed to date. In addition, BDO (Qld) Pty Ltd was engaged to complete the Information Technology Cyber Security review with additional work being completed by Audit and Assurance.

Accordingly, KPMG's proposed two year Fraud Risk Assessment Plan has been completed with the next Council-wide Fraud Risk Assessment being scheduled in two years in accordance with the Queensland Audit Office's advice.

**Committee Recommendation** (AC17/19)

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

*That the Audit Committee receive and note the report titled "KPMG Fraud Risk Assessment Plan".*

**Carried unanimously.**

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5.3.4 DEVELOPMENT SERVICES - PLANNING ASSESSMENT FEES

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 1M / 1L
Audit Opinion	Strong	Moderate	Weak

Key Issues Identified

Sound control environment established with some improvement opportunities around:

- Delegation process to provide authorities to waive fees and procurement activities
- Review the application fee discount control framework with regard to discount transaction accuracy, early detection of potential discount errors and the adequacy of supporting documentation associated with an organisation's non-profit status.

Comments by Director Planning and Environment, Warren Bunker

The strong audit opinions are noted and I support the two actions to improve our processes in relation to waiver fees and 'non for profit' information.

Committee Recommendation (AC17/20)

Moved: L Scanlan  
Seconded: Councillor T Dwyer

*That the Audit Committee receive and note the report titled "Development Services - Planning Assessment Fees".*

Carried unanimously.

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**5.3.5 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 Recommendations by Department  
Att 2 - Audit Committee Annual Work Plan

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**EXECUTIVE SUMMARY**

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

**Committee Recommendation** (AC17/21)

**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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5.3.6 2017 - 2018 INTERNAL AUDIT WORK PLAN

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

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**EXECUTIVE SUMMARY**

The proposed 2017 – 2018 Internal Audit Plan is presented to the Audit Committee and is subject to final endorsement by Council.

The audit plan methodology ensures that audit resources are effectively utilised and that appropriate coverage is achieved in accordance with risk based auditing standards.

**Committee Recommendation** (AC17/22)

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

*That the Audit Committee:*

- a) *receive and note the report titled "2017 - 2018 Internal Audit Work Plan" and*
- b) *recommend to Council that the 2017 – 2018 Internal Audit Work Plan be endorsed.*

**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**

The Mental Health Program 'FRESHminds' was awarded an LGMA Excellence Award at a ceremony held in Brisbane on Thursday 6 April 2017. This is excellent recognition for the FRESH program which aims to improve the health and wellbeing of the SCC Workforce.

Drug and alcohol testing was conducted at various Council offices and it is pleasing to note that all tests returned a negative reading during the period December 2016 – March 2017.

There were two (2) notifiable incidents for the reporting period. Lost time injury (LTI) days increased in January 2017 but rates are now improving and aligning to same time last year. Proactive steps are being taken by employees and managers in return to work programs.

The Incident Cause Analysis Methodology (ICAM) investigation process is now a well-established practice. Investigations are focused on identifying improvements, opportunities for learning and equipment issues. SCC employees are responding well to the improvements and the WH&S team are well versed in the process.

Traffic and vehicle incidents continue to occur on a regular basis. WH&S staff work closely with Fleet management to investigate the accidents and identify improvement actions. Further education will be delivered through Take 5 and Toolbox talks regarding safe driving, vehicle checks and driver awareness.

**Audit Committee Discussion Points**

- As from 1 July 2017, all new employees will be asked to attend a pre-employment drug test in the recruitment review

**Committee Recommendation** (AC17/23)

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 AND RISK REPORT

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

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**EXECUTIVE SUMMARY**

Council recently adopted a new Corporate Plan 2017-2021 which embraces a new vision to be '*Australia's most sustainable region - healthy, smart, creative*'. The new Corporate Plan sets the pathways that council will pursue on behalf of the community for the next five years to reinforce the vision for the region and to ensure that good stewardship remains in place.

The Governance in Action program continues to focus on raising awareness in areas of conformance and performance. Emphasis has been placed on delivering mandatory Employee Code of Conduct training sessions across the organisation. This program is now tailored to future training needs and hot topic areas as well as exploring innovative delivery modes and methods to continue to remind, refresh and retrain. The program is now also forming part of the induction program for all new employees.

Strategic and Operational Risks continued to be monitored and this report provides information on the 246 risks rated from 'low to extreme'. A number of operational improvements have been made to the Risk Management Framework following review of suggestions made in the Deloitte report presented to the Audit Committee in September 2016. All branch risk registers have been updated following a series of workshops with the exception of the Sunshine Coast Airport risk register.

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.

**Committee Recommendation** (AC17/24)

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

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

Carried unanimously.

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5.4.3 SUNSHINE COAST AIRPORT EXPANSION PROJECT

**File No:** Council Meetings  
**Author:** Director  
Economic Development and Major Projects Department  
**Attachments:** Att 1 - Project 2450 - Consolidate Lease Structure and  
Transaction Documents  
Att 2 - SCA Transition Project Risk Assessment  
Att 3 - SCAEP Risk and Opportunity Register

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**EXECUTIVE SUMMARY**

At its meeting of 13 June 2016, Council resolved to call for Expressions of Interest (EOIs) from parties wishing to partner with Council in the delivery of the Sunshine Coast Airport Expansion Project. This process culminated in Palisade Investment Partners (Palisade) being announced as the Commercial Partner for the operation of Sunshine Coast Airport (SCA) under a 99 year lease on 9 February 2017.

To extract maximum value for Council, the arrangement with Palisade is structured differently from a normal lease. These differences include:

1. Council will maintain responsibility for the delivery of the new east-west runway. This requires a sub-lease from Palisade back to Council for the area where the runway construction will take place.
2. The upgrade of the terminal facilities has been removed from the Project and responsibility now rests with Palisade.
3. Council is responsible for the establishment of Sunshine Coast Airport Pty Ltd, the associated Trust and the transfer of all non-land assets.
4. A longer than normal period between contractual close (9 February 2017) and financial close (estimated to be 1 October 2017).

These issues required the preparation of additional legal documents, increases the complexity of the transaction and along with the opportunities it provides also brings additional risks.

**Committee Recommendation** (AC17/25)

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

*That the Audit Committee receive and note the report titled "**Sunshine Coast Airport Expansion Project**".*

**Carried unanimously.**

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**6 GENERAL BUSINESS**

Nil.

**7 NEXT MEETING**

The next Ordinary Meeting will be held on 4 September 2017 in the Council Chambers, 1 Omrah Avenue, Caloundra.

**8 MEETING CLOSURE**

The meeting closed at 10:52am.

Confirmed 4 September 2017.

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CHAIR

  
  

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