

# Minutes

## Audit Committee

**Monday, 23 January 2023**

**City Hall, Level 4, 54 First Avenue, Maroochydore**

### **AUDIT COMMITTEE MEMBERS**

Councillor J Natoli	Division 4
Councillor E Hungerford	Division 7
Mr M Petrie	External Member (Chair)
Mr P McCallum	External Member
Ms S Tindal	External Member



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

**1 DECLARATION OF OPENING**

The Chair declared the meeting open at 9:00am.

Councillor J Natoli acknowledged the Traditional Custodians of the land on which the meeting took place.

**2 RECORD OF ATTENDANCE AND LEAVE OF ABSENCE****AUDIT COMMITTEE MEMBERS**

Councillor J Natoli	Division 4
Councillor E Hungerford	Division 7
Mr M Petrie	External Member (Chair)
Mr P McCallum	External Member
Ms S Tindal	External Member

**COUNCIL OFFICERS**

Chief Executive Officer  
Group Executive Built Infrastructure  
Group Executive Economic and Community Development  
Group Executive Liveability and Natural Assets  
A/Group Executive Business Performance  
A/Group Executive Customer and Planning Services  
Chief Strategy Officer  
Chief of Staff  
Manager Audit and Assurance  
Principal Auditor  
Coordinator Financial Accounting  
Head of People & Culture  
Chief Information Officer  
Information Technology Manager  
Manager Development Services  
Coordinator Engineering & Environment Assessment  
Projects and Systems Analyst  
Coordinator Financial Services  
Coordinator Integrity Management  
Coordinator Corporate Risk & Insurance

**APOLOGIES**

Group Executive Customer and Planning Services  
Group Executive Business Performance

**ATTENDEES**

Engagement Manager	Queensland Audit Office
Engagement Leader	Queensland Audit Office
Councillor D Law	Division 10



**3 INFORMING OF CONFLICTS OF INTEREST****3.1 PRESCRIBED CONFLICTS OF INTEREST**

Pursuant to Section 150EL of the *Local Government Act 2009*, no declarations of prescribed conflicts of interest were made during this meeting.

**3.2 DECLARABLE CONFLICTS OF INTEREST**

Pursuant to Section 150EQ of the *Local Government Act 2009*, no declarations of declarable conflicts of interest were made during this meeting.

## 4 REPORTS

### 4.1 OFFICE OF THE CEO

#### 4.1.1 CHIEF EXECUTIVE OFFICER'S UPDATE TO THE AUDIT COMMITTEE

**File No:** Council Meetings

**Author:** Coordinator Corporate Planning and Performance  
Civic Governance

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### EXECUTIVE SUMMARY

The Audit Committee considers a regular report from the Chief Executive Officer outlining Council's performance in progressing the implementation of its corporate and operational plans.

This report provides information on the following items for consideration by the Audit Committee:

- financial performance update as of 30 November 2022
- summary of Operational Plan performance by exception as of 30 September 2022, and
- significant achievements delivered between 1 July and 30 September 2022 (Quarter 1 2022/23).

The Audit Committee will consider a range of reports and matters within this agenda including report 4.3.2 Tree Risk Management. This report was prepared by the Audit team last quarter.

The Chief Executive Officer expressed condolences on behalf of Council in relation to the tragic deaths of two road users on 31 December 2022 following the fall of a tree branch.

### **Committee Recommendation** (AC23/1)

**Moved:** S Tindal

**Seconded:** Councillor J Natoli

*That the Audit Committee:*

- receive and note the report titled "**Chief Executive Officer's Update to the Audit Committee**"*
- receive and note Attachment 1 titled "Summary of Operational Plan performance by exception as of 30 September 2022".*

**Carried unanimously.**

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**4.1.2 WELLBEING, HEALTH AND SAFETY REPORT**

**File No:** Council meetings  
**Author:** Head of People & Culture  
Business Performance Group

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**EXECUTIVE SUMMARY**

Sunshine Coast Council (SCC) has seen a continued reduction in the Lost Time Injury Frequency Rate (LTIFR) to 6.71. This is the lowest Lost Time Injury Frequency Rate ever recorded in Sunshine Coast Council and reinforces the significant downward trend achieved over the last three years. Additionally, for the last two consecutive years, Sunshine Coast Council has achieved a lower Lost Time Injury Frequency Rate than the average of other like councils according to workers compensation data. For 2022, Sunshine Coast Council achieved a Lost Time Injury Frequency Rate of 12.11 compared to 18.28 for workers compensation across other like councils.

Key WHS initiatives continue to be delivered, including the Critical Risk Program, Contractor Safety Management Framework and the Safety Management System Refresh. Actions to manage psychosocial risk (including sexual harassment and bullying) have been delivered. Since the last Audit Committee, the First Aid Management and WHS Training projects have been delivered. Future focus includes continuing to manage psychosocial hazards in alignment with recent legislative reform, including the development of a Health and Wellbeing Strategy.

**Committee Recommendation** (AC23/2)

**Moved:** P McCallum  
**Seconded:** Councillor E Hungerford

*That the Audit Committee receive and note the report titled “**Wellbeing, Health and Safety Report**”.*

**Carried unanimously.**

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### 4.1.3 CYBER SECURITY AUDIT COMMITTEE REPORT

**File No:** Council Meetings  
**Author:** Dave Burns, Chief Information Officer  
Business Performance Group

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#### EXECUTIVE SUMMARY

Council has an ongoing Cyber Security Program to improve cyber maturity levels against The Australian Government “Essential Eight” (E8) and International Security Standard “ISO27001” criteria. Council is seeing an increased number of security vulnerabilities, consistent with what is being reported in the media. Council continues to proactively patch systems against known security vulnerabilities and threats.

From October to December 2022, Council successfully blocked 577 impersonation attempts and 279 malicious code on Council staff and Councillors.

Council has an active Cyber Security Awareness program, which is mandatory for all staff to promote cyber awareness. Councillors and the Executive leadership Team strongly support the program. Council is strategically partnering with the State Government Cyber Security Unit to share security intelligence. Council has undertaken independent penetration testing with PricewaterhouseCoopers (PwC) on corporate systems, and no external threats were identified. Council's security partner Equate Technologies (Equate), which provides 24/7 managed security services and monitoring via a Security Operations Centre. Equate has undertaken proactive threat research on Council's network and found no evidence of malicious activity.

In July 2022, Council initiated an independent security audit with external vendor, PwC, to review Council's maturity levels against ISO 27001:2022 (ISO 27001).

The ISO 27001 is an internationally recognised and accredited standard for the establishment, operation, maintenance, and governance of an Information Security Management System. The standard details a set of controls that protect information assets. ISO 27001 has 119 controls associated with the standard.

#### **Committee Recommendation** (AC23/3)

**Moved:** Councillor J Natoli

**Seconded:** S Tindal

*That the Audit Committee receive and note the report titled “**Cyber Security Audit Committee Report**”.*

**Carried unanimously.**

**4.1.4 CONTRIBUTED ASSET ACCEPTANCE PORTAL INITIATIVE**

**File No:** Council Meetings  
**Author:** Manager Development Services  
Customer & Planning Services Group

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**EXECUTIVE SUMMARY**

The new online Contributed Asset Acceptance Portal helps in achieving the acceptable performance of infrastructure assets (such as roads, parks, streetscapes and stormwater) to be handed over to Council as part of a development approval.

Over the past 18 months, the portal been developed with advice and input from external industry consultants and internal construction officers, support staff, asset custodians and others involved in the process of qualifying or accepting public assets as part of development approvals.

This project was carried out to ensure compliance with the conditions of development approval in accordance with Council's planning scheme and the State Government legislation, such as the *Planning Act 2016*.

**Committee Recommendation** (AC23/4)

**Moved:** S Tindal  
**Seconded:** Councillor E Hungerford

*That the Audit Committee receive and note the report titled "**Contributed Asset Acceptance Portal Initiative**".*

**Carried unanimously.**

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## 4.2 EXTERNAL AUDIT

### 4.2.1 ASSET RECOGNITION PROJECT UPDATE

**File No:** Council meetings  
**Author:** Coordinator Financial Accounting  
Business Performance Group

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#### EXECUTIVE SUMMARY

The Asset Recognition Project is in its planning phase. During this phase the Project Control Group (PCG) and Project Working Groups (PWG) are being established.

BDO Services Pty Ltd (BDO) have been engaged in an advisory capacity to assist both groups as well as provide project management support as needed.

Dedicated internal project management support is being sourced to assist with establishment of project artefacts as well as managing the project itself.

Detailed consultation will occur in early 2023 with the Project Working Group, assisted by BDO, to assess, plan, resource and apply the RACI (Responsible, Accountable, Consulted, Informed) framework to the 27 recommendations. From there a detailed project plan will be developed.

In the meantime, the 4 main stakeholder branches of Finance, Asset Management, Development Services and Project Delivery continue to implement asset recognition process and system improvements within their own branches.

#### Committee Recommendation (AC23/5)

**Moved:** P McCallum  
**Seconded:** S Tindal

*That the Audit Committee receive and note the report titled “**Asset Recognition Project Update**” and note the importance of achieving some measure progress and prioritisation of projects and provide the project plan at the May 2023 Audit Committee Meeting.*

**Carried unanimously.**

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**4.2.2 FINALISATION OF COUNCIL'S 2021/22 FINANCIAL STATEMENTS  
AUDIT PROCESS**

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

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**EXECUTIVE SUMMARY**

The Queensland Audit Office (QAO) has carried out its audit of Council's financial statements, including Council's controlled entities, for the year ended 30 June 2022, and has issued an unmodified audit opinion.

**Committee Recommendation** (AC23/6)

**Moved:** P McCallum  
**Seconded:** Councillor E Hungerford

*That the Audit Committee receive and note the report titled "**Finalisation of Council's 2021/22 Financial Statements Audit Process**".*

**Carried unanimously.**

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**4.2.3 PLANNING FOR THE 2022/23 FINANCIAL STATEMENTS AUDIT PROCESS**

**File No:** Council meetings  
**Author:** Coordinator Financial Accounting  
Business Performance Group

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**EXECUTIVE SUMMARY**

Queensland Audit Office (QAO) conducted their 2022/23 Planning Audit during December 2022 and have issued their 2023 External Audit Plan for Audit Committee review and Chief Executive Officer sign-off.

**Committee Recommendation** (AC23/7)

**Moved:** S Tindal  
**Seconded:** P McCallum

*That the Audit Committee*

- (a) *receive and note the report titled “**Planning for the 2022/23 Financial Statements Audit Process**” and*
- (b) *request the forward schedule of the asset revaluations for 2023 and 2024 to be tabled at the May 2023 Audit Committee Meeting.*

**Carried unanimously.**

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#### 4.2.4 FINANCIAL SUSTAINABILITY FRAMEWORK BRIEFING

**File No:** Council Meetings  
**Author:** Coordinator Financial Services  
Business Performance Group

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#### EXECUTIVE SUMMARY

Following consultation with various councils and other stakeholders, the Department of State Development, Infrastructure, Local Government and Planning has released the draft Financial Management Guideline. The draft guideline updates the financial metrics and ratios that Local Governments are measured upon for sustainability. Key changes from the previous 2013 financial management guidelines include -

- Grouping of similar councils for sustainability monitoring and reporting purposes to better reflect the varied drivers and circumstances of the sector
- Removal of the Net Financial Liability ratio due to consistent feedback about its limited usefulness to stakeholders, especially for councils with no debt
- Expanding the number of relevant financial sustainability measures from 3 to 9 to include additional measures of financial capacity, operating performance, liquidity, asset management and debt servicing capacity. Three ratios will be for contextual purposes only
- Revision of targets for each measure based on each council's allocated grouping, including a small number of contextual measurers with no targets that are not required to be audited each year
- Councils will be required to report on the single year result and five year rolling average result of the measures proposed with targets only applying to the five-year rolling average result.

Implementation of the sustainability metrics is required for the 2023/24 financial year. Sunshine Coast Council intends to include the revised ratios in the 2023/24 budget adoption papers for June 2023.

#### **Committee Recommendation** (AC23/8)

**Moved:** Councillor E Hungerford  
**Seconded:** P McCallum

*That the Audit Committee receive and note the report titled "**Financial Sustainability Framework Briefing**".*

**Carried unanimously.**

**4.3 AUDIT AND ASSURANCE****4.3.1 AUDIT AND ASSURANCE STATUS REPORT**

**File No:** Council Report  
**Author:** Acting Manager Audit & Assurance  
Civic Governance

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**EXECUTIVE SUMMARY**

Staff shortages have caused the current Audit Work Plan to fall behind schedule and it is unlikely that the plan will be fully achieved within the financial year. However, the vacant Audit and Assurance manager position has now been filled.

There are currently 23 audit recommendations being implemented, 12 initial completion dates have been extended with no overdue recommendations at this stage.

**Committee Recommendation** (AC23/9)

**Moved:** S Tindal  
**Seconded:** Councillor E Hungerford

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

**Carried unanimously.**

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#### 4.3.2 TREE RISK MANAGEMENT

**File No:** Council Meeting  
**Author:** Acting Manager Audit & Assurance  
Civic Governance

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#### EXECUTIVE SUMMARY

Tree risk management practices are largely in accordance with the guidance provided by Local Government Mutual Services, with some opportunities to better demonstrate compliance with best practice principles.

#### **Committee Recommendation** (AC23/10)

**Moved:** Councillor J Natoli  
**Seconded:** Councillor E Hungerford

*That the Audit Committee*

- (a) *receive and note the report titled “**Tree Risk Management**” and*
- (b) *request an update on the analysis of the broader arboreal service be provided to the May 2023 Audit Committee Meeting .*

**Carried unanimously.**

**4.3.3 GENERAL RATES AND SEPARATE LEVIES (BDO)**

**File No:** Council Meetings  
**Author:** Acting Manager Audit & Assurance  
Civic Governance

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**EXECUTIVE SUMMARY**

General rates and separate levies are charged under the *Local Government Act* and represent a significant contribution to Council's revenue. The audit focused on the accuracy and completeness of revenue and identified a sound control environment with no significant matters arising.

**Committee Recommendation** (AC23/11)

**Moved:** S Tindal  
**Seconded:** Councillor E Hungerford

*That the Audit committee receive and note the report titled "**General Rates and Separate Levies (BDO)**".*

**Carried unanimously.**

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**4.3.4 FRAUD AND CORRUPTION RISK ASSESSMENT - RECRUITMENT AND SELECTION**

**File No:** Council Meeting  
**Author:** Acting Manager Audit & Assurance  
Civic Governance

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**EXECUTIVE SUMMARY**

Fraud and corruption risks and associated controls are periodically assessed, across a diverse range of Council activities, in accordance with the Fraud Control Plan and as part of a rolling program organised by the Audit and Assurance and Governance Branches.

KPMG were engaged to review fraud and corruption risks relative to the recruitment and selection process with a particular focus on the management of conflicts of interest. The review identified several moderate improvement opportunities and recognised the work already underway, in the People and Culture Branch, to improve pre-employment screening processes.

**Committee Recommendation** (AC23/12)

**Moved:** S Tindal  
**Seconded:** Councillor E Hungerford

*That the Audit Committee receive and note the report titled "**Fraud and Corruption Risk Assessment - Recruitment and Selection**".*

Carried unanimously.

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#### 4.4 GOVERNANCE REPORTING

##### 4.4.1 GOVERNANCE AND RISK REPORT

**File No:** Council Meetings  
**Author:** Coordinator Corporate Risk & Insurance  
Civic Governance

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#### EXECUTIVE SUMMARY

Governance and risk management activities underpin all facets of Council's business. The Governance in Action Program assists with these activities by building awareness and employee understanding on the importance of good governance processes and practices in all that we do. The Corporate Governance Branch delivers a range of training programs, creates, and develops frameworks and tools, and provides internal advice on governance and risk issues and topics.

Strategic and operational risks continue to be monitored and managed across the organisation. The recent review of Council's operational risk registers has highlighted an increase in understanding and awareness of risk across the organisation.

Complaint matters elevated to the Corporate Governance Branch continue to be actioned and analysed to assess the cause of each complaint and to identify systemic concerns and relevant management action.

#### Committee Recommendation (AC23/13)

**Moved:** Councillor J Natoli  
**Seconded:** P McCallum

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

**Carried unanimously.**

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**5 NEXT MEETING**

The next Ordinary Meeting will be held on 22 May 2023 Council Chambers.

**6 MEETING CLOSURE**

The meeting closed at 12:05pm.

