



REPORT

Audit Committee Meeting

Wednesday 27 February 2019

commencing at 12.31pm

Strathpine Chambers
220 Gympie Road, Strathpine

ENDORSED GM20190312

CHAIRPERSON'S REPORT

The recommendations contained within this report of the Audit Committee meeting held 27 February 2019 are recommended to the Council for adoption.

COUNCILLOR ADRIAN RAEDEL
CHAIRPERSON
AUDIT COMMITTEE

Membership = 4

Quorum = 2

(Chairperson and one external member)

Councillor Adrian Raedel (Chairperson)

Mr Stephen Coates

Councillor Matt Constance

Mr Patrick McCallum

Cr Mike Charlton (Deputy Mayor) (alternate member)

**12.3 Audit Committee Meeting - 27 February 2019
(Pages 19/224 - 19/234)**

RESOLUTION

Moved by Cr Adrian Raedel

Seconded by Cr Mike Charlton (Deputy Mayor)

CARRIED 12/0

That the report and recommendations of the Audit Committee meeting held 27 February 2019 be adopted.

SCHEDULE OF ITEMS

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CLOSURE

1 POTENTIAL CONFLICT OF INTEREST DECLARATIONS

Committee members are required to provide written declarations declaring any potential or actual conflicts of interest they may have in relation to their responsibilities.

As they arise between meetings, or at the beginning of each Committee meeting, members are required to declare any new or changed potential or actual conflicts of interest that may apply to specific matters on the meeting agenda.

Mr Patrick McCallum disclosed that he performs services for the firm O'Connor Marsden & Associates (OCM) which is one of the consulting firms on the Queensland Government Standing Offer Arrangement QGCPO878-13 for Professional Services including Internal Audit and from which Moreton Bay Regional Council selects its contracted internal auditors. Mr McCallum is employed by and does not have an ownership interest in OCM. Mr McCallum stated he would take the Audit Committee Chair's advice to avoid any perception of a possible conflict arising from OCM's participation in the whole of government standing offer arrangement.

Mr Pat McCallum also declared that OCM has been engaged to provide project assurance services to the University of the Sunshine Coast in relation to the Moreton Bay University Precinct Program (UP). These services are to be provided on a continuing basis to 30 June 2020. Mr McCallum is on the engagement team to provide these services. Mr McCallum recognises that MBRC has its separate interests in the UP - his role as an external member of the MBRC Audit Committee and his role in the engagement team of the UP Assurance may give rise to potential for conflicts.

To address any potential conflicts of interest, Mr McCallum agreed to the following:

- a) To adhere to his confidentiality obligations as per Confidentiality Agreement dated 11 May 2016 - Principal Internal Auditor (**PIA**) to send a copy to Mr McCallum
- b) To remove himself if any UP information comes before the Audit Committee
- c) UP information to be removed from Mr McCallum's Audit Committee papers - PIA to review Mr McCallum's Audit Committee papers before they are sent to him
- d) To declare potential conflict of interest at Audit Committee Meeting
- e) PIA to send email to Human Resources to advise of the potential conflicts of interest, and the measures taken to manage the issue.

CLOSED SESSION

COMMITTEE RECOMMENDATION

Moved by Stephen Coates

Seconded by Patrick McCallum

CARRIED

That the meeting be closed pursuant to s275 (1) of the Local Government Regulation 2012, clause (h) as the matter involves other business for which a public discussion would be likely to prejudice the interests of the Council or someone else, or enable a person to gain a financial advantage.

The closed session commenced at 12.32pm.

IN CAMERA SESSION (ITEM 6.1)

Pursuant to the Audit Committee Terms of Reference, the Audit Committee and Principal Internal Auditor met in camera (closed session to Committee Members only) to discuss Item 6.1.

In camera session commenced at 12.32pm with only Committee members and the Principal Internal Auditor in attendance.

Cr Mike Charlton (Deputy mayor and alternate member) attended the meeting at 12.33pm during in camera session.

The meeting reconvened in closed session at 1.30pm.

ATTENDANCE

The following representatives attended the meeting for discussion on respective Internal Audits undertaken and/or as requested by Committee, leaving the meeting after discussion on those specific matters.

1.32pm - 1.50pm MBRC Project Manager (Loretta Libke)

Item 3.1 Enterprise Risk Management Activities Update

Mr Anthony Martini, Acting Chief Executive Officer attended the meeting at 1.37pm during discussion on Item 3.1.

1.52pm - 2.28pm (representatives from Vincents - Tim Cronin and Jessica Katsikalis)

Item 6.2 Internal Audit Reports

2 (b) #4 - #7

2.30pm - 2.39pm (representatives from Grant Thornton - Ian Brooks and Kate Wilkie)

Item 6.2 Internal Audit Reports

2 (b) #8

2.39pm - 3.04pm Manager Waste Services (Angelika Hesse)

Item 2.1 Waste Services

RESUME IN OPEN SESSION

COMMITTEE RECOMMENDATION

Moved by Patrick McCallum

Seconded by Cr Mike Charlton (Deputy Mayor)

CARRIED

That Committee resume in open session.

The open session resumed 3.58pm.

COMMITTEE RECOMMENDATION

Moved by Patrick McCallum

Seconded by Stephen Coates

CARRIED

That the following recommendations be adopted.

2 SIGNIFICANT ORGANISATION & SYSTEM MATTERS

ITEM 2.1 WASTE SERVICES

Meeting / Session: AUDIT COMMITTEE
Responsible Officer: AH, Manager Waste Services (ECM, Waste Services)

As requested at the Audit Committee Meeting held 26 September 2018, the Manager Waste Services has been invited to attend Committee.

COMMITTEE RECOMMENDATION

That the update provided in relation to Waste Services be noted.

ITEM 2.2

ACTING CHIEF EXECUTIVE OFFICER UPDATE - ORGANISATIONAL REVIEW

Meeting / Session: AUDIT COMMITTEE

Responsible Officer: AM, Acting Chief Executive Officer (CEO, CEO's Office)

The Acting Chief Executive Officer advised Committee that Council had awarded a contract to an external contractor to undertake an organisational review of Moreton Bay Regional Council, as endorsed by Council at its General Meeting held 19 February 2019.

COMMITTEE RECOMMENDATION

That an update be provided to the next Audit Committee Meeting on the Organisational Review.

3 ENTERPRISE RISK MANAGEMENT ACTIVITIES UPDATE

ITEM 3.1 CORPORATE SYSTEMS REVIEW

Meeting / Session: AUDIT COMMITTEE
Responsible Officer: KP, Manager Financial & Project Services.

Project Manager - Loretta Libke will attend Audit Committee to provide an update on the TechOne project.

COMMITTEE RECOMMENDATION

That the update provided in relation to the TechOne project be noted.

4 FINANCIAL REPORTING

ITEM 4.1 FINANCIAL REPORTS

Meeting / Session: AUDIT
Reference: **Refer Supporting Information (Extract of Actual Reports to Committee)
A18134830 & A18183548**
Responsible Officer: DW, Coordinator Accounting Services (CEO Accounting Services)

In accordance with the adopted Audit Plan a copy of the most recent financial reporting documents are provided as follows:

- a) Quarter 2 Operational Plan Review for 2018/19, as adopted by Council at its meeting of 12 February 2019
- b) Monthly Financial Report for January 2019, as adopted by Council at its meeting of 19 February 2019

It is noted that the attachments are an extract of the report and supporting information from that meeting.

COMMITTEE RECOMMENDATION

That the Financial Reports be received and noted, as tabled.

ITEM 4.2
DRAFT PROFORMA FINANCIAL STATEMENTS FOR 2018/19 - REGIONAL

Meeting / Session: **AUDIT**
Reference: **A18199708: 13 February 2019 - Refer Supporting Information A18197016**
Responsible Officer: **DC, Accounting Services Manager (CEO Accounting Services)**

Executive Summary

The purpose of this report is to present the draft proforma financial statements for 2018/19.

COMMITTEE RECOMMENDATION

1. **That the draft proforma financial statements for 2018/19 be received.**

2. **That any proposed changes to the draft proforma financial statements be reflected in the draft financial statements that will be submitted to the Audit Committee meeting scheduled for 7 August 2019.**

5 EXTERNAL AUDITOR REPORT

ITEM 5.1 QUEENSLAND AUDIT OFFICE UPDATE

Meeting / Session: *AUDIT COMMITTEE*
Reference: *Refer Supporting Information A18227705& A18227706*

Queensland Audit Office will provide an update to the Audit Committee.

COMMITTEE RECOMMENDATION

That the Queensland Audit Office update be received and noted.

6 INTERNAL AUDIT OVERVIEW, REPORTS & FOLLOW-UP ACTIONS

ITEM 6.1 - **CONFIDENTIAL (AS CONSIDERED IN CAMERA SESSION)** AUDIT COMMITTEE SELF-EVALUATION - REGIONAL

Meeting / Session: *AUDIT*

Responsible Officer: *SR, Principal Internal Auditor (CEOs Office)*

Basis of Confidentiality

Pursuant to s275 (1) of the *Local Government Regulation 2012*, clause (h), as the matter involves other business for which a public discussion would be likely to prejudice the interests of the Council or someone else, or enable a person to gain a financial advantage.

Executive Summary

This item will discuss the results of the 2018 Audit Committee self-evaluation questionnaire distributed to members of the Audit Committee and key stakeholders.

COMMITTEE RECOMMENDATION

1. That the 2018 Audit Committee self-evaluation questionnaire, as tabled be received and noted.
2. That an internal audit factsheet including the role of the Audit Committee be distributed to staff and Councillors.

ITEM 6.2 INTERNAL AUDIT OVERVIEW - REGIONAL

Meeting / Session: **AUDIT**

Reference: A18201338: 27 February 2019 - Refer **Confidential Supporting Information A18201348; A18154007; A18167974; A18080840; A18081455; A18005398; A18005419 & A18080900**

Responsible Officer: SR, Principal Internal Auditor (CEOs Office)

Basis of Confidentiality

Pursuant to s275 (1) of the Local Government Regulation 2012, clause (h), as the matter involves other business for which a public discussion would be likely to prejudice the interests of the Council or someone else, or enable a person to gain a financial advantage.

Executive Summary

This report provides information to the Audit Committee on the activities of the Internal Audit function for the period from 26 September 2018 to 27 February 2019.

COMMITTEE RECOMMENDATION

1. That the Audit Committee note and endorse the report and associated supporting information and documents.
2. That Council review the mechanisms for outstanding internal audit recommendations to improve adherence to previously agreed response times and the quality of the information provided for outstanding items.

7 GENERAL BUSINESS

Nil.

8 NEXT AUDIT COMMITTEE MEETING

Wednesday 29 May 2019.

CLOSURE

There being no further business the Chairperson closed the meeting at 4.11pm.