



REPORT

Audit Committee Meeting

Wednesday 29 May 2019

commencing at 2.00pm

Strathpine Chambers
220 Gympie Road, Strathpine

ENDORSED GM20190604

Membership = 4

Quorum = 2

(Chairperson and one external member)

Councillor Adrian Raedel (Chairperson)

Mr Patrick McCallum

Councillor Matt Constance

Mr Stephen Coates

Cr Mike Charlton (Deputy Mayor) (alternate member)

**12.3 Audit Committee Meeting - 29 May 2019
(Pages 19/1021 - 19/1032)**

RESOLUTION

Moved by Cr Adrian Raedel

Seconded by Cr Matt Constance

CARRIED 11/0

That the report and recommendations of the Audit Committee meeting held 29 May 2019 be adopted.

SCHEDULE OF ITEMS

1 POTENTIAL CONFLICT OF INTEREST DECLARATIONS

CLOSED SESSION

COMMITTEE RECOMMENDATION

RESUME IN OPEN SESSION

COMMITTEE RECOMMENDATION

COMMITTEE RECOMMENDATION

5 EXTERNAL AUDITOR REPORT

ITEM 5.1 1024
QUEENSLAND AUDIT OFFICE UPDATE
COMMITTEE RECOMMENDATION

3 ENTERPRISE RISK MANAGEMENT ACTIVITIES UPDATE

ITEM 3.1 1025
CORPORATE SYSTEMS REVIEW
COMMITTEE RECOMMENDATION

2 SIGNIFICANT ORGANISATION & SYSTEM MATTERS

ITEM 2.1 1026
CHIEF EXECUTIVE OFFICER UPDATE

4 FINANCIAL REPORTING

ITEM 4.1 1027
MONTHLY FINANCIAL REPORT - APRIL 2019 - REGIONAL
COMMITTEE RECOMMENDATION

ITEM 4.2 1028
AMENDED ANNUAL BUDGET FOR 2018/19 AND THE QUARTER 3 OPERATIONAL PLAN
REVIEW FOR 2018/19
COMMITTEE RECOMMENDATION

7 GENERAL BUSINESS

ITEM 7.1 1029
MANAGER FINANCIAL & PROJECT SERVICES RETIREMENT
COMMITTEE RECOMMENDATION

6 INTERNAL AUDIT OVERVIEW, REPORTS & FOLLOW-UP ACTIONS

ITEM 6.1 1031
INTERNAL AUDIT OVERVIEW - REGIONAL
COMMITTEE RECOMMENDATION

ITEM 6.2 1032
AUDIT COMMITTEE WORK PLAN
COMMITTEE RECOMMENDATION

7 NEXT AUDIT COMMITTEE MEETING

CLOSURE

ATTENDANCE & APOLOGIES

Attendance:

Committee Members:

Cr Adrian Raedel (Chairperson)
Cr Matt Constance
Mr Patrick McCallum

Invited External Representatives:

Mr Michael Keane (Queensland Audit Office)
Ms Carolyn Dougherty (Queensland Audit Office)

Officers:

Chief Executive Officer	Daryl Hitzman
Manager Financial & Project Services	Keith Pattinson
Accounting Services Manager	Denis Crowe
Principal Internal Auditor	Shara Reid
Acting Manager Executive Services	Darren Dallinger
Meeting Support	Hayley Kenzler

Apologies:

Mr Stephen Coates

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 Cr Matt Constance

Seconded by Pat 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 2.01pm.

ATTENDANCE

2.27pm – 2.55pm (Representatives from Vincents (Mr Tim Cronin and Ms Jessica Katsikalis)
Item 6.1 Internal Audit Reports

Mr Bill Halpin attended the meeting at 2.35pm for discussion on Item 6.1 (b) and left at 2.55pm.

2.27pm - 3.39pm Manager Legal Services (John Hall)
Item 6.1 Internal Audit Reports

2.57pm - 3.17pm (Representatives from Grant Thornton (Ms Kate Wilkie and Mr Stuart McDowall)
Item 6.1 Internal Audit Reports

RESUME IN OPEN SESSION

COMMITTEE RECOMMENDATION

Moved by Pat McCallum

Seconded by Cr Matt Constance

CARRIED

That Committee resume in open session.

The open session resumed at 5.10pm.

COMMITTEE RECOMMENDATION

Moved by Cr Matt Constance

Seconded by Pat McCallum

CARRIED

That the following recommendations be adopted.

The following items were brought forward at the request of Committee.

5 EXTERNAL AUDITOR REPORT

ITEM 5.1 QUEENSLAND AUDIT OFFICE UPDATE

Meeting / Session: AUDIT COMMITTEE
Reference: Refer **Confidential** Supporting Information A18583713

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

COMMITTEE RECOMMENDATION

1. That the Queensland Audit Office update be received and noted.
2. That committee notes the Queensland Audit Office concern that Councils hold management to account to address internal and external audit findings in a timely manner.

ATTENDANCE

Mr Daryl Hitzman attended the meeting at 2.19pm during discussion on Item 5.1.

3 ENTERPRISE RISK MANAGEMENT ACTIVITIES UPDATE

ITEM 3.1 CORPORATE SYSTEMS REVIEW

Meeting / Session: AUDIT COMMITTEE

Responsible Officer: KP, Manager Financial & Project Services (CEO, Financial & Project Services)

Manager Financial & Project Services provided an update on the TechOne project.

COMMITTEE RECOMMENDATION

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

2 SIGNIFICANT ORGANISATION & SYSTEM MATTERS

ITEM 2.1 CHIEF EXECUTIVE OFFICER UPDATE

Meeting / Session: AUDIT COMMITTEE
Responsible Officer: DH, Chief Executive Officer (CEO, Chief Executive Office)

The Chief Executive Officer advised committee that Grassroots Connections Australia Pty Ltd, who were engaged by Council to conduct an organisational review had completed Part one, and Council recently endorsed Part two. The Chief Executive Officer was unable to inform any further on the matter.

Council's Organisational Structure had recently been updated with the Director Corporate Services position. The Director Planning & Economic Development position had been filled on a short-term contract basis.

ATTENDANCE

Mr Daryl Hitzman left the meeting at 3.59pm.

4 FINANCIAL REPORTING

ITEM 4.1 MONTHLY FINANCIAL REPORT - APRIL 2019 - REGIONAL

Meeting / Session: **AUDIT**
Reference: **Refer Supporting Information (Extract of Actual Report to Committee)**
 A18550106
Responsible Officer: **DC, Accounting Services Manager (CEO Accounting Services)**

In accordance with the adopted Audit Plan a copy of the most recent Monthly Financial Report for April 2019, as adopted by Council at its meeting of 21 May 2019, is attached for Committee's information (refer supporting information #1).

It is noted that the attachment is as an extract of the report and supporting information from that meeting.

COMMITTEE RECOMMENDATION

That the Monthly Financial Report for April 2019, be received and noted.

**ITEM 4.2
AMENDED ANNUAL BUDGET FOR 2018/19 AND THE QUARTER 3 OPERATIONAL
PLAN REVIEW FOR 2018/19**

Meeting / Session: **AUDIT**
Reference: **Refer Supporting Information (Extract of Actual Report to Committee)**
 A18488251
Responsible Officer: **DC, Accounting Services Manager (CEO Accounting Services)**

A copy of the Amended Annual Budget for 2018/19 and the Quarter 3 Operational Plan Review for 2018/19, as adopted by Council at its meeting of 14 May 2019, is attached for Committee's information (refer supporting information #1).

It is noted that the attachment is as an extract of the report and supporting information from that meeting.

COMMITTEE RECOMMENDATION

That the Amended Annual Budget for 2018/19 and the Quarter 3 Operational Plan Review for 2018/19, be received and noted.

The following item was brought forward at the request of Committee.

7 GENERAL BUSINESS

ITEM 7.1

MANAGER FINANCIAL & PROJECT SERVICES RETIREMENT

Cr Adrian Raedel made mention of Manager & Financial Project Services, Mr Keith Pattinson's upcoming retirement, and took the opportunity to thank Keith for his hard work and dedication to both the organisation and Audit Committee.

Pat McCallum echoed the sentiments of Cr Raedel, saying that the respect Keith showed for the Audit Committee and its function was to be commended.

IN CAMERA SESSION

Pursuant to the Audit Committee Terms of Reference, the Audit Committee met in camera (closed session to Committee Members only).

COMMITTEE RECOMMENDATION

Moved by Cr Matt Constance

Seconded by Pat McCallum

CARRIED

That Committee move into closed session pursuant to the Audit Committee Terms of Reference.

The In Camera session commenced at 4.03pm with only committee members in attendance.

COMMITTEE RECOMMENDATION

Moved by Pat McCallum

Seconded by Cr Matt Constance

CARRIED

That the meeting reconvene in closed session.

The meeting reconvened in closed session at 4.22pm.

ATTENDANCE

External representatives from the Queensland Audit Office, and Mr Keith Pattinson, Mr Darren Dallinger and Mr Denis Crowe, having left when committee moved into In Camera session, did not return to the meeting.

6 INTERNAL AUDIT OVERVIEW, REPORTS & FOLLOW-UP ACTIONS

ITEM 6.1 INTERNAL AUDIT OVERVIEW - REGIONAL

Meeting / Session: **AUDIT**

Reference: A18556354: 29 May 2019 - Refer **Confidential Supporting Information**
A18556364, A18500188, A18483877, A18524071, A18540623, A18541351,
A18481482, A18508237, A18505733, A18508307, A18555176 & A18570892

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 27 February 2019 to 29 May 2019.

COMMITTEE RECOMMENDATION

1. That the Audit Committee note and endorse the report and associated supporting information and documents.
2. That the members of the Audit Committee be supplied with a copy of the governance paper referenced in the Fraud and Corruption Control Framework Audit by Vincents.
3. That the Audit Committee write to the Chief Executive Officer detailing its concerns in relation to the Contract Management Governance and Administration audit report recommendations, and the transparency afforded the Audit Committee during the extension of time approved.

ITEM 6.2 AUDIT COMMITTEE WORK PLAN

Meeting / Session: **AUDIT**
Reference: Refer **Confidential Supporting Information A18587288**
Responsible Officer: SR, Principal Internal Auditor (CEOs Office)

1. Background

A detailed Audit Committee Work Plan for 2016/2017 and 2017/2018, setting out the activities to be covered by the Audit Committee was endorsed by the Audit Committee on 8 March 2017.

The Work Plan allocates the key tasks to be covered at specific meetings to ensure that all activities are addressed at the appropriate time during the year and that all key responsibilities are covered.

Although the Work Plan spans for a period of 12 months, it can be updated on a quarterly basis so that a 12 month projection of work is available to the Audit Committee.

COMMITTEE RECOMMENDATION

That the Audit Committee note and endorse the Audit Committee Work Plan for 2018/19 - 2019-20, as amended at the meeting.

7 NEXT AUDIT COMMITTEE MEETING

Wednesday 7 August 2019.

CLOSURE

There being no further business the Chairperson closed the meeting at 5.13pm.