



# REPORT

## Audit Committee Meeting

**Wednesday 8 August 2018**

commencing at 2.02pm

Strathpine Chambers  
220 Gympie Road, Strathpine

**ENDORSED GM20180814**

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### **CHAIRPERSON'S REPORT**

The recommendations contained within this report of the Coordination Committee meeting held 8 August 2018 are recommended to the Council for adoption.

COUNCILLOR ADRIAN RAEDEL  
CHAIRPERSON  
AUDIT COMMITTEE

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**Membership = 4**

**Quorum = 2**

*(Chairperson and one external member)*

Councillor Adrian Raedel (Chairperson)

Mr Peter Dowling AM

Councillor Matt Constance

Mr Patrick McCallum

*Cr Mike Charlton (Deputy Mayor) (alternate member)*

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***Adoption Extract from General Meeting – 14 August 2018 (Page 18/1708)***

**12.2 Audit Committee Meeting - 8 August 2018  
(Pages 18/1695 - 18/1704)**

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**RESOLUTION**

**Moved by Cr Adrian Raedel**

**Seconded by Cr Matt Constance**

**CARRIED 12/0**

**That the report and recommendations of the Audit Committee meeting held 8 August 2018 be adopted.**

## SCHEDULE OF ITEMS

### 1 POTENTIAL CONFLICT OF INTEREST DECLARATIONS

#### CLOSED SESSION

#### RESUME IN OPEN SESSION

### 2 SIGNIFICANT ORGANISATION & SYSTEM MATTERS

ITEM 2.1	1698
TECHONE PROJECT UPDATE	

### 3 ENTERPRISE RISK MANAGEMENT ACTIVITIES UPDATE

ITEM 3.1	1699
ENTERPRISE RISK MANAGEMENT ACTIVITIES UPDATE	

### 4 FINANCIAL REPORTING

ITEM 4.1	1700
MONTHLY FINANCIAL REPORT	

ITEM 4.2	1701
ASSET CLASS RE-VALUATIONS FOR 2018/19 - REGIONAL	

ITEM 4.3	1702
DRAFT FINANCIAL STATEMENTS FOR 2017/18 AND DRAFT MEASURES OF FINANCIAL SUSTAINABILITY - REGIONAL	

### 5 EXTERNAL AUDITOR REPORT

ITEM 5.1	1703
QUEENSLAND AUDIT OFFICE UPDATE	

### 6 INTERNAL AUDIT OVERVIEW, REPORTS & FOLLOW-UP ACTIONS

ITEM 6.1	1704
INTERNAL AUDIT OVERVIEW - REGIONAL	

### 7 GENERAL BUSINESS

### 8 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
Senior Internal Auditor	Arun Varghese
Meeting Support	Hayley Kenzler

### **Apologies:**

Mr Peter Dowling AM

## 1 POTENTIAL CONFLICT OF INTEREST DECLARATIONS

### Previously noted Perceived Conflict of Interest - Declarations

**Mr Peter Dowling** declared a possible future conflict of interest could exist as various family members had positions within consulting firms on the Queensland Government Standing Offer Arrangement QGCPO878-13 for Professional Services including Internal Audit.

Mr Dowling advised that those family members would exclude themselves from any audits for Council while he was on the Audit Committee unless specific prior approval was obtained from the Committee.

**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 McCallum advised that his previous declaration that he is currently chair of the Queensland Ombudsman's Audit and Advisory Committee and that this should be assessed for the potential for any perceived impact on confidentiality should a matter arise for MBRC **is no longer relevant**.

### New - Conflict of Interest

**Mr Pat McCallum** 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 2.06pm.

## **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.

**2.06pm – 2.10pm - Peter Sheville (Vincent)**

**Item 6.1** Internal Audit Reports:

(b) *Management of Contracts (Parks, Roads and Drains)*

**2.15pm - 2.32pm - MBRC Project Manager (Loretta Libke)**

**Item 3.1** Enterprise Risk Management Activities Update:

*TechOne project.*

## **RESUME IN OPEN SESSION**

### **COMMITTEE RECOMMENDATION**

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Moved by Pat McCallum

Seconded by Matt Constance

**CARRIED**

That Committee resume in open session and the following recommendations be adopted.

The open session resumed at 3.05pm.

## 2 SIGNIFICANT ORGANISATION & SYSTEM MATTERS

### ITEM 2.1 TECHONE PROJECT UPDATE

Chief Executive Officer spoke in relation to the TechOne Project.

### 3 ENTERPRISE RISK MANAGEMENT ACTIVITIES UPDATE

#### ITEM 3.1 ENTERPRISE RISK MANAGEMENT ACTIVITIES UPDATE

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Project Manager - Loretta Libke provided an update on the TechOne project.

#### COMMITTEE RECOMMENDATION

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



## 4 FINANCIAL REPORTING

### ITEM 4.1 MONTHLY FINANCIAL REPORT

*Meeting / Session:* AUDIT  
*Reference:* COPY FROM ACTUAL REPORTS TO COUNCIL **Refer Supporting Information A17067554 & A17265106**  
*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) Monthly Financial Report for May 2018  
as adopted by Council at its meeting of 26 June 2018 (refer supporting information #1).
- b) Quarter 4 Operational Plan Review 2017/18  
as adopted by Council at its meeting of 31 July 2018 (refer supporting information #2).

It is noted that the supporting information comprises an extract of the Committee Report and Recommendations and relevant supporting information from the respective Coordination Committee meeting at which it was adopted.

### COMMITTEE RECOMMENDATION

**That the financial reports be noted, as tabled.**

### ATTENDANCE

Mr Daryl Hitzman left the meeting at 2.38pm during discussion on Item 4.1.

**ITEM 4.2**  
**ASSET CLASS RE-VALUATIONS FOR 2018/19 - REGIONAL**

*Meeting / Session:* AUDIT  
*Reference:* A17280723 : 25 July 2018  
*Responsible Officer:* DC, Accounting Services Manager (CEO Accounting Services)

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**Executive Summary**

The purpose of this report is to outline which financial asset classes of Council are to be re-valued in 2018/19 in accordance with Australian Accounting Standard AASB116 Property, Plant and Equipment.

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**COMMITTEE RECOMMENDATION**

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**That the information be noted.**

**ITEM 4.3  
DRAFT FINANCIAL STATEMENTS FOR 2017/18 AND DRAFT MEASURES OF  
FINANCIAL SUSTAINABILITY - REGIONAL**

*Meeting / Session:*        **AUDIT**  
*Reference:*                **A17237557 : 25 July 2018 - Refer Supporting Information A17320462**  
*Responsible Officer:*    **DC, Accounting Services Manager (CEO Accounting Services)**

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**Executive Summary**

The purpose of this report is to present the Draft Financial Statements for 2017/18, the current year Financial Sustainability Statement and the Long Term Financial Sustainability Statement.

**COMMITTEE RECOMMENDATION**

1.    **That the Draft Financial Statements for 2017/18 together with the Current-Year Financial Sustainability Statement and the Long-Term Financial Sustainability Statement be received.**
2.    **That any changes identified by the Audit Committee during the review of the Draft Financial Statements, be incorporated into the Financial Statements prior to submission to the Auditor General for audit.**

## 5 EXTERNAL AUDITOR REPORT

### ITEM 5.1 QUEENSLAND AUDIT OFFICE UPDATE

*Meeting / Session:*        *AUDIT COMMITTEE*  
*Reference:*                *25 July 2018 - Refer Supporting Information A17306620 & A17247302 & A17247301*

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

### COMMITTEE RECOMMENDATION

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**That the Queensland Audit Office update be received and noted.**

## 6 INTERNAL AUDIT OVERVIEW, REPORTS & FOLLOW-UP ACTIONS

### ITEM 6.1 INTERNAL AUDIT OVERVIEW - REGIONAL

**Meeting / Session:** **AUDIT**  
**Reference:** A16979699: 8 August 2018 - Refer **Confidential** Supporting Information  
**A16979703, A17192944 & A17256614**  
**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 30 May 2018 to 8 August 2018.

### COMMITTEE RECOMMENDATION

That the Audit Committee note and endorse the report and associated supporting information and documents.

## 7 GENERAL BUSINESS

Nil.

## 8 NEXT AUDIT COMMITTEE MEETING

The next Audit Committee meeting is scheduled for Wednesday 26 September 2018 commencing at 2.00pm.

### CLOSURE

There being no further business the Chairperson closed the meeting at 3.06pm.