



REPORT

Audit Committee Meeting

Wednesday 7 August 2019

commencing at 2.02pm

Strathpine Chambers
220 Gympie Road, Strathpine

ENDORSED GM20190820

Membership = 4

Councillor Matt Constance (Chairperson)
Cr Mike Charlton (Deputy Mayor)

Quorum = 2

(Chairperson and one external member)

Mr Patrick McCallum
Mr Stephen Coates

Adoption Extract from General Meeting – 20 August 2019 (19/1807)

4. B) ADOPTION OF COMMITTEE MEETING REPORT & RECOMMENDATION

Audit Committee Meeting - 7 August 2019 (Pages 19/1669 - 19/1680)

RESOLUTION

Moved by Cr Koliana Winchester

Seconded by Cr Mick Gillam

CARRIED 11/0

That the report and recommendations of the Audit Committee Meeting held 7 August 2019, be adopted.

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COMMITTEE RECOMMENDATION

1680

7 GENERAL BUSINESS

8 NEXT AUDIT COMMITTEE MEETING

CLOSURE

ATTENDANCE & APOLOGIES

Attendance:

Committee Members:

Cr Matt Constance (Chairperson)
Cr Mike Charlton (Deputy Mayor)
Mr Patrick McCallum
Mr Stephen Coates

Invited External Representatives:

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

Officers:

Chief Executive Officer	(Daryl Hitzman)
Acting Interim Director Finance & Corporate Services	(Anthony Martini)
Accounting Services Manager	(Denis Crowe)
Principal Internal Auditor	(Shara Reid)
Meeting Support	(Hayley Kenzler)

Apologies:

Nil

1 POTENTIAL CONFLICT OF INTEREST DECLARATIONS

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 Mr Stephen Coates

Seconded by Cr Mike Charlton (Deputy Mayor)

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 2.02pm.

IN CAMERA SESSION

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

In camera session commenced at 2.03pm with only Committee members in attendance.

The meeting reconvened in closed session at 2.31pm.

ATTENDANCE

2.31pm - 2.42pm (Representatives from Grant Thornton - Stuart McDowall and Kate Wilkie)

Item 6.1 - Internal Audit Report

Mr Bill Halpin and Mr Alex Smith attended the meeting at 2.31pm for discussion on Item 6.1 and left at 3.00pm.

3.01pm - 3.17pm (ICT Manager Tim Gepp)

Item 6.1 - Internal Audit Report

2.55pm - 3.10pm (Project Manager Loretta Libke)

Item 3.1 Enterprise Risk Management Activities Update - TechOne Project

3.10pm - 3.29pm (Acting Manager Executive Services - Darren Dallinger)

Item 3.2 & Item 3.3

3.29pm - 4.12pm (Acting Manager Executive Services - Darren Dallinger and Acting Interim Director Finance & Corporate Services)

Item 6.1 - Internal Audit Report

4.12pm - 4.43pm (Manager Waste Services Angelika Hesse)

Item 6.1 - Internal Audit Report

4.44pm - 4.46pm (Manager Strategic Planning - David Hood)

Item 6.1 - Internal Audit Report

RESUME IN OPEN SESSION

COMMITTEE RECOMMENDATION

Moved by PM

Seconded by Mike Charlton (Deputy Mayor)

CARRIED

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

The open session resumed at 5.20pm.

COMMITTEE RECOMMENDATION

Moved by Mr Stephen Coates

Seconded by Cr Matt Constance

CARRIED

That the following recommendations be adopted.

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 provided an update to committee in respect of the following matters:

- Council's Organisational Structure had recently been updated with Interim Director Finance & Corporate Services position and amended structure of this division.
- Work is underway on preparation of induction material post-election 2020 and focussing on an improved framework for delivery to the new Council.
- Note that under section 182A of the *Local Government Act 2009* Cr Adrian Raedel is currently suspended from office.
- Update on The Mill site at Petrie.
- CEO information sessions conducted over the week to staff, updating on Council's Enterprise Bargaining Agreement 4.

3 ENTERPRISE RISK MANAGEMENT ACTIVITIES UPDATE

ITEM 3.1 CORPORATE SYSTEMS REVIEW

Meeting / Session: AUDIT COMMITTEE
Responsible Officer: LL, Project Manager (CS, Project Management)

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.

ITEM 3.2 - CONFIDENTIAL
FRAUD MATTERS - REGIONAL

Meeting / Session: AUDIT
Reference: A18876133 : 25 July 2019
Responsible Officer: DD, Acting Manager Executive Services (CORP Executive Services)

Basis of Confidentiality

Pursuant to s275 (1) of the Local Government Regulation 2012, clause (a), as the matter involves the appointment, dismissal or discipline of employees.

Executive Summary

The purpose of this report is to update the Audit Committee in relation to the following:

1. Two (2) alleged fraudulent activities/corrupt conduct; and
2. Two (2) attempted fraudulent activities that have occurred recently via payroll.

COMMITTEE RECOMMENDATION

That the information be noted.

**ITEM 3.3
FRAUD RISK CONTROL GROUP**

Meeting / Session: AUDIT COMMITTEE
Reference: Refer **Confidential** Supporting Information A18846191 & A18898069
Responsible Officer: GK, Interim Director Finance and Corporate Services (CS, Directorate)

As requested at the Audit Committee Meeting held 29 May 2019, the Fraud Risk Control Group Minutes are provided for committee's information.

The Fraud Risk Control Group confirmed minutes of 17 July and unconfirmed minutes of 31 July 2019 appear in the supporting information.

The Interim Director Finance and Corporate Services was appointed as Chairperson of the Fraud Risk Control Group at the meeting held 17 July 2019.

COMMITTEE RECOMMENDATION

1. That the Fraud Risk Control Group Minutes of 17 and 31 July 2019, be received and noted.
2. That the appointment of Interim Director Finance and Corporate Services as Chairperson of the Fraud Risk Control Group be noted.

4 FINANCIAL REPORTING

ITEM 4.1 MONTHLY FINANCIAL REPORT - MAY 2019

Meeting / Session: AUDIT
Reference: **Refer Supporting Information A18673402 (Extract of Actual Report to Committee)**
Responsible Officer: DW, Coordinator Accounting Services (CEO Accounting Services)

In accordance with the adopted Audit Plan a copy of the most recent Monthly Financial Report for May 2019, as adopted by Council at its meeting of 18 June 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 May 2019, be received and noted.

ITEM 4.2
DRAFT FINANCIAL STATEMENTS FOR 2018/19 AND DRAFT MEASURES OF
FINANCIAL SUSTAINABILITY - REGIONAL - REGIONAL

Meeting / Session: **AUDIT**
Reference: **A18863481: 23 July 2019 - Refer Supporting Information A18913566**
Responsible Officer: **DC, Accounting Services Manager (CORP Accounting Services)**

Executive Summary

The purpose of this report is to present the Draft Financial Statements for 2018/19, the current year Financial Sustainability Statement and the Long Term Financial Sustainability Statement.

COMMITTEE RECOMMENDATION

1. **That the Draft Financial Statements for 2018/19 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: *Refer **Confidential** Supporting Information A18912029*

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

INTERNAL AUDIT OVERVIEW - REGIONAL

Meeting / Session: **AUDIT**

Reference: A18891940: 7 August 2019 - Refer **Confidential Supporting Information A18874707, A18890769, A18891904, A18891928, A18891914, A18891924, A18891888 & A18891867**

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 29 May 2019 to 7 August 2019.

COMMITTEE RECOMMENDATION

That the Audit Committee note and endorse the report and associated supporting information and documents, with amendment to the Internal Audit Policy, as discussed.

7 GENERAL BUSINESS

Acting Manager Executive Services advised that Moreton Bay Regional Council was one of five Councils that recently participated in a Crime & Corruption Commission audit of Discretionary Funds as part of its Community Grants Audit 2018-19. A further update on the outcomes of this audit will be provided to a future Audit Committee meeting.

8 NEXT AUDIT COMMITTEE MEETING

Wednesday 18 September 2019 (Teleconference).

CLOSURE

There being no further business the Chairperson closed the meeting at 5.22pm.