



AUDIT COMMITTEE

MINUTES

**24 September 2009
10.44AM**

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Presented to Council 13/10/09
Adopted by Council 13/10/09

**REPORT OF THE MEETING OF THE
AUDIT COMMITTEE HELD AT THE COUNCIL CHAMBERS,
ROCKHAMPTON OFFICE, 232 BOLSOVER STREET, ROCKHAMPTON
ON THURSDAY 24 SEPTEMBER 2009
COMMENCING AT 10.44AM**

1 PRESENT

Members Present

Ms C Eagle (Chairperson)
His Worship the Mayor, Councillor B N Carter
Councillor G M Mather
Councillor G K Brady
Mr B McCosker

In Attendance:

Mr A T Dawson - Chief Executive Officer
Mr R M Cheesman - General Manager Corporate Services
Mr J Wallace – Strategic Manager Internal Audit
Mr M Rowe – Strategic Manager Reform and Innovation
Mr M Clerc – Strategic Manager Financial Services
Ms E Hammond – Project Manager Business Systems Migration Project
Ms T Baly – Senior Internal Auditor
Mr B Harper – Risk Management Coordinator
Mrs K Ramm – Audit Officer
Ms P J Fry – Special Counsel Policy and Strategy
Mrs V Taylor – Committee Support Team Leader

Observers:

Mr O Clare – Queensland Audit Office
Ms P Pang – Queensland Audit Office

2 APOLOGIES

NIL

3 LEAVE OF ABSENCE

NIL

4 CONFIRMATION OF MINUTES OF PREVIOUS MEETING

[Minutes 18 June 2009 Audit Committee](#)

Resolved

THAT the Minutes of the Ordinary Meeting of the Audit Committee, held on 18 June 2009 as circulated, be taken as read and adopted as a correct record.

Moved by: His Worship the Mayor

Seconded by: Councillor Brady

MOTION CARRIED

(Please refer to separate Minutes document)

5 CONFLICTS OF INTEREST

No conflicts of interest

10.50AM

RESOLVED:

That Standing Orders be suspended.

MOVED: Councillor Mather

SECONDED: Councillor Brady

MOTION CARRIED

6 BUSINESS ARISING FROM PREVIOUS MINUTES

REQUESTS FROM AUDIT COMMITTEE REQUIRING OFFICERS' ACTION

Date of Meeting	Resolution Memo – Description of Action to be undertaken	Officer Responsible	Time Frame Requested to be Completed In	Date Action Completed
5/2/09	That the Audit Committee elects Ms Carolyn Eagle as the Committee Chair which will be reviewed when the Audit Committee Charter is reviewed in six months time. – KFC 3012	Not identified. J. Wallace	August 2009	
5/2/09	Audit Committee Charter – Section 5.1.5 - provides for a review of the audit committee charter by the committee. Any changes should be formally presented to the next audit committee meeting, (or after 6 months) – KFC 7678	Not Identified. J. Wallace	August 2009	Completed by 24/09/09
30/4/09	That the framework and policy (items 7 and 8 of the risk management responsibilities document page 32) be reviewed at an operational level. – KFC 7660	Not identified M. Rowe	-	
30/4/09	That the Committee receive the report and requests that Internal Audit investigate the process of how the safety inspections for regional pools are to be recorded. – KFC 5207	Not identified J. Wallace	-	Completed by 24/09/09
18/6/09	That the Committee amends the Audit Committee Charter with track changes and bring the revised charter back to the next Audit Committee meeting- KFC 2562	Not Identified J. Wallace	24/9/09	Completed by 24/09/09
18/6/09	That the Chief Executive Officer provide a report to the Audit Committee with more detail on the issue and the risk management strategy in relation to water quality – KFC 1770	A. Dawson	-	
18/6/09	That the Chief Executive Officer co-ordinates with Internal Audit Unit on the risk ratings and the cleansing of the non-essential items from the database with a view to reporting on the extreme and high risks to the next Audit Committee meeting and a report on the actions taken by management – KFC 5207	Not Identified J. Wallace	24/9/09	Completed by 24/09/09

Date of Meeting	Resolution Memo – Description of Action to be undertaken	Officer Responsible	Time Frame Requested to be Completed In	Date Action Completed
18/6/09	NO RESOLUTION PASSED – The Leadership Team will review extreme and high risks on a monthly basis and report back on the status of those	A. Dawson	24/9/09	
18/6/09	NO RESOLUTION PASSED – The external member discussed the need to record and track outcomes of recommendations.....and in respect to wording of the resolutions to assist in the monitoring function.	Not Identified J. Wallace		Completed by 24/09/09
18/6/09	NO RESOLUTION PASSED – It was considered appropriate to include matters relating to changes to legislation and the possible effects on Council on the risk management plan that comes to the committee in September – KFC 2562	Not Identified M. Rowe	24/9/09	
18/6/09	That management consider the following risks: <ul style="list-style-type: none"> • Legislative changes • Carbon Pollution Reduction Scheme • Sustainability Planning Bill • Changes to the Right to Information Act and the Local Government Act 	Not Identified M. Rowe		

RESOLVED:

That the report be received.

The Chairperson advised that if no timeframe for completion is established then the completion date will automatically become the next Audit Committee Meeting. The Chairperson also requested that completed items be removed from the list and added to another schedule of Completed Items list so items will be able to be tracked over two lists.

7 REPORTS OF OFFICERS

7.1 General

7.1.1 Proposed Meeting Dates for Upcoming Audit Committee Meetings 2010

File No: 7678

Responsible Officer: John Wallace
Strategic Manager Internal Audit

Author: John Wallace
Strategic Manager Internal Audit

Proposed Meeting Date: 24 September 2009

SUMMARY

Consideration was given to setting the meeting schedule for the remainder of the 2009-2010 financial year.

RESOLVED:

That the Committee sets its meeting schedule, based on meeting quarterly, for the remainder of the 2009-2010 financial year with meetings proposed for 1 April 2010, 10 June 2010. These dates are tentatively confirmed depending upon the dates for Easter 2010.

COMMENTARY

Effectively, the Audit Committee should meet at least 4 times during a financial year and as the last date that has been scheduled is 10 December 2009 it is an opportune time to set dates for the year remaining.

7.1.2 Revision of Annual Audit Plan July 2009 - June 2010**File No:** 6913**Attachments:** [Internal Audit Annual Audit Plan July 2009-June 2010 \(2009-1\)](#)[Approved copy by the CEO of the revised Internal Audit Annual Audit Pl...](#)**Responsible Officer:** Alastair Dawson
Chief Executive Officer**Author:** John Wallace
Strategic Manager Internal Audit**Proposed Meeting Date:** 24 September 2009

SUMMARY

The Annual Audit Plan July 2009 – June 2010, identifying planned work to be undertaken during the 12 month period, has been revised and was provided for the information of the Committee.

DISCUSSION

The Strategic Manager Internal Audit provided further details on the Annual Audit plan advising that the workplan will be updated when the Risk Register has been received. Specific reviews such as the IT Review and Payroll were discussed and Chief Executive Officer advised that he had specifically requested the Payroll Review due to the large number of risk factors involved in four payrolls systems being rolled into one as well as a new EB Agreement being included and other issues arising from that. Queensland Audit Office will be kept informed at all stages.

RESOLVED:

For information only.

Rockhampton Regional Council

Audit

Revision of Annual Audit Plan July 2009 - June 2010

Internal Audit Annual Audit Plan July 2009-June 2010 (2009-1)

24 September 2009

Attachment 1

Pages 1

2009-1



INTERNAL AUDIT UNIT

INTERNAL AUDIT ANNUAL AUDIT PLAN¹ July 2009-June 2010

PLAN OF ENGAGEMENTS

The **Annual Work Program** details the half year in which reports will be completed and the status of each audit. The 2009-1 Audit Plan is an updated plan (based on the original plan) which includes details of requested audits – showing application of unallocated time.

Audit Area (Dependency on Risk Profile Update)	Time Est.	July-Dec 2009	Jan-June 2010	Status
YEAR – 1 AUDITS including requests				
		Yes – signifies activity period		
YEAR-0 PLANNED audits brought forward to Yr-1				
▪ QAO Follow –up review	9d*	Yes		C
YEAR-0 REQUESTED incomplete audits b f/wd				
▪ Customer Service-Receipting Process	30d***	Yes		C
▪ Corporate Governance AS8000	23d***	Yes		C
YEAR-1 NEW REQUESTED audits (unallocated time)				
▪ QAO IT Review – security	51+d	Yes		P
▪ Payroll Process	30d	Yes		P
YEAR-1 PLANNED AUDITS				
▪ Amenities & Grounds (safety)	15d** (1)		Yes	S
▪ Zoo – record keeping (compliance)	55d**	Yes	Yes	S
▪ Disaster Management Plans	30d** (2)	Yes	Yes	S
▪ M Rowe- VFM reviews – to be advised	30d**		Yes	S
▪ LG Bill	39d**		Yes	S
TOTAL estimated DAYS including unallocated time	309d			
Original Forecast Days available including unallocated time	234d**			

NOTES:

- (1) New estimate is for this to take about 20 days vs 15 days originally planned.
- (2) New estimate is for this to take about 40+ days vs 30 days originally planned.

TIME EST – DAYS:

- * Actual (best estimate of actual days)
- ** Planned / Forecast (original estimate of days as per SAP)
- *** Elapsed time in days (NB this includes other non-audit activities)

STATUS DESCRIPTIONS:

- Scheduled Audit - (S)
- In Progress - (P)
- Audit Completed - (C)
- Proposed only - (X)
- Cancelled - (Z)

Reviewed by CEO on: **12 August 2009** [Plan 2009-1 signifies 2009 update #1]

To be reviewed by Audit Committee: **24 September 2009**

This Updated Plan Reviewed and Approved by Alastair Dawson (Chief Executive Officer)

Signed: _____

Date: 12 / 8 / 2009

In the event internal audit function receives a request to perform a special audit or task.....Internal Audit may obtain the approval of the Chief Executive Officer or Audit Committee to amend the annual audit schedule to reflect the approved modification. [IA Charter: S 6.1.13]

¹ Audit Committee Charter S5.3.4 and Internal Audit Charter S6.1.13

7.1.3 Revision of Audit Committee Charter**File No:** 2562**Attachments:** [Audit Committee Charter with Proposed Amendments](#)[Report to Audit Committee 24 September 2009 - Revision of Audit Commit...](#)[Proposed Alternative - Audit Committee Terms of Reference](#)[Report to Audit Committee 24 September 2009 - Revision of Audit Commit...](#)**Responsible Officer:** **John Wallace**
Strategic Manager Internal Audit**Author:** **John Wallace**
Strategic Manager Internal Audit**Proposed Meeting Date:** 24 September 2009

SUMMARY

Following on from the Audit Committee meeting held 18 June 2009, the suggested revisions have been made to the Audit Committee Charter and it is submitted for the committee's consideration along with a shorter alternative document.

DISCUSSION:

The Chairperson outlined the differences in the revised draft Audit Committee Terms of Reference and the proposed alternative, Audit Committee Terms of Reference presented in the papers for the 24 September 2009 meeting. The revised draft Terms of Reference was prescriptive based and included all of the things an Audit Committee should do which in directive manner, whereas the alternative Terms of Reference is largely principles based apart from Section 5 which is a list of items that must be completed and is significantly refined in volume.

Discussion ensued over which of the two documents would be more workable and addressing concerns over whether items may unintentionally slip through the Terms of Reference. Chief Executive Officer advised that all other Rockhampton Regional Council Committees work under a principle based Terms of Reference. The Strategic Manager Internal Audit believed that the existing Terms of Reference had limitations due to the length and complexity of the document and the Committee was assured that the alternative Terms of Reference was not a weaker document. It was also believed that the scope is more agile in the alternative Terms of Reference and would allow for wider discussion on issues relevant to the scope of the Audit Committee.

The Director of Audit Queensland Audit Office advised that they were comfortable with a principle based Terms of Reference.

OFFICER/COMMITTEE RECOMMENDATION:

That the Committee

1. receives the two attached proposals and selects the most viable option making any changes that it deems necessary; and
2. that the original Charter be rescinded/replaced with the new/amended Terms of Reference.
3. that the use of the Terms of Reference be reviewed on an annual basis.
4. that self assessment of Committee be included in the Terms of Reference

Moved by: Councillor Mather

Seconded by: Councillor Brady

MOTION CARRIED

COMMENTARY

The Audit Committee is required to review and update its Charter after 6 months (initially) and thereafter, every year. In line with Council's other similar documents it is proposed to refer to this document as a *Terms of Reference* rather than a Charter.

PREVIOUS DECISION

Following on from the last meeting of the Audit Committee and the resolution "*that the Committee amends the Audit Committee Charter with track changes and bring the revised Charter back to the next Audit Committee meeting*" the first *attachment* has been supplied for the consideration of the Committee.

POLICY IMPLICATIONS

A second shorter document has also been developed for the Committee's consideration, as an alternative to the above Charter/Terms of Reference. This document has taken into consideration that the Committee must comply with its own charter and, as such, has tried to simplify and restructure the document to facilitate this – see the second *attachment*. As such the shorter Terms of Reference becomes less prescriptive and more principles based. Compliance obligations are now more clearly defined.

CONCLUSION

It is now proposed that the Committee receives the two attached proposals with a view to selecting the most viable option, making any changes that it deems necessary, to allow the Committee to comply with its own Charter/Terms of Reference.

Rockhampton Regional Council

Audit

Revision of Audit Committee Charter

Audit Committee Charter with proposed amendments

24 September 2009

Attachment 1

Pages 10

COUNCIL POLICY

AUDIT COMMITTEE

Terms of Reference

Deleted: CHARTER

2009

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Approved by Rockhampton Regional Council

Council resolution date: 23 September 2008

Proposed Amendments presented to Audit Committee: 24 September 2009

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ADOPTED/APPROVED:	Council Meeting 23/09/08	Policy No. POL.IA1.4
AMENDED:	<u>DRAFT amended 3/7/09,</u>	
DUE FOR REVISION:		
REVOKED/SUPERSEDED:		
GROUP:	Office of the CEO	
SECTION:	Internal Audit Unit	

AMENDMENTS TO CHARTER ARE AS FOLLOWS:

ADOPTED/APPROVED: Council Meeting 23/09/08 Policy No. POL.IA1.4
AMENDED: DRAFT amended 3/7/09,
DUE FOR REVISION:
REVOKED/SUPERSEDED:
GROUP: Office of the CEO
SECTION: Internal Audit Unit

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ADOPTED/APPROVED:	Council Meeting 23/09/08	Policy No. POL.IA1.4
AMENDED:	<u>DRAFT amended 3/7/09,</u>	
DUE FOR REVISION:		
REVOKED/SUPERSEDED:		
GROUP:	Office of the CEO	
SECTION:	Internal Audit Unit	

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AUDIT COMMITTEE TERMS OF REFERENCE

Comment [MSOffice1]: Change to reflect titles of other RRC Committees

Deleted: CHARTER

1. INTRODUCTION

This charter establishes the authority and responsibilities conferred on the Audit Committee by the Rockhampton Regional Council and explains the role of the Audit Committee within the Council. The Audit Committee's purpose is to provide Council with specialist high level assistance, advice and oversight with respect to matters of financial reporting, corporate governance, risk and control, internal and external audit functions.

2. OBJECTIVES

2.1. The Audit Committee is an **advisory committee**, under Section 452 of the *Local Government Act 1993*, which reports to Council on:

- a) [Corporate governance, internal controls, ethics and all audit related matters.](#)
- b) [Any observations that it may be able to offer in respect to the](#) capability of the organisation to achieve its corporate values and objectives;

2.2. The main responsibilities of the Audit Committee is to [monitor whether:](#)

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- a) Corporate governance responsibilities are addressed.
- b) Internal control frameworks are appropriate.
- c) Key business risks, controls and opportunities are effectively managed.
- d) Business systems and processes operate efficiently and effectively.
- e) The audit process (both internal and external) is effective.
- f) [The timeliness of preparation of the annual financial statements is appropriate.](#)
- g) Council and its management are receiving timely and reliable management information.
- h) [An ethical culture is fostered](#) throughout the [organisation through effective communication and application of the Employee and Councillor Code of Conduct.](#)
- i) [Internal and external auditors' independence¹ and objectivity is being compromised.](#) Facilitating the maintenance of their independence² and objectivity.

Deleted: The external (financial) reporting is effective

Comment [MSOffice2]: This appears appropriate now the monitoring role is clearly stated above.

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¹ Particular reference is made to: [Standard 1130 – Institute of Internal Auditors.](#)

² Particular reference is made to: [Standard 1130 – Institute of Internal Auditors.](#)

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ADOPTED/APPROVED:	Council Meeting 23/09/08	Policy No. POL.IA1.4
AMENDED:	DRAFT amended 3/7/09.	
DUE FOR REVISION:		
REVOKED/SUPERSEDED:		
GROUP:	Office of the CEO	
SECTION:	Internal Audit Unit	

2.3. The Committee will:

- a) Support and make recommendations to Council³ on measures to improve management performance and business systems and controls, arising from audits, or as a result of its oversight function, where appropriate.
- b) Demonstrate the need for public accountability to the ratepayers and the community.
- c) Ensure effective liaison between senior management, internal auditors and external auditors.
- d) Oversee and appraise the quality of the audits conducted both by the Council's internal and external auditors.
- e) Consider policies and procedures relating to conflict of interest, misconduct, fraud and other related sensitive issues referred to the Audit Committee by Council.
- f) Have authority to request investigations into any matter within its scope of responsibility.
- g) On a regular basis, meet separately with the internal or external auditor(s) to discuss any matters that the Committee or Internal Audit believes should be discussed privately.
- h) Facilitate the establishment of formal procedures for:
 - i) The receipt, retention, and treatment of complaints received from the issuer regarding accounting, internal accounting controls, or auditing matters; and,
 - ii) The confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters.
- i) Confirm in a report annually to Council that all responsibilities outlined in this charter have been carried out.
- j) Facilitate the presentation of the minutes of the Audit Committee meetings to the next available Ordinary Council meeting.
- k) Monitor the progress of lawsuits facing Council.
- l) Ensure no undue management restrictions are being placed on either internal or external auditors.
- m) Promote effective coordination between the risk management and internal audit functions.

Comment [MSOffice3]: I have no problems with this clause

Deleted: b) . Promote

Comment [CAPSPLAN4]: This one (formerly 2.3e) is to be deleted and be reworded as part of 2.2 h. It is seen to be the role of the Chief Executive Officer.

Deleted: <#>e) . Monitor the effectiveness and appropriateness of the Employees Code of Conduct, communicating the code and the process for monitoring compliance and recommend changes as appropriate. ¶ f) .

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Comment [CAPSPLAN5]: For formerly 2.3f is seen as Council's role – which they may then on delegate to a Cttee

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Comment [CAPSPLAN6]: For formerly 2.3g – It was noted that this Cttee does NOT have any DELEGATIONS. (Note from KR – will this need something done here?)

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Comment [CAPSPLAN7]: For formerly 2.3k - is to be reworded.

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³ See: for example, LGFS2005 S15(2) (c).

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ADOPTED/APPROVED:	Council Meeting 23/09/08	Policy No. POL.IA1.4
AMENDED:	<u>DRAFT amended 3/7/09,</u>	
DUE FOR REVISION:		
REVOKED/SUPERSEDED:		
GROUP:	Office of the CEO	
SECTION:	Internal Audit Unit	

2.4. The Committee may:

- n) Monitor Council’s involvement in IT systems and IT strategy, e-Government,
- o) Consider, and where appropriate, monitor significant capital investment decisions and major asset management initiatives including Council’s asset management strategy,
- p) Consider, and where appropriate, monitor procurement and contractual arrangements entered by the organisation

Comment [CAPSPLAN8]: Formerly 2.4n – It was felt that this was reflected in the former 2.2d and so was to be deleted.

Comment [MSOffice9]: Paragraphs split to provide greater guidance to AC members.

Deleted: HR strategy.

3. INDEPENDENCE AND ACCESS

3.1. The Committee will need to liaise closely with management and the internal and external auditors to carry out its duties and responsibilities. Whilst the primary responsibility for financial and other reporting, internal control and compliance with laws, regulations and ethics within the council rests with management, the Audit Committee will exercise a monitoring and review role as detailed in Section 5.1.

3.2. The Audit Committee will have the right to seek independent professional advice when considered necessary and have the power to obtain information from management and to consult directly with the auditors. Requests to seek independent professional advice and obtain information from management should be directed through the CEO to ensure separation of powers is maintained and financial delegations are observed.

Comment [CAPSPLAN10]: Formerly 3.2 – this is to be reviewed.

Deleted: <#>When necessary, the Committee will have unrestricted access to all relevant personnel, records, information (including documents), and have adequate resources in order to fulfil its oversight and responsibilities.

3.3. The Audit Committee will have the right to question and seek attendance at committee meeting of any staff. Any requests should be directed through the CEO.

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Comment [CAPSPLAN11]: Formerly 3.3 – This is to be reworded to include comment regarding delegation through the CEO

4. MEMBERSHIP

The Committee will be composed of:

- a) Three Councillors one of whom includes the Mayor, with the other two being considered by Council to have the necessary qualification or interest in serving on the Committee, and,
- b) Two persons independent of Council. The external members shall be a financial expert⁴, and, a legal expert⁵.

- all of whom will have voting rights.

⁴ Financial Expert is a senior qualified person who is a current practising member of one of the professional accounting bodies in Australia (Certified Practising or Chartered Accountant) and who has significant relevant financial experience in professional accounting and/ or audit.

⁵ Legal Expert is a qualified practising person holding a professional membership from an appropriate legal body, with significant experience.

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ADOPTED/APPROVED:	Council Meeting 23/09/08	Policy No. POL.IA1.4
AMENDED:	<u>DRAFT amended 3/7/09,</u>	
DUE FOR REVISION:		
REVOKED/SUPERSEDED:		
GROUP:	Office of the CEO	
SECTION:	Internal Audit Unit	

The Chairperson of the Audit Committee will be elected by the members of that Committee.

The two independent voting members will be selected and formally appointed by the Audit Committee and/or Council, after calling for expressions of interest from members of the public with appropriate experience in government, or business and financial management. The independent members will be appointed for the term of the Council, unless otherwise determined by Council.

The external members may be appropriately remunerated at the discretion of the CEO.

Appointment of the 3 voting Councillors will be for the life of the current Council.

All members should understand the Committee's responsibilities and objectives, be familiar with its relationships with management and the internal and external auditors, and have a sound knowledge of the entity's operations and the environment in which it operates.

5. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Committee include, but are not necessarily limited to, the following:

5.1. Corporate Governance, Risk and Control

- 5.1.1. Monitor the effectiveness of the risk assessment/management policies and processes.
- 5.1.2. Monitor, receive and review all significant accounting policy changes.
- 5.1.3. Review half yearly reports on the activities and investigations of any significant Fraud Prevention & Security related matters.
- 5.1.4. Initiate special projects or investigations on any matter within its Charter or such other functions as assigned by Council.
- 5.1.5. Consider the financial performance of Council.
- 5.1.6. Review and update the Committee's Charter, initially after 6 months, thereafter every year, or as appropriate.

Additionally, the Local Government must ensure the audit committee specifically reviews and attends to each of the following matters, at each meeting -

- 5.1.7. (i) the local government's organisation structure and its systems and procedures for carrying out its functions and duties under the Act;
- (ii) the risks to which the local government's operations are exposed;

Deleted: . The CEO, Chief Audit Executive and the External Auditors, Chief Financial Officer/Chief Information Officer, Manager Reform and Innovation, shall be invited to attend all meetings (except where the committee determines otherwise) but are not members and have no voting rights. Other Council officers may be required to attend Audit Committee meetings as required.¶

Deleted: Review

Deleted: In particular, monitoring that Council's risk management activities are not limited to insurance coverage but include active risk minimisation of key risks through implementation of appropriate cost effective controls.

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Deleted: 's business units and significant procurement activities

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ADOPTED/APPROVED:	Council Meeting 23/09/08	Policy No. POL.IA1.4
AMENDED:	<u>DRAFT amended 3/7/09,</u>	
DUE FOR REVISION:		
REVOKED/SUPERSEDED:		
GROUP:	Office of the CEO	
SECTION:	Internal Audit Unit	

- (iii) the internal control measures adopted by the local government for managing the risks mentioned in (ii) above;
 - (iv) any reports prepared by the auditor-general under Section 530 of the Act during the financial year within which the meeting is held;
 - (v) any internal audit reports prepared by internal audit during the financial year within which the meeting is held;
- and, the Audit Committee must also -
- (vi) give the local government, as soon as practicable after a review is concluded, a written report stating any recommendations the committee has about the matters reviewed.

5.2. External Audit

5.2.1 At the completion of the external audit the Audit Committee shall meet to review the final draft financial statements and the final draft management letter, focusing in particular on:

- a) Significant changes in accounting policies and practices.
- b) Major judgmental areas.
- c) Significant audit adjustments.
- d) Proposed departures from accounting standards.
- e) Council management comments on the draft management letter.
- f) To inquire from the external auditors if there have been any significant disagreements or difficulties with management irrespective of whether or not these have been resolved.

The CFO or delegate shall attend any such meetings.

5.2.2 Prior to the commencement of an audit by the external auditors the Audit Committee should meet with/communicate with them and review the scope and approach of the proposed audit.

5.2.3 Review management responses to audit reports and [monitor](#) the extent to which external audit recommendations concerning internal accounting controls and other matters are implemented.

5.2.4 Monitor the extent of reliance on internal audit work by the external auditors to assure completeness of coverage and the effective use of audit resources.

5.3. Internal Audit

5.3.1 Consider and recommend any amendments to the Internal Audit Charter.

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ADOPTED/APPROVED:	Council Meeting 23/09/08	Policy No. POL.IA1.4
AMENDED:	<u>DRAFT amended 3/7/09,</u>	
DUE FOR REVISION:		
REVOKED/SUPERSEDED:		
GROUP:	Office of the CEO	
SECTION:	Internal Audit Unit	

- 5.3.2 Each year review and approve the Draft Three (3) Year and Draft Annual Internal Audit Plans, objectives, goals, budgets and staffing plans.
- 5.3.3 Monitor the progress of the Internal Audit Annual Plan and review all recommendations in audits completed. Review the management implementation of such recommendations.
- 5.3.4 Ascertain that the activities undertaken by Internal Audit are in accordance with the Internal Audit Charter.
- 5.3.5 Monitor whether Internal Audit is receiving the cooperation of all levels of management, where necessary.
- 5.3.6 Review and monitor Internal Audit's performance.
- 5.3.7 Encourage the use of best practice by the internal auditors, including reviewing any developments in the field of internal auditing and standards issued by accountancy bodies and other regulatory authorities presented by the Internal Audit unit.
- 5.3.8 Additionally, monitor managements actions in respect to any risks and controls in Council's risk profile that have been classified as key or significant or otherwise unacceptable.
- The Audit Committee's responsibilities do not extend to managing the day-to-day activities of Council and the internal audit function. This function is carried out by the CEO.

Deleted: <#>Audit Committee members will receive prior notice of the appointment of the head of internal audit and will oversight internal audit's work and annually review the level of compensation for the head of internal audit.¶

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Comment [CAPSPLAN12]: Ctee felt that the deleted section was the role of the CEO

Deleted: Monitor, review and recommend where necessary, the adequacy of the internal audit function's resources and operations, staff competency, qualifications and experience, relative to the size of its responsibilities and mandate, whilst ensuring the head of Internal Audit is able to effectively recruit, retain, and manage highly skilled staff, to carry out its duties.

Deleted: , and provide a forum to resolve differences between Internal Audit and other areas of Council.

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Comment [CAPSPLAN13]: This is to be reworded or deleted.

Comment [MSOffice14]: No w reworded – John are you happy? Delete these comments before presented to AC pls.

Deleted: in order to encourage the use of best practice by the internal auditors.

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Deleted: review

Deleted: <#>Review recommended actions with regard to any proposed change to organisational reporting lines as it may affect, or be perceived to affect, the internal audit function - its authority, ... [1]

Deleted: ¶ <#>5.4 Senior Executive Compensation & Perform[... [2]

Comment [MSOffice15]: Duplicated from earlier in Charter

Deleted: <#>The head of Internal Audit will be invited to attend all meetings (exce[... [3]

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Comment [MSOffice16]: Duplicated earlier in the Charter

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6. MEETINGS, RECORDS AND REPORTING STRUCTURE

- 6.1. The Committee shall meet at least two times a year and hold such additional meetings according to its schedule, to fulfill its duties, but may meet more often by decision of the Chair.
- 6.2. A quorum shall consist of 3 voting members.
- 6.3. The CEO, and other Council officers will be invited by the Committee to attend the meetings, as and when required, to discuss any item which effects his or her respective management role.
- 6.4. The external auditors shall be given notice of all meetings and have the right to attend and speak.
- 6.5. A secretary to the Committee will be appointed by the Chair, to facilitate meetings and reporting duties, prepare and circulate the agenda, table correspondence, reports and other information relevant to the committee's operations and activities (for example, training needs), including minuting decisions of the committee.

The secretary shall not be a member of the committee and has no voting rights, nor is a member of internal or external audit, but will liaise closely with Internal Audit to facilitate the meeting process. Internal Audit will assist with and/or provide training and education to Audit Committee members.

The CAE shall be the keeper of the Audit Committee Charter.

ADOPTED/APPROVED:	Council Meeting 23/09/08	Policy No. POL.IA1.4
AMENDED:	<u>DRAFT amended 3/7/09,</u>	
DUE FOR REVISION:		
REVOKED/SUPERSEDED:		
GROUP:	Office of the CEO	
SECTION:	Internal Audit Unit	

Review recommended actions with regard to any proposed change to organisational reporting lines as it may affect, or be perceived to affect, the internal audit function - its authority, independence, objectivity, professionalism, practices, operational effectiveness, or otherwise indicate a departure from best practice principles - whilst ensuring adherence to standards, principles and guidelines, including any re-assignment or changes to its staffing, budget, function or purpose.

5.4 Senior Executive Compensation & Performance

The Audit Committee will have joint authority as the Council's de facto Compensation Committee, at least annually, to –

Review and make recommendations on best practice outcomes and value for money in relation to senior executive¹ compensation vs performance;

Ensure the establishment of formal and transparent procedures for developing policy on remuneration packages for each senior executive.

Ensure no senior executive is involved in deciding his or her remuneration.

Set, review and approve corporate and strategic goals and objectives relevant to CEO compensation, and evaluate CEO performance in light of those goals and objectives, and set the CEO's compensation level based on the evaluation; Make other recommendations to Council with respect to compensation plans, as may be relevant to attracting and retaining the highest quality senior executive staff.

Review and make recommendations to ensure that performance related or incentive/bonus elements form an appropriate proportion of the total compensation package of senior executives.

The head of Internal Audit will be invited to attend all meetings (except where the committee determines otherwise) and present his Internal Audit Activities Report, which may include appraisals of Council functions and activities, and any other significant matters or advice.

¹ Senior Executive is defined as being at level 1 or 2 but is also inclusive of the CAE.

Rockhampton Regional Council

Audit

Revision of Audit Committee Charter

Proposed Alternative - Audit Committee Terms of Reference

24 September 2009

Attachment 2

Pages 3

ROCKHAMPTON REGIONAL COUNCIL - AUDIT COMMITTEE TERMS OF REFERENCE

1. COMMITTEE PURPOSE

This document establishes the authority and responsibilities conferred on the Audit Committee by the Rockhampton Regional Council and explains the role of the Audit Committee within the Council. The Audit Committee's purpose is to provide *Council* with specialist high level assistance, advice and oversight with respect to matters of financial reporting, corporate governance, risk and control, internal and external audit functions.

2. AUTHORITY

The Audit Committee will have the right to recommend that independent professional advice be sought when considered necessary and have the power to obtain information from management and to consult directly with the auditors. Requests to seek independent professional advice and obtain information from management should be directed through the CEO. The Audit Committee will have the right to question and seek attendance at committee meetings of any staff. Any requests should be directed through the CEO.

Council is to ensure the adequacy of resources and funding is sufficient to allow the Audit Committee to carry out its role.

3. COMPOSITION and TENURE

The Committee will consist of -

3.1. Voting Members - appointed for the term of *Council*:

- (a) Three Councillors one of whom includes the Mayor, with the other two being considered by Council to have the necessary qualification or interest in serving on the Committee, and,
- (b) Two external persons independent of *Council*, one of whom shall be a financial expert¹.

3.2. Non-Voting Attendees (Chief Executive Officer; Chief Audit Executive; General Manager Corporate Services; Manager Reform & Innovation).

3.3. Non-Voting Invitees (Queensland Audit Office; Council Officers by invitation)

¹ Financial Expert is a senior qualified person who is a current practising member of one of the professional accounting bodies in Australia (Certified Practising or Chartered Accountant) and who has significant relevant financial experience in professional accounting and/ or audit.

4. ADMINISTRATIVE ARRANGEMENTS

- 4.1. Meetings - the committee shall meet at least 4 times a year (based on a financial year) or as determined by the Chair.
- 4.2. Quorum - shall consist of 3 voting members.
- 4.3. Secretariat - shall be provided by CEO and otherwise assisted by Internal Audit.
- 4.4. Conflicts of Interest - shall be managed in accordance with the Local Government Act.
- 4.5. Review of Terms of Reference - periodically as determined to be necessary.
- 4.6. Remuneration of external members – will be at the discretion of the Chief Executive Officer.

5. RESPONSIBILITIES

The functions and responsibilities of the Audit Committee shall include oversight in relation to -

5.1. Corporate Governance, Compliance, Risk Management and Control Framework:

- 5.1.1. Monitor the effectiveness of the risk management and internal control framework, management policies and key governance processes - including Asset Management and IT governance.
- 5.1.2. Review reports on the activities and investigations of any significant Fraud Prevention & Security related matters.

Additionally, the committee must review at each meeting:

- (i) the local government's organisational structure and its systems and procedures for carrying out its functions under the Act;
- (ii) the risks to which the local government's operations are exposed;
- (iii) the internal control measures adopted by the local government for managing the risks mentioned above;
- (iv) any report prepared by the auditor-general under section 530 of the Act during the financial year within which the meeting is held;
- (v) any internal audit reports prepared under the function during the financial year within which the meeting is held.

And, must give the local government, as soon as practicable after a review is conducted, a written report stating any recommendations the committee has about the matters reviewed.

5.1.3. Review any other matter (eg.: business or legal risks or legal actions) referred to it by the Chief Executive Officer.

5.2. Financial Statements:

5.2.1. Review and consider the financial statements, ratios and other relevant financial reports of *Council*.

5.2.2. Monitor whether the timeliness of preparation of the annual financial statements is appropriate.

5.2.3. Monitor and consider management's compliance with statutory requirements.

5.2.4. Review the scope, approach, reports, and activities of proposed audit coverage.

5.3. Internal and External Audit:

5.3.1. Review and monitor whether the audit process is effective.

5.3.2. Ensure the objectivity and independence of the audit functions.

5.3.3. Monitor and review audit plans, reports and activities.

5.3.4. Ensure auditors receive the cooperation of all levels of management.

5.3.5. Review and consider differences of opinion between audit and management.

5.3.6. Monitor management's implementation of audit's recommendations.

5.3.7. Ensure there are no restrictions placed on the audit function by management.

5.3.8. Facilitate the effective cooperation and coordination between external and internal audit.

7.1.4 Risk Register/Risk Management

File No: 5256

Responsible Officer: Barry Harper
Risk Management Co-ordinator

Author: Barry Harper
Risk Management Co-ordinator

Proposed Meeting Date: 24 September 2009

SUMMARY

Council's Risk Management Coordinator (Mr Barry Harper) and consultant (Mr Terry Walcott) have recently provided training to Strategic Managers on changes to the risk template and guidelines for the template. Additionally meetings have occurred with each Strategic Manager (risk owner) to discuss existing templates and to request an updated template (including any additional new risks) be submitted to the Risk Management Coordinator. When all updated templates are received, this will create an updated risk register for Council.

DISCUSSION:

The Strategic Manager Reform and Innovation apologised to the Audit Committee for the oversight in the policies not being given to them for review and advised that in future all risk reports will be a standard report included in future Agendas of the Audit Committee.

The Committee was then advised of the current stage of the Risk Profile and given an estimated timeline of when that would be available to the Audit Committee For review and further consideration. The process should be completed by the December Audit Committee and further report will be presented to the Committee by the Strategic Manager Strategic Manager Reform and Innovation.

Risk Management Coordinator was introduced to the Committee and advised that he will be present at all future Audit Committees and would be available to provide any information on individual risk profiles to date and training.

The new Risk Rating Methodology was discussed and distributed.

11.24PM Chief Executive Officer left the meeting

The Committee was updated on Items from the Business Arising from Minutes list by the Strategic Manager Reform and Innovation including various Legislative reviews. The comment was made that all implications of the Local Government Act may not be completely captured in the Risk Profile and that it will probably be an ongoing matter over a period of time. The Chairperson requested that Item 11 from the list be retained and that an update report be brought back to the Committee at next Committee meeting.

In relation to Item 8 from the Business Arising from Previous Minutes list, the Risk Committee will be formed shortly and once the Council has adopted the Risk Profile the Risk Management Coordinating Committee will meet on a monthly basis and recommendations will be forwarded to the Leadership Team each month.

11.29PM Chief Executive Officer returned to the meeting

The External Member provided a brief update on the processes currently being undertaken to deal with changes happening due to Carbon Pollution Reduction Scheme legislation and other legislation. He also queried the function of the Risk Management Committee and was advised by the Chief Executive Officer that the Committee would be used for a filter for the Leadership Team. The Chief Executive Officer also advised that currently risk was not highly finessed with the Organisation and a risk culture was being developed. The External Member added that in his opinion Rockhampton Regional Council was moving appropriately and, in some cases, better than other Councils to address legislative changes.

RESOLVED:

That the papers and the verbal report from Strategic Manager Reform and Innovation be received.

BACKGROUND

Council has recently approved changes to the risk template headings and the risk assessment template guidelines. These changes were necessary because an additional level of risk (extreme) has been added to the risk assessment methodology. Recent training provided to the strategic managers focused on the use of the risk assessment template guidelines to complete the risk template. During training, issues relating to template completion were raised and discussed. Any decisions made relating to the completion of the template were relayed to all strategic managers to ensure that all completed template formats will be consistent.

When interviews with strategic managers were conducted, they were asked to consider the council amalgamation process and whether that process has produced additional risks to that indicated in the register or if there are risks the managers are now aware of that should be in the register (particularly extreme/high risks). Responses have been varied but it would appear that some departments of council may need further time to consider new risks within their areas and to record them in the risk register. It is intended to ask the Council Executive Leadership Team to discuss appropriate timeframes for nominated strategic managers to fully complete their risk register.

Strategic managers have been asked to review their risk templates (eg that risk levels, risk control effectiveness etc all make sense), make alterations/provide additions where appropriate and return the register to the risk management coordinator so the registers can be provided to the Council Executive Leadership Team for approval. As previously indicated, it is anticipated that some registers will take longer to be completed than others and therefore all registers will not be provided to the Council Executive Leadership Team at the one meeting.

It is considered that the next action of the risk management coordinator should be to ensure suitable risk management reporting mechanisms are put in place (with the approval of the Council Executive Leadership Team) including the formation of the Risk Management Coordinating Committee.

7.1.5 Rowland Report**File No:** 7999**Attachments:** [Email forwarding the Rowland Report Report to Audit Committee meeting 24 September 2009 - Rowland Report -...](#)**Responsible Officer:** John Wallace
Strategic Manager Internal Audit**Author:** John Wallace
Strategic Manager Internal Audit**Proposed Meeting Date:** 24 September 2009

SUMMARY

The attached Rowland Report has been supplied for the information of Council on behalf of Mr B. McCosker.

DISCUSSION:

The External Member reported on his observations of the difficulties facing Local Governments with the cutting of subsidies and the discouragement of Public Private Partnerships Alliance Contracts from the State Government.

The Chief Executive Officer advised how the changes were going to impact the Council both strategically and financially and this included reprioritising projects to ensure funding timelines are met. He also distributed the new Strategic Workflow Plan for Council that was discussed at Council meeting on 22 September.

Special Counsel Policy and Strategy advised that the Federal Government is encouraging PPP Contracts and that clear guidelines for the use of these contracts are available and could be used for the purpose of a due diligence for investigation if Council ever considered entering into an Alliance Contract.

The Chief Executive Officer noted that the changes were encouraging Local Governments to think strategically instead of reactively. He also advised that the position of Special Counsel Policy and Strategy had been introduced to encourage and help Councillors to ensure better outcomes for the region.

RESOLVED:

That the report and discussion be received.

Rockhampton Regional Council

Audit

Rowland Report

Email forwarding the Rowland Report

24 September 2009

Attachment 1

Pages 8

From: John Wallace [John.Wallace@rrc.qld.gov.au]
Sent: Friday, 21 August 2009 2:38:46 PM
To: Kisane Ramm
Subject: Queensland 2009/10 Budget update - The Rowland Report

[Leftover from last ac we did not address....](#)

From: Brad McCosker [mailto:BMcCosker@mccullough.com.au]
Sent: Wednesday, 17 June 2009 6:11 PM
To: Alastair Dawson; John Wallace
Cc: Neil Hanschen
Subject: Fw: Queensland 2009/10 Budget update

Gents

You may already have seen this Rowland report. In case you have not, it is below.

It may be something sensibly raised at tomorrow's AC meeting ?

Putting the rhetoric aside, the abolition of subsidy and the discouragement of alliancing and PPP's will present immediate challenges to Council's capex program.

Regards

Brad.

Brad McCosker
Partner
Direct line: 07 3233 8992 | Mobile: 0412 192 762 | email: bmccosker@mccullough.com.au

McCullough Robertson Lawyers,
Level 11 Central Plaza Two, 66 Eagle Street Brisbane Qld 4000

Telephone: (07) 3233 8888 International: +617 3233 8888 Fax: (07) 3229 9949 www.mccullough.com.au

----- Original Message -----

From: Tracey Moore
To: Brad McCosker
Sent: Wed Jun 17 17:08:01 2009
Subject: FW: Queensland 2009/10 Budget update

Hi Brad

Hope things are going well in the wilds of Mackay/Rockie/wherever - if you have not seen the flyer below you may be interested in the comments re infrastructure for local governments outside SE Qld

Tracey

From: Shaun Drabsch [mailto:shaun.drabsch@rowland.com.au]
Sent: Wednesday, 17 June 2009 3:03 PM
To: Tracey Moore
Subject: Queensland 2009/10 Budget update

<http://www.vision6.com.au/download/files/14354/462058/rowland-logotop.gif>

Government Insights
17 June 2009

ROWLAND WEBSITE <<http://www.vision6.com.au/ch/1nsfhn7/270872/82a95d0sy.html>> | EMAIL THE AUTHOR <<mailto:shaun.drabsch@rowland.com.au>> | AUTHOR'S PROFILE <<http://www.vision6.com.au/ch/1nsfhn7/605098/82a95txfw.pdf>> | VIEW THIS MESSAGE ONLINE <<http://www.vision6.com.au/ch/1nsfhn7/764310/82a95d71.html>>
- <<http://www.vision6.com.au/download/files/14354/462053/div.gif>>

Queensland 2009/10 Budget update

1. The Budget in aggregate
2. Privatisation
3. Infrastructure
4. The cost of living in Queensland
5. Training and employment
6. Budget and policy impacts on local government
7. New paths in project procurement
8. Summary

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The Budget in aggregate

What an ugly set of numbers! A \$2 billion deficit in the coming year expanding to \$4 billion in the outyears is too frightening to contemplate.

The parameters of the Government's long-standing Charter of Fiscal Responsibility have had to be altered considerably to accommodate the stark reality of the current financial circumstance of the State of Queensland. How does this budget stack up against these new parameters?

- * Revenue must cover operating expenses (achieved if you don't count depreciation – the return of cash accounting?)
- * Future growth in expenses must not exceed inflation plus population growth (which add up to 4.75%)
- achieved
- * Achieve an operating surplus soon, but no later than 7 years from now (not quite a 'balanced budget across the cycle')
- * Maintain a competitive tax environment (this has been achieved in this document)
- * Stabilise debt as a proportion of State revenue (this is forecast, but not to the extent necessary to achieve the Credit Rating agencies target range for a AAA rating)
- * Target full funding of long-term liabilities (still on track despite a hammering in the markets, the superannuation reserve is still a financial gem of which other jurisdictions can only dream).

When the Budget papers are studded with cautious terms like 'stabilise', 'target', 'maintain' and 'soon', it is clear these are not the tightest fiscal standards. Even then, the reported budget falls short in a number of measures – well, on these forecasts anyway. And that is a critical point. The numbers presented should be

interpreted with care. They do not include the impacts of the privatisations that will roll out over the next five years. So, assuming there will be a market for these assets, the large total debt figure in the outyears should not be realised.

The likelihood of these dark forecasts being realised is stretched further when the revenue numbers are examined – by from 2009-10 to 2012-13 total revenue is only forecast to increase in real terms by less than one per cent (<1%) even though the economy by that stage will have grown by 12%. Are there some hidden tax cuts around the corner or is Treasury making caution a new art form?

If this revenue plateau is truly likely, then the Budget should contain more initiatives to stimulate growth other than the short-term stimulus of capital expenditure. It should contain a bigger savings effort than an additional \$100 million on top of the \$180 million planned (representing just 0.25% of total expenses). But there is only a commitment to keep costs within inflation and population growth. Health costs traditionally expand by around 10% per annum, so there will need to be savings in other agencies. But if you were confronted with a \$4 billion deficit wouldn't you do more?

The absence of long-term economic recovery measures for Queensland implies the conditions don't require such a response – but the forecasts of a declining budget position suggest otherwise. Treasury admits it has used the most conservative revenue assumptions of all Australian jurisdictions (Budget Paper #2, p15). But as they say, at least "...this provides Queensland with more upside should the turnaround occur earlier or more favourably than anticipated."

One can appreciate that Treasury is smarting at getting last year's forecasts so horribly wrong (the growth forecast was out by 4%). But it is in good company – no-one foresaw the global capital capitulation in its full horror. And it is certainly true that in these uncertain times you need to plan for the worst. But to what extent does a set of budget forward-estimates need to prophesise gloom to prepare the public for tough (and correct) decisions, when the economic forecasts indicate light at the end of the tunnel? At what point does a government offset the need to keep things tight against the risk of putting the community in a state of permanent funk?

In summary, one should interpret the deficit and debt figures with a grain of salt. If the economy resumes a growth path before 2011 then the state of our books may be much healthier than this Budget would indicate and the new Fiscal standards outlined above may be more readily achieved. Even with the significant borrowing estimated in the Budget, the value of the State's assets increases correspondingly and the net worth of the State remains around a still healthy \$150 billion.

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Privatisation

The global financial crisis has hit the Treasury coffers with a reported loss of \$14 billion in expected revenue over four years – which equates to one third of the annual budget. Despite the drop in revenue, the State Government has accelerated even further the infrastructure program to a stellar \$18.2 billion this year so as to maintain a high level of activity and seek to stem the flow of jobs from the economy.

In order to fund at least part of this infrastructure program, the State Government will seek to raise \$15 billion through a staged program of asset sales. Parcel 1 will be Forest Plantations Queensland, Parcel 2 - Queensland Motorways Limited, Parcel 3 - Port of Brisbane, Parcel 4 - Queensland Rail above and below rail coal business and the Abbott Point Coal Terminal.

The sales process is being driven by a team which has been established in Queensland Treasury under the leadership of Tim Spencer (Deputy Under Treasurer). Lead advisors will be chosen in the next weeks, and work will then begin in earnest in packaging these assets for sale. The type and nature of the sale transactions is unlikely to be clear until later in 2009.

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Infrastructure

Queensland will spend a massive \$18.2 billion on infrastructure in 2009/10 with an aim of shoring up 127,000 full-time jobs. This represents a 13% or \$2 billion increase on estimated actual 2008-09 infrastructure spending.

In reviewing the increases in capital spending by department, the big winners are:

- Housing and homelessness services (\$1.45 billion in 2009/10, up from \$500 million this year)
- Education and training (\$1.8 billion in 2009/10, up from \$740 million this year)
- Health (\$1.3 billion in 2009/10, up from \$812 million this year)
- Transport and Main Roads is fairly stable as the largest program at \$7.1 billion in 2009/10.

Government total borrowings will rise from \$44.288 billion in 2008/09 to \$57.723 billion in 2009/10 to cover the capital works program and the deficit. The reported total gross debt of \$85 billion for 2012-13 does not account for the impacts of the asset sales (proceeds and avoided investment of up to \$30 billion).

Over 57% of expenditure will occur outside the Brisbane Statistical Division, including \$221.8 million on the redevelopment of hospitals at Cairns, Mackay, Mount Isa, Townsville and Rockhampton and the expansion of the Lotus Glen Correctional Centre in Far North Queensland.

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The cost of living in Queensland

The impact of the current economic crisis will be felt across the community with increases in the cost of living from 1 July 2009 – as the Government, Councils and utilities look to repair their budgets and recover substantial infrastructure programs.

The majority of the increases were announced in the lead up to the Budget. They include:

- Abolition of the eight cents per litre fuel subsidy (predicted to save the State around \$2.4 billion over the next four years)
- A rise in motor vehicle registration fees of between six and 11%
- A 16% increase in the cost of electricity charged by regulated utilities.

Announced in the budget is a land tax surcharge of 0.5% for property exceeding \$5 million, and Casino taxes have increased, but most other taxes and royalties remain fixed at current rates.

Substantial increases in Council rates are likely to be announced over coming weeks as revenues dwindle and the State winds back traditional grant programs.

There are some bright spots for consumers:

- An increase in the first home buyer vacant land concession threshold from \$150,000 to \$250,000

- Introduction of an instalment payment option for land tax
- Assistance for pensioners of \$200 per annum to manage the electricity price increase.

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Training and employment

The Government will invest in training and employment programs to support its 100,000 jobs target.

- * \$203 million will fund a range of training initiatives to support existing apprentices and trainees, and create further places. Around half of this will be targeted at disadvantaged Queenslanders through programs to create jobs and provide work placements, skills training and traineeships
- * Employers will be eligible for a 25% payroll tax rebate on apprentices and trainees
- * \$6.45 million will go towards the Industries Capability Network – specifically aimed at encouraging the use of local content as part of the \$18.2 billion infrastructure investment.

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Budget and policy impacts on local government

The Treasurer has undertaken a fundamental re-shaping of the way the Queensland Government will subsidise local government and it will have a widespread impact on the way local governments do business in the future.

This year's Budget will see the abolition of the previous local government grant and subsidy programs in favour of a \$45 million per annum program with revised funding criteria. In the Treasurer's own words, this new grants and subsidies program will ensure that subsidies are delivered to those Councils ready to deliver infrastructure projects but do not have the financial capability to do so without assistance.

In short, this means that the newly announced grants and subsidy program will be reserved for councils outside the south-east Queensland region. The rest are on their own.

The potential impact for south-east Queensland Councils dealing with growth is significant. The options facing those Councils now when considering infrastructure to cope with current and future growth will be to either absorb the increased cost of infrastructure in their own budgets, increase rates or increase the cost of infrastructure charges.

The most likely option for councils will be to increase the infrastructure charges for new developments, already viewed as extremely high by the property development sector.

Before the release of this budget measure, Sunshine Coast regional Mayor, Bob Abbott criticised the Queensland Government for the expected impact this announcement would have on the price of housing, especially for first home owners in the south-east.

Councillor Abbott, in a Local Government Association of Queensland media release estimated the price for a block of land could rise by around \$5,000 after developers passed on the increased infrastructure costs to homebuyers. This kind of increase would very likely negate the Government's budget measures aimed at reducing the cost of housing for first home builder/buyers.

Opposition Leader, John-Paul Langbroek suggested the changes could instead lead to increased rates for existing property owners.

Coupled with the consideration of the Sustainable Planning Bill 2009 and the Local Government Bill 2009 in upcoming parliamentary sessions, local governments, particularly those in south-east Queensland will be contemplating a new dynamic, especially in how they deal with growth and the associated costs.

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New paths in project procurement

The Budget Papers (Budget Paper #2, p10) allude to a general change in procurement policy, implying a level of dissatisfaction with recent trends. They list the full range of delivery options, but then specifically target alliance contracting stating that while the Alliance option will be considered in some circumstances, "...the Government will be particularly focused on driving competitive, value-for-money project delivery outcomes which reflect current market conditions."

Treasury has never liked alliances as the pricing is usually not exposed to the full rigours of a competitive bidding process. The experience with the Water Grid Projects no doubt escalated those concerns, although to be fair the incredibly tight deadline for that program increased cost. Unless greater competition in pricing can be introduced (as occurred on Tugun Bypass), alliance contracts are likely to be confined to projects with uncertain risk profiles upon which it is difficult to put a fixed price.

Sadly, the current credit squeeze has also suppressed any remaining desire of the Government to venture into the use of Public Private Partnerships even though other states and countries continue to embrace them. The postponement of the trial hospital PPP on the Sunshine Coast was attributed to a lack of market interest. It may have had more to do with the uncertainty of health service planning and a corresponding concern about the affordability of a facility now estimated to cost \$1.5 billion. While the media statement last week suggested the hospital would be delivered as a PPP eventually, the Budget Papers reveal that an analysis of procurement alternatives is still to be undertaken in 2011. The Gold Coast Mass Transit has finally made it through an eight year business case, but the funding announcements for the full \$948 million seem to imply that very little of the project is likely to be put forward for private equity involvement.

For the first time in eight years, the Budget Paper for the Capital Program does not contain a section on possible PPPs. The PPP unit in the Department of Infrastructure and Planning has been subsumed into an Infrastructure Policy branch and the Budget is littered with capital projects which could have easily been packaged as PPPs – for example:

- * \$170 million Cleveland Youth Detention Centre
- * \$378 million Boggo Road Ecoscience precinct
- * Gold Coast and Qld Childrens Hospital (each \$1+ billion)
- * Cairns and Mackay Hospitals (each \$400 million)
- * Supreme and District Court (\$600 million)
- * Eastern Busway Stage 2 (\$465 million)

Who cares, you might ask? We just want the projects built.

At any time, but especially at this time of intense focus on infrastructure, the management of risk, the optimisation of delivery and the effectiveness over an asset's useful life should be prime considerations. PPPs have clearly demonstrated strong performance on all criteria overseas, interstate and even here in Queensland with the stunningly successful Southbank Institute of Technology PPP. Why wouldn't you actively explore the PPP delivery option as part of your project armoury?

To be fair to the Government, it continues to entertain the future possibility of considering the PPP

alternative. But the internal drama that each project triggers within Government elongates the process of consideration to the point where the market has almost given up. Queensland has been pushed well down the list of prospective deals behind Victoria, NSW, South Australia and more recently Western Australia. If any PPP projects do see the light of day in Queensland, the best, most competitive teams will probably be focused elsewhere.

So where does that leave procurement in Queensland– just with the traditional Design and Construct and Managing Contractor arrangements? While the delivery performance of these models has been improved by Public Works, substantial risks continue to lie with the State, post-construction maintenance remains an afterthought, and the absence of a competitive procurement alternative through PPPs diminishes the imperative to continue performing well.

The Budget is right – procurement policy needs review in Queensland. But let's have an open and objective – a public - assessment of methods, involving industry and the unions as well as the Government.

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Summary

The Queensland Government has worked hard to maintain the base of employment in the face of depleting streams of revenue. The continued commitment to the capital program is welcome, although there are concerns about the small number of new projects being created which threatens jobs in the front end planning of project delivery.

This is a Budget about jobs and about restructuring the Queensland public sector to prepare for the next boom. If the forecasts are to be believed that boom will be some time coming. Hopefully it will be sooner, and the current darkness around our finances may be a brief aberration.

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Rowland has a strong group of government relations experts with experience and knowledge across State, Federal and Local Government areas and both political perspectives. If you have any questions or would like more specific advice please contact us.

Prepared by Rowland's Government Relations team: Shaun Drabsch
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For more information or any advice on engaging with government, please contact:

Shaun Drabsch
General Manager, Government Relations
Rowland

+61 7 3229 4499

shaun.drabsch@rowland.com.au <<mailto:shaun.drabsch@rowland.com.au>>

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12.00PM

RESOLVED:

That Standing Orders be resumed.

Moved by: Carolyn Eagle
Seconded by: Councillor Mather
MOTION CARRIED

8 CLOSED BUSINESS

8.1 General

8.1.1 2008-09 Financial Statements Preparation

File No: 7207

Responsible Officer: Ross Cheesman
General Manager Corporate Services

Author: Michael Clerc
Strategic Manager Financial Services

Proposed Meeting Date: 24 September 2009

PURPOSE

In accordance with Section 463 of the *Local Government Act 1993*, it is considered necessary to close the meeting to discuss this matter in closed business.

OFFICER/COMMITTEE RECOMMENDATION:

That council consider this matter in the confidential component of this meeting due to:

"other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage."

Moved by: Councillor Mather
Seconded by: Councillor Brady
MOTION CARRIED

8.1.2 AS8000 - Governance and Compliance Review

File No: 8289

Responsible Officer: John Wallace
Strategic Manager Internal Audit

Author: John Wallace
Strategic Manager Internal Audit

Proposed Meeting Date: 24 September 2009

PURPOSE

In accordance with Section 463 of the *Local Government Act 1993*, it is considered necessary to close the meeting to discuss this matter in closed business.

OFFICER RECOMMENDATION:

That council consider this matter in the confidential component of this meeting due to:

"other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage."

Moved by: Councillor Mather

Seconded by: Councillor Brady

MOTION CARRIED

8.1.3 Business Systems Migration Project Update**File No:** 7678**Responsible Officer:** Ross Cheesman
General Manager Corporate Services**Author:** Eleanor Hammond
Project Manager Business Systems Migration
Project**Proposed Meeting Date:** 24 September 2009

PURPOSE

In accordance with Section 463 of the *Local Government Act 1993*, it is considered necessary to close the meeting to discuss this matter in closed business.

OFFICER RECOMMENDATION:

That council consider this matter in the confidential component of this meeting due to:

"other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage."

Moved by: Councillor Mather

Seconded by: Councillor Brady

MOTION CARRIED

8.1.4 Customer Service Receipting Process**File No: 8324****Responsible Officer: John Wallace
Strategic Manager Internal Audit****Author: John Wallace
Strategic Manager Internal Audit****Proposed Meeting Date: 24 September 2009**

PURPOSE

In accordance with Section 463 of the *Local Government Act 1993*, it is considered necessary to close the meeting to discuss this matter in closed business.

OFFICER RECOMMENDATION:

That council consider this matter in the confidential component of this meeting due to:

"other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage."

Moved by: Councillor Mather

Seconded by: Councillor Brady

MOTION CARRIED

8.1.5 Follow Up Review of Previous QAO Audit 07/08

File No: 8336

Responsible Officer: John Wallace
Strategic Manager Internal Audit

Author: John Wallace
Strategic Manager Internal Audit

Proposed Meeting Date: 24 September 2009

PURPOSE

In accordance with Section 463 of the *Local Government Act 1993*, it is considered necessary to close the meeting to discuss this matter in closed business.

OFFICER RECOMMENDATION:

That council consider this matter in the confidential component of this meeting due to:

"other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage."

Moved by: Councillor Mather
Seconded by: Councillor Brady
MOTION CARRIED

8.1.6 Interim Audit Results - 2008/2009

File No: 7207

Responsible Officer: Ross Cheesman
General Manager Corporate Services

Author: Michael Clerc
Strategic Manager Financial Services

Proposed Meeting Date: 24 September 2009

PURPOSE

In accordance with Section 463 of the *Local Government Act 1993*, it is considered necessary to close the meeting to discuss this matter in closed business.

OFFICER RECOMMENDATION:

That council consider this matter in the confidential component of this meeting due to:

"other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage."

Moved by: Councillor Mather
Seconded by: Councillor Brady
MOTION CARRIED

8.1.7 Internal Audit Status Update

File No: 5207

Responsible Officer: John Wallace
Strategic Manager Internal Audit

Author: John Wallace
Strategic Manager Internal Audit

Proposed Meeting Date: 24 September 2009

PURPOSE

In accordance with Section 463 of the *Local Government Act 1993*, it is considered necessary to close the meeting to discuss this matter in closed business.

OFFICER RECOMMENDATION:

That council consider this matter in the confidential component of this meeting due to:

"other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage."

Moved by: Councillor Mather
Seconded by: Councillor Brady
MOTION CARRIED

8.1.8 Unaudited Financial Statements 2008-09**File No:** 7207**Responsible Officer:** Ross Cheesman
General Manager Corporate Services**Author:** Michael Clerc
Strategic Manager Financial Services**Proposed Meeting Date:** 24 September 2009

PURPOSE

In accordance with Section 463 of the *Local Government Act 1993*, it is considered necessary to close the meeting to discuss this matter in closed business.

OFFICER RECOMMENDATION:

That council consider this matter in the confidential component of this meeting due to:

"other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage."

Moved by: Councillor Mather

Seconded by: Councillor Brady

MOTION CARRIED

CLOSED SESSION

12.02PM

RESOLVED

THAT the meeting moves into Closed Session.

MOVED: Councillor Mather

SECONDED: Councillor Brady

MOTION CARRIED

2.11PM

RESOLVED

THAT the meeting moves out of Closed Session and is opened to the public.

MOVED: Councillor Brady

SECONDED: Councillor carter

MOTION

9 CONFIDENTIAL ITEMS

9.1 General

9.1.1 2008-09 Financial Statements Preparation

File No: 7207

Responsible Officer: Ross Cheesman
General Manager Corporate Services

Author: Michael Clerc
Strategic Manager Financial Services

Proposed Meeting Date: 24 September 2009

SUMMARY

Strategic Manager Financial Services providing an update of issues encountered in Financial Statement Preparation.

OFFICERS RECOMMENDATION

For information purposes only.

Moved by: Councillor Mather

Seconded by: Councillor Brady

MOTION CARRIED

9.1.2 AS8000 - Governance and Compliance Review

File No: 8289

Responsible Officer: John Wallace
Strategic Manager Internal Audit

Author: John Wallace
Strategic Manager Internal Audit

Proposed Meeting Date: 24 September 2009

SUMMARY

Presented for the information of the Audit Committee is the AS8000 - Governance and Compliance Review conducted by the Internal Audit Unit.

OFFICERS RECOMMENDATION

That the Committee receives the report and make any recommendations that it feels appropriate in relation to the *Local Government Finance Standard 2005 S15(2)c*.

Moved by: Carolyn Eagle
Seconded by: Councillor Brady
MOTION CARRIED

9.1.3 Business Systems Migration Project Update

File No: 7678

Responsible Officer: Ross Cheesman
General Manager Corporate Services

Author: Eleanor Hammond
Project Manager Business Systems Migration
Project

Proposed Meeting Date: 24 September 2009

SUMMARY

This is the Business Systems Migration Project (BSMP Stage One), and the Business Systems Project (BSP Stage Two), updates are for information to Council only.

OFFICERS RECOMMENDATION

For information purposes only.

Moved by: Councillor Mahter
Seconded by: Councillor Carter
MOTION CARRIED

The meeting adjourned at 12.39pm for lunch to reconvene at 12.55pm.

The meeting reconvened in Closed Business at 1.03pm

Members Present

Ms C Eagle (Chairperson)
His Worship the Mayor, Councillor B N Carter
Councillor G M Mather
Councillor G K Brady
Mr B McCosker

In Attendance:

Mr A T Dawson - Chief Executive Officer
Mr R M Cheesman - General Manager Corporate Services
Mr J Wallace – Strategic Manager Internal Audit
Mr M Clerc – Strategic Manager Financial Services
Ms T Baly – Senior Internal Auditor
Mrs K Ramm – Audit Officer
Mrs V Taylor – Committee Support Team Leader

9.1.4 Customer Service Receipting Process

File No: 8324

Responsible Officer: John Wallace
Strategic Manager Internal Audit

Author: John Wallace
Strategic Manager Internal Audit

Proposed Meeting Date: 24 September 2009

SUMMARY

Presented for the Audit Committee's information is the Customer Service Receipting Process Review.

OFFICERS RECOMMENDATION

That the Committee receives the report and make any recommendations that it feels appropriate in relation to the *Local Government Finance Standard 2005 S15(2)c*.

Moved by: Carolyn Eagle
Seconded by: Councillor Brady
MOTION CARRIED

9.1.5 Follow Up Review of Previous QAO Audit 07/08

File No: 8336

Responsible Officer: John Wallace
Strategic Manager Internal Audit

Author: John Wallace
Strategic Manager Internal Audit

Proposed Meeting Date: 24 September 2009

SUMMARY

Presented for the information of the Audit Committee is the 2007/2008 Financial Statements Follow Up Review.

OFFICERS RECOMMENDATION

That the Committee receives the report and make any recommendations that it feels appropriate in relation to the *Local Government Finance Standard 2005 S15(2)c*.

Moved by: Councillor Mather

Seconded by: Councillor Brady

MOTION CARRIED

9.1.6 Interim Audit Results - 2008/2009

File No: 7207

Responsible Officer: Ross Cheesman
General Manager Corporate Services

Author: Michael Clerc
Strategic Manager Financial Services

Proposed Meeting Date: 24 September 2009

SUMMARY

The Queensland Audit Office has forwarded the interim audit report for the Rockhampton Regional Council for the financial reporting period 15 March 2008 to 30 June 2009.

Director of Audit provided a verbal report outlining the work the QAO are currently undertaking at Rockhampton Regional Council including reviewing Asset Management Governance and ICT Governance requested by the Chairperson.

OFFICERS RECOMMENDATION

For information purposes only.

Moved by: Councillor Mather
Seconded by: Councillor Brady
MOTION CARRIED

9.1.7 Unaudited Financial Statements 2008/2009**File No: 7207****Responsible Officer: Ross Cheesman
General Manager Corporate Services****Author: Michael Clerc
Strategic Manager Financial Services****Proposed Meeting Date: 24 September 2009**

SUMMARY

The Strategic Manager Financial Services presented the Unaudited Financial Statements for 2008/2009 for information.

The Chairperson enquired of the Director of QAO what sort of questions should be asked and looked for by unskilled people who were in charge of reviewing the Financial Statements.

OFFICERS RECOMMENDATION

That the Unaudited Financial Statements for the 2008/2009 financial year be 'received'.

Moved by: Carolyn Eagle
Seconded by: Councillor Mahther
MOTION CARRIED

9.1.8 Internal Audit Status Update**File No: 5207****Responsible Officer: John Wallace
Strategic Manager Internal Audit****Author: John Wallace
Strategic Manager Internal Audit****Proposed Meeting Date: 24 September 2009**

SUMMARY

Provided for your information, attached and listed below, is a status update of the work undertaken by Internal Audit Unit covering the period 9 June -15 September 2009.

OFFICERS RECOMMENDATION

For information purposes only.

Moved by: Brad McCosker

Seconded by: Carolyn Eagle

MOTION CARRIED

10 GENERAL BUSINESS

10.1 Chief Executive Officer – Organisational Restructure

File No: 289
Responsible Officer: Alastair Dawson
Position: Chief Executive Officer

SUMMARY

Chief Executive Officer advised on the current organisation restructure currently being undertaken in the Planning, Compliance and Environment department. The final draft will be taken to Council for approval in the next fortnight. Essentially the number of departments will be reduced across the organisation and General Manager's responsibilities will be increased with the objective being to have a better performing organisation.

10.2 Chief Executive Officer – Update on Current Crime and Misconduct Commission Matters**File No:****Responsible Officer: Alastair Dawson****Position: Chief Executive Officer**

SUMMARY

The Chief Executive Officer advised that no new matters that have been referred to the Crime and Misconduct Commission since the last Audit Committee and that a request had been forwarded to the CMC to remove the post 2007 matters which were now unable to be investigated due various issues including the length of time involved and staff no longer being with the organisation.

10.3 Councillor Mather – Requested Report on Stress Leave Causes

File No: 753
Responsible Officer: Alastair Dawson
Position: Chief Executive Officer

SUMMARY

Councillor Mather requested a report be brought to Council detailing the reasons why affected staff are on stress leave.

The Chief Executive Officer advised that there are procedures in place to help staff deal with stress such as the engagement of Converge Counselling and that there is a strong emphasis on wellbeing in the organisation.

11 CLOSURE OF MEETING

There being no further business, the meeting terminated at 2.15pm.

MS CAROLYN EAGLE
CHAIRPERSON