



# **AUDIT COMMITTEE**

## **MINUTES**

**18 June 2009  
10.45AM**

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## TABLE OF CONTENTS

---

| ITEM | SUBJECT  | PAGE NO |
|------|--|---------|
| 1    | PRESENT .....  | 1       |
| 2    | APOLOGIES.....   | 1       |
| 3    | LEAVE OF ABSENCE.....  | 1       |
| 4    | CONFIRMATION OF MINUTES OF PREVIOUS MEETING .....                                    | 2       |
| 5    | CONFLICTS OF INTEREST .....  | 3       |
| 6    | BUSINESS ARISING FROM PREVIOUS MINUTES.....  | 4       |
| 7    | REPORTS OF OFFICERS.....   | 5       |
| 7.1  | GENERAL .....  | 5       |
|      | 7.1.1 Audit Committee Charter Analysis.....  | 5       |
| 8    | GENERAL BUSINESS .....   | 37      |
| 8.1  | EXTERNAL AUDITORS DISCUSSION.....  | 37      |
| 8.2  | OVERVIEW OF ORGANISATIONAL STRUCTURE .....   | 38      |
| 8.3  | RISK MANAGEMENT FRAMEWORK.....   | 39      |
| 8.4  | MAYOR – FUTURE RISKS IN RELATION TO WATER QUALITY .                                  | 40      |
| 9    | CLOSED BUSINESS.....   | 42      |
| 9.1  | GENERAL .....  | 42      |
|      | 9.1.1 Business Systems Migration Project Update .....                                | 42      |
|      | 9.1.2 Internal Audit Status Update.....  | 43      |
|      | 9.1.3 Notification of Matters – Update by Chief Executive Officer .                  | 44      |
| 10   | CONFIDENTIAL ITEMS .....   | 46      |
| 10.1 | GENERAL .....  | 46      |
|      | 10.1.1 Verbal Update from Chief Executive Officer on Notification<br>of Matters..... | 46      |
|      | 10.1.2 Business Systems Migration Project Update .....                               | 47      |
|      | 10.1.3 Internal Audit Status Update.....   | 48      |
| 11   | CLOSURE OF MEETING .....   | 49      |

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Presented to Council 25/08/09  
Adopted by Council 25/08/09

**REPORT OF THE MEETING OF THE  
AUDIT COMMITTEE HELD IN THE COUNCIL CHAMBERS,  
232 BOLSOVER STREET, ROCKHAMPTON ON THURSDAY 18 JUNE 2009  
COMMENCING AT 10.45AM**

## **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

### Observers

Mr M Keane – Queensland Audit Office  
Ms P Pang – Queensland Audit Office

### In Attendance:

Mr A T Dawson - Chief Executive Officer  
Mr R M Cheesman - General Manager Corporate Services  
Mr J Wallace – Strategic Manager Internal Auditor  
Ms T Baly – Senior Internal Auditor  
Mrs K Ramm – Audit Officer  
Ms M M Hodda – Supervisor Corporate Support

Ms E Hammond – Project Manager Business Systems Migration Project was not present but was available to speak on the matter 10.1.2 Business Systems Migration Project Update via a telephone conference call.

## **2 APOLOGIES**

NIL

## **3 LEAVE OF ABSENCE**

Nil

## **4 CONFIRMATION OF MINUTES OF PREVIOUS MEETING**

[Minutes 30 April 2009 Audit](#)

### **RESOLVED**

THAT the Minutes of the Ordinary Meeting of the Audit Committee, held on 30 April 2009 as circulated, be taken as read and adopted as a correct record.

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

## 5 CONFLICTS OF INTEREST

No conflicts of interest

**10.47AM**

**RESOLVED:**

That Standing Orders be suspended.

MOVED: Carolyn Eagle  
SECONDED: Councillor Mather  
MOTION CARRIED

*10.48AM The Chief Executive Officer left the meeting.*

## 6 BUSINESS ARISING FROM PREVIOUS MINUTES

File No: 8073

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### SUMMARY

The Senior Internal Auditor provided a verbal update on the process of how the safety inspections for regional pools are recorded.

Inspections are conducted pre-season and mid-season, with a random inspection on water quality performed periodically.

An external party conducts inspections of pools on a statewide basis annually.

*10.50AM The Chief Executive Officer returned to the meeting.*

Internal Audit advised that they were satisfied with the proposed processes to be put in place to mitigate significant risks in respect to public safety. The Internal Audit Unit advised that they will review the situation periodically.

The Audit Committee accepted the verbal report from Internal Audit and considered the issue to be closed from an Audit Committee perspective.

### RESOLVED:

That the report be 'received'.

## 7 REPORTS OF OFFICERS

### 7.1 General

#### 7.1.1 Audit Committee Charter Analysis

**File No:** 2562

**Attachments:** [Copy of Audit Committee Charter](#)  
[Internal Audit Office POL.IA1.4 Audit Committee Charter](#)

[Council Committees Functional Responsibilities Comparative Analysis](#)  
[Attachment 2 - Report to Audit Committee 18 June 2009 - Audit Committe...](#)

**Responsible Officer:** John Wallace  
Strategic Manager Internal Auditor

**Author:** John Wallace  
Strategic Manager Internal Auditor

**Proposed Meeting Date:** 18 June 2009

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### SUMMARY

The Audit Committee is required to review and update its Charter after 6 months (initially) and thereafter, every year.

Comments in respect to the appropriateness, coverage, workload and relevance of the Charter were sought from Committee members and officers. Members provided their comments in respect to proposed changes to the Charter to provide guidance to officers in amending the document.

The External Member discussed the need to record and track outcomes of recommendations from the committee meetings to enable management to provide follow-up reports on actions taken to address issues. Further discussion was held in respect to wording of the resolutions to guide officer activities between meetings to enable the Audit Committee to maintain its monitoring and oversight role in governance.

Detailed discussion occurred in respect to changes to legislation and the possible effects on Council. It was considered appropriate to include these items on the risk management plan that comes to the committee in September.

### RESOLVED:

That the Committee amends the Audit Committee Charter with track changes and bring the revised charter back to the next Audit Committee meeting.

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**COMMENTARY**

The following attachments are provided to assist the Audit Committee:

1. Attachment 1 – copy of the Audit Committee Charter
2. Attachment 2 – copy of an analysis made of Council Committees and sample Audit Charter headings.

The attachments provide guidance for discussion and to assist the Audit Committee members to review and update the charter. The Audit Committee should use these documents to add, change, or make deletions to the existing charter. For example, it may wish to review the necessity of retaining the section (5.4) in relation to senior executive compensation and performance.

**BACKGROUND**

The activities of the Audit Committee meetings are currently reflected in its meeting planner. Simplification of the Charter will allow easier levels of compliance with its Charter, as well as simplification with respect to the meeting planner.

**CONCLUSION**

Changes to the existing Charter will be reflected in the new Charter, once updated by Internal Audit Unit and presented to the full Council as an amended policy.

# **Rockhampton Regional Council**

## **Audit**

### **Audit Committee Charter Analysis**

#### **Copy of Audit Committee Charter**

**18 June 2009**

**Attachment 1**

**Pages 13**

**AUDIT COMMITTEE CHARTER**

**1. Policy Scope:**

**As per Audit Committee Policy** - Associated Policy Document to Audit Committee Policy – more specifically details the operation and authority of the Audit Committee.

**2. Policy Purpose:**

Mandate for operation of the Audit Committee – refer to Audit Committee Policy.

**3. Policy Reference (e.g. Legislation, related documents):**

LGFS 2005 Sections (Various) including, SS4; 7; 15; Schedule 2

**4. Policy Context:**

Refer to Audit Committee Policy.

**5. Policy Principles:**

Associated Policy – Mandate for AC.

**6. Policy Definitions:**

Refer to Audit Committee Policy sections on definitions.

**7. Policy Evaluation Process:**

The Charter should be periodically reviewed in line with a change in operational need and changes to legislation and related standards, including good practice by the CAE.

**8. Responsibilities:**

Responsibilities are further defined in the associated **Audit Committee Charter**.

|                       |                         |
|-----------------------|-------------------------|
| Sponsor               | Chief Executive Officer |
| Business Owner        | CAE                     |
| Policy Implementation | Chief Executive Officer |
| Policy Compliance     | Chief Executive Officer |

**9. POLICY Detail:**

**POLICY PROVISIONS**

In accordance with the Local Government Finance Standard 2005, Rockhampton Regional Council will establish, resource, maintain and provide for the appointment and operation of an Audit Committee, commencing in 2008, with membership comprising Elected Representatives and qualified external independent specialists. The CEO will determine the levels of remuneration of external members.

Duties, method of operation for the committee and committee authority/responsibilities are further defined in the associated Policy document – Audit Committee Charter.

**Attachment – B: AUDIT COMMITTEE CHARTER**

**10. Changes to Policy:**

This policy is to remain in force, once established, until otherwise determined by the Council / Audit Committee.

**ALASTAIR DAWSON  
CHIEF EXECUTIVE OFFICER**

Attachment B

**COUNCIL POLICY**

**AUDIT COMMITTEE**

**CHARTER**

**2008**

*Approved by Rockhampton Regional Council*

*Council resolution date: 23 September 2008*

AMENDMENTS TO CHARTER ARE AS FOLLOWS:

# Table of Contents

|   |           |
|---|-----------|
| <b>1. INTRODUCTION</b>                              | <b>7</b>  |
| <b>2. OBJECTIVES</b>                                | <b>7</b>  |
| <b>3. INDEPENDENCE AND ACCESS</b>                   | <b>8</b>  |
| <b>4. MEMBERSHIP</b>                                | <b>9</b>  |
| <b>5. DUTIES AND RESPONSIBILITIES</b>               | <b>10</b> |
| 5.1 CORPORATE GOVERNANCE, RISK AND CONTROL          | 10        |
| 5.2 EXTERNAL AUDIT                                  | 11        |
| 5.3 INTERNAL AUDIT                                  | 11        |
| 5.4 SENIOR EXECUTIVE COMPENSATION & PERFORMANCE     | 12        |
| <b>6. MEETINGS, RECORDS AND REPORTING STRUCTURE</b> | <b>13</b> |

# AUDIT COMMITTEE 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) The capability of the organisation to achieve its corporate values and objectives;
- b) Corporate governance, internal controls, and all audit related matters.

2.2. The main responsibilities of the Audit Committee is to ensure:

- 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 external reporting is effective.
- g) Council and its management are receiving timely and reliable management information.
- h) Fostering an ethical culture throughout the organisation.
- i) Facilitating the maintenance of the independence<sup>1</sup> and objectivity of internal and external auditors.

2.3. The Committee will:

- a) Support and make recommendations to Council<sup>2</sup> on measures to improve management performance and business systems and controls, arising from audits, or as a result of its oversight function.

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<sup>1</sup> Particular reference is made to: Standard 1130 –Institute of Internal Auditors.

<sup>2</sup> See: for example, LGFS2005 S15(2) (c).

- b) Promote 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) 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) Review policies and procedures relating to conflict of interest, misconduct, fraud and other related sensitive issues.
- g) Have authority to conduct or authorise investigations into any matter within its scope of responsibility.
- h) 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.
- i) Establish 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.
- j) Confirm in a report annually to Council that all responsibilities outlined in this charter have been carried out.
- k) Monitor the progress of major 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.

2.4. The Committee may:

- n) Monitor Council's involvement in IT systems and IT strategy, e-Government, significant capital investment decisions and major asset management initiatives including Council's asset management strategy, procurement and 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. 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 seek independent professional advice when considered necessary and have the power to obtain information from management and to consult directly with the auditors.
- 3.4. The Audit Committee will have the right to question and seek attendance at committee meeting of any staff.

#### 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 expert<sup>3</sup>, and, a legal expert<sup>4</sup>.

- all of whom will have voting rights.

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.

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<sup>3</sup> 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.

<sup>4</sup> Legal Expert is a qualified practising person holding a professional membership from an appropriate legal body, with significant experience.

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.

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.

## 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. Review the effectiveness of the risk assessment/management policies and processes. 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.
- 5.1.2. Review and recommend all significant accounting policy changes.
- 5.1.3. Monitor compliance with important regulations relevant to Council's activities including statutory regulations for Council's subsidiaries.
- 5.1.4. Review half yearly reports on the activities and investigations of any significant Fraud Prevention & Security related matters.
- 5.1.5. Initiate special projects or investigations on any matter within its Charter or such other functions as assigned by Council.
- 5.1.6. Review issues relating to financial and comparative performance of Council's business units and significant procurement activities.
- 5.1.7. Additionally, review and update the Committee's Charter, initially after 6 months, thereafter every year.

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;

- (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 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.

- 5.3.2 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.
- 5.3.3 Each year review and approve the Draft Three (3) Year and Draft Annual Internal Audit Plans, objectives, goals, budgets and staffing plans.
- 5.3.4 Monitor the progress of the Internal Audit Annual Plan and review all recommendations in audits completed. Review the management implementation of such recommendations. 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.
- 5.3.5 Ascertain that the activities undertaken by Internal Audit are in accordance with the Internal Audit Charter.
- 5.3.6 Monitor whether Internal Audit is receiving the cooperation of all levels of management, where necessary, and provide a forum to resolve differences between Internal Audit and other areas of Council.
- 5.3.7 Review and monitor Internal Audit's performance.
- 5.3.8 Review developments in the field of internal auditing and standards issued by accountancy bodies and other regulatory authorities in order to encourage the use of best practice by the internal auditors.
- 5.3.9 Additionally, review any risks and controls in Council's risk profile that have been classified as key or significant or otherwise unacceptable.
- 5.3.10 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.

The Audit Committee's responsibilities do not extend to managing the day-to-day activities of the internal audit function. This function is carried out by the CEO.

#### 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 –

- 5.4.1 Review and make recommendations on best practice outcomes and value for money in relation to senior executive<sup>5</sup> compensation vs performance;
- 5.4.2 Ensure the establishment of formal and transparent procedures for developing policy on remuneration packages for each senior executive.
- 5.4.3 Ensure no senior executive is involved in deciding his or her remuneration.
- 5.4.4 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.
- 5.4.5 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.

## 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 fulfil 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 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.
- 6.4. 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.
- 6.5. The external auditors shall be given notice of all meetings and have the right to attend and speak.
- 6.6. 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.

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<sup>5</sup> Senior Executive is defined as being at level 1 or 2 but is also inclusive of the CAE

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.

# **Rockhampton Regional Council**

## **Audit**

### **Audit Committee Charter Analysis**

### **Council Committees Functional Responsibilities Comparative Analysis**

**18 June 2009**

**Attachment 2**

**Pages 15**

# Council Committees Functional Responsibilities

29 May

# 2009

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This document highlights possible areas of overlap or joint/similar activity with respect to their defined 'responsibilities'. Not all areas of responsibility are noted (only those areas of responsibility posing possible overlaps). Only the Audit Committee has its own defined and detailed 'Charter' which defines its authority and responsibilities in some more precise detail. Each other Committee has a list of 'functions' assigned to it. **Audit Committee Charter should be updated after 6 months (S5.1.7) and thereafter yearly.**

## COMPARATIVE ANALYSIS

## **KEY DISCUSSION POINTS:**

→ The LGAct 1993 is silent regarding ‘audit committees’ and ‘internal audit’<sup>1</sup>.

→ Local Govt Finance Standard 2005:

- **S13 ‘the local govt must consider the risks’, etc**
- **S13 ‘the local govt must consider internal control’, etc**
- **S13 ‘a local govt must consider efficient, effective and proper management of its operations’**
- **S14 ‘the local govt must ensure the INTERNAL AUDIT FUNCTION’ does certain things:**
  - **Prepares an audit plan**
  - **Prepares an audit Program**
  - **Carries out audits**
  - **Provides audit reports**
  - **Provides summary of recommendations & actions taken by management**

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<sup>1</sup> Except for S502(1)(a)

- (includes) Actions not acted on by management
- **S15 [ Audit Committee]-The audit committee must:**
  - Meet at least twice a year
  - Review at each meeting-
    - Organisation structure
    - Systems and procedures
    - Risks
    - Internal control measures
    - Reports prepared by Auditor General
    - Any internal audit reports prepared
  - Give the Local Govt a written report stating any recommendations it has about the matters reviewed.
- **S16 [Requirement to keep written records]**
  - Risks; internal controls; employee duties; policies; etc.

**LGFS 2005 - Sch 2 Dictionary**

***Audit committee*** – means a committee responsible for advising the local government about-

(a) the adequacy of the local government's organisational structure, systems, procedures; and

(b) the adequacy of the internal audit function for managing the risks to which the local government's operations are exposed

***Internal Audit function*** – means a system providing for-

(a) the internal control measures adopted, or to be adopted, by the local government to manage risks to which its operations are exposed; and

(b) regular independent assessment of the measures mentioned in (a)

## COUNCIL COMMITTEES - Possible overlap in similar areas of activity or reporting

| AUDIT  | Finance & Governance | Community Development | Business Enterprise | Infrastructure | Health & Regulatory | Water | Environment | Sports & Recreation | Strategic Planning |
|--|----------------------|-----------------------|---------------------|----------------|---------------------|-------|-------------|---------------------|--------------------|
| OVERSIGHT Of MANAGEMENT FUNCTIONS-A committee of 'review'. |                      |                       |                     |                |                     |       |             |                     |                    |
| CORPORATE GOVERNANCE, RISK & COTROL                        |                      |                       |                     |                |                     |       |             |                     |                    |
| Internal Control Frameworks                                |                      |                       |                     |                |                     |       |             |                     |                    |
| Key Risks & Controls                                       |                      |                       |                     |                |                     |       |             |                     |                    |
| Ethics/Culture   |                      |                       |                     |                |                     |       |             |                     |                    |
| Investigations & Fraud                                     |                      |                       |                     |                |                     |       |             |                     |                    |
| Complaints-  |                      |                       |                     |                |                     |       |             |                     |                    |
| Significant procurement                                    |                      |                       |                     |                |                     |       |             |                     |                    |
| Comparative performance of business units                  |                      |                       |                     |                |                     |       |             |                     |                    |
| Organisation Structure                                     |                      |                       |                     |                |                     |       |             |                     |                    |
| Systems & Procedures                                       |                      |                       |                     |                |                     |       |             |                     |                    |
| Monitor major lawsuits                                     |                      |                       |                     |                |                     |       |             |                     |                    |
| Internal Audits  |                      |                       |                     |                |                     |       |             |                     |                    |

| <b>AUDIT</b>                           | Finance & Governance                 | Community Development | Business Enterprise | Infrastructure | Health & Regulatory | Water | Environment | Sports & Recreation | Strategic Planning |
|--|--------------------------------------|-----------------------|---------------------|----------------|---------------------|-------|-------------|---------------------|--------------------|
| INTERNAL AUDIT Function                |                                      |                       |                     |                |                     |       |             |                     |                    |
| EXTERNAL AUDIT Function                |                                      |                       |                     |                |                     |       |             |                     |                    |
| SENIOR EXEC COMPENSATION & PERFORMANCE |                                      |                       |                     |                |                     |       |             |                     |                    |
| Financial Statements (oversight)       | Financial Reporting                  |                       |                     |                |                     |       |             |                     |                    |
|  | Annual budget monitoring             |                       |                     |                |                     |       |             |                     |                    |
|  | Review auditing practice             |                       |                     |                |                     |       |             |                     |                    |
|  | Review Corporate & Operational Plans |                       |                     |                |                     |       |             |                     |                    |
|  | Oversight Budgets                    |                       |                     |                |                     |       |             |                     |                    |
| (Oversight of) Risk management process | Insurance & Risk Management Policy   |                       |                     |                |                     |       |             |                     |                    |
|  | Economic development                 |                       |                     |                |                     |       |             |                     |                    |
| Business Systems                       | IS                                   |                       |                     |                |                     |       |             |                     |                    |
|  | Reform & Innovation                  |                       |                     |                |                     |       |             |                     |                    |

| <b>AUDIT</b>                        | Finance & Governance | Community Development | Business Enterprise                | Infrastructure        | Health & Regulatory    | Water | Environment | Sports & Recreation | Strategic Planning |
|-------------------------------------|----------------------|-----------------------|------------------------------------|-----------------------|------------------------|-------|-------------|---------------------|--------------------|
| Audit of                            | WH&S                 |                       |                                    |                       |                        |       |             |                     |                    |
| Review Policies – misconduct, fraud | Council Policy       |                       |                                    |                       |                        |       |             |                     |                    |
|                                     |                      | (None)                | Development or Commercial Projects |                       |                        |       |             |                     |                    |
|                                     |                      |                       | Commercial Programs                |                       |                        |       |             |                     |                    |
|                                     |                      |                       | Commercialised activities          |                       |                        |       |             |                     |                    |
| Audit of                            |                      |                       |                                    | Counter Disaster      |                        |       |             |                     |                    |
| Audit of                            |                      |                       |                                    | Asset management      |                        |       |             |                     |                    |
|                                     |                      |                       |                                    | Floodplain management |                        |       |             |                     |                    |
|                                     |                      |                       |                                    | Drainage & Flood      |                        |       |             |                     |                    |
|                                     |                      |                       |                                    |                       | Review Local Laws      |       |             |                     |                    |
|                                     |                      |                       |                                    |                       | Disease management     |       |             |                     |                    |
|                                     |                      |                       |                                    |                       | Legislation review     |       |             |                     |                    |
| Audit of                            |                      |                       |                                    |                       | Disaster management    |       |             |                     |                    |
|                                     |                      |                       |                                    |                       | Public Health & Safety |       |             |                     |                    |

| <b>AUDIT</b> | Finance & Governance | Community Development | Business Enterprise | Infrastructure | Health & Regulatory         | Water                                | Environment                      | Sports & Recreation | Strategic Planning     |
|--------------|----------------------|-----------------------|---------------------|----------------|-----------------------------|--------------------------------------|----------------------------------|---------------------|------------------------|
|              |                      |                       |                     |                | Strategic Overview landfill |                                      |                                  |                     |                        |
|              |                      |                       |                     |                |                             | Water Risk management                |                                  |                     |                        |
|              |                      |                       |                     |                |                             | Monitor performance                  |                                  |                     |                        |
|              |                      |                       |                     |                |                             | Dividend reviews                     |                                  |                     |                        |
|              |                      |                       |                     |                |                             | Annual review Water Performance Plan |                                  |                     |                        |
|              |                      |                       |                     |                |                             |                                      | Environment Activities           |                     |                        |
|              |                      |                       |                     |                |                             |                                      | Waterways & catchment management | (None)              |                        |
| Audit of     |                      |                       |                     |                |                             |                                      |                                  |                     | Building Compliance    |
| Audit of     |                      |                       |                     |                |                             |                                      |                                  |                     | Development Compliance |

NOT LISTED-

→ General Complaints System ?

→ Performance management & benchmarking ?

→ Change management ?

SOME COMPARATIVE CHARTERS CONTENT

MAIN Duties & responsibilities:

AUDIT COMMITTEE Charters

**Rockhampton Regional Council**

→ CORPORATE GOVERNANCE, RISK & CONTROL

→ EXTERNAL AUDIT

→ INTERNAL AUDIT

→ SENIOR EXEC COMPENSATION & PERFORMANCE

Townsville City Council

→ External Audit

→ Internal Audit

→ Other Matters (incl. IT; Security; Policies; Compliance; Fraud; Investigations; etc)

Gold Coast City Council

→ Corporate Governance & Control

→ External Audit

→ Internal Audit

Ipswich City Council

→ External Audit

→ Internal Audit

→ Other Matters (incl. Similar to Townsville) incl Risk Management

Wyong Shire Council

→ External Audit

→ Internal Audit

→ Other Matters

## Curtin University

- Financial Reporting
- Financial & Internal Controls
- External Audit
- Internal Audit
- Risk Management & Compliance

## Coca-Cola Amatil

- Audit
- Financial Statements
- Risk Management

## ASX (Australian Stock Exchange)

→ Financial Reporting

→ External Audit

→ Risk Management, Internal Audit and Internal Control

→ Insurance Program

→ Compliance

## Model Charters (Audit Committee)

### Queensland Treasury

→ Financial Statements

→ Risk Management

→ Internal Control

→ Performance Management

→ Internal Audit

→ External Audit

→ Compliance

## Institute of Internal Auditors

- Financial Statements
- Internal Control
- Internal Audit
- External Audit
- Compliance
- Reporting
- Other

## AUDIT COMMITTEES – A Guide To Good Practice (AASB; AICD; IIA)

### Role of Audit Committee:

#### Oversight includes-

- Internal & External Reporting
- OVERSIGHT of Risk management activities
- INTERNAL & EXTERNAL audit

- Internal Control Framework incl. policies & procedures as they apply to financial reporting
- COMPLIANCE with applicable laws & regulations & ETHICS
- Activities to control & report on FRAUD

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## 8 GENERAL BUSINESS

### 8.1 External Auditors Discussion

File No: 3012

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#### SUMMARY

Mr Michael Keane of Queensland Audit Office discussed the QAO Client Strategy issued last month. This document was tabled and given to the committee members.

The External Auditors were in the process of completing the interim audit for the financial year ended 28 June 2009 and had reviewed income, expenditure and payroll. They are leaving assets at the moment until the system is bedded down but will review that a later stage.

The External Auditors will be reviewing data migration and fixed assets as part of their process given the significant changes and risks of financial statement misstatement involved .

*12.24PM His Worship the Mayor left the meeting.*

QAO advised that they would be undertaking the audit for 2010 and will be looking at IT security and passwords in that year.

QAO will be reviewing Internal Audit's review of cash receipting and considering the actions taken by Council in respect to revoking previous policies and the adoption of new statutory policies.

#### Emerging Issues

- Interim management letter will be sent to the Mayor indicating progress to date and issues that need to be addressed. The milestone for that document is 10 July 2009.

*12.38PM His Worship the Mayor returned to the meeting.*

- External auditors report directly to parliament. Their approach is risk-based, covering controls that are in place and systems testing. Their main focus is financial statements and the controls in place. They provide an independent view of financial operations and reporting functions.

The Auditor-General's Report to Parliament for 2009 is available on their website. It has the results of all Qld Councils' audits to date and details of significant audit issues raised.

Report accepted by Audit Committee.

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## 8.2 Overview of Organisational Structure

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

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### SUMMARY

The Chief Executive Officer advised that there has not been any significant change to the organisational structure since the last meeting and there are no plans to make any changes.

Report accepted by Audit Committee.

### **8.3 Risk Management Framework**

**File No:** 5256  
**Responsible Officer:** Alastair Dawson  
**Position:** Chief Executive Officer

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#### **SUMMARY**

The Chief Executive Officer advised that a workshop has been held with Councillors on risk management. Councillors will have an opportunity to provide feedback on their views on the risks identified and any other risks that they think are important.

#### **RESOLVED**

The Audit Committee requested that management consider the following risks:

- Legislative changes
- Carbon Pollution Reduction Scheme
- Sustainability Planning Bill
- Changes to the Right to Information Act and the Local Government Act

Audit Committee acknowledged the verbal report of the CEO.

#### **8.4 Mayor – Future Risks in Relation to Water Quality**

**File No:** 1770  
**Responsible Officer:** Alastair Dawson  
**Position:** Chief Executive Officer

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#### **SUMMARY**

His Worship the Mayor raised the issue of potential risks to the community's water quality, predominantly as a result of increased mining and agricultural activity and run-off in the region.

It was discussed that Water quality issues fall under the responsibility of Council's business unit Fitzroy River Water who are currently undertaking the risk assessment process as part of Council's risk management framework. A process to report high risks issues to the Audit Committee is being developed.

It was considered whether this issue go back to the Water Committee, is listed on the risk register and the Audit Committee be informed of progress on the issue.

#### **RESOLVED:**

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.

*1.36PM The committee adjourned for a lunch break.*

2.00PM      *The meeting resumed.*

**2.00PM**

**RESOLVED:**

That Standing Orders be resumed.

Moved by:              Councillor Mather

Seconded by:         Carolyn Eagle

MOTION CARRIED

**CLOSED SESSION****9 CLOSED BUSINESS****9.1 General****9.1.1 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:** 18 June 2009

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**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: Carolyn Eagle  
Seconded by: Councillor Mather

**MOTION CARRIED**

**9.1.2 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:** 18 June 2008

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

**9.1.3 Notification of Matters – Update by Chief Executive Officer**

**File No:** 8273

**Responsible Officer:** Alastair Dawson  
Chief Executive Officer

**Author:** Alastair Dawson  
Chief Executive Officer

**Proposed Meeting Date:** 18 June 2008

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

**2.01PM**

**RESOLVED**

**THAT** the meeting moves into Closed Session.

MOVED: Carolyn Eagle  
SECONDED: Councillor Mather  
MOTION CARRIED

**2.58PM**

**RESOLVED**

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

MOVED: Councillor Mather  
SECONDED: Councillor Carter  
MOTION CARRIED

## 10 CONFIDENTIAL ITEMS

### 10.1 General

#### 10.1.1 Verbal Update from Chief Executive Officer on Notification of Matters

**File No:** 8273

**Responsible Officer:** Alastair Dawson  
Chief Executive Officer

**Author:** Alastair Dawson  
Chief Executive Officer

**Proposed Meeting Date:** 18 June 2009

---

#### **SUMMARY**

Verbal update from the Chief Executive Officer on notification of matters.

#### **COMMITTEE RECOMMENDATION:**

That the report be 'received'.

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

**10.1.2 Business Systems Migration Project Update**

**File No:** 7678

**Responsible Officer:** Ross Cheesman  
General Manager Corporate Services

**Author:** Eleanor Hammond MPD  
Project Manager, Business System Migration  
Project

**Proposed Meeting Date:** 18 June 2009

---

**SUMMARY**

This is the Business Systems Migration Project update for information to Council only.

Freeze on systems from midday on 25 June until 30 June. A notice will be placed in The Morning Bulletin to notify the public about reduced services while Council updates its system.

Chief Executive Officer advised that it has been a good team building exercise and a celebration will be held once the migration occurs.

**COMMITTEE RECOMMENDATION:**

That the report be 'received'.

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

**10.1.3 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:** 18 June 2008

---

**SUMMARY**

Provided for your information, attached and listed below, is a status update covering the work of the Internal Audit Unit since the last Audit Committee meeting.

Issues raised by QAO in their interim and final audit reports should take priority in the database and the old QAO items should be assessed to see if they can be dropped off because they relate to a former entity. The Audit Committee is interested in risks for the Rockhampton Regional Council moving forward.

The Chief Executive Officer advised that the Leadership team will review extreme and high risks on a monthly basis and report back on the status of those.

**COMMITTEE RECOMMENDATION:**

That the Chief Executive Officer co-ordinates with Internal Audit 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.

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

## **11 CLOSURE OF MEETING**

There being no further business, the meeting terminated at 3.01pm.

MS CAROLYN EAGLE  
CHAIRPERSON