



GLADSTONE
REGIONAL COUNCIL

**MINUTES OF A BUSINESS IMPROVEMENT
COMMITTEE MEETING OF
GLADSTONE REGIONAL COUNCIL**

**HELD AT THE GLADSTONE ADMINISTRATION
CENTRE BOARDROOM
101 GOONDOON STREET, GLADSTONE**

ON 26 JUNE 2019 COMMENCING AT 9.00AM

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Chairperson Initials:

PRESENT

COMMITTEE MEMBERS

Ross Cook (External Member, Chairperson)
Kerry Phillips (External Member)
Sandra Collins (External Member)
Stephen Coates (External Member)
Cr Rick Hansen (Councillor, Gladstone Regional Council)
Cr Kahn Goodluck (Councillor, Gladstone Regional Council)

OFFICERS

Leisa Dowling, Chief Executive Officer
Mark Holmes, General Manager Finance Governance and Risk
Brooke Saunders, Manager Governance
Anna Scott, General Manager Strategic Asset Performance
John Tumbers, General Manager Operations
Mark Francis, General Manager Customer Experience
Rowena Smallcombe, Ethics Integrity and Audit Specialist
Nerrilynn Taylor, Team Leader Financial Operations
Stacey Hogarth, Risk Specialist
Kristie Wockner, Manager Contracts and Procurement
Ashleigh Tomkins, Manager Asset Governance
Tania Brown, Strategic Asset Accountant
Jessica Rossow, Statutory Accountant
Holly Ning, Executive Secretary
Ashlyn Chalker, Compliance and Reporting Officer

OTHERS IN ATTENDANCE

Junaide Latif, William Buck, External Auditors
Chantelle Hanna, Audit Manager, Queensland Audit Office (via telephone link)

1.0 APOLOGIES

Apologies were received from Mayor Matt Burnett and Councillor Desley O'Grady.

2 DECLARATION OF CONFLICTS OF INTEREST

There were no declarations of conflicts of interest.

Chairperson Initials:

3. CONFIRMATION OF MINUTES

3.1. CONFIRMATION OF BUSINESS IMPROVEMENT COMMITTEE MINUTES FOR 20 MARCH 2019

Officer's Recommendation:

That the Committee confirm the Minutes of the Business Improvement Committee Meeting held on the 20 March 2019.

Decision:

The meeting confirmed the minutes as tabled.

4. BUSINESS ARISING FROM MINUTES

4.1. BUSINESS IMPROVEMENT COMMITTEE OPEN TASKS REPORT

Officer's Recommendation:

That the Committee note and receive the report.

Decision:

The Committee endorsed the Officer's recommendation.

5. OFFICER'S REPORTS

5.1. BIC CHAIR - ANNUAL REPORT

Officer's Recommendation:

That the report by the Chair, Ross Cook, be endorsed.

Decision:

The Committee endorsed the Officer's recommendation.

5.2. CHIEF EXECUTIVE OFFICER'S REPORT

Discussion:

The Chief Executive Officer advised that a number of strategic issues within the organisation have taken a lot of effort to meet compliance obligations. A business transformation program has been initiated to review the implementation of the organisation structure. The Chief Executive Officer advised that she is focussing on reducing the level due to a lot of "churn" in the organisation. An exciting and well received initiative of Staff Service Awards has been implemented. There are still a number of priorities for the committee, particularly the airport. Direction was sought on what the Committee is seeking on the workplan item, not included on the agenda this quarter – the Business Continuity Plan. It has been some time since the

report was requested, and assurance was sought on what the Committee was seeking. The discussion identified that Council does not currently have a current Business Continuity Plan and part of the Risk Specialist role is to facilitate its development and to provide updates on what the business is doing. In addition, the Committee discussed that the strategic risks have not been reviewed for some time, and a further report will be presented with further detail at future meetings.

Sandra Collins raised questions for the Chief Executive Officer around the timeframe for an update of the transformation review, and the Chief Executive Officer confirmed that a report would be completed by the end of August 2019. Sandra Collins also questioned the high number of roles being advertised within the organisation, and the Chief Executive Officer confirmed this is business as usual, the turnover is quite low, and there are time limits for filling positions in the new Certified Agreement to ensure that Council is being transparent and accountable regarding recruitment processes.

Officer's Recommendation:

That the Chief Executive Officer's report June 2019 be noted.

Decision:

The Committee endorsed the Officer's recommendation.

6. ASSET MANAGEMENT

6.1. ASSET DATA PROJECT AND ASSET MANAGEMENT IMPROVEMENT PROJECT

Discussion:

The Manager Asset Governance confirmed the Asset Governance team has been working through the Asset Data project on the accelerated timetable that was requested, and this has been achieved through the engagement of external support/consultants. Internal resources were also utilised, and this has formed part of developing knowledge and culture across the organisation. The project has proven positive in gaining a cultural change and ensuring employees are taking ownership and accountability. Cr Hansen raised the question of achieving 100% instead of 95% assurance of data integrity and it was confirmed that there are fluctuations with the data from 3 months ago to what is present now, and the numbers should not be too significantly different. The Manager Asset Governance also confirmed his team is close to having a single approach to the data, as it is all coming together through a desktop exercise. The General Manager Strategic Asset Performance confirmed that users of the program, Reflect, can manage their own systems now as it is no longer given to third parties; this provides tighter controls over the new way of doing data sets and moving forward with one set of data. Kerry Phillips commented that as a point of observation going forward the improvements are fantastic on the data set but encouraged the team to be very protective of the integrity of the data. Kerry suggested that this can be achieved through a thorough data cleanse reconciliation process. Cr Goodluck questioned whether 100% would be achievable, and the Manager Asset Governance confirmed that it is in fact a changing environment which can improve in coming years, however may not be able to reach 100% due to maintaining data that is not providing value to the business as a whole.

Officer's Recommendation:

It is recommended that the report be noted.

Chairperson Initials:

Decision:

The Committee endorsed the Officer's recommendation.

6.2. ASSET VALUATION METHODOLOGY REPORT 2018-2019

Discussion:

The valuation process was discussed amongst the committee. The external audit representative Junaide Latif, advised that the valuations were being finalised on the day of the meeting and will be reviewed as soon as possible to form part of the whole valuation process. The valuation process was delayed due to the need to ensure the asset data was as accurate as possible. Stephen Coates questioned how the Queensland Audit Office is likely to view a desktop valuation as opposed to a full valuation, and Juanide Latif confirmed they are comfortable with the effort spent on the data cleansing. Kerry Phillips suggested that the asset team not become complacent, as she is aware of other Councils going out with expressions of interest and tenders for the 2019/20 year valuation process now. The General Manager Strategic Asset Performance confirmed that the rollout of training in July 2019 for the Executive team as well as a full review of the valuation processes will be taking place as a priority.

Officer's Recommendation:

That the Business Improvement Committee note the asset management valuation methodology.

Decision:

The Committee endorsed the Officer's recommendation.

7. COMPLIANCE AND ASSURANCE ACTIVITIES

7.1. PROGRESS REPORT ON COMPLIANCE AND AUDIT RECOMMENDATIONS

Discussion:

The Ethics, Integrity and Audit Specialist confirmed that everything is currently on track in regard to the completion of the audit plan however it is a bit later in the year than expected. The Ethics, Integrity and Audit team has reviewed and approved requested extensions for time for issues to be completed at the Governance and Risk Executive monthly meeting. Cr Goodluck raised concerns regarding the new Gladstone Regional Council website containing unsecure information and inadequate security around private information being entered by customers. The Ethics, Integrity and Audit Specialist advised that the matter will be reviewed. The committee discussed in detail the Library Cash Handling audit and raised concern that internal cash controls have been identified as an issue for over four years and is not at a state where it should be currently. The Ethics, Integrity and Audit Specialist advised that a difference in the setup in various libraries gives rise to different processes and that some actions will be implemented, with the support of the General Manager Community Development and Events. The Committee questioned whether internal controls and process improvements had been implemented to address the instance of accounts payable fraud and were assured that the team had undertaken training and continued to address the procedures.

Chairperson Initials:

Officer's Recommendation:

That the progress report for internal audit including a summary of recommendations, a summary of actions taken, and a summary of actions not taken by Council in response to recommendations be received and noted.

Decision:

The Committee endorsed the Officer's recommendation.

7.2. COMPLIANCE REPORT

Discussion:

Ethics, Integrity and Audit Specialist confirmed that a review of the existing information and ensuring compliance, ethics and integrity are aligned. Cr Hansen raised the issue of high-risk profiles and the importance of needing to put as much effort into it to get it under control. Stephen Coates questioned the management signoffs in place, as other organisations have various signoffs to comply with to protect them. The Ethics, Integrity and Audit Specialist confirmed that the organisation is currently setting up a workshop in order to review the obligations and raising accountability. Cr Goodluck commented on the long breaches being huge reputation risks, and Ethics, Integrity and Audit Specialist confirmed the organisation is still on the journey to get to 100% along with ensuring issues are entered into the audit tracking report tool.

Officer's Recommendation:

That the report on compliance activities, fraud and reportable/material losses be received and noted.

Decision:

The Committee endorsed the Officer's recommendation.

Risk rating to be included in future reports - action for Ethics, Integrity and Audit Specialist.

8. EXTERNAL AUDIT

8.1. REPORT FROM EXTERNAL AUDIT REPRESENTATIVES

Discussion:

Junaide Latif confirmed that the only thing not on track at the time of the meeting were the valuations and he expected that they would be provided by the end of this week (they were due on 14 June 2019). He also commented about being quite comfortable on doing desktop valuations, as they are a huge value in terms of newfound assets, and they are more comfortable than last year. Stephen Coates questioned whether there was anything looking odd or unreasonable, and Junaide confirmed that he did not foresee any issues at this stage.

Officer's Recommendation:

That the update presented by External Audit, be noted.

Decision:

The Committee endorsed the Officer's recommendation.

Chairperson Initials:

9. RISK MANAGEMENT

9.1. RISK MANAGEMENT REPORT - Q4 JUNE 2019

Discussion:

The Risk Specialist confirmed the development of a risk appetite which aligns to the corporate plans to ensure the organisation is meeting outcomes. Cr Hansen raised his concern that the existing projects have been going on for a long time, and we need to ensure they are aligning and on the same page where different business units are working together to achieve those particular goals. Ross Cook commented that it is good to engage across the organisation so that risk management is understood as a value adder to the decision-making process. Stephen Coates mentioned that asbestos is one of the most extreme risks listed on the register with the target risk also identified as extreme, and while it doesn't mean it is not being managed Council needs to ensure that contingency plans are in place for these types of high priority projects and plans.

Officer's Recommendation:

It is recommended that the Business Improvement Committee note the update provided.

Decision:

The Committee endorsed the Officer's recommendation.

10. FINANCE REPORTS

10.1. 2018/19 FINANCIAL STATEMENT PREPARATION TIMELINE

Discussion:

The Statutory Accountant confirmed that everything is currently on track in preparation for the 2018/19 financial statement preparations. Kerry Phillips suggested that it be noted in the decision an acknowledgement that there has been a delay in valuations meeting the milestone date and having introduced a two-week delay it is still expected that the other timelines milestones will be met going forward.

Officer's Recommendation:

That the Business Improvement Committee note the timeline provided by the Queensland Audit Office for audit services relating to the 2018/19 financial year, noting that the two-week delay in valuations milestone is not expected to delay meeting other milestones.

Decision:

The Committee endorsed the Officer's recommendation.

10.2. MONTHLY FINANCIAL REPORTS FOR PERIOD ENDING 31 MAY 2019

Discussion:

The report was taken as read. In answer to enquiries regarding a variation to other income the General Manager Finance, Governance and Risk confirmed that the variation was due to

Chairperson Initials:

the receipt of dividends from Gladstone Area Water Board which is as a result of a commitment from the Premier. The Gladstone Area Water Board does not currently provide any forecasted dividend information to Council, therefore there is no visibility for future expectations. Based on the changes in the financial statements for last year, the dividends represent a windfall for this year (a \$4 million increase in the expected operating surplus).

Officer's Recommendation:

That the Business Improvement Committee note the Monthly Financial Reports for Period ending 31 May 2019.

Decision:

The Committee endorsed the Officer's recommendation.

10.3. 2019/2020 PROPOSED BUDGET

Discussion:

The General Manager Finance Governance and Risk acknowledged that there was not a presentation but provided an overview on proposed 2018/2020 budget. He commented that the budget has come together quite well with some significant increases to waste expenditure from the introduction of the Queensland Government Waste Levy. Stephen Coates recommended that consultation with industries who will be affected is conducted in advance.

Officer's Recommendation:

That the report be received.

Decision:

The Committee endorsed the Officer's recommendation.

10.4. CONTRACTS AND PROCUREMENT REPORT

Discussion:

Stephen Coates commented that improving on complaints is positive and increasing the relationships with vendors is very positive feedback.

Officer's Recommendation:

It is recommended that the Business Improvement Committee endorse the progress made with improvements of contract and procurement performance across Council, in accordance with the 2018/19 Operational Plan and for the control of risks associated with contracting and procurement activities.

Decision:

The Committee endorsed the Officer's recommendation.

11. SELF-DEVELOPMENT

There was no self-development to report.

12. COUNCIL REFERRALS

There were no referrals from Council.

13. GENERAL BUSINESS

There was no general business to report.

14. CLOSED SESSION - AUDIT REPRESENTATIVES

14.1 CLOSED SESSION - AUDIT REPRESENTATIVES

Council's management representatives left the meeting at this point and the Committee had a closed session with internal and external audit to discuss any matters that the Committee or audit representatives wished to raise.

1. The Business Improvement Committee members raised a concern at the potential dilution of the accountability and authority of the internal audit function with the utilisation of the Ethics Integrity team members for short term resource gaps in other areas of Council. Where internal audit resources are displaced resourcing the delivery of the audit plan is impacted, in addition to the increased risk of conflicts of interest for internal audit.
2. The Business Improvement Committee recommend that the internal audit function report directly to the Chief Executive Officer, so as to reinforce the position of separation of this resource from other Council functions.
3. The Business Improvement Committee recommend that greater accountability for Council's largest asset, the Gladstone Airport Corporation, be pursued via a reporting mechanism via Council's Chief Executive Officer to the Business Improvement Committee at least quarterly. This is in recognition that as part of the Business Improvement Committee's legislative obligation to review and monitor the integrity of consolidated financial documents, and to provide some visibility of the risk to Gladstone Regional Council.
4. Seek an update from Council on the stakeholder relationship and reporting arrangements with the Gladstone Area Water Board (GAWB). The Business Improvement Committee raised a concern about the level of risk that Council rates are subject to and the potential impact on our ratepayers based on the decisions made by GAWB. Information gathered by effective stakeholder relationships could assist in the long term financial planning for Council.

14.2 NEXT MEETING DATE

The next meeting of the Committee is scheduled for **Wednesday 25 September 2019**. Members also noted that they are scheduled to attend a Councillor Information Session to discuss Committee business with all Gladstone Regional Councillors on **Monday 8 October 2019 at 10am**.

Chairperson Initials:

14.3 MEETING CLOSE

There being no further business the Chair closed the meeting.

THE MEETING CLOSED AT 12.46PM

Chairperson Initials: