



AGENDA

Dear Committee Members,

I respectfully advise that an **AUDIT, RISK AND COMPLIANCE COMMITTEE MEETING** will be held in the Council Chambers, McGregor St, Port Hedland, on **Tuesday, 10 August 2021**, commencing at 5:30pm

MEETING AGENDA ATTACHED

Yours faithfully

A handwritten signature in black ink, appearing to read "Carl Askew".

Carl Askew
Chief Executive Officer

5 August 2021

DISCLAIMER

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DISCLOSURE OF FINANCIAL/ IMPARTIALITY/ PROXIMITY INTERESTS

Local Government Act 1995 – Section 5.65, 5.70 and 5.71

Local Government (Administration) Regulation 34C

<i>This form is provided to enable members and officers to disclose an Interest in a matter in accordance with the regulations of Section 5.65, 5.70 and 5.71 of the Local Government Act and Local Government (Administration) Regulation 34C</i>			
Name			
Position			
Date of Meeting			
Type of Meeting (Please circle one)	Council Meeting/ Committee Meeting/ Special Council Meeting Workshop/ Public Agenda Briefing/ Confidential Briefing		
Interest Disclosed			
Item Number and Title			
Nature of Interest			
Type of Interest (please circle one)	Financial	Proximity	Impartiality
Interest Disclosed			
Item Number and Title			
Nature of Interest			
Type of Interest (please circle one)	Financial	Proximity	Impartiality

Signature: _____ **Date:** _____

Important Note: Should you declare a **Financial or Proximity Interest**, in accordance with the Act and Regulations noted above, you are required to leave the room while the item is being considered.

For an **Impartiality** Interest, you must state the following prior to the consideration of the item:

“With regard to agenda item (read item number and title), I disclose that I have an impartiality interest because (read your reason for interest). As a consequence, there may be a perception that my impartiality on the matter may be affected. I declare that I will consider this matter on its merits and vote accordingly.”

Order Of Business

Item 1	Opening of Meeting	6
Item 2	Acknowledgement of Traditional Owners and Dignitaries	6
Item 3	Recording of Attendance.....	6
3.1	Attendance	6
3.2	Attendance by Telephone / Instantaneous Communications	6
3.3	Apologies	6
3.4	Approved Leave of Absence	6
3.5	Disclosure of Interests.....	6
Item 4	Applications for Leave of Absence	7
Item 5	Response to Previous Questions	7
5.1.1	Mr TK Rivera	7
Item 6	Public Time	11
6.1	Public Question Time	11
6.2	Public Statement Time	11
6.3	Petitions/Deputations/Presentations/Submissions.....	11
Item 7	Questions from Members without Notice	11
Item 8	Announcements by Presiding Member without Discussion.....	11
Item 9	Declarations of All Members to Have Given Due Consideration to All Matters Contained in the Business Paper before the Meeting	11
Item 10	Confirmation of Minutes from Previous Meeting	11
Item 11	Reports of Officers.....	12
11.1	Interim Audit Report 2020/21	12
11.2	Strategic 3 Year Internal Audit Plan	15
11.3	2021 Internal Audit Review of Regulation 17 of the Local Government (Audit) Regulations 1996	19
11.2	Community Services	23
11.3	Regulatory Services	23
11.4	Infrastructure Services	23
11.5	Executive Services	23
Item 12	Motions of which Previous Notice has been given	23
Item 13	New Business of an Urgent Nature (Late items)	23
Item 14	Matters for Which Meeting May Be Closed (Confidential Matters)	23
Item 15	Closure	23
15.1	Date of Next Meeting	23
15.2	Closure.....	23

Item 1 Opening of Meeting

The Presiding Member is to declare the meeting open at [Enter Time](#).

Item 2 Acknowledgement of Traditional Owners and Dignitaries

The Presiding Member acknowledges the Kariyarra people as the Traditional Custodians of the land on which the Council is meeting on and recognises their strength and resilience and pays respect to elders past, present and emerging.

Item 3 Recording of Attendance

Important note:

This meeting is being audio recorded to facilitate community participation and for minute-taking purposes, which may be released upon request to third parties. In accordance with Section 6.16 of the Town of Port Hedland Local Law on Standing Orders members of the public are not permitted to use any visual or vocal electronic device or instrument to record the proceedings of any meeting unless that person has been given permission by the Presiding Member to do so. Members of the public are also reminded that in accordance with section 6.17(4) of the Town of Port Hedland Standing Orders Local Law mobile telephones must be switched off and not used during the meeting.

3.1 Attendance

Scheduled Present:

Committee Members:

Councillor Eva Bartho (Presiding Member)
Councillor Tim Turner (Deputy Presiding Member)
Councillor Jan Gillingham

Scheduled for Attendance:

Carl Askew (Chief Executive Officer)
Karren MacClure (Director Corporate Services)
Mark Dawson (Governance Manager)
Angelique Cook (Senior Risk and Audit Advisor / Minute Taker)

3.2 Attendance by Telephone / Instantaneous Communications

3.3 Apologies

3.4 Approved Leave of Absence

3.5 Disclosure of Interests

Item 4 Applications for Leave of Absence

Nil

Item 5 Response to Previous Questions

5.1 Responses are provided below to questions taken on notice at the Audit, Risk and Compliance Committee Meeting held on 11 May 2021:

5.1.1 MR TK RIVERA

The Chief Executive Officer issued Mr Rivera with a written response to all questions listed below on 8 June 2021:

Risk Management Policy

- 1. What risk register has been developed to identify hazards and implement controls across all functions of Council? What is the review frequency for this document?*
- 2. What is the methodology for creating and maintaining such a risk register? Arising out of the register, what are the top ten hazards to the Town of Portland as an organisation?*
- 3. If no risk register exists, I encourage the Town to consider running a small number of facilitated risk workshops with the intention to capture input from the field operations staff and their supervisors, middle management and senior management from each of the Town's directorates. Can the Committee commit to actioning this with Town staff?*
- 4. For the purpose of managing risk to the Town's staff's health & safety, the Town organisation's reputation, the Town's built & natural environment and the Town organisation's finances, how does the Risk & Audit Committee ensure that staff, consultants and contractors apply the Town's risk management framework outlined in the Risk Management Policy?*
- 5. What review processes are done by Town staff to confirm compliance by staff, consultants & contractors with this policy?*

Response provided by the Chief Executive Officer:

The Town is currently in the process of engaging with relevant consultants to establish a robust Risk Management Framework (Framework). This Framework will be derived from an updated Risk Management Policy, defined risk management procedures that are in accordance with the current standard AS/NZS ISO 31000: 2018, and defined roles and responsibilities across all levels within the organisation. It is envisaged that the Audit, Risk and Compliance (ARC) Committee will adopt an established Risk Management Framework by June 2022.

Once the above Framework has been approved the Town will undergo a comprehensive gap analysis, development of risk management plans and procedures and a training methodology. The adopted Framework will be extensively workshopped throughout the organisation.

The ARC Committee Terms of Reference facilitates its operations and stipulates the objectives for Committee Members in terms of risk, audit and compliance. The ARC Committee Terms of Reference will also be updated in accordance with the adopted Framework and this Framework will elaborate on the following key aspects:

- Risk identification, assessment, evaluation, treatment, monitoring and review.
- Purpose of Governance.
- Roles and Responsibilities.
- Document structure, including associated risk registers.
- Training.

The Framework will apply to all staff, Elected Members, volunteers and contractors (stakeholders) and will cover, but not be limited to, the following areas of activity, included in the Town's Integrated Planning and Reporting Framework:

- Strategic Community Plan
- Corporate Business Plan
- Operational Plan
- Property Management Plan
- Long Term Financial Plan

In addition to the above, the Town recently created a new business unit dedicated solely to the functions of Audit, Risk and Insurance. This business unit will lead and coordinate the development and implementation of the robust Risk Management Framework and Audit Program that will support effective management of risk planning, decision making and operational processes.

Purchasing Policy

6. *\$250,000 is the point at which the Town requires public tenders to be invited for outsourced works & services, subject to certain exemptions. This figure was set many years ago and now results in an unnecessary burden to Town staff in preparing and administering tenders. What representations is the Town making to the Department of Local Government and Western Australian Local Government Association to have this figure raised to \$500,000 or higher?*

Response provided by the Chief Executive Officer:

As part of the local government amendment bill processes of 2014, 2017 and 2019 representations were made to the State Government by the local government industry to increase the tender threshold. During October 2015 the tender limit was increased from \$150,000 to \$250,000 in line with the State Government's tender threshold.

The Town is looking to further streamline internal tender processes, with a report to be presented to the Ordinary Council meeting of 3 June 2021 proposing to increase the CEO's Tender approval limit from \$500,000 to \$1 million, thereby reducing the lead time between evaluation panel decisions and contract award and better enabling operational contracts.

7. *When did the Risk & Audit Committee last receive a quarterly non-compliance report from Town staff? What actions are being taken by the Committee to ensure this report is routinely submitted quarterly by staff?*

Response provided by the Chief Executive Officer:

Non-compliance matters are reported to the ARC Committee as they arise. A notice of Departure from Procurement Policy was presented to the ARC Committee on 11 August 2020.

In addition to the above, all Local Governments are required to undertake a Compliance Audit Return (CAR) and forward the results to the Department of Local Government, Sport and Cultural Industries (the Department) by 31 March each year. The CAR is a self-assessment of a local government referring to its levels of compliance with the Local Government Act 1995 and its subsidiary regulations. It is presented to the ARC Committee and Council for endorsement, and was presented at the March 2021 Ordinary Council Meeting. This notice of departure was listed in the CAR for 2020.

Project Management

8. *No policy for project management appears in the Policy Manual. What reason can the Committee provide for this omission by the Town? I encourage the Town to develop a policy for this area of its functions. This should incorporate the Town's risk management framework as it applies to scoping projects, developing project cost estimates, resourcing project, identification of project management staff and identifying different stages of project development & delivery. Such a policy should address how the Town manages risk to environment, social and local economic arising out of project works.*

9. *Can the Committee commit to actioning this with Town staff?*

Response provided by the Chief Executive Officer:

The Town is in the process of implementing the delivery of all capital and operational projects. The Project Management Framework is an internal document and provides a comprehensive resource for staff who are managing projects. Within the Framework there are a number of other documents which have been developed in conjunction with the Framework. These are Contract Management Guidelines, Commissioning Guidelines and Contractor Standards for Capital Projects and Refurbishments.

The Framework is based upon the Australian Institute of Management (AIM) model. The use of the Framework enables staff to obtain a tertiary qualification in Project Management from the Australian Institute of Management. The Framework includes all elements of the project management process from inception through to close-out.

Elements of the Project Management Framework address risk management (includes environmental, economic and social), scope, budget, resources, communications, procurement, governance and delivery.

Quality Management

10. *No policy for quality management appears in the Policy Manual. What reason can the Committee provide for this omission by the Town? I encourage the Town to develop a quality management plan to cover activities associated with operational works (value over \$100,000) and capital works, including any pre-construction and construction phase activities. I encourage the Town to develop quality management procedures to cover all written documentation with is issued to external parties including members of the public.*

11. *Can the Committee commit to actioning this with Town staff?*

Response provided by the Chief Executive Officer:

Within the Project Management Framework there is a section devoted to quality. Most Request for Tender (RFT) documents include a requirement for the contractor to establish, implement and maintain a Quality Assurance System complying with the requirements under the Contract, the Technical Specifications and relevant Australian Standards. These are audited throughout the life of the project. Further, some RFT payment schedules also include a payment item for quality assurance testing and documentation where required. The Town also issues a Contractor Standards for Capital Projects and Refurbishments with each tender. This document sets out the standards the Town requires for its projects.

5.2 Response to questions taken on notice from Committee Members at the Audit, Risk and Governance Committee Meeting held on 11 May 2021

Nil.

Item 6 Public Time

Important note:

In accordance with section 6.7(3) of the Town of Port Hedland Local Law on Standing Orders, members of the public are required to complete a question form and place the completed form in the tray provided.

If the Presiding Member determines that questions and statements are out of order due to the use of an offensive or objectionable expression or are defamatory, they will not be recorded or responded to.

6.1 Public Question Time

6.2 Public Statement Time

6.3 Petitions/Deputations/Presentations/Submissions

Item 7 Questions from Members without Notice

Item 8 Announcements by Presiding Member without Discussion

Item 9 Declarations of All Members to Have Given Due Consideration to All Matters Contained in the Business Paper before the Meeting

All members to declare that have given due consideration to all matters contained.

Item 10 Confirmation of Minutes from Previous Meeting

OFFICER'S RECOMMENDATION

That the Audit, Risk and Compliance Committee confirm that the Minutes of the Audit, Risk and Compliance Committee Meeting held on Tuesday 11 May 2021 are a true and correct record.

SIMPLE MAJORITY VOTE REQUIRED

Item 11 Reports of Officers

11.1 INTERIM AUDIT REPORT 2020/21

Author: Manager Financial Services
Authorising Officer: Director Corporate Services
Disclosure of Interest: The Author and Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

OFFICER'S RECOMMENDATION

That Audit, Risk and Compliance Committee:

1. Receive the Interim Audit Report relating to the interim audit conducted in May 2021 for the financial year ended 30 June 2021, as per Attachment 1;
2. Acknowledge and endorse the proposed management actions and target dates;
and
3. Recommend Council receive and endorse the Interim Audit Report relating to the interim audit conducted in May 2021 for the financial year ended 30 June 2021.

SIMPLE MAJORITY VOTE REQUIRED

PURPOSE

The Audit, Risk and Compliance Committee (Committee) is to report to Council and provide appropriate advice and recommendations on matters relevant to the Committee's terms of reference. One of the Committee's principal duties is to make recommendations to Council regarding external audit reporting.

This report presents to the Committee the interim audit findings from the Town's external auditors, Office of the Auditor General (OAG) outsourced to RSM Australia Pty Ltd (RSM), for the interim audit conducted in May 2021 for the financial year ended 30 June 2021.

RSM have presented two findings in their interim audit report.

DETAIL

Council's Audit, Risk and Governance Committee has delegated authority to liaise with the external auditor, receive and examine the auditor's report and any information arising from the conduct of the audit.

RSM has identified two items for consideration to be addressed by Management being the approval of invoices and credit notes outside of delegated authority limits (moderate finding) and control over changes to master file data being insufficient (significant finding). Please refer to confidential Attachment 1 for final findings identified during the interim audit.

These items have had process changes and were closed out as soon as they were identified by the auditors. These process changes were recommended by the auditors at the audit and the Finance team implemented them as they enforced stronger financial controls for the organisation.

LEVEL OF SIGNIFICANCE

In accordance with Policy 4/009 'Significant Decision Making', this matter is considered to be of minor significance as it does not impact the financial position of the Town for the financial year ended 30 June 2010 and reflects performance against the Strategic Community Plan and Corporate Business Plan in existence at the time. Risks associated with the audit findings are set out in this report under the heading 'Risk Management Considerations'.

CONSULTATION

Internal

- Director Corporate Services
- Financial Services Team
- Governance Team

External Agencies

- RSM Australia Pty Ltd
- Office of Auditor General

Community

- Nil

LEGISLATION AND POLICY CONSIDERATIONS

Part 7 of the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996* details the requirements for audit.

The Department of Local Government and Communities has also prepared Operational Guideline Number 9 to provide guidelines for the ARC relating to Audit in Local Government.

Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* details the CEO's duties in relation to financial management.

FINANCIAL AND RESOURCES IMPLICATIONS

The costs associated with conducting the interim audit and end of financial year audit are included in the 2020/21 budget and financial statements.

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

The following sections of the Council's Strategic Community Plan 2018-2028 are applicable in the consideration of this item:

- 4.b.1 Sound long-term financial planning is implemented
- 4.b.2 Transparent and regular financial reporting and communication to the community is undertaken
- 4.b.3 Transparent and regular governance reporting and communication to the community is undertaken

Corporate Business Plan

The following actions of the Town's Corporate Business Plan 2018-2022 apply in relation to this item:

- 4.b.2.1 – Ensure the Town's finances are managed efficiently and effectively in line with legislated requirements.
- 4.b.3.1 – Ensure governance information provided to the community is in line with legislated requirements.

There are no significant identifiable environmental, social or economic impacts relating to this item.

RISK MANAGEMENT CONSIDERATIONS

As per the risk matrix contained in policy 1/022 'Risk Management', the level of risk is considered to be Medium (6), with risk managed by adequate process controls, managed by specific procedures and subject to regular monitoring.

RSM identified two matters for consideration to be addressed by Management. The Finance team have actioned and closed out the matters internally within the specified timeframe. In order to mitigate this finding in future, the processes for accounts receivable approval and master file data amendments have been altered going forward to strengthen controls.

OPTIONS

Option 1 – Adopt officer's recommendation

Option 2 – Amend officer's recommendation

Option 3 – Do not adopt officer's recommendation

CONCLUSION

The letter of audit findings is attached for the ARC Committee's review as Attachment 1. The Town is continuously working towards improvements in the financial management area and in alignment to this undertaking has created processes to strengthen and reinforce internal controls. Methods of more efficient financial management will be continuously investigated in order to mitigate the risk of audit findings.

ATTACHMENTS

1. Management Letter Interim Audit 2020-21 - Confidential (under separate cover)

11.2 STRATEGIC 3 YEAR INTERNAL AUDIT PLAN

Author: Senior Risk and Audit Advisor
Authorising Officer: Director Corporate Services
Disclosure of Interest: The Author and Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

OFFICER'S RECOMMENDATION

That the Audit, Risk and Compliance Committee:

1. Note and receive the approved Strategic 3 Year Internal Audit Plan for FY2021/22, as per Attachment 1; and
2. Endorse the proposed amendment to the Strategic 3 Year Internal Audit Plan for FY2022/23.

SIMPLE MAJORITY VOTE REQUIRED

PURPOSE

The purpose of this report is for the Audit, Risk and Compliance (ARC) Committee to receive and note the three (3) areas of review listed for 2021/22 financial year and to consider and endorse the amended 2022/23 financial year, in the approved Strategic 3 Year Internal Audit Plan.

DETAIL*Background*

The Strategic 3 Year Rolling and Annual Internal Audit Plan (Internal Audit Plan) was amended and adopted by the ARC Committee on 10 March 2021 (Committee Decision: ARC202021/133).

This Internal Audit Plan comprises of 9 internal audit reviews that are to be conducted over a 3 year period, with an average of three (3) reviews conducted per year.

Internal Audit Plan: Area of Review

The areas of review is clearly defined in Attachment 1, for the 2020/21, 2021/22 and 2022/23 financial years. A progress summary, of the approved areas of review, are as follows:

Year	Quarter	Area of review	Status
2020/21	1st	Procurement and Contract Management	Complete
	3rd	Regulation 17 Review	Complete
	4th	Records Management	Testing completed, report in the process of being prepared for management comments and inputs. Final report to be presented at November ARC Committee Meeting.
2021/22	1st	Finance Management Review	Preliminary engagement commenced.
	2nd	Safety and Security Management Review	To commence in October 2021.
	3rd	Project Management Review	To commence in February 2022.
2022/23	1st	Fraud Risk Management and Misconduct Review *	To commence in July 2022.
	2nd	Strategic Asset Management and Maintenance Review *	To commence in October 2022.
	3rd	Business Continuity and Disaster Recovery	To commence in February 2023.

* Proposed Amendments to the Internal Audit Plan FY2022/23

To ensure that outcomes and recommendations from the internal audit reviews are addressed and/or implemented effectively and efficiently, taking into consideration the implementation of the new ERP system, it is proposed that the Internal Audit Plan be amended for 2022/23 financial year.

A summary of the proposed amendments are as follows:

Year	Quarter	Area of review	Status
2022/23	1st	Strategic Asset Management and Maintenance Review	To commence in July 2022.
	2nd	Fraud Risk Management and Misconduct Review	To commence in October 2022.
	3rd	Business Continuity and Disaster Recovery	To commence in February 2023.

Following ARC endorsement, the Internal Audit Plan will be amended to reflect to two areas of review that has been switched.

LEVEL OF SIGNIFICANCE

In accordance with Policy 4/009 'Significant Decision Making', this matter is considered to be of medium significance, due to likely consequences arising from non-compliance, potential to impact the Town's ability to deliver services, impact to the reputation of the Town of Port Hedland and general interest by the community in the compliance capability of the business operations of the Town of Port Hedland.

CONSULTATION

Internal

- Director Corporate Services
- Manager Governance

External Agencies

- William Buck Consulting (WA) Pty Ltd.

Community

- Nil

LEGISLATION AND POLICY CONSIDERATIONS

- Part 7 – *Local Government Act 1995*;
- *Local Government (Audit) Regulations 1996*; and
- Section 7.2 of the Audit, Risk and Compliance Committee's Terms of Reference.

FINANCIAL AND RESOURCES IMPLICATIONS

The financial impacts are budgeted in the 2021/22 Budget for \$55,000. This will be dependent on the number of hours performed by William Buck at a cost of \$140 ex GST per hour.

The proposed hours per area of review are as follows:

Year	Area of review	Hours	Estimated amount
2021/22	Finance Management Review	100	\$14,000.00
	Safety and Security Management Review	60	\$8,400.00
	Project Management Review	80	\$11,200.00
	Internal Audit Administrative Services	91	\$12,740.00
Total		331	\$46,340.00

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

The following sections of the Town's Strategic Community Plan 2018-2028 are applicable in the consideration of this item:

- 2.b.4 Business approval processes are transparent and pathways streamlined
- 2.c.1 Business and government agencies and other relevant stakeholders are engaged to:
- 4.b.1 Sound long-term financial planning is implemented
- 4.b.3 Transparent and regular governance reporting and communication to the community is undertaken

There are no significant identifiable environmental, social or economic impacts relating to this item.

Disability Access and Inclusion Plan

The following outcome of the Town's Disability Access and Inclusion Plan 2017-2022 apply in relation to this item:

- Outcome 3 – Information
- Outcome 4 – Quality of Service

Corporate Business Plan

The following action of the Town's Corporate Business Plan 2018-2022 apply in relation to this item:

- 4.b.3.2 – Ensure all governance information provided to the community is in line with legislated requirements.

RISK MANAGEMENT CONSIDERATIONS

There is a compliance risk associated with this item because the Town has a 3 year Internal Audit Plan that is made in line with Town deliverables and covers fit for purpose and statutory obligations. The risk rating is considered to be low (2), which is determined by a likelihood of rare (1) and a consequence of minor (2).

This risk will be eliminated by the adoption of the officer's recommendation.

OPTIONS

Option 1 – Adopt officer's recommendation

Option 2 – Amend officer's recommendation

Option 3 – Do not adopt officer's recommendation

CONCLUSION

It is recommended that the ARC Committee endorse and amend the Strategic 3 Year Internal Audit Plan to ensure that the Town of Port Hedland can achieve the agreed 'Area of Review' for the 2021/22 and 2022/23 financial years.

ATTACHMENTS

1. **Strategic 3 Year Rolling and Annual Internal Audit Plan - Adopted 10 March 2021 (under separate cover)**

11.3	2021 INTERNAL AUDIT REVIEW OF REGULATION 17 OF THE LOCAL GOVERNMENT (AUDIT) REGULATIONS 1996
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Author: William Buck Chartered Accountants & Advisors
Authorising Officer: Director Corporate Services
Disclosure of Interest: The Author and Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

OFFICER'S RECOMMENDATION

That Audit, Risk and Compliance Committee:

1. Receive the 2021 Internal Audit Review of Regulation 17 of the Local Government (Audit) Regulations 1996, as per Attachment 1;
2. Acknowledge and endorse the proposed management actions and target dates; and
3. Recommend Council receive and endorse the 2021 Internal Audit Review of Regulation 17 of the *Local Government (Audit) Regulations 1996*.

SIMPLE MAJORITY VOTE REQUIRED

PURPOSE

The purpose of this report is for the Audit, Risk and Compliance Committee to note the outcomes of the 2021 Internal Audit Review of Regulation 17 of the *Local Government (Audit) Regulations 1996* (Regulation 17 Review).

The agreed management actions will be recorded in the Audit Log and progress updates on improvements made by the Town of Port Hedland (Town), will be provided to the Audit, Risk and Compliance (ARC) Committee on regular basis.

DETAIL

Background

William Buck Consulting (WA) Pty Ltd (William Buck) were engaged by the Town to act as the Town's internal audit function in February 2020. Following the engagement, William Buck prepared a Strategic three (3) Year Rolling and Annual Internal Audit Plan (Internal Audit Plan) that was considered and adopted by the Audit, Risk and Compliance Committee on 11 August 2020 (Committee Decision: ARC202021/013).

The Internal Audit Plan was amended and adopted by the ARC Committee on 10 March 2021 (Committee Decision: ARC202021/133). In accordance with the amended Internal Audit Plan, William Buck were tasked to review the Town's legislative compliance requirements (Regulation 17 Review). This area of review is clearly defined in the Internal Audit Plan, for the 2020/21 financial year.

Regulation 17 Review

In accordance with the Regulation 17(1)a of the *Local Government (Audit) Regulations 1996* and Part 7 of the *Local Government Act 1995*, the Chief Executive Officer (CEO) has to review the appropriateness and effectiveness of the Town's systems and procedures in relation to:

- Risk Management;
- Internal Control; and
- Legislative Compliance.

The review may relate to any or all of the matters referred to above, but each of those matters is to be the subject of a review not less than once in every 3 financial years. The CEO furthermore has to report the results of the review to the Audit, Risk and Compliance Committee.

CEO's are required to demonstrate through documentary evidence that they have solid foundations in place for the ongoing management of risks and controls and that the Town complies with any legislative compliance requirements.

A previous Regulation 17 review was conducted by Moore Australia (previously known as Moore Stephens) in December 2017.

Overall Comment & Findings

Based on the work performed, William Buck have identified 2 medium and 2 high rated findings in relation to the basic design and operation of processes around Risk Management, Internal Controls and Regulatory Compliance which mainly in the following areas:

- Weaknesses identified in current policies, procedures and/or processes;
- Improvement opportunities around the current processes for the timely review of policies, procedures and frameworks;
- Formalisation and approval of the Town's risk management framework, including related policies, procedures, processes and associated risk registers; and
- Formalising training processes which are aligned with training initiatives included in the in the Town's Strategic Workforce Plan.

The Town has started the process of implementing recommendations and has provided an action plan for this purpose. Management expects to implement the majority of recommendations by July 2022 and ERP system implementation for asset management by December 2023.

LEVEL OF SIGNIFICANCE

In accordance with Policy 4/009 'Significant Decision Making', this matter is considered to be of medium significance, due to likely consequences arising from non-compliance, potential to impact the Town's ability to deliver services, impact the reputation of the Town of Port Hedland and general interest by the community in the compliance capability of the business operations of the Town of Port Hedland.

CONSULTATION

Internal

- Chief Executive Officer
- Director – Corporate Services
- Director- Regulatory Services
- Manager-Financial Services
- Manager Governance
- Manager Infrastructure Operations
- Manager IT and Program Delivery
- Manager Infrastructure Projects & Assets
- Senior Legal Counsel
- Senior Financial Accountant
- Senior Organisational Development Advisor
- Senior Risk and Audit Advisor
- Senior Governance Advisor

External Agencies

- William Buck Consulting (WA) Pty Ltd.
 - Engagement Director
 - Principal Internal Audit
 - Assistant Manager

Community

- Nil

LEGISLATION AND POLICY CONSIDERATIONS

- Part 7 – *Local Government Act 1995*; and
- *Local Government (Audit) Regulations 1996*

FINANCIAL AND RESOURCES IMPLICATIONS

The value of works for the first year, as contracted with William Buck and identified in the Strategic 3 Year Rolling and Annual Internal Audit Plan was recorded, considered and adopted in the Audit, Risk and Compliance Committee on 11 August 2020 and the adopted FY2020/21 Budget included sufficient funding for the internal audit costs.

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

The following sections of the Town's Strategic Community Plan 2018-2028 are applicable in the consideration of this item:

- 2.b.4 Business approval processes are transparent and pathways streamlined
- 2.c.1 Business and government agencies and other relevant stakeholders are engaged to:
- 4.b.1 Sound long-term financial planning is implemented
- 4.b.3 Transparent and regular governance reporting and communication to the community is undertaken

There are no significant identifiable environmental, social or economic impacts relating to this item.

Disability Access and Inclusion Plan

The following outcomes of the Town's Disability Access and Inclusion Plan 2017-2022 apply in relation to this item:

- Outcome 3 – Information
- Outcome 4 – Quality of Service

Corporate Business Plan

The following actions of the Town's Corporate Business Plan 2018-2022 apply in relation to this item:

- Develop, implement and review an internal audit function; and
- Ensure all governance statutory requirements are met.

RISK MANAGEMENT CONSIDERATIONS

2 medium and 2 high rated findings in relation to the basic design and operation of processes in respect to Risk Management, Internal Controls and Regulatory Compliance.

These are compliance and operational risks associated with this item because the Town must ensure that it has adequate procedures and processes in place to preserve and protect its systems, procedures, assets and its reputation by ensuring the compliance of regulatory requirements. The overall risk rating is considered to be medium (9), which is determined by a likelihood of likely (3) and a consequence of moderate (3). This risk will be reduced by the adoption of the recommendation and implementing the agreed management actions.

OPTIONS

Option 1 – Adopt officer's recommendation

Option 2 – Amend officer's recommendation

Option 3 – Do not adopt officer's recommendation

CONCLUSION

This report presents the Audit, Risk and Compliance Committee with an overview of the reviewing process for Regulation 17 Review, and how the Town's administration will be addressing all relevant findings for improvement. It is recommended that the Audit, Risk and Compliance Committee recommend that Council receive and note the 2021 Internal Audit Review of Regulation 17 of the Local Government (Audit) Regulations 1996.

ATTACHMENTS

1. **2021 Internal Audit Review of Regulation 17 of the Local Government (Audit) Regulations 1996 (under separate cover)**

11.2 Community Services

Nil.

11.3 Regulatory Services

Nil.

11.4 Infrastructure Services

Nil.

11.5 Executive Services

Nil.

Item 12 Motions of which Previous Notice has been given

Nil.

Item 13 New Business of an Urgent Nature (Late items)

Nil.

Item 14 Matters for Which Meeting May Be Closed (Confidential Matters)

Nil.

Item 15 Closure

15.1 Date of Next Meeting

The next Audit, Risk and Compliance Committee Meeting will be held on Tuesday 9 November 2021 commencing at 5:30pm.

15.2 Closure

There being no further business, the Presiding Member declared the meeting closed at [Enter Time](#).

TERMS OF REFERENCE

1. Purpose of the Terms of Reference

The purpose of the terms of reference is to facilitate the operation of the Audit, Risk and Compliance Committee.

2. Introduction

The Audit, Risk and Compliance Committee has been established in accordance with Part 7 of the *Local Government Act 1995*.

The Audit, Risk and Compliance Committee is an advisory committee formally appointed by the Council and is responsible to the Council. The Audit, Risk and Compliance Committee does not have executive powers or authority to implement actions in areas over which management has responsibility and does not have any financial responsibility. The Audit, Risk and Compliance Committee does not have any management functions and is therefore independent of management.

The Audit, Risk and Compliance Committee will primarily focus on relevant matters relating to Audit (internal and external) Risk and Compliance.

The Audit, Risk and Compliance Committee objective is to assist the Town of Port Hedland Council in liaising with the auditor and overseeing the external audit function and promoting the transparency and accountability of the Town's financial management systems and reporting. The role of the Audit, Risk and Compliance Committee is to report to the Council and provide appropriate advice and recommendations on matters relevant to its terms of reference in order to facilitate decision making by the Council in relation to the discharge of its responsibilities.

3. Objectives

The objectives of the Audit, Risk and Compliance Committee are to oversee:

- 3.1 The integrity of internal and external financial reporting, including accounting policies.
- 3.2 The scope of work, objectivity, performance and independence of the external auditor.
- 3.3 The establishment, effectiveness and maintenance of controls and systems to safeguard the Town's financial and physical resources.
- 3.4 The systems or procedures that are designed to ensure that the Town and its subsidiaries comply with relevant statutory and regulatory requirements.
- 3.5 The process for recognising risks arising from the Town's operations and strategies, and consider the adequacy of measures taken to manage those risks.
- 3.6 The process and systems which protect the Council against fraud and irregularities.
- 3.7 Compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance.

- 3.8 Provide guidance and assistance to Council as to the carrying out the functions of the local government in relation to audits.

The Audit, Risk and Compliance Committee must also add to the credibility of Council by promoting ethical standards through its work.

4. Authority

The Audit, Risk and Compliance Committee has the authority to:

- 4.1 Review and suggest improvements to the internal and external auditor's annual audit plans and the outcomes/results of all audits undertaken.
- 4.2 Monitor and advise the Chief Executive Officer in reviews conducted under regulation 17(1) of the *Local Government (Audit) Regulations 1996* and regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.
- 4.3 Formally meet with the Town's appointed external auditor as necessary.
- 4.4 Seek resolution on any disagreements between management and the external auditors on financial reporting.
- 4.5 Advise Council on any or all of the above as deemed necessary.

5. Composition of Committee Members

- 5.1 The Audit, Risk and Compliance Committee will comprise of three Elected Members.
- 5.2 The Council will appoint Audit, Risk and Compliance Committee members.
- 5.3 The Presiding Member and Deputy Presiding Member will be appointed by the Audit, Risk and Compliance Committee, Members after an Election.
- 5.4 The members, taken collectively, will have a broad range of skills and experience in accounting or related financial management, with an understanding of accounting and auditing standards in a public sector environment.
- 5.5 Members may seek advice from an external independent advisor. The independent advisor will have a Certified Practising Account (CPA), Chartered Accountancy (CA) qualification or relevant discipline or experience in a similar position. The independent advisor must be able to demonstrate expertise and knowledge in at least one of the disciplines of financial risk management, corporate governance, risk management or auditing. The independent advisor will also have demonstrated understanding and/or experience in:
 - Accounting Standards (AASB)
 - Tax Legislation
 - *Local Government Act 1995*
 - Local Government experience and/or Band 1 Council
- 5.6 A quorum will be a minimum of 50% of the membership.

- 5.7 Audit, Risk and Compliance Committee members are required by the Local Government Act and Code of Conduct in observing the requirements of declaring any proximity, financial or impartiality interests that relate to any matter to be considered at each meeting.
- 5.8 New members will receive relevant information and briefings on their appointment to assist them to meet their committee responsibilities.
- 5.9 The Chief Executive Officer and employees are not members of the Committee.

6. Meetings

- 6.1 Meetings may be called by the Presiding Member of the Audit, Risk and Compliance Committee, or at the request of the Mayor or Chief Executive Officer.
- 6.2 The Audit, Risk and Compliance Committee meetings are generally open to the public unless the Presiding Member or Chief Executive Officer deem it necessary to proceed behind closed doors pursuant to Section 5.23 of the Local Government Act 1995.
- 6.3 All Elected Members are invited to attend each Audit, Risk and Compliance Committee meeting.
- 6.4 All Audit, Risk and Compliance Committee members are expected to attend each meeting in person.
- 6.5 The Chief Executive Officer will facilitate the meetings of the Audit, Risk and Compliance Committee and invite members of management, internal and external auditors or others to attend meetings as observers and to provide pertinent information, as necessary.
- 6.6 The Audit, Risk and Compliance Committee will develop a forward meeting schedule that includes the dates, location, and proposed work plan for each meeting for the forthcoming year, that cover all the responsibilities outlined in this terms of reference.
- 6.7 Meeting agendas will be prepared and provided at least one week in advance to members, along with appropriate briefing materials.
- 6.8 Minutes will be taken at each meeting and presented to the subsequent meeting for confirmation.
- 6.9 Pursuant to regulation 13 of the Local Government (Administration) Regulations 1996, unconfirmed minutes will be made available for inspection by members of the public, within 5 (five) business days after the meeting.

7. Responsibilities

The Audit, Risk and Compliance Committee will carry out the following responsibilities:

- 7.1 Risk management

- 7.1.1 Review and suggest improvements to whether management has in place a current and comprehensive enterprise risk management framework and associated procedures for effective identification and management of the Town's business and financial risks, including fraud.
 - 7.1.2 Determine whether a sound and effective approach has been followed in managing the Town's major risks including those associated with individual projects, program implementation, and activities.
 - 7.1.3 Assess the impact of the Town's enterprise risk management framework on its control environment and insurance arrangements.
 - 7.1.4 Review and suggest improvements to the process of developing and implementing the Town's fraud control arrangements and satisfy itself the Town has appropriate processes and systems in place to detect, capture and effectively respond to fraud-related information.
- 7.2 Internal Control and Internal Audit
- 7.2.1 Ensure adequate systems of internal control are in place to mitigate key business risks and promote the effectiveness and efficiency of operations.
 - 7.2.2 Approve, review and suggest improvements to the Internal Audit Plan and ensure the Internal Audit function is operating effectively, independently and in accordance with the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing.
 - 7.2.3 Receive and review all audit reports and provide advice to the Council on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice.
 - 7.2.4 Monitor management's implementation of internal audit recommendations, processes and practices to ensure that the independence of the audit function is maintained.
- 7.3 Financial Report
- 7.3.1 Review and suggest improvements to significant accounting and reporting issues, including complex or unusual transactions and highly judgemental areas, and recent accounting, professional and regulatory pronouncements and legislative changes, and understand their effect on the financial report.
 - 7.3.2 Review with management and the external auditors the results of the audit, including any difficulties encountered, and suggest improvements if required.
 - 7.3.3 Review and suggest improvements to the process for the consolidation of financial information of the Town related entities into the financial reports of the Town.
 - 7.3.4 Review with management and the external auditors all matters required to be communicated to the Audit, Risk and Compliance Committee under the Australian Auditing Standards, and suggest improvements if required.

- 7.3.5 Review and suggest improvements to the draft Annual Financial Statements and recommend the adoption of the Annual Financial Statements to Council.

7.4 Compliance

- 7.4.1 Review and suggest improvements to the systems and processes to monitor effectiveness of the system for monitoring compliance with legislation and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- 7.4.2 Keep informed of the findings of any examinations by regulatory agencies and any auditor (internal or external) observations and monitor management's response to these findings.
- 7.4.3 Obtain regular updates from management about compliance matters.
- 7.4.4 Review and suggest improvements to the annual Compliance Audit Return and report to the Council the results of the review.

7.5 External Audit

- 7.5.1 Review and suggest improvements to the external auditor's proposed audit scope and approach for financial performance audits, including any reliance on internal auditor activity.
- 7.5.2 Consider the findings and recommendations of relevant Performance Audits undertaken by the external auditor and ensure the Town implements relevant recommendations.
- 7.5.3 Provide an opportunity for the Audit, Risk and Compliance Committee to meet with the external auditors to discuss any matters that the Audit, Risk and Compliance Committee or the external auditors believe should be discussed privately.
- 7.5.4 Annually review and suggest improvements to the performance of external audit including the level of satisfaction with external audit function.
- 7.5.5 Monitor management's implementation of external audit recommendations.

7.6 Reporting Responsibilities

- 7.6.1 Report regularly to the Council Audit, Risk and Compliance Committee activities, issues, and related recommendations through circulation of minutes.
- 7.6.2 Monitor that open communication between the internal auditor, the external auditors, and the Town's management occurs.

8 Other Responsibilities

- 8.1 Perform other activities related to this terms of reference as requested by the Council.
- 8.2 Governance perform a review after an Election, suggest improvements to and assess the adequacy of the Audit, Risk and Compliance Committee terms of reference, request Council approval for proposed changes, and ensure appropriate disclosure as might be required by legislation or regulation.

*(Adopted by Council at its Ordinary Meeting held 16 November 2011.
Amended by Council at its Ordinary Meeting held 23 October 2013.
Amended by Council at its Ordinary Meeting held on 11 December 2013.
Amended by Council at its Ordinary Meeting held on 27 May 2015.
Amended by Council at its Ordinary Meeting held on 28 October 2015.
Amended by Council at its Ordinary Meeting held on 22 June 2016.
Amended by Council at its Ordinary Meeting held on 24 May 2017.
Re-Adopted by Council at its Ordinary Meeting held on 1 November 2017.
Re-Adopted by Council at its Ordinary Meeting held on 19 December 2019.
Amended by Council at its Ordinary Meeting held on 23 September 2020.)*