



# MINUTES

## Audit, Risk and Compliance Committee Meeting Tuesday, 10 August 2021

Date: Tuesday, 10 August 2021

Time: 5:30pm

Location: Council Chambers  
McGregor St  
Port Hedland

Distribution Date: 16 August 2021

Presiding Member

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**Item 1    Opening of Meeting**

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The Presiding Member declared the meeting open at 5:30pm.

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**Item 2    Acknowledgement of Traditional Owners and Dignitaries**

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The Presiding Member acknowledged the Kariyarra people as the Traditional Custodians of the land we met.

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**Item 3    Recording of Attendance**

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**3.1       Attendance**

<b>Scheduled Present:</b>	<b>Committee Members:</b> Councillor Eva Bartho (Presiding Member) Councillor Tim Turner (Deputy Presiding Member) Councillor Jan Gillingham
<b>Scheduled for Attendance:</b>	Carl Askew (Chief Executive Officer) Karren MacClure (Director Corporate Services) Christine Pigeon (Manager Financial Services) Angelique Cook (Senior Risk and Audit Advisor) Rebecca Wilkinson (Governance Officer / Minute Taker)

Public:	1
Media:	0
Staff:	0

**3.2       Attendance by Telephone / Instantaneous Communications**

Nil

**3.3       Apologies**

Mark Dawson (Governance Manager)

**3.4       Approved Leave of Absence**

Nil

**3.5       Disclosure of Interests**

Nil

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**Item 4 Applications for Leave of Absence**


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**APPLICATION FOR LEAVE OF ABSENCE**


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**ARC202122/013 COMMITTEE RESOLUTION**
**MOVED: CR GILLINGHAM**
**SECONDED: CR TURNER**

“That the Committee recommend the approval of the following applications for leave of absence:

- Councillor Gillingham - 6 September 2021 - 12 September 2021; and
- Councillor Gillingham - 25 of September 2021 - 10 October 2021”

*CARRIED BY SIMPLE MAJORITY (3/0)*

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**Item 5 Response to Previous Questions**


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

<b>5.1.1 MR TK RIVERA</b>
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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

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## Item 6 Public Time

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*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

The Presiding Member declared Public Question Time open at 5:34pm

Nil

The Presiding Member declared Public Question Time closed at 5:34pm

### 6.2 Public Statement Time

The Presiding Member declared Public Statement Time open at 5:34pm

<b>6.2.1 MR TK RIVERA</b>
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*I would like to thank the Committee and Presiding Member for taking my questions and providing a response, and I do admit to a typo in that, I did try to address that in my response. I think that does point to the items I raised in my letter that the internal review is such an important process in any organisation and I encourage Council to follow the quality management system. I am concerned about the lack of [inaudible] management systems, I ask the Committee to turn their attention to that. People don't fail in an organisation, systems fail, and if you have that system in place with a huge capital works program, you have a better chance of succeeding and not have massive blow outs arrive unannounced.*

The Presiding Member declared Public Statement Time closed at 5:36pm

### 6.3 Petitions/Deputations/Presentations/Submissions

Nil

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## Item 7 Questions from Members without Notice

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Nil

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**Item 8 Announcements by Presiding Member without Discussion**

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The Presiding Member noted a thorough briefing between the Committee Members and the Auditors was held prior to the meeting on the items listed in the agenda.

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

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The following Committee Members declared that they had given due consideration to all matters contained in the agenda:

Cr Eva Bartho  
Cr Jan Gillingham  
Cr Tim Turner

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**Item 10 Confirmation of Minutes from Previous Meeting**

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ARC202122/014 OFFICER'S RECOMMENDATION / COMMITTEE DECISION

MOVED: CR GILLINGHAM

SECONDED: CR TURNER

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.

*CARRIED BY SIMPLE MAJORITY (3/0)*

In Favour: Cr Bartho, Cr Gillingham, Cr Turner

Against: Nil

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 Item 11 Reports of Officers
 

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 11.1.1 INTERIM AUDIT REPORT 2020/21
 

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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.

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## ARC202122/015 OFFICER'S RECOMMENDATION / COMMITTEE DECISION

MOVED: CR TURNER

SECONDED: CR GILLINGHAM

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.

*CARRIED BY SIMPLE MAJORITY (3/0)*In Favour: Cr Bartho, Cr Gillingham, Cr TurnerAgainst: Nil**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)

11.1.2	STRATEGIC 3 YEAR INTERNAL AUDIT PLAN
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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.

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ARC202122/016 OFFICER'S RECOMMENDATION / COMMITTEE DECISION

MOVED: CR GILLINGHAM

SECONDED: CR TURNER

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.

*CARRIED BY SIMPLE MAJORITY (3/0)*

In Favour: Cr Bartho, Cr Gillingham, Cr Turner

Against: Nil

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**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 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 these 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.

**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
<b>Total</b>		<b>331</b>	<b>\$46,340.00</b>

## 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 receive and note 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 financial year.

## ATTACHMENTS

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

11.1.3	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.

Councillor Turner made the following statement:

*I thought the audit undertaken was quite detailed and it highlighted a number of areas for improvement, and I have the confidence in the Council, the Town of Port Hedland, that we are taking steps to build our capacity and improve our performance in these areas. So, well done to Town of Port Hedland.*

Councillor Gillingham raised the following question:

*We do have a caretaker period coming up in September /October [2021], how will this affect anything to do with the audit and finance meetings?..*

Director of Corporate Services advised that the next meeting set for November 2021 is outside of the Caretaker period.

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ARC202122/017 OFFICER'S RECOMMENDATION / COMMITTEE DECISION

MOVED: CR TURNER

SECONDED: CR GILLINGHAM

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*.

*CARRIED BY SIMPLE MAJORITY (3/0)*

In Favour: Cr Bartho, Cr Gillingham, Cr Turner

Against: Nil

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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 time bound action plan for this purpose. The management expects to implement the majority of recommendations by July 2022 except approval of the certain procedures by December 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:
  - 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.

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Item 12 Motions of which Previous Notice has been given

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Nil.

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

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Nil.

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

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Nil.

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Item 15 Closure

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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

The Presiding Member thanked all Committee members, public members and staff for their attendance.

There being no further business, the Presiding Member declared the meeting closed at 5:42pm.

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DECLARATION OF CONFIRMATION OF MINUTES

I certify that these Minutes were confirmed by the Council at its Audit, Risk and Compliance (ARC) Committee Meeting on 10 August 2021.

CONFIRMATION:



A handwritten signature in black ink, consisting of a large loop on the left and a long, sweeping stroke extending to the right.

\_\_\_\_\_  
PRESIDING MEMBER

15 / 12 / 2021  
DATED