



## **TOWN OF PORT HEDLAND**

### **AUDIT, RISK AND GOVERNANCE COMMITTEE MEETING MINUTES**

**TUESDAY 5 JULY 2016 AT 5:30PM**

**COUNCIL CHAMBERS, MCGREGOR STREET,  
PORT HEDLAND**

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**“A nationally significant, friendly city that people are proud  
to call home”**

*Chris Linnell  
Acting Chief Executive Officer*

## 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 Governance Committee.

### 2. Introduction

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

The Audit, Risk and Governance Committee is an advisory committee formally appointed by the Council and is responsible to the Council. The Audit, Risk and Governance 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 Governance Committee does not have any management functions and is therefore independent of management.

The ARG committee will primarily focus on relevant matters relating to Audit (internal and external), Risk and Governance.

The Audit, Risk and Governance 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 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 Governance Committee are to oversee:

- 3.1 The integrity of 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.

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

#### **4. Authority**

The Audit, Risk and Governance 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 Formally meet with the Town's appointed external auditor as necessary.
- 4.3 Seek resolution on any disagreements between management and the external auditors on financial reporting.
- 4.4 Advise Council on any or all of the above as deemed necessary.

#### **5. Composition**

- 5.1 The Audit, Risk and Governance Committee will comprise of six members, four Elected Members and two independent members.
- 5.2 The Council will appoint Audit, Risk and Governance Committee members.
- 5.3 The Presiding Member and Deputy Presiding Member will be appointed by the Audit, Risk and Governance Committee, biennially by election by all committee members after the Ordinary Local Government Election.
- 5.4 The members, taken collectively, will have a broad range of skills and experience relevant to the operations of the Town. At least one member of the committee will have accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment.
- 5.5 Independent members will be appointed until the next Ordinary Local Government Election.
- 5.6 A quorum will be a minimum of 50% of the membership.
- 5.7 Audit, Risk and Governance 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.

#### **6. Meetings**

- 6.1 Meetings may be called by the Presiding Member of the Audit, Risk and Governance Committee, or at the request of the Mayor or Chief Executive Officer.
- 6.2 The Audit, Risk and Governance 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 Governance Committee meeting.
- 6.4 All Audit, Risk and Governance 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 Governance 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 Governance 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.

## **7. Responsibilities**

The Audit, Risk and Governance 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 Business continuity**

- 7.2.1 Determine whether a sound and effective approach has been followed in establishing the Town's business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested.

### 7.3 Internal Control

- 7.3.1 Review and suggest improvements to whether management's approach to maintaining an effective internal control framework is sound and effective.
- 7.3.2 Review and suggest improvements to whether management has in place relevant policies and procedures and that they are periodically reviewed and updated.
- 7.3.3 Determine whether the appropriate processes are in place to assess, at least once a year, whether key policies and procedures are complied with.
- 7.3.4 Review and suggest improvements to whether appropriate policies and supporting procedures are in place for the management and exercise of delegations.
- 7.3.5 Consider how management identifies any required changes to the design or implementation of key internal controls.

### 7.4 Financial Report

- 7.4.1 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.
- 7.4.2 Review with management and the external auditors the results of the audit, including any difficulties encountered, and suggest improvements if required..
- 7.4.3 Review and suggest improvements to the annual financial report and performance report of the Town of Port Hedland and its subsidiaries, and consider whether it is complete, consistent with information known to Audit, Risk and Governance Committee members, and reflects appropriate accounting principles.
- 7.4.4 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.
- 7.4.5 Review with management and the external auditors all matters required to be communicated to the Audit, Risk and Governance Committee under the Australian Auditing Standards, and suggest improvements if required..
- 7.4.6 Review and suggest improvements to the draft Annual Financial Statements and recommend the adoption of the Annual Financial Statements to Council.
- 7.4.7 Receive the quarterly budget review.

### 7.5 Compliance

- 7.5.1 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.

7.5.2 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.

7.5.3 Obtain regular updates from management about compliance matters.

7.5.4 Review and suggest improvements to the annual Compliance Audit Return and report to the Council the results of the review.

## 7.6 Internal Audit

7.6.1 Review with management and the internal auditor the terms of reference, activities and resourcing of the internal audit function and suggest improvements if required.

7.6.2 Review, suggest improvements to and recommend the annual internal audit plan for approval by the Council and all major changes to the plan.

7.6.3 Monitor that the internal auditor's annual plan is linked with and covers the material business risks.

7.6.4 Monitor processes and practices to ensure that the independence of the audit function is maintained.

7.6.5 Annually review the performance of the internal audit including the level of satisfaction with internal audit function having consideration of the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and suggest improvements if required..

7.6.6 Review and suggest improvements to 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.

7.6.7 Monitor management's implementation of internal audit recommendations.

## 7.7 External Audit

7.7.1 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.

7.7.2 Consider the findings and recommendations of relevant Performance Audits undertaken by the external auditor and ensure the Town implements relevant recommendations.

7.7.3 Provide an opportunity for the Audit, Risk and Governance Committee to meet with the external auditors to discuss any matters that the Audit, Risk and Governance Committee or the external auditors believe should be discussed privately.

7.7.4 Annually review and suggest improvements to the performance of external audit including the level of satisfaction with external audit function.

7.7.5 Monitor management's implementation of external audit recommendations.

## 7.8 Reporting Responsibilities

7.8.1 Report regularly to the Council about Audit, Risk and Governance Committee activities, issues, and related recommendations through circulation of minutes.

7.8.2 Monitor that open communication between the internal auditor, the external auditors, and the Town's management occurs.

7.9 Other Responsibilities

7.9.1 Perform other activities related to this terms of reference as requested by the Council.

7.9.2 Annually review, suggest improvements to and assess the adequacy of the Audit, Risk and Governance 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.)*

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## Item 1 Opening of Meeting

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The Presiding Member declared the meeting open at 5:31pm.

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## Item 2 Acknowledgement of Traditional Owners

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The Presiding Member respectfully acknowledged the traditional owners, the Kariyarra people whose land we are on today, respectfully acknowledging the contribution of Kariyarra elders past, present and future, in all working together for the betterment for the future City of Port Hedland.

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## Item 3 Recording of Attendance

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### 3.1 Attendance

Committee Members:

Councillor Camilo Blanco - Presiding Member

Councillor Louise Newbery

Councillor Richard Whitwell

Community Members:

Ms Nina Pangahas

Mr Ron Attwood - Deputy Presiding Member

Officers:

Chris Linnell Acting Chief Executive Officer

Dale Stewart Acting Director Corporate Services

Tammy Wombwell Corporate Information Officer / Minute Taker

Public 0

ToPH Officers 3

Media 0

### 3.2 Apologies

Mayor Kelly Howlett

### 3.3 Approved Leave of Absence

Nil.

### 3.4 Disclosure of Interests

Name	Item no.	Interest	Nature
Councillor Blanco	12.1.1 Interim Audit and Financial Management Review	Impartiality	Councillor Blanco is the Commodore of the Yacht Club
Mr Ron Attwood	12.1.1 Interim Audit and Financial Management Review	Impartiality	Mr Attwood employs RSM Bird as an auditor

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**Item 4 Response to Previous Questions**

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**4.1 Response to Public Questions taken on notice at the Audit, Risk and Governance Committee Meeting held on Tuesday 7 June 2016**

Nil.

**4.2 Response to Committee Members Questions taken on notice at the Audit, Risk and Governance Committee Meeting held on Tuesday 7 June 2016**

Nil.

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**Item 5 Applications for Leave of Absence**

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Nil.

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**Item 6 Attendance by Telephone/Instantaneous Communications**

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Nil.

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**Item 7 Public Time**

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*Important note:*

*'This meeting is being recorded on audio tape as an additional record of the meeting and to assist with minute-taking purposes which may be released upon request to third parties. If you do not give permission for recording your participation please indicate this at the meeting. The public is reminded that in accordance with Section 6.16 of the Town of Port Hedland Local Law on Standing Orders nobody shall 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 Local Law on Standing Orders mobile telephones must be switched off and not used during the meeting.'*

The Presiding Member opened Public Question Time at 5:44pm

**7.1 Public Question Time**

Nil.

The Presiding Member closed Public Question Time at 5:44pm

The Presiding Member opened Public Statement Time at 5:45pm

**7.2 Public Statement Time**

Nil.

The Presiding Member closed Public Statement Time at 5:45pm

### 7.3 Petitions/Deputations/Presentations/Submissions

Nil.

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## Item 8 Questions from Members without Notice

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### 8.1 Ms Nina Pangahas

*Approximately two weeks ago, I received an email about a Special Council Meeting involving a "Matter Affecting an Employee", and have since learned that the Chief Executive Officer has left the Town of Port Hedland. Why was the matter not referred to the Audit, Risk and Governance Committee prior to the Special Council Meeting?*

The Presiding Member advised that the decision was a matter for Council, not the Audit, Risk and Governance Committee, and that the decision that Council made has been implemented.

*What was the basis of that decision?*

The Presiding Member advised that the matter is confidential, and cannot be discussed.

*Can the decision be made available to the Audit, Risk and Governance Committee?*

The Presiding Member advised in the negative.

The Acting Chief Executive Officer advised that the Special Council Meeting held on 22 June 2016 regarding a "Matter Affecting an Employee", was between the Chief Executive Officer and Council. Employment and contracts regarding the Chief Executive Officer are managed by Council, and that delegation is not provided to a sub-committee, unless by resolution of Council. That did not occur in this instance.

*Is that outside the scope of the new Terms of Reference of this committee?*

The Presiding Member advised in the affirmative.

### 8.2 Mr Ron Attwood

*At the Ordinary Council Meeting held on 22 June 2016, I asked why the third quarterly budget report was not provided to the Audit, Risk and Governance Committee. The Chief Executive Officer stated he had delegation to withhold this report. I cannot find where this delegation is in the Local Government Act 1995. Did the Chief Executive Officer do something invalid by not presenting the third quarterly budget report?*

The Acting Director Corporate Services advised that there is no law that requires Council to receive quarterly financial reports or quarterly budget reviews. The Chief Executive Officer has not acted invalidly, unlawfully or contrary to the Town's policies, but may not have complied with some KPI's, as indicated by the Presiding Member.

*How can we do a risk assessment if we are not provided the information?*

The Presiding Member advised that at the Ordinary Council Meeting held on 22 June 2016, the Audit, Risk and Governance (ARG) Terms of Reference were amended to include that the ARG Committee receive all quarterly budget reports.

*From now on, in every agenda, can a 'matrix' of all policies and procedures that have been endorsed by the ARG Committee, all policies that need review and an update on the status of each one be provided?*

The Presiding Member advised his understanding of purpose of the Audit, Risk and Governance Committee is to make recommendations to Council, and Council decide whether they are going to implement those recommendations.

The Acting Chief Executive Officer concurred with the Presiding Member.

*The ARG Committee was supposed to have a workshop with the Town's Risk Analyst, is that still going to happen?*

The Acting Director Corporate Services advised that a workshop will be scheduled for approximately two weeks' time, with the exact date and time to be set by the ARG Committee. The workshop will go over questions relating to Fraud, Whistleblower and Credit Card policies. The Procurement, Tender Evaluation and Regional Price Preference policies have already been recommended by the Committee to Council, and may be added to the workshop if the Committee wish.

*I have a concern about that. I have come to this meeting and been given papers which I have not had time to look at. I would like to see a matrix in front of me to make my own comments on, and evaluate what I consider to be a high risk. Can this be included in the agenda?*

The Presiding Member advised that if Mr Attwood requested the information outside of the meeting, that the administration may provide it for him.

The Acting Chief Executive Officer advised that if there are specific items that Mr Attwood is requesting, and a creation of a matrix, it can be brought up further along in the meeting.

*We have confidential attachments here that I would like to discuss. When can we discuss them?*

The Presiding Member advised that the attachments would be discussed when the item is considered on the agenda, and that the meeting will have to be closed to the public as the attachments are confidential.

### **8.3 Ms Nina Pangahas**

*Can I request a copy of all policies and procedures of the Town of Port Hedland?*

The Presiding Member advised that the Town's Policy Manual is publicly available on the Town's website.

The Acting Chief Executive Officer advised that the Town has Internal Operating Procedures (IOP's) which are an administration function. They are developed for the administration and adjusted by the administration as required. These IOP's are not signed off by Council to enact them. The IOP's are available on the Town's Intranet site, and are managed and monitored by administration.

*The ARG Committee do not have access to the Town's Intranet site, can I request that the Committee be given access?*

The Acting Chief Executive Officer advised that the Town's Policies can be provided to the ARG Committee, and are available to download from the Town's website. In regards to the IOP's, they are an administration tool, and managed by administration.

*The items on the agenda refer to procedural matters, I think it is important that the Committee has access to those operating procedures.*

The Acting Director Corporate Services advised that the Town has procedures across all manner of areas, they are at such an operational level that the ARG Committee would be inundated with paperwork. The Acting Director Corporate Services questioned whether it is the role of the ARG Committee to be engaged with administrative procedures.

*It is difficult to make recommendations and provide advice if the Committee don't know the content of the procedures. We need to know to be able to make an informed decision. The reports of the internal audit already highlight some of the limitations of these operating procedures.*

The Presiding Member advised that the report also states that the ARG Committee could recommend a policy to mitigate the issues that are evident in the report.

The Acting Chief Executive Officer advised every operating procedure underpins a policy. Creating a policy for the administration to follow is the core function of the ARG Committee to provide good governance and allow the administration to work within those parameters. How those are identified can be set out in the policy.

#### **8.4 Councillor Whitwell**

*In reference to item 7.3 'Internal Control' in the Terms of Reference, item 7.3.3 states 'Determine whether the appropriate processes are in place to assess, at least once a year, whether key policies and procedures are complied with'. I think that the Committee does need to see these procedures on occasion. Will the Committee be provided these?*

The Acting Chief Executive Officer concurred with Councillor Whitwell. Any relevant policy or procedure that has been ratified by Council should be reviewed by the ARG Committee.

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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:

- Councillor Blanco;
- Councillor Newbery;
- Councillor Whitwell;
- Mr Attwood;
- Ms Pangahas.

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

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**10.1 Confirmation of Minutes of the Audit, Risk and Governance Committee Meeting held on Tuesday 7 June 2016****ARG 201617/001 RECOMMENDATION/COMMITTEE DECISION****MOVED: CR BLANCO  
NEWBERY****SECONDED: CR**

**That the Audit, Risk and Governance Committee confirm that the Minutes of the Audit, Risk and Governance Committee Meeting held on Tuesday 7 June 2016 are a true and correct record.**

***CARRIED 5/0*****Item 11 Announcements by Presiding Member without Discussion**

Nil.

*Members of the public are cautioned against taking any action on Committee decisions, on items on this evening's Agenda in which they may have an interest, until formal notification in writing by the Town has been received. Decisions made at this meeting can be revoked, pursuant to the Local Government Act 1995.*



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**Item 12 Reports of Officers**


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**12.1 Corporate Services**

- 6:11pm Councillor Blanco declared an impartiality in item 12.1.1 ‘Interim Audit and Financial Management Review’ as he is the Commodore of the Yacht Club.
- 6:11pm Mr Attwood declared an impartiality in item 12.1.1 ‘Interim Audit and Financial Management Review’ as he employs RSM Bird as an auditor.

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**12.1.1 Interim Audit and Financial Management Review**


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File No:	12/01/0002
Applicant/ Proponent:	N/A
Subject Land/ Locality:	N/A
Date:	21/06/2016
Author:	Laura Delaney, Coordinator Financial Services
Authorising Officer:	Dale Stewart, Acting Director Corporate Services
Disclosure of Interest from Author:	Nil
Authority/Discretion:	<input checked="" type="checkbox"/> Legislative – includes adopting local laws, town planning schemes and policies. Review when Council reviews decision made by Officers.

## Attachments:

1. Management Letter on the interim phase of the audit for the year ending 30 June 2016 (Confidential Attachment Under Separate Cover)
2. Report of Factual Findings Report – Financial Management Review 2016 (Confidential Attachment Under Separate Cover)

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**ARG 201617/002 COMMITTEE DECISION**

**MOVED: CR WHITWELL  
PANGAHAS**

**SECONDED:**

**MS**

**That the Audit, Risk and Governance Committee close the meeting to members of the public as prescribed in section 5.23(2) of the Local Government Act 1995, to enable the Committee to discuss the confidential attachments for item 12.1.1 ‘Interim Audit and Financial Management Review’.**

***CARRIED 5/0***

6:14pm The Presiding Member advised that the meeting is now closed to the public.

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**ARG 201617/003 COMMITTEE DECISION**

**MOVED: CR WHITWELL  
BLANCO**

**SECONDED:**

**CR**

**That the Audit, Risk and Governance Committee open the meeting to members of the public.**

***CARRIED 5/0***

7.10pm The Presiding Member advised that the meeting is now open to the public.

## **RECOMMENDATION**

That with respect to the Interim Audit and Financial Management Review, the Audit, Risk & Governance Committee recommend that Council:

1. Receive and endorse the Management Letter and accompanying annexures dated 1 June 2016 from the Town's Independent Auditor, RSM Bird Cameron (provided under confidential cover);
2. Receive and endorse the Report of Factual Findings and recommendations from the Town's Auditor, RSM Bird Cameron, evidencing the appropriateness and effectiveness of the financial management systems and procedures (provided under confidential cover);
3. Note that the Acting Chief Executive Officer, as a result of the Report of Factual Findings, reports that the Town's financial management systems and procedures are appropriate and effective.

## **MOTION**

**MOVED: CR BLANCO**

**SECONDED: CR WHITWELL**

That with respect to the Interim Audit and Financial Management Review, the Audit, Risk & Governance Committee recommend that Council:

1. Receive the Management Letter and accompanying annexures dated 1 June 2016 from the Town's Independent Auditor, RSM Bird Cameron (provided under confidential cover);
2. Receive the Report of Factual Findings and recommendations from the Town's Auditor, RSM Bird Cameron, evidencing the appropriateness and effectiveness of the financial management systems and procedures (provided under confidential cover);
3. Note that the Acting Chief Executive Officer, as a result of the Report of Factual Findings, reports that the Town's financial management systems and procedures are appropriate and effective.

## **AMENDMENT**

**MOVED: MR ATTWOOD**

**SECONDED: MS PANGAHAS**

**That the words 'noting that the Acting Chief Executive Officer is requested to implement the recommendations contained therein' are inserted on the end of Part 3, and the words 'and effective' are removed.**

***CARRIED 5/0***

**ARG 201617/004 COMMITTEE DECISION**

That with respect to the Interim Audit and Financial Management Review, the Audit, Risk & Governance Committee recommend that Council:

1. **Receive the Management Letter and accompanying annexures dated 1 June 2016 from the Town's Independent Auditor, RSM Bird Cameron (provided under confidential cover);**
2. **Receive the Report of Factual Findings and recommendations from the Town's Auditor, RSM Bird Cameron, evidencing the appropriateness and effectiveness of the financial management systems and procedures (provided under confidential cover);**
3. **Note that the Acting Chief Executive Officer, as a result of the Report of Factual Findings, reports that the Town's financial management systems and procedures are appropriate, noting that the Acting Chief Executive Officer is requested to implement the recommendations contained therein.**

**CARRIED 5/0**

**EXECUTIVE SUMMARY***Interim Audit*

The Audit, Risk & Governance Committee is to report Council and provide appropriate advice and recommendations on matters relevant to the terms of reference. One of the principal duties is to make recommendations to Council regarding the external Audit reporting.

The Interim Audit was conducted on site from 19-21 April 2016. The Management Letter from the Interim Audit is presented to the Committee as Attachment 1. This letter includes:

- Updates on the issues reported in the Management Letter from the 2015 Audit;
- Updates on the points raised by UHY Haines Norton (now Moore Stephens) in the report 'Internal Audit Report as part of a review of risk management, legislative compliance and internal controls' dated April 2015; and
- Key Audit findings and management comment with respect to the findings from the current Interim Audit.

*Financial Management Review (FMR)*

The CEO is required to undertake a review every four financial years of the appropriateness and effectiveness of the financial management systems and procedures and report the results of the review to the Local Government.

The Town appointed the current Auditors, RSM Bird Cameron to undertake this review to ensure an in depth analysis was undertaken to provide the CEO with confidence in undertaking the FMR. As such, the Report of Factual Findings dated the 1<sup>st</sup> of June 2016 is presented to the Committee as Attachment 2.

## BACKGROUND

The Town's appointed Auditor, RSM Bird Cameron, completed the interim audit field work and the review of the appropriateness and effectiveness of the financial management systems and procedures onsite from the 19-21 of April 2016.

The Auditors have advised that the Management Letter and the Report of Factual Findings are intended for the sole use of the Town (presented under confidential cover).

### Interim Audit

The Interim Audit is predominantly concerned with sample testing of financial transactions and a review of the internal controls, procedures and processes of the Town of Port Hedland. The Auditors have prepared a Management Letter in accordance with Auditing Standard ASA 260 *Communication with Those Charged with Governance*. The report includes audit observations, recommendations and management's formal responses.

The following is the summary of key findings as detailed in Attachment 1 (Annexure A). Recommendations and management commentary are included in the key findings:

- Non-compliance with internal purchasing policy
- Credit Card transactions

As a result of Audit procedures, the Auditors have not identified any matters of fraud and there were no disagreements with management about significant accounting matters.

### Financial Management Review

The purpose of the Financial Management Review is to determine the appropriateness and effectiveness of the financial management systems and procedures in accordance with Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*. Based on the factual findings, the Town considers the financial management systems and procedures to be appropriate and effective.

The exceptions noted by RSM Bird Cameron have been presented to management as recommendations for strengthening internal controls. Management have welcomed these recommendations, discussed these in depth with the Auditors and will be taking immediate action to ensure these findings are addressed and incorporated into practice.

## CONSULTATION

The Town's Auditors, RSM Bird Cameron  
Finance Team  
Manager of Finance  
Acting Director of Corporate Services  
Executive Leadership Group  
CEO

## LEGISLATIVE IMPLICATIONS

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 to the Audit, Risk & Governance Committee for Audit in Local Government.

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

**POLICY IMPLICATIONS**

Nil

**FINANCIAL IMPLICATIONS**

The costs associated with conducting the Interim Audit and Financial Management Review are captured in the current budget.

**STRATEGIC IMPLICATIONS**

The Town has conducted the Interim Audit and Financial Management Review as part of its delivery of high quality corporate governance, accountability and compliance. The Town’s goals and actions in this regard are set out in the Leading our Community section of the Strategic Community Plan 2014-2024.

**SUSTAINABILITY IMPLICATIONS**

*Environmental*

There are no significant identifiable environmental impacts arising from adoption of the officers recommendation.

*Economic*

There are no significant identifiable economic impacts arising from adoption of the officers recommendation.

*Social*

There are no significant identifiable social impacts arising from adoption of the officers recommendation.

*Risk*

Risk	That the financial management systems are not appropriate and effective in managing and recording the financial activities of the Town
Risk Likelihood (based on history and with existing controls)	Unlikely (2)
Risk Impact / Consequence	Moderate (3)
Risk Rating (Prior to Treatment or Control)	Medium (5-9)
Principal Risk Theme	Compliance - 3 Moderate - Non-compliance with significant regulatory requirements imposed

Risk (Controls or proposed)	Action or Treatment	Plan	Manage by implementing findings from Annual Interim and Final Audits as well as Financial Management Review every four years.
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**Risk Matrix**

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Almost Certain	5	Medium (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Medium (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Medium (6)	Medium (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Medium (5)

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives; occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating of 6 has been determined for this item. Any items with a risk rating over 10 (considered to be high or extreme risk) will be added to the Risk Register, and any item with a risk rating over 17 will require a specific risk treatment plan to be developed.

**CONCLUSION**

The Management Letter and Factual Findings Report are attached for the Audit, Risk & Governance Committees review. It is clear to see that the Town has made improvements since the 2014/15 Final audit review and continues to implement improvements. Management strives to continue to build stronger internal controls within financial management.

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**Item 13 Motions of Which Previous Notice Has Been Given**

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Nil.

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**Item 14 New Business of an Urgent Nature**

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Nil.

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**Item 15 Matters for Which Meeting May Be Closed (Confidential Matters)**

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Nil.

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**Item 16 Closure**

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**16.1 Date of Next Meeting**

The next Audit, Risk and Governance Committee Meeting will be held on Tuesday 2 August 2016, commencing at 5:30pm.

**16.2 Closure**

There being no further business, the Presiding Member declared the meeting closed at 7:23pm.