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**TOWN OF PORT HEDLAND
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

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The Town of Port Hedland conducts the operations of a local government with the following community vision:

Together, we create a thriving, resilient and inclusive future for our diverse community

Principal place of business:
Civic Centre
McGregor street
Port Hedland WA 6721

**TOWN OF PORT HEDLAND
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

*Local Government Act 1995
Local Government (Financial Management) Regulations 1996*

STATEMENT BY CEO

The accompanying financial report of the Town of Port Hedland has been prepared in compliance with the provisions of the *Local Government Act 1995* from proper accounts and records to present fairly the financial transactions for the reporting period ended 30 June 2023 and the financial position as at 30 June 2023.

At the date of signing this statement the particulars included in the financial report are not misleading or inaccurate.

Signed on the _____ day of _____ 2023

Chief Executive Officer

Carl Askew

Name of Chief Executive Officer

**TOWN OF PORT HEDLAND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023**

| | NOTE | 2023 Actual | 2023 Budget | 2022 Actual |
|---------------------------------------------------------------------------|------------|--------------------|--------------------|-------------------|
| | | \$ | \$ | \$ |
| Revenue | | | | |
| Rates | 2(a), 28 | 63,097,421 | 62,143,600 | 58,865,181 |
| Grants, subsidies and contributions | 2(a) | 8,591,191 | 3,710,600 | 2,349,072 |
| Fees and charges | 2(a) | 16,540,956 | 16,658,000 | 17,168,115 |
| Interest revenue | 2(a) | 7,069,794 | 1,817,000 | 1,422,895 |
| Other revenue | 2(a) | 12,054,525 | 2,232,000 | 2,505,785 |
| | | 107,353,887 | 86,561,200 | 82,311,048 |
| Expenses | | | | |
| Employee costs | 2(b) | (30,000,441) | (31,222,200) | (28,422,857) |
| Materials and contracts | | (57,813,798) | (50,932,200) | (18,728,469) |
| Utility charges | | (4,772,779) | (4,816,200) | (4,541,359) |
| Depreciation | | (18,644,166) | (14,641,200) | (12,869,716) |
| Finance costs | 2(b) | (887,814) | (856,200) | (5,958) |
| Insurance | | (1,487,081) | (1,411,200) | (1,141,956) |
| Other expenditure | 2(b) | (3,139,610) | (4,122,000) | (2,896,253) |
| | | (116,745,689) | (108,001,200) | (68,606,568) |
| | | (9,391,802) | (21,440,000) | 13,704,480 |
| Capital grants, subsidies and contributions | 2(a) | 9,583,965 | 12,667,000 | 9,035,780 |
| Profit on asset disposals | | 166,616 | 400,000 | 28,680 |
| Loss on asset disposals | | - | - | (566,512) |
| Fair value adjustments to investment property | 12 | (2,241,765) | - | (7,306,648) |
| Asset write off | 8(a), 9(a) | (146,947) | - | - |
| Asset impairment - (Specialised Buildings) | 8(a) | (509,884) | - | - |
| Asset impairment - (Infrastructure) | 9(a) | (3,625,464) | - | - |
| | | 3,226,521 | 13,067,000 | 1,191,300 |
| Net result for the period | 27(b) | (6,165,281) | (8,373,000) | 14,895,780 |
| Other comprehensive income for the period | | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | | |
| Changes in asset revaluation surplus | 19 | 169,018,341 | - | - |
| Total other comprehensive income for the period | 19 | 169,018,341 | - | - |
| Total comprehensive income for the period | | 162,853,060 | (8,373,000) | 14,895,780 |

This statement is to be read in conjunction with the accompanying notes.

**TOWN OF PORT HEDLAND
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

| | NOTE | 2023 \$ | 2022 \$ |
|--------------------------------------|-------|--------------------|--------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 3 | 14,839,729 | 45,173,765 |
| Trade and other receivables | 5 | 3,654,175 | 5,691,922 |
| Other financial assets | 4(a) | 166,010,505 | 169,652,486 |
| Inventories | 6 | 790,369 | 2,183,807 |
| Other assets | 7 | 1,568,958 | 993,087 |
| TOTAL CURRENT ASSETS | | 186,863,736 | 223,695,067 |
| NON-CURRENT ASSETS | | | |
| Trade and other receivables | 5 | 17,051 | 17,051 |
| Other financial assets | 4(b) | 396,421 | 396,421 |
| Other assets | 7 | 1,327,663 | 1,359,275 |
| Property, plant and equipment | 8 | 119,665,347 | 113,242,512 |
| Infrastructure | 9 | 399,602,636 | 197,480,918 |
| Work in progress | 10(c) | 41,261,281 | 34,668,084 |
| Right-of-use assets | 11(a) | 110,475 | 163,705 |
| Investment property | 12 | 45,027,262 | 45,277,056 |
| Intangible assets | 13 | 11,896,893 | 12,997,468 |
| TOTAL NON-CURRENT ASSETS | | 619,305,029 | 405,602,490 |
| TOTAL ASSETS | | 806,168,765 | 629,297,557 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 14 | 5,916,011 | 13,190,758 |
| Other liabilities | 15 | 3,895,936 | 6,998,600 |
| Lease liabilities | 11(b) | 133,000 | 144,877 |
| Borrowings | 16 | 1,922,253 | - |
| Employee related provisions | 17 | 1,940,522 | 2,122,724 |
| Other provisions | 18 | 2,391,971 | 400,000 |
| TOTAL CURRENT LIABILITIES | | 16,199,693 | 22,856,959 |
| NON-CURRENT LIABILITIES | | | |
| Trade and other payables | 14 | 13,471 | 13,471 |
| Other liabilities | 15 | 38,531,510 | 39,455,670 |
| Lease liabilities | 11(b) | 34,425 | 79,662 |
| Borrowings | 16 | 21,978,966 | - |
| Employee related provisions | 17 | 459,227 | 636,152 |
| Other provisions | 18 | 12,840,238 | 12,997,468 |
| TOTAL NON-CURRENT LIABILITIES | | 73,857,837 | 53,182,423 |
| TOTAL LIABILITIES | | 90,057,530 | 76,039,382 |
| NET ASSETS | | 716,111,235 | 553,258,175 |
| EQUITY | | | |
| Retained surplus | | 319,315,471 | 294,895,858 |
| Reserve accounts | 31 | 172,038,374 | 202,623,268 |
| Revaluation surplus | 19 | 224,757,390 | 55,739,049 |
| TOTAL EQUITY | | 716,111,235 | 553,258,175 |

This statement is to be read in conjunction with the accompanying notes.

**TOWN OF PORT HEDLAND
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023**

| | NOTE | RETAINED SURPLUS \$ | RESERVE ACCOUNTS \$ | REVALUATION SURPLUS \$ | TOTAL EQUITY \$ |
|-------------------------------------------|------|---------------------------|---------------------------|------------------------------|-----------------------|
| Balance as at 1 July 2021 | | 261,072,965 | 221,550,381 | 55,739,049 | 538,362,395 |
| Comprehensive income for the period | | | | | |
| Net result for the period | | 14,895,780 | - | - | 14,895,780 |
| Total comprehensive income for the period | | 14,895,780 | - | - | 14,895,780 |
| Transfers from reserve accounts | 31 | 30,102,102 | (30,102,102) | - | - |
| Transfers to reserve accounts | 31 | (11,174,989) | 11,174,989 | - | - |
| Balance as at 30 June 2022 | | 294,895,858 | 202,623,268 | 55,739,049 | 553,258,175 |
| Comprehensive income for the period | | | | | |
| Net result for the period | | (6,165,281) | - | - | (6,165,281) |
| Other comprehensive income for the period | 19 | - | - | 169,018,341 | 169,018,341 |
| Total comprehensive income for the period | | (6,165,281) | - | 169,018,341 | 162,853,060 |
| Transfers from reserve accounts | 31 | 77,011,342 | (77,011,342) | - | - |
| Transfers to reserve accounts | 31 | (46,426,448) | 46,426,448 | - | - |
| Balance as at 30 June 2023 | | 319,315,471 | 172,038,374 | 224,757,390 | 716,111,235 |

This statement is to be read in conjunction with the accompanying notes.

**TOWN OF PORT HEDLAND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023**

| | NOTE | 2023 | 2022 |
|---------------------------------------------------------|----------|---------------|--------------|
| | | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts | | | |
| Rates | | 63,820,004 | 60,616,816 |
| Grants, subsidies and contributions | | 8,954,478 | 1,291,491 |
| Fees and charges | | 16,562,330 | 17,553,252 |
| Interest revenue | | 7,069,794 | 1,422,895 |
| Other revenue | | 4,243,479 | 1,581,625 |
| | | 100,650,085 | 82,466,079 |
| Payments | | | |
| Employee costs | | (30,220,171) | (28,881,784) |
| Materials and contracts | | (64,196,697) | (17,413,805) |
| Utility charges | | (4,772,779) | (4,541,359) |
| Finance costs | | (180,774) | (5,958) |
| Insurance paid | | (1,487,081) | (1,141,956) |
| Goods and services tax paid | | 557,527 | (709,694) |
| Other expenditure | | (3,158,677) | (2,413,093) |
| | | (103,458,652) | (55,107,649) |
| Net cash provided by operating activities | 20(b) | (2,808,567) | 27,358,430 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for purchase of property, plant & equipment | | (14,807,140) | (18,797,956) |
| Payments for construction of infrastructure | | (40,332,104) | (23,985,498) |
| Payments for work in progress | 10 | (6,593,197) | (8,830,001) |
| Capital grants, subsidies and contributions | | 6,534,049 | 11,391,717 |
| Proceeds for financial assets at amortised cost | | 3,641,981 | (9,814,236) |
| Proceeds from sale of property, plant & equipment | | 292,845 | 90,315 |
| Net cash used in investing activities | | (51,263,566) | (49,945,659) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from self supporting loans | | - | 42,299 |
| Repayment of borrowings | 30(a) | (367,781) | - |
| Payments for principal portion of lease liabilities | 30(c) | (163,122) | (188,754) |
| Proceeds from new borrowings | 30(a) | 24,269,000 | - |
| Net cash used in financing activities | | 23,738,097 | (146,455) |
| Net decrease in cash held | | (30,334,036) | (22,733,684) |
| Cash at beginning of year | | 45,173,765 | 67,907,449 |
| Cash and cash equivalents at the end of the year | 3, 20(a) | 14,839,729 | 45,173,765 |

This statement is to be read in conjunction with the accompanying notes.

**TOWN OF PORT HEDLAND
STATEMENT OF FINANCIAL ACTIVITY
FOR THE YEAR ENDED 30 JUNE 2023**

| | NOTE | 2023 Actual \$ | 2023 Budget \$ | 2022 Actual \$ |
|--------------------------------------------------------------------------|-------|----------------------|----------------------|----------------------|
| OPERATING ACTIVITIES | | | | |
| Revenue from operating activities | | | | |
| General rates | 28 | 63,097,421 | 62,143,600 | 58,865,181 |
| Grants, subsidies and contributions | | 8,591,191 | 3,710,600 | 2,349,072 |
| Fees and charges | | 16,540,956 | 16,658,000 | 17,168,115 |
| Interest revenue | | 7,069,794 | 1,817,000 | 1,422,895 |
| Other revenue | | 12,054,525 | 2,232,000 | 2,505,785 |
| Profit on asset disposals | | 166,616 | 400,000 | 28,680 |
| | | <u>107,520,503</u> | <u>86,961,200</u> | <u>82,339,728</u> |
| Expenditure from operating activities | | | | |
| Employee costs | | (30,000,441) | (31,222,200) | (28,422,857) |
| Materials and contracts | | (57,813,798) | (50,932,200) | (18,728,469) |
| Utility charges | | (4,772,779) | (4,816,200) | (4,541,359) |
| Depreciation | | (18,644,166) | (14,641,200) | (12,869,716) |
| Finance costs | | (887,814) | (856,200) | (5,958) |
| Insurance | | (1,487,081) | (1,411,200) | (1,141,956) |
| Other expenditure | | (3,139,610) | (4,122,000) | (2,896,253) |
| Impairment loss | | (4,135,348) | - | (566,512) |
| Asset Write Off | | (146,947) | - | - |
| Fair value adjustments to investment property | | (2,241,765) | - | (7,306,648) |
| | | <u>(123,269,749)</u> | <u>(108,001,200)</u> | <u>(76,479,728)</u> |
| Non-cash amounts excluded from operating activities | 29(a) | 17,594,986 | 10,181,200 | 21,304,404 |
| Amount attributable to operating activities | | <u>1,845,740</u> | <u>(10,858,800)</u> | <u>27,164,404</u> |
| INVESTING ACTIVITIES | | | | |
| Inflows from investing activities | | | | |
| Capital grants, subsidies and contributions | | 9,583,965 | 12,667,000 | 9,035,780 |
| Proceeds from disposal of assets | | 292,845 | 1,737,000 | 90,315 |
| | | <u>9,876,810</u> | <u>14,404,000</u> | <u>9,126,095</u> |
| Outflows from investing activities | | | | |
| Purchase of property, plant and equipment | 8(a) | (14,958,084) | (38,499,000) | (19,592,956) |
| Purchase and construction of infrastructure | 9(a) | (47,068,046) | (43,168,000) | (23,190,498) |
| Payments for work in progress | 10 | (6,593,197) | - | (8,830,001) |
| Payments for intangible assets | 13 | - | - | (12,997,468) |
| | | <u>(68,619,327)</u> | <u>(81,667,000)</u> | <u>(64,610,923)</u> |
| Non-cash amounts excluded from investing activities | 29(b) | 6,886,886 | - | 12,997,468 |
| Amount attributable to investing activities | | <u>(51,855,631)</u> | <u>(67,263,000)</u> | <u>(42,487,360)</u> |
| FINANCING ACTIVITIES | | | | |
| Inflows from financing activities | | | | |
| Proceeds from financial assets at amortised cost - self supporting loans | | - | - | 42,299 |
| Proceeds from borrowings | 30(a) | 24,269,000 | 24,269,000 | - |
| Transfers from reserve accounts | 31 | 77,011,342 | 84,138,000 | 30,102,102 |
| | | <u>101,280,342</u> | <u>108,407,000</u> | <u>30,144,401</u> |
| Outflows from financing activities | | | | |
| Repayment of borrowings | 30(a) | (367,781) | (922,000) | - |
| Payments for principal portion of lease liabilities | 30(c) | (163,122) | (145,000) | (188,754) |
| Transfers to reserve accounts | 31 | (46,426,448) | (21,502,000) | (11,174,989) |
| | | <u>(46,957,351)</u> | <u>(22,569,000)</u> | <u>(11,363,743)</u> |
| Amount attributable to financing activities | | <u>54,322,991</u> | <u>85,838,000</u> | <u>18,780,658</u> |
| MOVEMENT IN SURPLUS OR DEFICIT | | | | |
| Surplus or deficit at the start of the financial year | 29(c) | 86,096 | (5,415,000) | (3,371,606) |
| Amount attributable to operating activities | | 1,845,740 | (10,858,800) | 27,164,404 |
| Amount attributable to investing activities | | (51,855,631) | (67,263,000) | (42,487,360) |
| Amount attributable to financing activities | | 54,322,991 | 85,838,000 | 18,780,658 |
| Surplus or deficit after imposition of general rates | 29(c) | <u>4,399,196</u> | <u>2,301,200</u> | <u>86,096</u> |

This statement is to be read in conjunction with the accompanying notes.

**TOWN OF PORT HEDLAND
FOR THE YEAR ENDED 30 JUNE 2023
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**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

1. BASIS OF PREPARATION

The financial report comprises general purpose financial statements which have been prepared in accordance with the *Local Government Act 1995* and accompanying regulations.

Local Government Act 1995 requirements

Section 6.4(2) of the *Local Government Act 1995* read with the *Local Government (Financial Management) Regulations 1996* prescribe that the financial report be prepared in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards. The Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board were applied where no inconsistencies exist.

The *Local Government (Financial Management) Regulations 1996* specify that vested land is a right-of-use asset to be measured at cost, and is considered a zero cost concessionary lease. All right-of-use assets under zero cost concessionary leases are measured at zero cost rather than at fair value, except for vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from AASB 16 which would have required the Town to measure any vested improvements at zero cost.

Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise. Except for cash flow and rate setting information, the financial report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

The local government reporting entity

All funds through which the Town controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 32 of the financial report.

Judgements and estimates

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances; the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The balances, transactions and disclosures impacted by accounting estimates are as follows:

- estimated fair value of certain financial assets
- impairment of financial assets
- estimation of fair values of land and buildings, infrastructure and investment property
- estimation uncertainties made in relation to lease accounting
- estimated useful life of rehabilitation asset

Initial application of accounting standards

During the current year, the following new or revised Australian Accounting Standards and Interpretations were applied for the first time.

- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments
- AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date
- AASB 2021-7a Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [general editorials]
- AASB 2022-3 Amendments to Australian Accounting Standards - Illustrative Examples for Not-for-Profit Entities accompanying AASB 15

These amendments have no material impact on the current annual financial report

New accounting standards for application in future years

The following new accounting standards will have application to local government in future years:

- AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current
- AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates
- AASB 2021-7c Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [deferred AASB 10 and AASB 128 amendments in AASB 2014-10 apply]
- AASB 2022-5 Amendments to Australian Accounting Standards - Lease Liability in a Sale and Leaseback
- AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants
- AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards
- AASB 2022-10 Amendments to Australian Accounting Standards - Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities

This standard will result in a terminology change for significant accounting policies

The amendment may result in changes to the fair value of non-financial assets. The impact is yet to be quantified.

Except as described above these amendments are not expected to have any material impact on the financial report on initial application.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

2. REVENUE AND EXPENSES

(a) Revenue

Contracts with customers

Recognition of revenue is dependant on the source of revenue and the associated terms and conditions associated with each source of revenue and recognised as follows:

| Revenue Category | Nature of goods and services | When obligations typically satisfied | Payment terms | Returns/Refunds/Warranties | Timing of revenue recognition |
|-------------------------------------------------------|----------------------------------------------------------------------------------------|--------------------------------------|--------------------------------------------------------------------------|---------------------------------------------|-----------------------------------------------------------------------------------------------------|
| Grants, subsidies and contributions | Community events, minor facilities, research, design, planning evaluation and services | Over time | Fixed terms transfer of funds based on agreed milestones and reporting | Contract obligation if project not complete | Output method based on project milestones and/or completion date matched to performance obligations |
| Fees and charges - licences, registrations, approvals | Building, planning, development and animal management. | Single point in time | Full payment prior to issue | None | On payment of the licence, registration or approval |
| Fees and charges - waste management entry fees | Waste treatment, recycling and disposal service at disposal sites | Single point in time | Payment in advance at gate or on normal trading terms if credit provided | None | On entry to facility |
| Fees and charges - airport landing charges | Permission to use facilities and runway | Single point in time | Monthly in arrears | None | On landing/departure event |
| Fees and charges - sale of stock | Aviation fuel, kiosk and visitor centre stock | Single point in time | In full in advance, on 15 day credit | Refund for faulty goods | At point of sale |
| Other revenue - private works | Contracted private works | Single point in time | Monthly in arrears | None | At point of service |

Consideration from contracts with customers is included in the transaction price.

Revenue Recognition

Revenue recognised during the year under each basis of recognition by nature of goods or services is provided in the table below:

For the year ended 30 June 2023

| Nature | Contracts with customers | Capital grant/contributions | Statutory Requirements | Other | Total |
|---------------------------------------------|--------------------------|-----------------------------|------------------------|-------------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Rates | - | - | 63,097,421 | - | 63,097,421 |
| Grants, subsidies and contributions | 8,591,191 | - | - | - | 8,591,191 |
| Fees and charges | 16,312,924 | - | 228,032 | - | 16,540,956 |
| Interest revenue | - | - | 287,321 | 6,782,473 | 7,069,794 |
| Other revenue | - | - | - | 12,054,525 | 12,054,525 |
| Capital grants, subsidies and contributions | - | 9,383,965 | - | 200,000 | 9,583,965 |
| Total | 24,904,115 | 9,383,965 | 63,612,774 | 19,036,998 | 116,937,852 |

For the year ended 30 June 2022

| Nature | Contracts with customers | Capital grant/contributions | Statutory Requirements | Other | Total |
|---------------------------------------------|--------------------------|-----------------------------|------------------------|------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Rates | - | - | 58,865,181 | - | 58,865,181 |
| Grants, subsidies and contributions | 2,349,072 | - | - | - | 2,349,072 |
| Fees and charges | 16,886,732 | - | 281,383 | - | 17,168,115 |
| Interest revenue | - | - | 259,000 | 1,163,895 | 1,422,895 |
| Other revenue | - | - | - | 2,505,785 | 2,505,785 |
| Capital grants, subsidies and contributions | - | 9,035,780 | - | - | 9,035,780 |
| Total | 19,235,804 | 9,035,780 | 59,405,564 | 3,669,680 | 91,346,828 |

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

2. REVENUE AND EXPENSES (Continued)

| (a) Revenue (Continued) | Note | 2023 | 2022 |
|------------------------------------------------------------------------------------------------------------------|------|------------|------------|
| | | \$ | \$ |
| Assets and services acquired below fair value | | - | - |
| Contributed assets | | 6,886,886 | - |
| | | 6,886,886 | - |
| Interest revenue | | | |
| Financial assets at amortised cost - self supporting loans | | - | 25,506 |
| Interest on reserve account funds | | - | 1,099,760 |
| Trade and other receivables overdue interest | | 7,069,794 | 258,998 |
| Other interest revenue | | - | 38,631 |
| | | 7,069,794 | 1,422,895 |
| The 2023 original budget estimate in relation to: Trade and other receivables overdue interest was \$366,000. | | | |
| Fees and charges relating to rates receivable | | | |
| Charges on instalment plan | | 62,062 | 61,600 |
| The 2023 original budget estimate in relation to: Charges on instalment plan was \$66,000. | | | |
| (b) Expenses | | | |
| Auditors remuneration | | | |
| - Audit of the Annual Financial Report | | 126,372 | 105,775 |
| - Other services – acquittals | | 40,339 | 34,948 |
| | | 166,711 | 140,723 |
| Employee Costs | | | |
| Employee benefit costs | | 27,806,117 | 26,933,134 |
| Other employee costs | | 2,194,324 | 1,489,723 |
| | | 30,000,441 | 28,422,857 |
| Finance costs | | | |
| Provisions: unwinding of discount | | 534,813 | - |
| Borrowings | | 344,732 | - |
| Lease liabilities | | 8,269 | 5,958 |
| | | 887,814 | 5,958 |
| Other expenditure | | | |
| Impairment losses on rates and statutory receivables | | 40,439 | 96,284 |
| Impairment losses on trade receivables | | (19,067) | 42,885 |
| Impairment losses on other receivables | | - | 434,276 |
| Cost of land - land sales | | 1,710,031 | 900,908 |
| Elected members | | 479,855 | 481,393 |
| Grants | 6 | 614,725 | 699,112 |
| Sundry expenses | | 313,627 | 241,395 |
| | | 3,139,610 | 2,896,253 |

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

3. CASH AND CASH EQUIVALENTS

| Note | 2023 \$ | 2022 \$ |
|------------------------------------------|-------------------|-------------------|
| Cash at bank and on hand | 14,838,729 | 45,173,765 |
| Term deposits | 1,000 | - |
| Total cash and cash equivalents | 14,839,729 | 45,173,765 |
| Held as | | |
| - Unrestricted cash and cash equivalents | 8,801,355 | 12,192,264 |
| - Restricted cash and cash equivalents | 6,038,374 | 32,981,501 |
| | 14,839,729 | 45,173,765 |

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours notice with no loss of interest.

Restricted financial assets

Restricted financial asset balances are not available for general use by the local government due to externally imposed restrictions. Restrictions are specified in an agreement, contract or legislation. This applies to reserve accounts, unspent grants, subsidies and contributions and unspent loans that have not been fully expended in the manner specified by the contributor, legislation or loan agreement and for which no liability has been recognised.

4. OTHER FINANCIAL ASSETS

(a) Current assets

Financial assets at amortised cost

| | 2023 \$ | 2022 \$ |
|------------------------------------|--------------------|--------------------|
| Financial assets at amortised cost | 166,010,505 | 169,652,486 |
| | 166,010,505 | 169,652,486 |

Other financial assets at amortised cost

Self supporting loans receivable
Term deposits

| | | |
|----------------------------------|--------------------|--------------------|
| Self supporting loans receivable | 10,505 | 10,505 |
| Term deposits | 166,000,000 | 169,641,981 |
| | 166,010,505 | 169,652,486 |

Held as

- Unrestricted other financial assets at amortised cost
- Restricted other financial assets at amortised cost

| | | |
|---------------------------------------------------------|--------------------|--------------------|
| - Unrestricted other financial assets at amortised cost | 10,505 | 10,719 |
| - Restricted other financial assets at amortised cost | 166,000,000 | 169,641,767 |
| | 166,010,505 | 169,652,486 |

(b) Non-current assets

Financial assets at amortised cost
Financial assets at fair value through profit or loss

| | | |
|-------------------------------------------------------|----------------|----------------|
| Financial assets at amortised cost | 253,979 | 253,979 |
| Financial assets at fair value through profit or loss | 142,442 | 142,442 |
| | 396,421 | 396,421 |

Financial assets at amortised cost

Self supporting loans receivable
Allowance for credit loss

| | | |
|----------------------------------|----------------|----------------|
| Self supporting loans receivable | 688,255 | 688,255 |
| Allowance for credit loss | (434,276) | (434,276) |
| | 253,979 | 253,979 |

Financial assets at fair value through profit or loss

Units in Local Government House Trust

| | | |
|---------------------------------------|----------------|----------------|
| Units in Local Government House Trust | 142,442 | 142,442 |
| | 142,442 | 142,442 |

The Town holds 8 units in the Local Government House Trust which was established in 1980 with the vesting date of the current deed being in 2072. The Town is unable to sell or transfer its holding in the trust.

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

The Town classifies financial assets at amortised cost if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cashflows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Fair values of financial assets at amortised cost are not materially different to their carrying amounts, since the interest receivable on those assets is either close to current market rates or the assets are of a short term nature. Non-current financial assets at amortised cost fair values are based on discounted cash flows using a current market rates. They are classified as level 2 fair values in the fair value hierarchy (see Note 26 (i)) due to the observable market rates).

Interest received is presented under cashflows from operating activities in the Statement of Cash Flows where it is earned from financial assets that are held for cash management purposes.

Financial assets at fair value through profit or loss

The Town has elected to classify the following financial assets at fair value through profit or loss:

- debt investments which do not qualify for measurement at either amortised cost or fair value through other comprehensive income.
- equity investments which the Town has elected to recognise as fair value gains and losses through profit or loss.

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 24.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

5. TRADE AND OTHER RECEIVABLES

| Note | 2023 | 2022 |
|----------------------------------------------------------------|------------------|------------------|
| | \$ | \$ |
| Current | | |
| Rates and statutory receivables | 1,372,285 | 2,276,935 |
| Trade receivables | 1,588,205 | 2,142,403 |
| GST receivable | 902,889 | 1,460,416 |
| Allowance for credit losses of rates and statutory receivables | (136,732) | (96,293) |
| Allowance for credit losses of trade receivables | 24(b) (72,472) | (91,539) |
| | <u>3,654,175</u> | <u>5,691,922</u> |
| Non-current | | |
| Pensioner rates and ESL Deferred | 17,051 | 17,051 |
| | <u>17,051</u> | <u>17,051</u> |

SIGNIFICANT ACCOUNTING POLICIES

Rates and statutory receivables

Rates and statutory receivables are non-contractual receivables arising from statutory requirements and include amounts due from ratepayers for unpaid rates and service charges and other statutory charges or fines.

Rates and statutory receivables are recognised when the taxable event has occurred and can be measured reliably.

Trade receivables

Trade receivables are amounts receivable from contractual arrangements with customers for goods sold, services performed or grants or contributions with sufficiently specific performance obligations as part of the ordinary course of business.

Measurement

Trade and other receivables are recognised initially at the amount of the transaction price, unless they contain a significant financing component, and are to be recognised at fair value.

Classification and subsequent measurement

Receivables which are generally due for settlement within 30 days except rates receivables which are expected to be collected within 12 months are classified as current assets. All other receivables such as, deferred pensioner rates receivable after the end of the reporting period are classified as non-current assets.

Trade and other receivables are held with the objective to collect the contractual cashflows and therefore the Town measures them subsequently at amortised cost using the effective interest rate method.

Due to the short term nature of current receivables, their carrying amount is considered to be the same as their fair value. Non-current receivables are indexed to inflation, any difference between the face value and fair value is considered immaterial.

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 24.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

6. INVENTORIES

| Note | 2023 | 2022 |
|------------------------------------------------------------------|--------------------|------------------|
| | \$ | \$ |
| Current | | |
| Inventory - Depot | 780,167 | 454,910 |
| Inventory - JD Hardie | 1,093 | 2,030 |
| Inventory - Leisure | 6,151 | 852 |
| Inventory - Matt Dann Theatre & Cinema | 2,958 | 16,015 |
| Land held for resale | | |
| Kingsford Smith Business Park | - | 1,710,000 |
| | <u>790,369</u> | <u>2,183,807</u> |
| The following movements in inventories occurred during the year: | | |
| Balance at beginning of year | 2,183,807 | 3,111,807 |
| Inventories expensed during the year | (316,562) | (1,856,000) |
| Payments for / additions to inventory | <u>(1,076,876)</u> | <u>928,000</u> |
| Balance at end of year | <u>790,369</u> | <u>2,183,807</u> |

SIGNIFICANT ACCOUNTING POLICIES

General
Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Land held for resale
Land held for development and resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development.

Land held for resale (Continued)
Borrowing costs and holding charges incurred after development is completed are expensed.

Gains and losses are recognised in profit or loss at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed onto the buyer at this point.

Land held for resale is classified as current except where it is held as non-current based on the council's intentions to release for sale.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

7. OTHER ASSETS

| | 2023 | 2022 |
|-------------------------------|------------------|------------------|
| | \$ | \$ |
| Other assets - current | | |
| Prepayments | 879,699 | 469,097 |
| Accrued income | 689,259 | 523,990 |
| | 1,568,958 | 993,087 |
| Non-Current | | |
| Prepayments | 1,327,663 | 1,359,275 |
| | 1,327,663 | 1,359,275 |

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Balances

Movement in the balances of each class of property, plant and equipment between the beginning and the end of the current financial year.

| | Land | Buildings - non-specialised | Buildings - specialised | Total land and buildings not subject to operating lease | Total land and buildings | Furniture and equipment | Plant and equipment | Total property, plant and equipment |
|--------------------------------------------------------------|------------|-----------------------------|-------------------------|---------------------------------------------------------|--------------------------|-------------------------|---------------------|-------------------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2021 | 9,777,000 | 16,259,159 | 65,121,447 | 91,157,606 | 91,157,606 | 2,909,170 | 5,966,633 | 100,033,409 |
| Additions | - | 7,315,510 | 10,415,433 | 17,730,943 | 17,730,943 | 1,135,729 | 726,284 | 19,592,956 |
| Disposals | - | (47,240) | (301,999) | (349,239) | (349,239) | - | (61,634) | (410,873) |
| Depreciation | - | (664,163) | (3,250,532) | (3,914,695) | (3,914,695) | (689,789) | (1,368,496) | (5,972,980) |
| Balance at 30 June 2022 | 9,777,000 | 22,863,266 | 71,984,349 | 104,624,615 | 104,624,615 | 3,355,110 | 5,262,787 | 113,242,512 |
| Comprises: | | | | | | | | |
| Gross balance amount at 30 June 2022 | 9,777,000 | 29,125,831 | 105,884,486 | 144,787,317 | 144,787,317 | 6,368,452 | 10,103,769 | 161,259,538 |
| Accumulated depreciation at 30 June 2022 | - | (6,262,565) | (33,900,137) | (40,162,702) | (40,162,702) | (3,013,342) | (4,840,982) | (48,017,026) |
| Balance at 30 June 2022 | 9,777,000 | 22,863,266 | 71,984,349 | 104,624,615 | 104,624,615 | 3,355,110 | 5,262,787 | 113,242,512 |
| Additions* | 1,488,278 | 4,507,075 | 5,031,264 | 11,026,617 | 11,026,617 | 657,871 | 3,273,596 | 14,958,084 |
| Disposals | - | - | - | - | - | - | (126,230) | (126,230) |
| Revaluation (loss) / reversals transferred to profit or loss | - | - | (637,069) | (637,069) | (637,069) | - | - | (637,069) |
| Depreciation | - | (1,221,387) | (4,242,786) | (5,464,173) | (5,464,173) | (937,882) | (1,369,895) | (7,771,950) |
| Balance at 30 June 2023 | 11,265,278 | 26,148,954 | 72,135,758 | 109,549,990 | 109,549,990 | 3,075,099 | 7,040,258 | 119,665,347 |
| Comprises: | | | | | | | | |
| Gross balance amount at 30 June 2023 | 11,265,278 | 33,632,907 | 110,649,250 | 155,547,435 | 155,547,435 | 7,028,997 | 12,374,840 | 174,951,272 |
| Accumulated depreciation at 30 June 2023 | - | (7,483,953) | (38,003,608) | (45,487,561) | (45,487,561) | (3,953,898) | (5,334,582) | (54,776,041) |
| Accumulated impairment loss at 30 June 2023 | - | - | (509,884) | (509,884) | (509,884) | - | - | (509,884) |
| Balance at 30 June 2023 | 11,265,278 | 26,148,954 | 72,135,758 | 109,549,990 | 109,549,990 | 3,075,099 | 7,040,258 | 119,665,347 |

* Asset additions included additions received at substantially less than fair value:
During the year ended 30 June 2023

150,944 150,944

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Value Measurements

| Asset Class | Fair Value Hierarchy | Valuation Technique | Basis of Valuation | Date of Last Valuation | Inputs Used |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|----------------------------|-------------------------------|-------------------------------|----------------------------------------|
| (i) Fair Value | | | | | |
| Land and buildings | | | | | |
| Land | Level 2 | Market approach | Independent registered valuer | June 2021 | Direct comparison |
| Buildings - non-specialised | Level 2 | Market approach | Independent registered valuer | June 2021 | Direct comparison |
| Buildings - specialised | Level 3 | Cost Approach | Independent registered valuer | June 2021 | Depreciated cost |
| Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement. | | | | | |
| During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs. | | | | | |
| (ii) Cost | | | | | |
| Furniture and equipment | Level 2 | Cost Approach | Cost | NA | Direct cost |
| Plant and equipment | Level 2 | Cost Approach | Cost | NA | Direct cost |
| Buildings - work in progress | Level 3 | Cost Approach | Independent registered valuer | June 2021 | Depreciated cost |
| Right of use - Land and buildings | Level 2 | Market approach | Cost | March 2023 | Present value of future lease payments |
| Right of use - property, plant and equipment | Level 2 | Market approach | Cost | September 2020 | Present value of future lease payments |

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

9. INFRASTRUCTURE

(a) Movements in Balances

Movement in the balances of each class of infrastructure between the beginning and the end of the current financial year.

| | Infrastructure - Roads and bridges | Infrastructure - Drainage | Infrastructure - Footpaths | Infrastructure - Parks & Ovals | Infrastructure - Other | Infrastructure - Bus shelters | Infrastructure - Depot | Total Infrastructure |
|--------------------------------------------------------------------------|---------------------------------------|------------------------------|-------------------------------|-----------------------------------|---------------------------|----------------------------------|---------------------------|-------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2021 | 98,894,010 | 21,802,352 | 19,084,657 | 32,572,996 | 7,430,516 | 165,227 | 1,252,123 | 181,201,881 |
| Additions | 6,449,091 | 4,294,277 | 601,118 | 2,344,884 | 8,511,207 | 89,100 | 900,821 | 23,190,498 |
| (Disposals) | - | - | - | (43,139) | - | - | (174,134) | (217,273) |
| Depreciation | (2,889,529) | (278,118) | (640,141) | (2,359,617) | (452,569) | (14,210) | (60,004) | (6,694,188) |
| Balance at 30 June 2022 | 102,453,572 | 25,818,511 | 19,045,634 | 32,515,124 | 15,489,154 | 240,117 | 1,918,806 | 197,480,918 |
| Comprises: | | | | | | | | |
| Gross balance amount at 30 June 2022 | 112,695,663 | 26,639,254 | 21,343,930 | 41,031,684 | 16,854,960 | 295,481 | 2,123,714 | 220,984,686 |
| Accumulated depreciation at 30 June 2022 | (10,242,091) | (820,743) | (2,298,296) | (8,516,560) | (1,365,806) | (55,364) | (204,908) | (23,503,768) |
| Balance at 30 June 2022 | 102,453,572 | 25,818,511 | 19,045,634 | 32,515,124 | 15,489,154 | 240,117 | 1,918,806 | 197,480,918 |
| Additions* | 6,198,407 | 8,601,656 | 3,232,977 | 3,963,269 | 24,711,626 | 80,832 | 279,279 | 47,068,046 |
| Revaluation increments / (decrements) transferred to revaluation surplus | 149,201,935 | 1,016,668 | 18,455,077 | 576,963 | (489,000) | 262,069 | (540,184) | 168,483,528 |
| Revaluation (loss) / reversals transferred to profit or loss | - | - | - | (9,290) | (2,579,766) | - | (1,056,170) | (3,645,226) |
| Depreciation | (2,500,685) | (700,175) | (750,574) | (4,311,382) | (1,322,008) | (20,912) | (178,894) | (9,784,630) |
| Transfers | 1,600,620 | (1,493,457) | 63,061 | (11,943,078) | 11,772,854 | - | - | - |
| Balance at 30 June 2023 | 256,953,849 | 33,243,203 | 40,046,175 | 20,791,606 | 47,582,860 | 562,106 | 422,837 | 399,602,636 |
| Comprises: | | | | | | | | |
| Gross balance at 30 June 2023 | 389,994,029 | 40,953,429 | 59,534,503 | 33,619,836 | 57,555,760 | 763,442 | 476,492 | 582,897,491 |
| Accumulated depreciation at 30 June 2023 | (133,040,180) | (7,710,226) | (19,488,328) | (12,828,230) | (9,972,900) | (201,336) | (53,655) | (183,294,855) |
| Balance at 30 June 2023 | 256,953,849 | 33,243,203 | 40,046,175 | 20,791,606 | 47,582,860 | 562,106 | 422,837 | 399,602,636 |

* Asset additions included additions received at substantially less than fair value:
During the year ended 30 June 2023

| | | | | | | | |
|-----------|-----------|--|--|--|--------|--|-----------|
| 2,381,094 | 4,312,935 | | | | 41,913 | | 6,735,942 |
|-----------|-----------|--|--|--|--------|--|-----------|

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

9. INFRASTRUCTURE (Continued)

(b) Carrying Value Measurements

| Asset Class | Fair Value Hierarchy | Valuation Technique | Basis of Valuation | Date of Last Valuation | Inputs Used |
|-------------------------------------------|-----------------------------|----------------------------------------------|-------------------------------|-------------------------------|--------------------------------------------------------------------------------------------------------|
| (i) Fair Value | | | | | |
| Infrastructure - Roads and bridges | Level 3 | Cost Approach using current replacement cost | Independent Registered Valuer | June 2023 | Construction costs and current condition, residual values and remaining useful life assessment inputs. |
| Infrastructure - Drainage | Level 3 | Cost Approach using current replacement cost | Independent Registered Valuer | June 2023 | Construction costs and current condition, residual values and remaining useful life assessment inputs. |
| Infrastructure - Footpaths | Level 3 | Cost Approach using current replacement cost | Independent Registered Valuer | June 2023 | Construction costs and current condition, residual values and remaining useful life assessment inputs. |
| Infrastructure - Parks & Ovals | Level 3 | Cost Approach using current replacement cost | Independent Registered Valuer | June 2023 | Construction costs and current condition, residual values and remaining useful life assessment inputs. |
| Infrastructure - Other | Level 3 | Cost Approach using current replacement cost | Independent Registered Valuer | June 2023 | Construction costs and current condition, residual values and remaining useful life assessment inputs. |
| Infrastructure - Bus shelters | Level 3 | Cost Approach using current replacement cost | Independent Registered Valuer | June 2023 | Construction costs and current condition, residual values and remaining useful life assessment inputs. |
| Infrastructure - Depot | Level 3 | Cost Approach using current replacement cost | Independent Registered Valuer | June 2023 | Construction costs and current condition, residual values and remaining useful life assessment inputs. |

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

During the period there were no changes in the valuation techniques used to determine the fair value of infrastructure using level 3 inputs.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

10. FIXED ASSETS

(a) Depreciation

Depreciation rates

Typical estimated useful lives for the different asset classes for the current and prior years are included in the table below:

| Asset Class | Useful life |
|--------------------------------------|-----------------------------------------------|
| Land - freehold land | |
| Buildings | |
| - substructure | 20 to 71 years |
| - superstructure | 9 to 59 years |
| - roof | 10 to 50 years |
| - finishes and fittings | 6 to 51 years |
| - services | 6 to 51 years |
| - hotwater/airconditioning | 4 to 5 years |
| Furniture and equipment | 2 to 40 years |
| Plant and equipment | 2 to 22 years |
| Bridges | |
| Sealed roads and streets | |
| - formation | not depreciated |
| - pavement seal | 50 years |
| - bituminous seals | 20 years |
| - asphalt surfaces | 40 years |
| - formation | not depreciated |
| - pavement | 50 years |
| - gravel sheet | 12 years |
| Formed Roads | |
| - formation | not depreciated |
| - pavement | 50 years |
| Infrastructure - Parks and ovals | 2 to 99 years |
| Infrastructure - Bus shelters | 15 years |
| Infrastructure - Depot | 5 to 50 years |
| Infrastructure - Drainage | 3 to 106 years |
| Infrastructure - Other | 5 to 63 years |
| Right of use (buildings) | Based on the remaining lease |
| Right of use (plant and equipment) | Based on the remaining lease |
| Amortisation of rehabilitation asset | Based on the remaining life of landfill asset |

Revision of useful lives of plant and equipment

(b) Fully Depreciated Assets in Use

shown in the table below.

| | 2023 | 2022 |
|--------------------------------|------------------|------------------|
| | \$ | \$ |
| Buildings - specialised | 1,186,000 | 1,186,000 |
| Furniture and equipment | 1,573,419 | 1,148,000 |
| Plant and equipment | 592,362 | 358,000 |
| Infrastructure - Parks & Ovals | 1,359,479 | 607,000 |
| Infrastructure - Other | 185,802 | 137,000 |
| Infrastructure - Depot | - | 7,000 |
| | 4,897,062 | 3,443,000 |

(c) Work in Progress

| | Work in Progress |
|--------------------------------|-------------------------|
| | \$ |
| Balance at 1 July 2021 | 25,837,595 |
| Capital expenditure | 51,809,405 |
| Capitalisation | (42,978,916) |
| Balance at 30 June 2022 | 34,668,084 |
| Capital expenditure | 53,846,354 |
| Capitalisation | (47,253,157) |
| Balance at 30 June 2023 | 41,261,281 |

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

10. FIXED ASSETS (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

Each class of fixed assets within either property, plant and equipment or infrastructure, is carried at cost or fair value (as indicated), less any accumulated depreciation and impairment losses.

Initial recognition and measurement for assets held at cost

Plant and equipment including furniture and equipment is recognised at cost on acquisition in accordance with *Financial Management Regulation 17A*. Where acquired at no cost, the asset is initially recognised at fair value. Assets held at cost are depreciated and assessed for indicators of impairment annually.

Initial recognition and measurement between mandatory revaluation dates for assets held at fair value

Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with *Financial Management Regulation 17A (5)*. These assets are expensed immediately.

Where multiple individual low value assets are purchased together as part of a larger asset or collectively forming a larger asset exceeding the threshold, the individual assets are recognised as one asset and capitalised.

Upon initial recognition, cost is determined as the amount paid (or other consideration given) to acquire the assets, plus costs incidental to the acquisition. For assets acquired at zero cost or otherwise significantly less than fair value, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Town includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Individual assets that are land, buildings, infrastructure and investment properties acquired between scheduled revaluation dates of the asset class in accordance with the Town's revaluation policy, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair. They are subject to subsequent revaluation at the next revaluation date consistent with *Financial Management Regulation 17A(4)*.

Revaluation

The fair value of land, buildings, infrastructure and investment properties is determined at least every five years in accordance with the regulatory framework. This includes buildings and infrastructure items which were pre-existing improvements (i.e. vested improvements) on vested land acquired by the Town.

At the end of each period, the carrying amount for each asset class is reviewed and, where appropriate, the fair value is updated to reflect current market conditions consistent with *Financial Management Regulation 17A(2)* which requires land, buildings infrastructure, investment properties and vested improvements to be shown at fair value.

Revaluation (continued)

For property, plant and equipment and infrastructure, increases in the carrying amount arising on revaluation of asset classes are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same class of asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss. Subsequent increases are then recognised in profit or loss to the extent they reverse a net revaluation decrease previously recognised in profit or loss for the same class of asset.

Depreciation

The depreciable amount of all property, plant and equipment and infrastructure, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Depreciation on revaluation

When an item of property, plant and equipment and infrastructure is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

- (i) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset.
- (ii) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Amortisation

All intangible assets with a finite useful life, are amortised on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use.

The residual value of intangible assets is considered to be zero and the useful life and amortisation method are reviewed at the end of each financial year.

Amortisation is included within depreciation in the Statement of Comprehensive Income and in Note 10(a).

Impairment

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposal

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income in the period in which they arise.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

11. LEASES

(a) Right-of-Use Assets

| Movement in the balance of each class of right-of-use asset between the beginning and the end of the current financial year. | Note | Right-of-use assets - land and buildings \$ | Right-of-use assets - plant and equipment \$ | Right-of-use assets Total \$ |
|------------------------------------------------------------------------------------------------------------------------------|------|------------------------------------------------|-------------------------------------------------|------------------------------------|
| Balance at 1 July 2021 | | 137,619 | 234,634 | 372,253 |
| Revaluation (loss) / reversals transferred to profit or loss | | (6,000) | - | (6,000) |
| Depreciation | | (96,298) | (106,250) | (202,548) |
| Balance at 30 June 2022 | | 35,321 | 128,384 | 163,705 |
| Additions | | 106,008 | - | 106,008 |
| Depreciation | | (52,989) | (106,249) | (159,238) |
| Balance at 30 June 2023 | | 88,340 | 22,135 | 110,475 |

The following amounts were recognised in the statement of comprehensive income during the period in respect of leases where the entity is the lessee:

| | 2023 \$ | 2022 \$ |
|-------------------------------------------------------------------------|------------------|------------------|
| Depreciation on right-of-use assets | (159,238) | (202,548) |
| Finance charge on lease liabilities 30(c) | (8,269) | (5,958) |
| Total amount recognised in the statement of comprehensive income | (167,507) | (208,506) |
| Total cash outflow from leases | (171,391) | (194,712) |

(b) Lease Liabilities

| | | |
|-------------|---------|---------|
| Current | 133,000 | 144,877 |
| Non-current | 34,425 | 79,662 |
| 30(c) | 167,425 | 224,539 |

Secured liabilities and assets pledged as security

Lease liabilities are effectively secured, as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

SIGNIFICANT ACCOUNTING POLICIES

Leases

At inception of a contract, the Town assesses if the contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date, a right-of-use asset is recognised at cost and lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Town uses its incremental borrowing rate.

All contracts that are classified as short-term leases (i.e. a lease with a term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Details of individual lease liabilities required by regulations are provided at Note 30(c).

Right-of-use assets - measurement

Right-of-use assets are measured at cost. All right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not recognised in the Statement of Financial Position). The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which are reported at fair value.

Refer to Note 10 under revaluation for details on the significant accounting policies applying to vested improvements.

Right-of-use assets - depreciation

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shorter. Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the Town anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

12. INVESTMENT PROPERTY

| | 2023 | 2022 |
|-----------------------------------------------------------------------|-------------|-------------|
| | \$ | \$ |
| Airport land | | |
| Carrying balance at 1 July | 45,277,056 | 52,583,704 |
| Remediation adjustment | 1,991,971 | |
| Net gain/(loss) from fair value adjustment | (2,241,765) | (7,306,648) |
| Closing balance at 30 June | 45,027,262 | 45,277,056 |
| Amounts recognised in profit or loss for investment properties | | |
| Rental income | 924,160 | 924,160 |
| Direct operating expenses from property that generated rental income | (31,611) | (31,611) |

Leasing arrangements

In August 2015, The Town of Port Hedland announced that it had resolved to enter into an agreement with AMP Capital and the Infrastructure Group to enter into a 50 year lease for the land at Port Hedland International Airport and for the sale of the airport business.

The sale was finalised on 11 March 2016, and the Port Hedland International Airport operations transferred to the new airport operator. On this date, the Town of Port Hedland recognised the land at Port Hedland International Airport as an investment property.

Valuation of investment property

The investment property was revalued in June 2021 in line with AASB 13 Fair Value Measurement.

| Description of investment property | Extend | Title Area (m2) | Lease plan area (m2) |
|-------------------------------------------|--------|------------------|----------------------|
| Lot 9004 on Deposited Plan 404823 | Whole | 1,506,084 | 1,506,084 |
| Lot 435 on Deposited Plan 404824 | Whole | 600,000 | 600,000 |
| Lot 436 on Deposited Plan 402661 | Whole | 99,966 | 99,966 |
| Lot 437 on Deposited Plan 404824 | Whole | 33,349 | 33,349 |
| Lot 438 on Deposited Plan 404824 | Whole | 33,405 | 33,405 |
| Lot 439 on Deposited Plan 404824 | Whole | 33,349 | 33,349 |
| Lot 16 on Deposited Plan 163352 | Whole | 34,398 | 34,398 |
| Lot 15 on Deposited Plan 161311 | Whole | 106,988 | 106,988 |
| Lot 29 on Deposited Plan 168193 | Whole | 105,091 | 105,091 |
| Part of Lot 9006 on Deposited Plan 404824 | Part | 329,316 | 302,831 |
| Part of Lot 9007 on Deposited Plan 404824 | Part | 2,472,149 | 2,458,909 |
| Part of Lot 9008 on Deposited Plan 404824 | Part | 3,104,307 | 2,864,578 |
| | | <u>8,458,402</u> | <u>8,178,948</u> |

Amounts recognised in income statement for investment properties

The investment property is leased out as an operating lease over 50 years. The lease paid upfront for the use of the investment property. The rental income amount of \$924,160 for the period 1 July 2022 to 30 June 2023 is included in revenue.

| | | 2023 | 2022 |
|-----------------------------------------------|------|-------------------|-------------------|
| | Note | \$ | \$ |
| Lease premium prepaid received | | 46,207,830 | 46,207,830 |
| Amount recognised | | (6,752,160) | (5,828,000) |
| | | <u>39,455,670</u> | <u>40,379,830</u> |
| Current liability - lease premium prepaid | 15 | 924,160 | 924,160 |
| Non-current liability - lease premium prepaid | 15 | 38,531,510 | 39,455,670 |
| | | <u>39,455,670</u> | <u>40,379,830</u> |

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

12. INVESTMENT PROPERTY (Continued)

(b) Net carrying value of Airport Reserve

The Town committed to post transition completion of major works at the Airport. These funds are allocated to the Airport Major Works Reserve.

| | Note | 2023 Actual \$ '000 | 2023 Budget \$ '000 | 2022 Actual \$ '000 |
|-----------------|------|---------------------------|---------------------------|---------------------------|
| Airport Reserve | 31 | 4,285,991 | 3,786,000 | 4,285,991 |

(c) Additional information

An upside agreement was signed, ensuring an additional ten million dollars income over the next 50 years based on passenger number growth. This is billable yearly in arrears when passenger growth exceeds a set baseline passenger number. During the current year no payment was due in accordance with the terms of the upside agreement (2021:Nil)

SIGNIFICANT ACCOUNTING POLICIES

Investment properties

Investment properties are principally freehold land, held for long-term rental yields and not occupied by the Town. Investment properties are carried at fair value, in accordance with the significant accounting policies disclosed at Note 10.

Fair value of investment properties

An independent valuation was performed to determine the fair value of investment properties. The main Level 3 inputs used in the valuation were discount rates, terminal yields, expected vacancy rates and rental growth rates estimated by the valuer based on comparable transactions and industry data.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

13. REHABILITATION ASSET

| | 2023 | 2022 |
|-----------------------------------------------------------------------------------------------|------------|------------|
| Rehabilitation asset | \$ | \$ |
| Non-current | | |
| Landfill rehabilitation | 11,896,893 | 12,997,468 |
| | 11,896,893 | 12,997,468 |
| Movements in balances of rehabilitation asset during the financial year are shown as follows: | | |
| Balance at 1 July | 12,997,468 | - |
| Recognition of rehabilitation asset | - | 12,997,468 |
| Amortisation | (928,348) | - |
| Revaluation of landfill | (172,227) | - |
| Balance at 30 June | 11,896,893 | 12,997,468 |
| TOTAL INTANGIBLE ASSETS | 11,896,893 | 12,997,468 |

SIGNIFICANT ACCOUNTING POLICIES

The rehabilitation asset refers to the discounted present value of the future capping expenditure of the landfill site located in South Hedland and is amortised on a straight-line basis.

The rehabilitation asset is subsequently measured using the revaluation method.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

14. TRADE AND OTHER PAYABLES

| | 2023 | 2022 |
|--------------------------|-----------|------------|
| | \$ | \$ |
| Current | | |
| Trade creditors | 1,775,187 | 8,479,420 |
| Prepaid rates | 599,183 | 781,250 |
| Accrued salaries & wages | 938,280 | 579,850 |
| Statutory liabilities | 7,591 | 226,624 |
| Bonds and levies | 79,302 | 53,744 |
| Accrued expenditure | 2,422,100 | 3,066,690 |
| Retentions | 94,368 | 3,180 |
| | 5,916,011 | 13,190,758 |
| Non-current | | |
| Bonds | 13,471 | 13,471 |
| | 13,471 | 13,471 |

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

Financial liabilities are initially recognised at fair value when the Town becomes a party to the contractual provisions of the instrument.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and any consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Town prior to the end of the financial year that are unpaid and arise when the Town becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Prepaid rates

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer. Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the Town recognises income for the prepaid rates that have not been refunded.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

15. OTHER LIABILITIES

| | 2023 | 2022 |
|-----------------------------------------------------------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Current | | |
| Income in advance | 4,890 | 214,868 |
| Operating grant/contributions liabilities | 715,806 | 409,685 |
| Capital grant/contributions liabilities | 2,251,080 | 5,449,887 |
| Lease premium prepaid | 924,160 | 924,160 |
| | 3,895,936 | 6,998,600 |
| Non-current | | |
| Lease premium prepaid | 38,531,510 | 39,455,670 |
| | 38,531,510 | 39,455,670 |
| Reconciliation of changes in capital grant/contribution liabilities | | |
| Opening balance | 5,449,887 | 3,094,621 |
| Additions in Grants liabilities | 1,109,455 | 5,449,887 |
| Revenue from capital grant/contributions held as a liability at the start of the period | (4,308,262) | (3,094,621) |
| | 2,251,080 | 5,449,887 |
| Expected satisfaction of capital grant/contribution liabilities | | |
| Less than 1 year | 2,251,080 | 5,449,887 |
| 1 to 2 years | | |
| 2 to 3 years | | |
| 3 to 4 years | | |
| 4 to 5 years | | |
| > 5 years | | |
| | 2,251,080 | 5,449,887 |

Performance obligations in relation to capital grant/contribution liabilities are satisfied as project milestones are met or completion of construction or acquisition of the asset.

SIGNIFICANT ACCOUNTING POLICIES

Contract liabilities

Contract liabilities represent the Town's obligation to transfer goods or services to a customer for which the Town has received consideration from the customer.

Contract liabilities represent obligations which are not yet satisfied. Contract liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

Capital grant/contribution liabilities

Capital grant/contribution liabilities represent the Town's obligations to construct recognisable non-financial assets to identified specifications to be controlled by the Town which are yet to be satisfied. Capital grant/contribution liabilities are recognised as income when the obligations in the contract are satisfied.

Fair values for non-current capital grant/contribution liabilities, not expected to be extinguished within 12 months, are based on discounted cash flows of expected cashflows to satisfy the obligations using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 26(i)) due to the unobservable inputs, including own credit risk.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

16. BORROWINGS

| | Note | 2023 | | | 2022 | | |
|---------------------------------|-------|-----------|-------------|------------|---------|-------------|-------|
| | | Current | Non-current | Total | Current | Non-current | Total |
| Secured | | \$ | \$ | \$ | \$ | \$ | \$ |
| WATC loans | | 1,922,253 | 21,978,966 | 23,901,219 | - | - | - |
| Total secured borrowings | 30(a) | 1,922,253 | 21,978,966 | 23,901,219 | - | - | - |

The Town of Port Hedland has complied with the financial covenants of its borrowing facilities during the 2023 year.

SIGNIFICANT ACCOUNTING POLICIES

Borrowing costs

The Town has elected to recognise borrowing costs as an expense when incurred regardless of how the borrowings are applied.

Fair values of borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short term nature.

Risk

Details of individual borrowings required by regulations are provided at Note 30(a).

Information regarding exposure to risk can be found at Note 24.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

17. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

| | 2023 | 2022 |
|------------------------------------------------------|-----------|-----------|
| | \$ | \$ |
| Current provisions | | |
| Employee benefit provisions | | |
| Annual leave | 1,537,676 | 1,728,617 |
| Long service leave | 412,648 | 394,107 |
| Other employee leave provisions | (9,802) | - |
| | 1,940,522 | 2,122,724 |
| Total current employee related provisions | 1,940,522 | 2,122,724 |
| Non-current provisions | | |
| Employee benefit provisions | | |
| Long service leave | 459,227 | 636,152 |
| | 459,227 | 636,152 |
| Total non-current employee related provisions | 459,227 | 636,152 |
| Total employee related provisions | 2,399,749 | 2,758,876 |

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave and associated on costs for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

Annual leave liabilities are classified as current, as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

| | 2023 | 2022 |
|-------------------------------------------------------------------|-----------|-----------|
| | \$ | \$ |
| Amounts are expected to be settled on the following basis: | | |
| Less than 12 months after the reporting date | 1,940,522 | 2,122,724 |
| More than 12 months from reporting date | 459,227 | 636,152 |
| | 2,399,749 | 2,758,876 |

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

The Town's obligations for employees' annual leave, long service leave and other employee leave entitlements are recognised as employee related provisions in the Statement of Financial Position.

Short-term employee benefits

Provision is made for the Town's obligations for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Town's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

Long-term employee benefits provisions are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Town's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Town does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

18. OTHER PROVISIONS

| | Landfill rehabilitation | Airport Project | Library Reinstatement | Total |
|---------------------------------------|------------------------------------|----------------------------|----------------------------------|--------------|
| | \$ | \$ | \$ | \$ |
| Opening balance at 1 July 2022 | | | | |
| Current provisions | - | 400,000 | - | 400,000 |
| Non-current provisions | 12,997,468 | - | - | 12,997,468 |
| | 12,997,468 | 400,000 | - | 13,397,468 |
| | | | | |
| Additional provision | (707,040) | 1,991,971 | 14,997 | 1,299,928 |
| Finance costs | 534,813 | - | - | 534,813 |
| Balance at 30 June 2023 | 12,825,241 | 2,391,971 | 14,997 | 15,232,209 |
| | | | | |
| Comprises | | | | |
| Current | - | 2,391,971 | - | 2,391,971 |
| Non-current | 12,825,241 | - | 14,997 | 12,840,238 |
| | 12,825,241 | 2,391,971 | 14,997 | 15,232,209 |

Provisions

Provisions are recognised when the Town has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Airport Project

The Town entered into a deed of agreement being the Novation and Operating Deed – Port Hedland International Airport (the Agreement) with PHIA Operating Company Pty Ltd (PHIA) and PHIA Asset Pty Ltd to operate the Port Hedland International Airport on March 2016. While the Agreement and associated leasing documentation required upgrade and enhancement works to be undertaken by the Lessee, the document also bound the Town to undertake certain works.

Landfill Rehabilitation Provision

The provision for future remediation costs is the best estimate of the present value of the expenditure required to settle the remediation obligation at the reporting date. Future remediation costs are reviewed annually and any changes in the estimate are reflected in the present value of the remediation provision at each reporting date.

Library reinstatement

The provision for future reinstatement is the best estimate of the present value of the expenditure required to reinstate the premises to the original state at the lease inception.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

19. REVALUATION SURPLUS

| | 2023 Opening Balance | Total Movement on Revaluation | 2023 Closing Balance | 2022 Opening Balance | Total Movement on Revaluation | 2022 Closing Balance |
|--------------------------------------------------------------------------|-------------------------------------|----------------------------------------------|-------------------------------------|-------------------------------------|----------------------------------------------|-------------------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Property, plant and equipment | | | | | | |
| Revaluation Surplus - Land | 7,359,718 | - | 7,359,718 | 7,359,718 | - | 7,359,718 |
| Revaluation Surplus - Buildings | 6,039,604 | - | 6,039,604 | 6,039,604 | - | 6,039,604 |
| Subtotal | 13,399,322 | - | 13,399,322 | 13,399,322 | - | 13,399,322 |
| Infrastructure | | | | | | |
| Revaluation Surplus - Roads & Bridges | - | 149,201,935 | 149,201,935 | - | - | - |
| Revaluation Surplus - Drainage | 5,695,942 | 1,016,668 | 6,712,610 | 5,695,942 | - | 5,695,942 |
| Revaluation Surplus - Paths & Cycleways | 10,098,409 | 18,455,077 | 28,553,486 | 10,098,409 | - | 10,098,409 |
| Revaluation Surplus - Open Spaces | - | 576,963 | 576,963 | - | - | - |
| Revaluation Surplus - Other Infrastructure | 489,000 | (489,000) | - | 489,000 | - | 489,000 |
| Revaluation Surplus - Bus Shelters | 220,540 | 262,069 | 482,609 | 220,540 | - | 220,540 |
| Revaluation Surplus - Depot | 540,184 | (540,184) | - | 540,184 | - | 540,184 |
| Subtotal | 17,044,075 | 168,483,528 | 185,527,603 | 17,044,075 | - | 17,044,075 |
| Investment property | | | | | | |
| Revaluation Surplus - Airport land | 25,293,347 | - | 25,293,347 | 25,293,347 | - | 25,293,347 |
| Subtotal | 25,293,347 | - | 25,293,347 | 25,293,347 | - | 25,293,347 |
| Intangibles | | | | | | |
| Revaluation Surplus - Landfill | - | 534,813 | 534,813 | - | - | - |
| Subtotal | - | 534,813 | 534,813 | - | - | - |
| Financial assets at fair value through other comprehensive income | | | | | | |
| Revaluation Surplus - Local Government Trust investment | 2,305 | - | 2,305 | 2,305 | - | 2,305 |
| Subtotal | 2,305 | - | 2,305 | 2,305 | - | 2,305 |
| | 55,739,049 | 169,018,341 | 224,757,390 | 55,739,049 | - | 55,739,049 |

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

20. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the Statement of Financial Position as follows:

| | Note | 2023 Actual \$ | 2022 Actual \$ |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|----------------------|----------------------|
| Cash and cash equivalents | 3 | 14,839,729 | 45,173,765 |
| Restrictions | | | |
| The following classes of financial assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used: | | | |
| - Cash and cash equivalents | 3 | 6,038,374 | 32,981,501 |
| - Financial assets at amortised cost | 4 | 166,000,000 | 169,641,767 |
| | | 172,038,374 | 202,623,268 |
| The restricted financial assets are a result of the following specific purposes to which the assets may be used: | | | |
| Restricted reserve accounts | 31 | 172,038,374 | 202,623,268 |
| Total restricted financial assets | | 172,038,374 | 202,623,268 |
| (b) Reconciliation of Net Result to Net Cash Provided By Operating Activities | | | |
| Net result | | (6,165,281) | 14,895,780 |
| Non-cash items: | | | |
| Adjustments to fair value of investment property | | 2,241,765 | 7,306,648 |
| Depreciation/amortisation | | 18,644,166 | 12,869,716 |
| (Profit)/loss on sale of asset | | (166,616) | 537,832 |
| Write off ROU assets | | - | 5,908 |
| Loss on revaluation of fixed assets | 8(a), 9(a) | 4,282,295 | - |
| Assets received for substantially less than fair value | | (6,886,886) | - |
| Prepaid lease premium | | (924,160) | - |
| Intangible revision | | 707,040 | - |
| Changes in assets and liabilities: | | | |
| (Increase)/decrease in trade and other receivables | | 2,037,749 | 747,466 |
| (Increase)/decrease in other assets | | (544,260) | 706,999 |
| (Increase)/decrease in inventories | | 1,393,438 | 928,445 |
| Increase/(decrease) in trade and other payables | | (7,274,747) | (954,357) |
| Increase/(decrease) in employee related provisions | | (359,127) | 440,000 |
| Increase/(decrease) in other provisions | | (157,230) | - |
| Increase/(decrease) in other liabilities | | (3,102,664) | 1,264,660 |
| Capital grants, subsidies and contributions | | (6,534,049) | (11,390,667) |
| Net cash provided by/(used in) operating activities | | (2,808,567) | 27,358,430 |
| (c) Undrawn Borrowing Facilities | | | |
| Credit Standby Arrangements | | | |
| Bank overdraft limit | | | |
| Bank overdraft at balance date | | | |
| Credit card limit | | 100,000 | 100,000 |
| Credit card balance at balance date | | (61,488) | (63,645) |
| Total amount of credit unused | | 38,512 | 36,355 |
| Loan facilities | | | |
| Loan facilities - current | | | |
| Loan facilities - non-current | | 1,922,253 | - |
| Loan facilities - non-current | | 21,978,966 | - |
| Total facilities in use at balance date | | 23,901,219 | - |
| Unused loan facilities at balance date | | 38,512 | 36,355 |

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

21. CONTINGENT LIABILITIES

In compliance with the Contaminated Sites Act 2003 Section 11, the Town of Port Hedland has listed sites to be possible sources of contamination.

Details of that site is:

- Port Hedland International Airport

In 2017 the Town, in conjunction with Port Hedland International Airport, undertook a detailed site investigation on airport land to establish a baseline of contamination prior to entering a lease arrangement. Findings of note include significant PFAS contamination resulting from historical fire fighting operations and hydrocarbon contamination from underground fuel and oil storage.

To date, hydrocarbon contamination has been remediated with a closure report issued to Department of Water and Environmental Regulation (DWER). PFAS contamination remains as technology is not available to remediate on such a scale. A draft Remediation Plan has been submitted to DWER and action will be taken when reasonable remediation opportunities are identified.

The Town is working with Air services Australia to provide ongoing monitoring of PFAS contamination and review options for remediation. As this time, the Town is unable to estimate the potential costs associated with remediation of the sites.

22. CAPITAL COMMITMENTS

| | 2023 | 2022 |
|--------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Contracted for: | | |
| - capital expenditure projects | 10,315,079 | 40,838,566 |
| - plant & equipment purchases | 776,883 | 2,783,879 |
| | 11,091,962 | 43,622,445 |
| Payable: | | |
| - not later than one year | 9,633,871 | 28,534,767 |
| - payable later than one year | 1,458,091 | 15,087,678 |

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

23. RELATED PARTY TRANSACTIONS

(a) Elected Member Remuneration

Fees, expenses and allowances to be paid or reimbursed to elected council members.

| Note | 2023 Actual \$ | 2023 Budget \$ | 2022 Actual \$ |
|--------------------------------------------------------------|----------------------|----------------------|----------------------|
| Mayor's annual allowance | 91,579 | 90,000 | 90,000 |
| Mayor's meeting attendance fees | 48,483 | 48,000 | 48,000 |
| Mayor's other expenses | 7,797 | - | - |
| Mayor's annual allowance for ICT expenses | 3,500 | 3,000 | 4,000 |
| Mayor's travel and accommodation expenses | 23,749 | 15,000 | 20,000 |
| | <u>175,108</u> | <u>156,000.00</u> | <u>162,000.00</u> |
| Deputy Mayor's annual allowance | 25,534 | 22,000 | 23,000 |
| Deputy Mayor's meeting attendance fees | 29,617 | 32,000 | 32,000 |
| Deputy Mayor's other expenses | 2,672 | - | - |
| Deputy Mayor's annual allowance for ICT expenses | 3,500 | 3,000 | 4,000 |
| Deputy Mayor's travel and accommodation expenses | 4,133 | - | 3,000 |
| | <u>65,456</u> | <u>57,000</u> | <u>62,000</u> |
| All other council member's meeting attendance fees | 225,679 | 224,000 | 212,000 |
| All other council member's All other council member expenses | 16,432 | - | - |
| All other council member's annual allowance for ICT expenses | 24,500 | 21,000 | 23,000 |
| All other council member's travel and accommodation expenses | 25,079 | - | 11,000 |
| | <u>291,690</u> | <u>245,000</u> | <u>246,000</u> |
| 23(b) | <u>532,254</u> | <u>458,000</u> | <u>470,000</u> |

(b) Key Management Personnel (KMP) Compensation

The total of compensation paid to KMP of the Town during the year are as follows:

| Note | 2023 \$ | 2022 \$ |
|-------------------------------------|------------------|------------------|
| Short-term employee benefits | 1,231,042 | 1,459,000 |
| Post-employment benefits | 148,022 | 141,000 |
| Employee - other long-term benefits | 194,043 | 81,000 |
| Employee - termination benefits | 76,345 | - |
| Council member costs | 532,254 | 470,000 |
| | <u>2,181,706</u> | <u>2,151,000</u> |

Short-term employee benefits

These amounts include all salary and fringe benefits awarded to KMP except for details in respect to fees and benefits paid to council members which may be separately found in the table above.

Post-employment benefits

These amounts are the current-year's cost of the Town's superannuation contributions made during the year.

Other long-term benefits

These amounts represent annual leave and long service leave entitlements accruing during the year.

Termination benefits

These amounts represent termination benefits paid to KMP (Note: may or may not be applicable in any given year).

Council member costs

These amounts represent payments of member fees, expenses, allowances and reimbursements during the year.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

23. RELATED PARTY TRANSACTIONS

Transactions with related parties

Transactions between related parties and the Town are on normal commercial terms and conditions, no more favourable than those available to other parties, unless otherwise stated.

No outstanding balances or provisions for doubtful debts or guarantees exist in relation to related parties at year end.

In addition to KMP compensation above the following transactions occurred with related parties:

| | 2023 | 2022 |
|--------------------------------|------|--------|
| | \$ | \$ |
| Purchase of goods and services | - | 15,000 |

Related Parties

The Town's main related parties are as follows:

i. Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any council member, are considered key management personnel and are detailed in Notes 23(a) and 23(b)

ii. Other Related Parties

Outside of normal citizen type transactions with the Town, there were no other related party transactions involving key management personnel and/or their close family members and/or their controlled (or jointly controlled) entities.

iii. Entities subject to significant influence by the Town

There were no such entities requiring disclosure during the current or previous year.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

24. FINANCIAL RISK MANAGEMENT

This note explains the Town's exposure to financial risks and how these risks could affect the Town's future financial performance.

| Risk | Exposure arising from | Measurement | Management |
|-------------------------------------|-------------------------------------------------------------------------------------|-----------------------------------|--------------------------------------------------------------------|
| Market risk - interest rates | Long term borrowings at variable rates | Sensitivity analysis | Utilise fixed interest rate borrowings |
| Credit risk | Cash and cash equivalents, trade receivables, financial assets and debt investments | Aging analysis Credit analysis | Diversification of bank deposits, credit limits. Investment policy |
| Liquidity risk | Borrowings and other liabilities | Rolling cash flow forecasts | Availability of committed credit lines and borrowing facilities |

The Town does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by the finance area under policies approved by the Council. The finance area identifies, evaluates and manages financial risks in close co-operation with the operating divisions. Council have approved the overall risk management policy and provide policies on specific areas such as investment policy, debt management policy and borrowings policy.

(a) Interest rate risk

Cash and cash equivalents

The Town's main interest rate risk arises from cash and cash equivalents with variable interest rates, which exposes the Town to cash flow interest rate risk.

Excess cash and cash equivalents are invested in fixed interest rate term deposits which do not expose the Town to cash flow interest rate risk. Cash and cash equivalents required for working capital are held in variable interest rate accounts and non-interest bearing accounts. Carrying amounts of cash and cash equivalents at the 30 June and the weighted average interest rate across all cash and cash equivalents, term deposits, and Treasury bonds held disclosed as financial assets at amortised cost are reflected in the table below.

| | Weighted Average Interest Rate | Carrying Amounts | Fixed Interest Rate | Variable Interest Rate | Non Interest Bearing |
|-----------------------------------------------------|---------------------------------------|-------------------------|----------------------------|-------------------------------|-----------------------------|
| | % | \$ | \$ | \$ | \$ |
| 2023 | | | | | |
| Cash and cash equivalents | 1.82% | 14,839,729 | - | 14,839,729 | - |
| Financial assets at amortised cost - term deposits | 0.88% | 165,565,724 | 165,565,724 | - | - |
| 2022 | | | | | |
| Cash and cash equivalents | 0.30% | 45,173,765 | - | 45,173,765 | - |
| Financial assets at amortised cost - term deposits | 0.53% | 169,641,981 | 169,641,981 | - | - |
| Financial assets at amortised cost - Treasury bonds | | | | | |

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates.

| | 2023 | 2022 |
|-------------------------------------------------------------------------|-------------|-------------|
| | \$ | \$ |
| Impact of a 1% movement in interest rates on profit or loss and equity* | 148,397 | 451,738 |

* Holding all other variables constant

Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Town manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The Town does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 30(a).

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

24. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other Receivables

The Town's major trade and other receivables comprise contractual non-statutory user fees and charges, grants, contributions and reimbursements. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. The Town manages this risk by monitoring outstanding debt and employing debt recovery policies.

The level of outstanding receivables is reported to council monthly and benchmarks are set and monitored for acceptable collection performance.

The Town applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade and other receivables. To measure the expected credit losses, receivables from grants, contributions and reimbursements are separated from other trade receivables due to the difference in payment terms and security.

The expected loss rates are based on the payment profiles of trade and other receivables over a period of 36 months before 1 July 2022 or 1 July 2023 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of users to settle the receivables.

The loss allowance as at 30 June 2023 and 30 June 2022 was determined as follows for trade and other receivables.

| | Current | More than 30 days past due | More than 60 days past due | More than 90 days past due | Total |
|-------------------------------------|------------------------------|-------------------------------|-------------------------------|-------------------------------|-----------|
| 30 June 2023 | | | | | |
| Trade receivables | | | | | |
| Expected credit loss | 0.09% | 0.26% | 1.62% | 45.40% | |
| Gross carrying amount | 1,318,619 | 109,455 | 6,774 | 156,042 | 1,590,890 |
| Loss allowance | 1,243 | 282 | 110 | 70,837 | 72,472 |
| 30 June 2022 | | | | | |
| Trade receivables | | | | | |
| Expected credit loss | 0.32% | 1.49% | 5.80% | 28.83% | |
| Gross carrying amount | 1,259,599 | 403,845 | 241,355 | 237,275 | 2,142,074 |
| Loss allowance | 4,365 | 5,645 | 13,776 | 67,753 | 91,539 |
| | Less than 1 year past due | More than 1 year past due | More than 2 years past due | More than 3 years past due | Total |
| 30 June 2023 | | | | | |
| Rates receivable less prepaid rates | | | | | |
| Expected credit loss | 10.59% | 144.29% | 27.00% | 12.89% | |
| Gross carrying amount | 337,260 | 24,718 | 132,450 | 278,102 | 772,530 |
| Loss allowance | 35,710 | 17,130 | 35,759 | 35,857 | 124,456 |
| 30 June 2022 | | | | | |
| Rates receivable less prepaid rates | | | | | |
| Expected credit loss | 0.03% | 0.0649% | 0.1013% | 0.0827% | |
| Gross carrying amount | 526,000 | 370,000 | 227,000 | 375,000 | 1,498,000 |
| Loss allowance | 18,284 | 24,000 | 23,000 | 31,000 | 96,284 |

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

24. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

The loss allowances for trade, other receivables and contract assets as at 30 June reconcile to the opening loss allowances as follows:

| | Trade receivables | | Rate receivables | | Self Supporting Loan | |
|-------------------------------------------------------------------------|-------------------|----------------|------------------|----------------|----------------------|----------------|
| | 2023 Actual | 2022 Actual | 2023 Actual | 2022 Actual | 2023 Actual | 2022 Actual |
| Opening loss allowance as at 1 July | \$ 91,539 | \$ 18,000 | \$ 96,293 | \$ - | \$ - | \$ 257,000 |
| Increase in loss allowance recognised in profit or loss during the year | (19,067) | 477,000 | 40,439 | 96,284 | - | 177,276 |
| Receivables written off during the year as uncollectible | | | | | | |
| Unused amount reversed | - | (403,461) | - | - | - | - |
| Closing loss allowance at 30 June | 72,472 | 91,539 | 136,732 | 96,284 | - | 434,276 |

Trade receivables and self supporting loan assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Town, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables and self supporting loan assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

24. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

Payables, borrowings and leases are all subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Town manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended if required and disclosed in Note 20(c).

The contractual undiscounted cash flows of the Town's payables, borrowings and leases are set out in the liquidity table below. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

| | Due within 1 year | Due between 1 & 5 years | Due after 5 years | Total contractual cash flows | Carrying values |
|--------------------------|----------------------------------|--------------------------------------------|----------------------------------|---------------------------------------------|----------------------------|
| | \$ | \$ | \$ | \$ | \$ |
| <u>2023</u> | | | | | |
| Trade and other payables | 5,916,011 | - | - | 5,916,011 | 5,916,011 |
| Borrowings | 3,189,233 | 15,617,871 | 24,172,131 | 42,979,235 | 23,901,219 |
| Lease liabilities | 133,000 | 34,425 | - | 167,425 | 167,425 |
| | <u>9,238,244</u> | <u>15,652,296</u> | <u>24,172,131</u> | <u>49,062,671</u> | <u>29,984,655</u> |
| <u>2022</u> | | | | | |
| Trade and other payables | 13,189,758 | 13,100 | - | 13,202,858 | 13,203,758 |
| Lease liabilities | 144,877 | 79,662 | - | 224,539 | 224,539 |
| | <u>13,334,635</u> | <u>92,762</u> | <u>-</u> | <u>13,427,397</u> | <u>13,428,297</u> |

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

25. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

No events occurred after the end of the reporting period

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

26. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

b) Current and non-current classification

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Town's operational cycle. In the case of liabilities where the Town does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current or non-current based on the Town's intentions to release for sale.

c) Rounding off figures

All figures shown in this annual financial report, other than a rate in the dollar, are rounded to the nearest dollar. Amounts are presented in Australian Dollars.

d) Comparative figures

Where required, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

When the Town applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements that has a material effect on the statement of financial position, an additional (third) Statement of Financial Position as at the beginning of the preceding period in addition to the minimum comparative financial report is presented.

e) Budget comparative figures

Unless otherwise stated, the budget comparative figures shown in this annual financial report relate to the original budget estimate for the relevant item of disclosure.

f) Superannuation

The Town contributes to a number of Superannuation Funds on behalf of employees. All funds to which the Town contributes are defined contribution plans.

g) Fair value of assets and liabilities

Fair value is the price that the Town would receive to sell the asset or would have to pay to transfer a liability, in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

h) Interest revenue

Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a financial asset measured at amortised cost except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

i) Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurement into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Town selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Town are consistent with one or more of the following valuation approaches:

Market approach

Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach

Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach

Valuation techniques that reflect the current replacement cost of the service capacity of an asset.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Town gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

j) Impairment of assets

In accordance with Australian Accounting Standards the Town's assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. AASB 116) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

27. FUNCTION AND ACTIVITY

(a) Service objectives and descriptions

Town operations as disclosed in this financial report encompass the following service orientated functions and activities.

| Objective | Description |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Governance</p> <p>To provide a decision making process for the efficient allocation of scarce resources.</p> | <p>Includes all activities of members of council and the administrative support available to the council for the provision of governance of the district. Other costs relate to the task of providing legal services on all matters which do not concern specific local government services.</p> |
| <p>General purpose funding</p> <p>To collect revenue to allow for the provision of services.</p> | <p>Rates, general purpose government grants, interest revenue.</p> |
| <p>Law, order, public safety</p> <p>To provide services to help ensure a safer and environmentally conscious community.</p> | <p>Fire prevention and volunteer bush fire brigade, animal control, support of State Emergency Services, emergency services, the Town's CCTV network, and community safety and crime prevention initiatives.</p> |
| <p>Health</p> <p>To provide an operational framework for environmental and community health.</p> | <p>Vermin control, environmental health, food and public health regulation and compliance, and health.</p> |
| <p>Education and welfare</p> <p>To provide services to disadvantaged persons, the elderly, children and youth.</p> | <p>Community partnership funding, disability access initiatives, community services administration, facilities including the JD Hardie Centre and asset management associated with key community buildings.</p> |
| <p>Housing</p> <p>To provide and maintain adequate housing.</p> | <p>Primarily centred around the provision of housing to employees, and asset management activities.</p> |
| <p>Community amenities</p> <p>To provide services required by the community.</p> | <p>Strategic town planning and development control, all aspects of waste management such as waste collection, landfill operations, and waste minimisation; cemeteries, public toilets, cyclone preparation and response, and sanitation and litter collection.</p> |
| <p>Recreation and culture</p> <p>To establish and effectively manage infrastructure and resources which will help the social well-being of the community.</p> | <p>Maintenance of public halls, civic centres, aquatic centres, beaches, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of libraries, galleries and other cultural facilities.</p> |
| <p>Transport</p> <p>To provide safe, effective and efficient transport services to the community.</p> | <p>Construction and maintenance of roads, streets, footpaths, depots, cycle ways, parking facilities, and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.</p> |
| <p>Economic services</p> <p>To help promote the Town and its economic well-being.</p> | <p>Tourism and area promotion, strategic projects, leasing and administration of commercial properties, building regulation, land development, and saleyards and markets.</p> |
| <p>Other property and services</p> <p>To monitor and control operating accounts.</p> | <p>Private works operation, plant repair and costs.</p> |

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

27. FUNCTION AND ACTIVITY (Continued)

(b) Income and expenses

| | 2023 Actual | 2022 Actual |
|-------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| | \$ | \$ |
| Income excluding grants, subsidies and contributions and capital grants, subsidies and contributions | | |
| Governance | 3,581 | 3,232 |
| General purpose funding | 63,489,563 | 61,350,815 |
| Law, order, public safety | 1,037,579 | 203,317 |
| Health | - | 469,047 |
| Education and welfare | 228,994 | 109,734 |
| Housing | 433,557 | 10,140 |
| Community amenities | 13,157,057 | 11,781,250 |
| Recreation and culture | 3,202,852 | 3,125,999 |
| Transport | 7,981,308 | 216,662 |
| Economic services | - | 1,829,727 |
| Other property and services | 9,394,821 | 890,733 |
| | 98,929,312 | 79,990,656 |
| Grants, subsidies and contributions and capital grants, subsidies and contributions | | |
| Law, order, public safety | 5,490,630 | 1,829,237 |
| Health | - | 24,377 |
| Education and welfare | 83,070 | 7,474 |
| Housing | - | 52,801 |
| Community amenities | 111,457 | - |
| Recreation and culture | 420,348 | 32,035 |
| Transport | 9,569,643 | 7,758,568 |
| Economic services | - | 1,680,360 |
| Other property and services | 2,500,008 | - |
| | 18,175,156 | 11,384,852 |
| Total Income | 117,104,468 | 91,375,508 |
| Expenses | | |
| Governance | (2,313,669) | (2,380,472) |
| General purpose funding | (409,610) | (8,539,545) |
| Law, order, public safety | (1,822,501) | (2,560,223) |
| Health | - | (1,210,368) |
| Education and welfare | (4,938,930) | (3,593,650) |
| Housing | (2,421,724) | (1,267,136) |
| Community amenities | (38,765,862) | (11,798,097) |
| Recreation and culture | (30,791,636) | (29,014,907) |
| Transport | (6,441,063) | (12,289,265) |
| Economic services | (1,130,741) | (1,478,808) |
| Other property and services | (34,234,013) | (2,347,257) |
| Total expenses | (123,269,749) | (76,479,728) |
| Net result for the period | (6,165,281) | 14,895,780 |
| (c) Total Assets | | |
| Governance | 162,861 | 1,625,770 |
| General purpose funding | 128,857,392 | 272,816,500 |
| Law, order, public safety | 1,768,679 | 834,588 |
| Health | 1,168,961 | 5,885,997 |
| Education and welfare | 8,444,738 | 6,903,950 |
| Housing | 37,073,806 | 31,708,763 |
| Community amenities | 67,122,511 | 14,393,577 |
| Recreation and culture | 151,725,697 | 83,982,015 |
| Transport | 342,635,446 | 183,712,107 |
| Economic services | 2,852,589 | 677,855 |
| Other property and services | 23,211,268 | 2,880,373 |
| Unallocated | 41,144,817 | 23,876,062 |
| | 806,168,765 | 629,297,557 |

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

28. RATING INFORMATION

(a) General Rates

| RATE TYPE | Basis of valuation | Rate in \$ | Number of Properties | 2022/23 Actual Rateable Value* | 2022/23 Actual Rate Revenue | 2022/23 Actual Interim Rates | 2022/23 Actual Total Revenue | 2022/23 Budget Rate Revenue | 2022/23 Budget Interim Rate | 2022/23 Budget Total Revenue | 2021/22 Actual Total Revenue |
|-------------------------------------------------|---------------------------|-------------------|-----------------------------|---------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|
| Rate Description | | \$ | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| GRV Residential | | 0.07062 | 6,270 | 195,022,825 | 13,761,430 | 230,194 | 13,991,624 | 13,275,112 | - | 13,275,112 | 11,117,210 |
| GRV Commercial | | 0.08979 | 734 | 61,784,935 | 5,519,980 | 171,707 | 5,691,687 | 5,407,169 | - | 5,407,169 | 5,071,091 |
| GRV Mass Accomodation | | 0.13050 | 18 | 15,867,140 | 2,070,662 | - | 2,070,662 | 2,070,562 | - | 2,070,562 | 2,772,355 |
| UV Pastoral | | 0.11298 | 10 | 1,400,239 | 158,199 | - | 158,199 | 158,000 | - | 158,000 | 206,424 |
| UV Mining Other | | 0.20215 | 527 | 198,647,363 | 40,156,563 | 642,016 | 40,798,579 | 40,117,000 | - | 40,117,000 | 38,030,795 |
| Total general rates | | | 7,559 | 472,722,502 | 61,666,834 | 1,043,917 | 62,710,751 | 61,027,843 | - | 61,027,843 | 57,197,875 |
| Minimum Payment | | | | | | | | | | | |
| Minimum payment \$ | | | | | | | | | | | |
| GRV Residential | | 1,300 | 672 | 875,500 | 375,744 | - | 375,744 | 874,000 | - | 874,000 | 1,894,100 |
| GRV Commercial | | 1,900 | 171 | 315,500 | 178,281 | - | 178,281 | 315,500 | - | 315,500 | 389,500 |
| GRV Mass Accomodation | | 1,900 | 1 | - | 1,900 | - | 1,900 | 1,900 | - | 1,900 | - |
| UV Pastoral | | 1,900 | - | - | - | - | - | - | - | - | - |
| UV Mining Other | | 200 | 236 | 47,000 | 8,047 | - | 8,047 | 47,000 | - | 47,000 | 48,600 |
| Total minimum payments | | | 1,080 | 1,238,000 | 563,972 | - | 563,972 | 1,238,400 | - | 1,238,400 | 2,332,200 |
| Total general rates and minimum payments | | | | 473,960,502 | 62,230,806 | 1,043,917 | 63,274,723 | 62,266,243 | - | 62,266,243 | 59,530,075 |
| Discounts | | | | | | | - | | | | (430,984) |
| Concessions | | | | | | | (177,302) | | | (122,643) | (233,910) |
| Total Rates | | | | | | | 63,097,421 | | | 62,143,600 | 58,865,181 |
| Rate instalment interest | | | | | | | 93,032 | | | | |
| Rate overdue interest | | | | | | | 224,612 | | | | |

The rate revenue was recognised from the rate record as soon as practicable after the Town resolved to impose rates in the financial year as well as when the rate record was amended to ensure the information in the record was current and correct.

*Rateable Value at time of raising of rate.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

29. DETERMINATION OF SURPLUS OR DEFICIT

| Note | 2022/23 | 2022/23 | 2021/22 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|---------------------------------------------|-----------------------------------|
| | (30 June 2023 Carried Forward) | Budget (30 June 2023 Carried Forward) | (30 June 2022 Carried Forward) |
| | \$ | \$ | \$ |
| (a) Non-cash amounts excluded from operating activities | | | |
| The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> . | | | |
| Adjustments to operating activities | | | |
| Less: Profit on asset disposals | (166,616) | (400,000) | (28,680) |
| Less: gifted assets | (6,886,886) | - | - |
| Add: Loss on disposal of assets | - | - | 566,512 |
| Add: Impairment and Asset write off | 8 (a), (9a) 4,282,295 | - | - |
| Add: Depreciation | 18,644,166 | 14,641,200 | 12,869,716 |
| Non-cash movements in non-current assets and liabilities: | | | |
| Revaluation of Investment property | 12 2,241,765 | - | 7,306,648 |
| Intangible asset adjustment | 707,040 | - | - |
| Non-Current/Current movements | - | - | (278,000) |
| Movement in non-current prepayment | 31,537 | - | 31,611 |
| Employee benefit provisions | (176,925) | - | 494,703 |
| Lease Premium Prepaid | (924,160) | - | (924,160) |
| Other Provisions | (157,230) | - | - |
| Contract liabilities | - | (4,060,000) | - |
| Inventory | - | - | 1,266,054 |
| Non-cash amounts excluded from operating activities | 17,594,986 | 10,181,200 | 21,304,404 |
| (b) Non-cash amounts excluded from investing activities | | | |
| The following non-cash revenue or expenditure has been excluded from amounts attributable to investing activities within the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> . | | | |
| Adjustments to investing activities | | | |
| Property, plant and equipment received for substantially less than fair value | 8(a) 150,944 | - | - |
| Infrastructure received for substantially less than fair value | 9(a) 6,735,942 | - | - |
| Non cash intangible asset recognition | - | - | 12,997,468 |
| Non-cash amounts excluded from investing activities | 6,886,886 | - | 12,997,468 |
| (c) Surplus or deficit after imposition of general rates | | | |
| The following current assets and liabilities have been excluded from the net current assets used in the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates. | | | |
| Adjustments to net current assets | | | |
| Less: Reserve accounts | 31 (172,038,374) | (130,712,030) | (202,623,268) |
| Less: Financial assets at amortised cost - self supporting loans | 4(a) (10,505) | - | (10,505) |
| Less: Current assets not expected to be received at end of year | | | |
| - Land held for resale | 6 - | (1,310,000) | (1,710,000) |
| - Operating Grants and Contributions | - | (121,000) | - |
| - Other liabilities | - | (5,284,000) | - |
| Add: Current liabilities not expected to be cleared at end of year | | | |
| - Current portion of borrowings | 16 1,922,253 | 24,269,000 | - |
| - Lease premium prepaid | 924,160 | - | 924,160 |
| - Current portion of lease liabilities | 11(b) 133,000 | - | 144,877 |
| - Employee benefit provisions | 412,648 | - | 2,122,724 |
| - Airport provisions | 2,391,971 | 80,000 | 400,000 |
| Total adjustments to net current assets | (166,264,847) | (113,078,030) | (200,752,012) |
| Net current assets used in the Statement of Financial Activity | | | |
| Total current assets | 186,863,736 | 149,513,600 | 223,695,067 |
| Less: Total current liabilities | (16,199,693) | (34,134,370) | (22,856,959) |
| Less: Total adjustments to net current assets | (166,264,847) | (113,078,030) | (200,752,012) |
| Surplus or deficit after imposition of general rates | 4,399,196 | 2,301,200 | 86,096 |

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

30. BORROWING AND LEASE LIABILITIES

(a) Borrowings

| Purpose | Note | Actual | | | | | | Budget | | | | |
|------------------|------|--------------------------|--------------------------|---------------------------|---------------------------|--------------------------|---------------------------|--------------------------|--------------------------|-------------------------------------|---------------------------|---------------------------|
| | | Principal | | Principal at 30 June 2022 | Principal | | Principal at 30 June 2023 | Principal at 1 July 2022 | New Loans During 2022-23 | Principal Repayments During 2022-23 | Principal at 30 June 2023 | |
| | | Principal at 1 July 2021 | New Loans During 2021-22 | | Repayments During 2021-22 | New Loans During 2022-23 | | | | | | Repayments During 2022-23 |
| \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | | | |
| Staff Housing | | - | - | - | - | 10,000,000 | (73,788) | 9,926,212 | - | 10,000,000 | (380,000) | 9,620,000 |
| Depot Masterplan | | - | - | - | - | 4,200,000 | (189,850) | 4,010,150 | - | 4,200,000 | (382,000) | 3,818,000 |
| Seawalls | | - | - | - | - | 10,069,000 | (104,143) | 9,964,857 | - | 10,069,000 | (160,000) | 9,909,000 |
| Total | | - | - | - | - | 24,269,000 | (367,781) | 23,901,219 | - | 24,269,000 | (922,000) | 23,347,000 |

* WA Treasury Corporation

(b) New Borrowings - 2022/23

| Particulars/Purpose | Institution | Loan Type | Term Years | Interest Rate | Amount Borrowed | | Amount (Used) | | Total Interest & Charges | Actual Balance Unspent |
|---------------------|-------------|----------------------|------------|---------------|-------------------|-------------------|-------------------|---------------------|--------------------------|------------------------|
| | | | | | 2023 Actual | 2023 Budget | 2023 Actual | 2023 Budget | | |
| | | | | | \$ | \$ | \$ | \$ | | |
| Staff Housing | WATC | Principal & Interest | 20 | 4.85% | 9,900,000 | 10,000,000 | 9,900,000 | (10,000,000) | 159,556 | - |
| Staff Housing | WATC | Principal & Interest | 20 | 4.90% | 100,000 | - | 100,000 | - | 150 | - |
| Depot Masterplan | WATC | Principal & Interest | 5 | 4.18% | 4,200,000 | 4,200,000 | 4,200,000 | (4,200,000) | 57,177 | - |
| Seawalls | WATC | Principal & Interest | 10 | 4.39% | 5,200,000 | 10,069,000 | 5,200,000 | (10,069,000) | 75,386 | - |
| Seawalls | WATC | Principal & Interest | 10 | 4.49% | 4,869,000 | - | 4,869,000 | - | 6,682 | - |
| | | | | | 24,269,000 | 24,269,000 | 24,269,000 | (24,269,000) | 298,951 | - |

* WA Treasury Corporation

(c) Lease Liabilities

| Purpose | Note | Actual | | | | | | Budget | | | |
|--------------------------------|-------|--------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|--------------------------|---------------------------|-------------------------------------|---------------------------|
| | | Principal | | Principal at 30 June 2022 | Principal | | Principal at 30 June 2023 | Principal at 1 July 2022 | New Leases During 2022-23 | Principal Repayments During 2022-23 | Principal at 30 June 2023 |
| | | Principal at 1 July 2021 | New Leases During 2021-22 | | Repayments During 2021-22 | New Leases During 2022-23 | | | | | |
| \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | | |
| Staff Housing Lease | | 41,660 | - | (41,660) | - | - | - | - | - | - | |
| Port Hedland Library | | 98,136 | - | (49,548) | 48,588 | 106,008 | (66,950) | 87,646 | 48,000 | (48,000) | |
| Gratwick Gym Equipment | | 273,497 | - | (97,546) | 175,951 | - | (96,172) | 79,779 | 177,000 | (97,000) | |
| Total Lease Liabilities | 11(b) | 413,293 | - | (188,754) | 224,539 | 106,008 | (163,122) | 167,425 | 225,000 | (145,000) | |

Lease Finance Cost Payments

| Purpose | Note | Lease Number | Institution | Interest Rate | Date final payment is due | Actual for year ending 30 June 2023 | Budget for year ending 30 June 2023 | Actual for year ending 30 June 2022 | Lease Term |
|------------------------------------|------|--------------|------------------|---------------|---------------------------|-------------------------------------|-------------------------------------|-------------------------------------|------------|
| | | | | | | \$ | \$ | \$ | |
| Port Hedland Library | | | Sentinel Country | 1.60% | | (4,492) | (3,000) | (2,541) | |
| Gratwick Gym Equipment | | | Maia Financial | 1.20% | | (3,777) | (4,000) | (2,495) | |
| Staff Housing Lease | | | Housing | 2.20% | | - | - | (922) | |
| Total Finance Cost Payments | | | | | | (8,269) | (7,000) | (5,958) | |

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

31. RESERVE ACCOUNTS

| | 2023 Actual Opening Balance | 2023 Actual Transfer to | 2023 Actual Transfer (from) | 2023 Actual Closing Balance | 2023 Budget Opening Balance | 2023 Budget Transfer to | 2023 Budget Transfer (from) | 2023 Budget Closing Balance | 2022 Actual Opening Balance | 2022 Actual Transfer to | 2022 Actual Transfer (from) | 2022 Actual Closing Balance |
|-----------------------------------------------------------------------|--------------------------------------|-------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|-------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|-------------------------------|--------------------------------------|--------------------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Restricted by council | | | | | | | | | | | | |
| (a) Reserves cash backed - Employee Leave Reserve | 1,375,612 | - | - | 1,375,612 | 1,375,612 | 940,000 | - | 2,315,612 | 1,375,612 | - | - | 1,375,612 |
| (b) Reserves cash backed - Plant Reserve | 2,986,300 | 1,603,099 | (1,839,792) | 2,749,607 | 1,405,000 | 3,076,000 | (4,075,800) | 405,200 | 1,405,032 | 1,581,268 | - | 2,986,300 |
| (c) Reserves cash backed - Unfinished Works & Committed Works Reserve | 1,425,475 | 15,290,000 | - | 16,715,475 | - | - | - | - | 1,425,475 | - | - | 1,425,475 |
| (d) Reserves cash backed - Housing Reserve | 583,965 | - | - | 583,965 | 583,965 | 1,000,000 | (339,900) | 1,244,065 | 583,965 | - | - | 583,965 |
| (e) Reserves cash backed - Airport Reserve | 4,285,991 | - | - | 4,285,991 | 4,286,000 | - | (500,000) | 3,786,000 | 4,285,991 | - | - | 4,285,991 |
| (f) Reserves cash backed - Spoilbank Reserve | 36,357,233 | - | (36,234,031) | 123,202 | 36,357,233 | - | (24,000,000) | 12,357,233 | 36,357,233 | - | - | 36,357,233 |
| (g) Reserves cash backed - Asset Management Reserve | 6,161,533 | 26,132,424 | (15,415,599) | 16,878,358 | 5,242,000 | 16,486,000 | (21,404,500) | 323,500 | 5,241,533 | 920,000 | - | 6,161,533 |
| (h) Reserves cash backed - Waste Management Reserve | 8,127,912 | 3,400,925 | (738,591) | 10,790,246 | 6,231,000 | - | (2,689,900) | 3,541,100 | 6,573,888 | 2,173,721 | (619,697) | 8,127,912 |
| (i) Reserves cash backed - Strategic Reserve | 116,188,027 | - | (22,783,329) | 93,404,698 | 112,736,000 | - | (24,627,900) | 88,108,100 | 139,170,432 | - | (22,982,405) | 116,188,027 |
| (j) Reserves cash backed - Cyclone Emergency Response Reserve | 80,410 | - | - | 80,410 | 80,410 | - | - | 80,410 | 80,410 | - | - | 80,410 |
| (k) Reserves cash backed - Financial Risk Reserve | 18,550,810 | - | - | 18,550,810 | 18,550,810 | - | (6,500,000) | 12,050,810 | 25,050,810 | - | (6,500,000) | 18,550,810 |
| (l) Reserves cash backed - Landfill Establishment Reserve | 6,500,000 | - | - | 6,500,000 | 6,500,000 | - | - | 6,500,000 | - | 6,500,000 | - | 6,500,000 |
| | 202,623,268 | 46,426,448 | (77,011,342) | 172,038,374 | 193,348,030 | 21,502,000 | (84,138,000) | 130,712,030 | 221,550,381 | 11,174,989 | (30,102,102) | 202,623,268 |
| | 202,623,268 | 46,426,448 | (77,011,342) | 172,038,374 | 193,348,030 | 21,502,000 | (84,138,000) | 130,712,030 | 221,550,381 | 11,174,989 | (30,102,102) | 202,623,268 |

All reserves are supported by cash and cash equivalents and financial assets at amortised cost and are restricted within equity as Reserves - cash/financial assets backed.

In accordance with council resolutions or adopted budget in relation to each reserve account, the purpose for which the reserves are set aside and their anticipated date of use are as follows:

| Name of reserve account | Purpose of the reserve account |
|-----------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (a) Reserves cash backed - Employee Leave Reserve | To ensure that adequate funds are available to finance employee leave entitlements such as annual leave, long service leave, sick leave and redundancies. |
| (b) Reserves cash backed - Plant Reserve | To fund the plant replacement program. |
| (c) Reserves cash backed - Unfinished Works & Committed Works Reserve | To transfer unspent municipal funded expenditure on specific projects to enable identification of carryover expenditure into the next financial year. |
| (d) Reserves cash backed - Housing Reserve | To fund the maintenance, refurbishment, redevelopment and construction of Local Government provided housing. |
| (e) Reserves cash backed - Airport Reserve | To fund the future Port Hedland International Airport Capital Works commitments. |
| (f) Reserves cash backed - Spoilbank Reserve | To fund the Port Hedland Spoilbank development. |
| (g) Reserves cash backed - Asset Management Reserve | To fund the ongoing maintenance, refurbishment, renewal, replacement and development of Council owned infrastructure assets within the Town of Port Hedland. |
| (h) Reserves cash backed - Waste Management Reserve | To fund the development, operation, maintenance and capital expenditure for the Council's waste management facilities including the landfill and waste collection operations. |
| (i) Reserves cash backed - Strategic Reserve | To fund strategic projects as included in the Town's Strategic Community Plan and Corporate Business Plan. |
| (j) Reserves cash backed - Cyclone Emergency Response Reserve | To fund cyclone and emergency related projects. |
| (k) Reserves cash backed - Financial Risk Reserve | To provide funds to mitigate against financial risks including legal cases with penalties awarded against the Town and SAT rulings upholding valuation objections on high value properties likely to cause significantly large refunds and other unknown events potentially resulting in financial loss to the Town. |
| (l) Reserves cash backed - Landfill Establishment Reserve | To fund the closure and repatriation of the existing landfill facility. |

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

32. TRUST FUNDS

Funds held at balance date which are required to be held in trust and which are not included in the financial statements are as follows:

| | 1 July 2022 | Amounts Received | Amounts Paid | 30 June 2023 |
|-------------------|--------------------|-------------------------|---------------------|---------------------|
| | \$ | \$ | \$ | \$ |
| Public open space | 376,379 | - | - | 376,379 |
| Mosquito control | 3,316 | 689 | - | 4,005 |
| Nomination bond | 640 | - | (640) | - |
| | <u>380,335</u> | <u>689</u> | <u>(640)</u> | <u>380,384</u> |



Our Ref: 12/01/0003
Your Ref:
Enquiries: Kaleena Cruickshank, Manager Financial Services

Ms Caroline Spencer
Auditor General
Office of the Auditor General
7th Floor, Albert Facey House
469 Wellington Street
PERTH WA 6000

Dear Ms Spencer

REPRESENTATION LETTER IN RESPECT OF THE TOWN OF PORT HEDLAND'S ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

This representation letter is provided in connection with your audit of the Town of Port Hedland's (the Town) annual financial report for the year ended 30 June 2023 for the purpose of expressing an opinion as to whether the annual financial report is fairly presented in accordance with the Local Government Act 1995, the Local Government (Financial Management) Regulations 1996 and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

We submit the following representations for the year ended 30 June 2023 after making appropriate enquiries and according to the best of our knowledge and belief. In providing these representations we acknowledge that a modified opinion is proposed for the financial report. This representation covers all material items in each of the categories listed below.

1. General

- (a) We have fulfilled our responsibilities, as set out in the terms of the audit engagement, for the preparation and fair presentation of the annual

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financial report in accordance with the Local Government Act 1995, the Local Government (Financial Management) Regulations 1996 and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

- (b) We have advised your auditors of all material contentious methods used in the presentation of the financial report.
- (c) There have been no changes in accounting policies or application of those policies that would have a material effect on the financial report.
- (d) The prior period comparative information in the financial report has not been restated.
- (e) Except as represented in paragraphs 1(f) and 2, significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We confirm the disclosures related to accounting estimates are complete and appropriate.
- (f) We acknowledge due to the significant audit findings raised in respect of infrastructure assets and investment property we had not established and maintained an adequate internal control structure and adequate financial records as we have determined are necessary to facilitate the preparation of the financial report that is free from material misstatement, whether due to fraud or error.
- (g) We have provided your auditors with:
 - (i) Access to all information of which we are aware that is relevant to the preparation of the financial report, such as records, documentation and other matters.
 - (ii) Additional information that your auditors have requested for the purpose of the audit.
 - (iii) Unrestricted access to staff and Councillors of the Town from whom your auditors determined it necessary to obtain audit evidence.
- (h) Except as represented in paragraphs 1(f) and 2, all transactions have been recorded in the accounting and other records and are reflected in the financial report.
- (i) All internal audit reports and reports resulting from other management reviews, including legal issues and legal opinions which have the capacity to be relevant to the fair presentation of the financial report including, where relevant, minutes of meetings, have been brought to your auditors' attention and made available to them.
- (j) We have advised your auditors of all known instances of non-compliance or suspected non-compliance with laws and regulations, and all known data or security breaches whose effects should be considered when preparing the financial report.

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- (k) We have provided to your auditors the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.
- (l) No frauds or suspected frauds affecting the Town involving:
- (i) management
 - (ii) employees who have significant roles in internal control; or
 - (iii) others where the fraud could have a material effect on the financial statements
- have occurred to the knowledge of the management of the Town.
- (m) To our knowledge no allegations of fraud or suspected fraud affecting the Town's financial report have been communicated to us by employees, former employees, analysts, regulators or others.
- (n) We have disclosed to your auditors all known actual or possible litigation and claims whose effects should be considered when preparing the financial report, and they have been accounted for and disclosed in accordance with Australian Accounting Standards.

2. Fair value measurements and disclosures

We confirm that assets and liabilities are recorded at fair value, except for:

- investment property consisting of airport land with a carrying value of \$43,035,291, which was last revalued in June 2021.
- 798 infrastructure assets were identified in the fixed asset register for which the Town was not able to confirm the asset's existence, and which have been revalued to nil; and
- 61 infrastructure assets were identified in the fixed asset register with a cost base of \$32,521,095 which the Town has not revalued as at 30 June 2023.

Except for as represented above, we confirm that the carrying amount of each revalued physical non-current asset does not materially differ from its fair value at the end of the reporting period. Significant fair value assumptions, including those with high estimation uncertainty, are reasonable.

We confirm the measurement methods, including related assumptions and data used by management in determining fair values are appropriate and have been consistently applied.

Except for as represented above, we confirm that the fair value disclosures in the financial report are complete and appropriate.

3. Going concern

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We confirm that the going concern basis of accounting is appropriate for the annual financial report.

4. Contingent liabilities

There are no material contingent liabilities at year end that have not been completely and adequately disclosed in the Notes to the financial report.

5. Commitments for capital expenditure

Other than those commitments reported in the Notes to the financial report, there were no significant commitments for capital expenditure contracts carrying over at year end.

6. Contaminated sites

We are aware of our obligations under the Contaminated Sites Act 2003 and have reported to the Department of Water and Environmental Regulation, that all land owned, vested or leased by the Town that is known to be, or is suspected of being, contaminated. All provisions or contingent liabilities, if any, have been recognised and/or disclosed in the financial report as appropriate.

7. Related entities

We acknowledge our responsibility under section 17(1) of the Auditor General Act 2006 (as applied by section 7.12AL of the Local Government Act 1995) to give written notice to you if any of the Town's functions are being performed in partnership or jointly with another person or body, through the instrumentality of another person or body, and/or by means of a trust. We confirm that we have provided the Auditor General with details of all related entities in existence at 30 June 2023.

8. Related parties

We have disclosed to your auditors the identity of the Town's related parties as defined in Australian Accounting Standards, of which we are aware, and all the related party relationships and transactions of which we are aware. These include the Town's key management personnel and their related parties, including their close family members and their controlled and jointly controlled entities.

We have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of Australian Accounting Standards.

9. Key management personnel compensation

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We confirm the Town's key management personnel have not received any other remuneration, consideration or in-kind benefit (except amounts being reimbursements for out-of-pocket expenses) which has not been included in the compensation disclosed in the Notes to the financial report.

10. Subsequent events

No matters or occurrences have come to our attention between the date of the financial report and the date of this letter which would materially affect the financial report or disclosures therein, or which are likely to materially affect the future results or operations of the Town.

11. Internal control

We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

12. Insurance

We have established procedures to assess the adequacy of insurance cover on all assets and insurable risks. We believe, where appropriate, assets and insurable risks are adequately covered by insurance.

13. Risk management

We confirm that we have established and maintained a risk management framework that is appropriate to the Town.

14. Accounting misstatements

The effects of uncorrected misstatements in the financial report are immaterial, both individually and in the aggregate, to the financial report taken as a whole. A summary of these uncorrected misstatements is listed below.

| Description | Assets Dr/(Cr) \$ | Liabilities Dr/(Cr) \$ | Equity Dr/(Cr) \$ | Profit and Loss Dr/(Cr) \$ |
|---------------------------------------------------------------------------------------------------------------------------|-------------------------|------------------------------|-------------------------|-------------------------------------|
| Factual | | | | |
| 1. Reclassification of goods and services tax payable to goods and services tax receivable as the balance is net-settled. | (146,471) | 146,471 | - | - |
| Judgmental | | | | |
| 2. Recognition of credit loss on self-supporting loans receivable | (264,484) | - | - | 264,484 |
| Total | (410,955) | 146,471 | - | 264,484 |


15. Electronic presentation of the audited annual financial report and auditor’s report

- (a) We acknowledge that we are responsible for the electronic presentation of the annual financial report.
- (b) We will ensure that the electronic version of the audited annual financial report and the auditor’s report presented on the Town’s website is the same as the final signed versions of the audited annual financial report and the auditor’s report.
- (c) We have clearly differentiated between audited and unaudited information in the construction of the Town’s website and understand the risk of potential misrepresentation in the absence of appropriate controls.
- (d) We have assessed the security controls over the audited annual financial report and the auditor’s report and are satisfied that the procedures in place are adequate to ensure the integrity of the information provided.
- (e) We will ensure that where the auditor’s report on the annual financial report is provided on the website, the annual financial report is also provided in full.

16. Other (unaudited) information in the annual report

We will provide the final version of the annual report to you when available, to enable you to complete your required procedures.





Director Corporate Services

12.04.2024

Date

Name: Steve Leeson

Chief Executive Officer

Date

Name: Carl Askew

Town of Port Hedland Office

Civic Centre, McGregor Street, Port Hedland, WA 6721

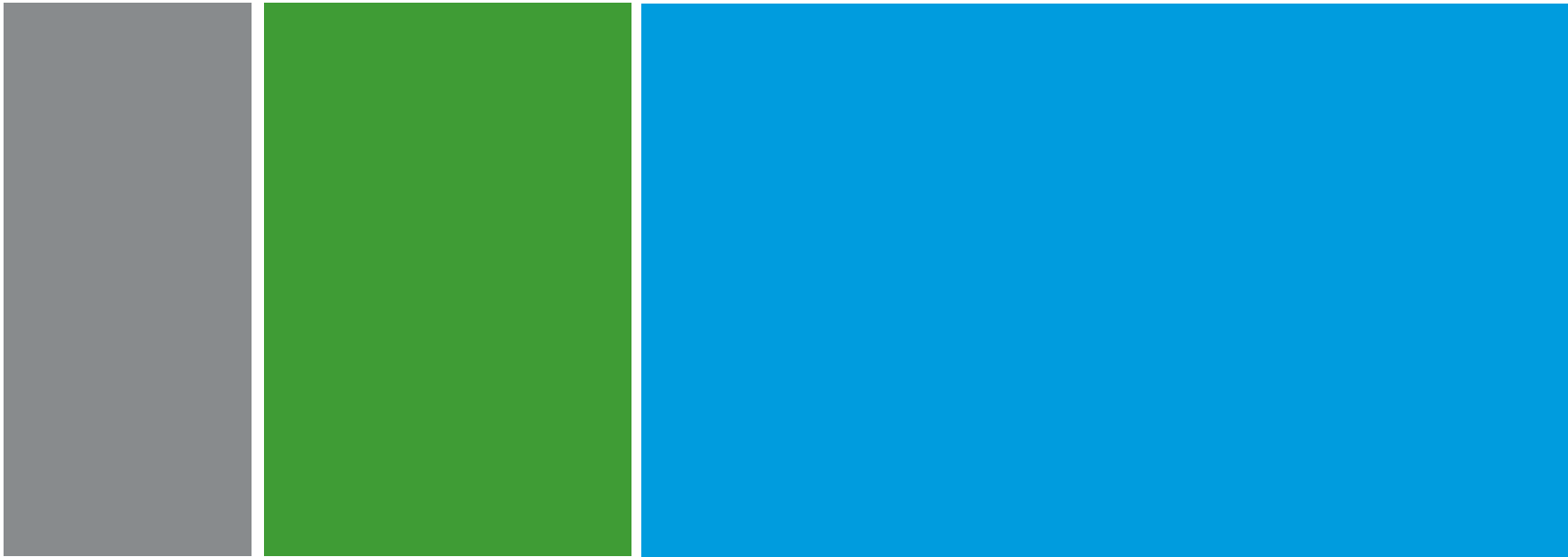
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TOWN OF PORT HEDLAND

AUDITOR'S CLOSING REPORT

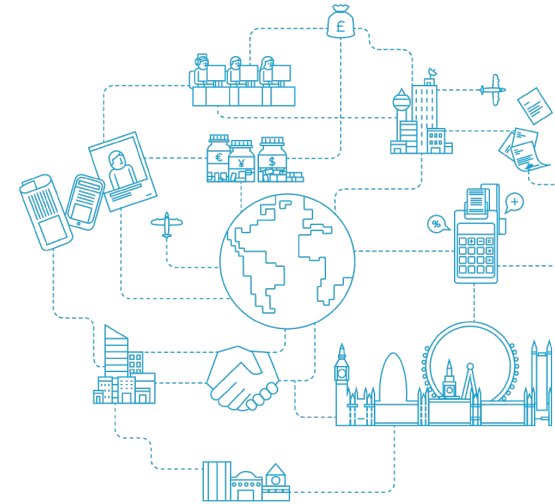
Year ended 30 June 2023

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING



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1. EXECUTIVE SUMMARY

Introduction

The primary purpose of this Auditor’s Closing Report is to brief the Town of Port Hedland (“the Town” or “the Local Government”) on the results of our substantially completed audit of financial statements for the year ended 30 June 2023.

This report should be read in conjunction with our Audit Planning Memorandum (APM).

Based on RSM’s recommendation, the Office of the Auditor General (OAG) intends to issue a modified opinion on the financial statements for the year ended 30 June 2023. The audit procedures were designed to support our auditor’s report and cannot be expected to identify all weaknesses or inefficiencies in your systems and working practices.

Scope and Approach

There have been no changes in the audit scope set out in the APM.

However, as a result of the matters identified in the conduct of the audit, more specifically in relation to infrastructure assets (refer to Section 3), the OAG intends to issue a modified opinion. A further update will be provided at the Exit meeting scheduled for 10 April 2024.

As a consequence, additional time and resources were required by RSM and the OAG (which include technical and quality reviews) resulting in the timeline for the completion of the audit extending beyond the dates indicated as per the APM.

Matters of significance





Under section 24(1) of the Auditor General Act 2006, the Auditor General is required to report on matters arising out of the performance of the Auditor General’s functions that are, in the opinion of the Auditor General, of such significance as to require reporting. We confirm that no such matters came to our attention during our audit work.

Our appreciation

We wish to express our appreciation for the cooperation provided by the Town during the audit.

AMIT KABRA
 Director – Assurance & Advisory
 RSM Australia

ARAM MADNACK
 Acting Senior Director – Financial Audit
 Office of the Auditor General of WA

| OVERALL SUMMARY | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  STATUS OF THE AUDIT 6 <i>Outstanding matters for audit completion</i> |  KEY AREAS OF AUDIT FOCUS 5 <i>Areas assessed as key risks</i> |
|  INTERNAL CONTROL OBSERVATIONS 30 <i>Improvements to the design and implementation of internal controls which remain open</i> |  IDENTIFIED MISSTATEMENTS 11 <i>Number of adjusted and unadjusted misstatements identified during the audit</i> |

2. STATUS OF THE AUDIT

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

| Action | Responsibility | Due on/by |
|-----------------------------------------------------------------------------------------------------------------|------------------|------------------------------------------------------------------------|
| 1. Conclusion on the basis of modification to the auditor's report and final review of the financial statements | OAG / RSM | 12 April 2024 |
| 2. Receipt of the signed CEO's certification for the financial report | Management | 12 April 2024 |
| 3. Receipt of the signed management representation letter | Management | 12 April 2024 |
| 4. Completion of subsequent events procedures to the date of signing the auditor's report | RSM / Management | 12 April 2024 |
| 5. Issuing contractor's auditor's report to the Office of the Auditor General | RSM | 15 April 2024 |
| 6. Issue of signed auditor's report to the Local Government | OAG | Within 3 business days of receipt of the contractor's auditor's report |

3. KEY AREAS OF AUDIT FOCUS



In performing our audit, we have identified the following areas, in our professional judgment, of most significance in the audit of the financial report for the year ended 30 June 2023:

SIGNIFICANT RISKS

1. Infrastructure and property, plant and equipment

Summary of response

Our audit procedures, among other things, included:

Control testing:

- Assessing the design, implementation and operating effectiveness of key internal controls operating within the infrastructure and property, plant and equipment cycle.

Substantive testing:

- Performing test of details, on a sample basis, material additions to Infrastructure, Property, Plant and Equipment (which includes works in progress) to ensure they qualify for capitalisation under AASB 116 *Property, plant and equipment*.
- Review of fair value estimates (obtained from independent valuation report) and reconciliations to general ledger.
- Consider the scope, competency and methodology of the valuer and valuation to determine fair values, including consideration of significant assumptions, methods and data utilised.
- Test accuracy and completeness of data sets including review of useful lives, condition assessments and depreciation rates.
- Review management impairment assessment for any indication of management bias.
- Reviewing the disclosures in the notes to the financial statements are appropriate.

Findings and Conclusion

Findings

During the audit, we noted the following:

- One significant internal control finding regarding the frequency of revaluation of land and buildings, which is unresolved from the prior year (please see Section 4 for more details).
- Three significant internal control findings concerning controls over the fixed assets that affect the completeness of asset records (please see Section 4 for more details).
- Three audit adjustments leading to an aggregate reduction in the carrying value of infrastructure assets of \$39.7 million (please see Section 5 for more details).

In addition to the above, we conducted detailed procedures to assess the completeness of the asset records and the adequacy of the valuation.

Based on our audit procedures we found:

- Infrastructure assets with a written down carrying value of \$25,112,117 (comprising Roads; \$7,190,209; Drainage \$10,448,291, Footpaths \$1,152,353; Other \$5,869,504 and Depot \$451,760) represented by 797 records within the Town's fixed asset register, have been recorded at nil value in the financial report as the Town lacked adequate records to verify the existence of these assets and their completeness.
- Infrastructure assets with a written down carrying value of \$32,521,094 (comprising Drainage \$114,459, and Other \$32,406,635) represented by 61 records within the Town's fixed asset register, which have been recognised in the financial report, have not been measured at fair value in compliance with the Regulations.

Conclusion

We were unable to obtain sufficient appropriate audit evidence regarding the completeness and accuracy of the Town's asset management system records specifically concerning infrastructure assets to enable the Town to reliably value these assets within its accounting records. Accordingly, we are unable to conclude if the infrastructure assets have been accounted for, in all material respects, has been accounted for under Australian Accounting Standards, to the extent that they are not inconsistent with the *Local Government Act 1995 (LG Act)* and the *Local Government (Financial Management) Regulations 1996 (Financial Management Regulations)*.

Due to the proportion of the Town's Infrastructure assets to the total assets, and the uncertainty of the size of any potential misstatement arising from the above matters, the impact on the financial statements is material. Hence, we have concluded to provide a modified opinion.

KEY AREAS OF AUDIT FOCUS (CONTINUED)

2. Investment property - airport

Summary of response

Our audit procedures, among other things, included:

Substantive testing:

- Reviewing the calculation of the present value of the Town's remainderment interest in the investment property and reconciliations to the general ledger.
- Consideration of significant assumptions, methods and data utilised in the calculation of the present value of the Town's remainderment interest (such as discount rates).
- Agreeing with the movement in the fair value of the Town's remainderment interest in the investment property to the profit and loss.
- Checking the accounting treatment and entries for valuation adjustments.
- Reviewing the disclosures in the notes to the financial statements is appropriate.

Findings and Conclusion

Findings:

The Investment property, the Port Hedland International Airport land, (which is subject to a long-term, pre-paid leasing arrangement with its operator) has not been adequately assessed for any changes in the land's unencumbered fair value. The determination of the land's unencumbered fair value is a significant accounting estimate that is required to enable the Town to accurately determine the fair value of its remainderment interest in the land, as required by Australian Accounting Standards.

During the audit, we noted the following:

- One adjusted misstatement due to an error in applying AASB 140 *Investment Property*, which involved the adjustment for the discounting of the undiscounted fair value of land (please refer to Section 5 for more details); and
- One internal control finding regarding the frequency of revaluations.

As stated in Section 4 - Internal control findings of this report, we noted a significant deficiency in the internal control over the frequency of revaluations. Investment property was last revalued in 2021.

Conclusion:

As the investment property's valuation has not been adequately assessed for any changes in the land's unencumbered fair value, we are unable to conclude if the Investment Property has been accounted for, in all material respects, has been accounted for under Australian Accounting Standards, to the extent that they are not inconsistent with the LG Act and the Financial Management Regulations.

Due to the proportion of the Town's Investment Property to the total assets, and the uncertainty of the size of any potential misstatement arising from the above matter, the impact on the financial statements could be material. Hence, we have concluded to provide a modified opinion.

KEY AREAS OF AUDIT FOCUS (CONTINUED)

3. Management override of controls

Summary of response

Our audit procedures, among other things, included:

- Testing journal entries recorded in the general ledger and adjustments on a sample basis based on data analytics to identify journal entries that exhibit characteristics of audit interest;
- Assessing accounting estimates for evidence of biases;
- Review unusual, significant transactions and related party transactions; and
- Conduct an unpredictability test.

Findings and Conclusion

Findings:

During the audit, we noted the following:

- Three significant control weaknesses impacting management override of controls (please see Section 4 for more details):
 - Journal entries with no evidence of review and approval;
 - Financial Application (SynergySoft) – User Access Management; and
 - Financial Application (TechOne) – User Access Management

Conclusion:

Based on our procedures, notwithstanding the above control weaknesses, nothing further has come to our attention to indicate that there aren't proper processes and controls to manage the risk of management override of controls.

KEY AREAS OF AUDIT FOCUS (CONTINUED)

4. Revenue recognition – grants, subsidies and contributions, fees and charges

Summary of response

Our audit procedures, among other things, included:

Control testing:

- Assessing the design, implementation and operating effectiveness of key internal controls operating within the revenue cycle.
- Reviewing the IT general controls related to the core financial accounting system.

Substantive testing:

- Performing analytical procedures on fees and charges (such as those related to waste management).
- Performing test of details, on a sample basis, over fees and charges and grants, subsidies and contributions throughout the year and include transactions near year end to ensure they are correctly and completely accounted for in line with the Local Government’s revenue recognition policy.
- Performing calculation checks for contract liabilities related to grants, subsidies and contributions and vouching to agreements.
- Reviewing receivables balances on a sample basis and performing subsequent receipt testing.
- Performing testing on journal entries for any management override of internal controls related to revenue recognition.

Findings and Conclusion

Findings

During the audit, we noted the following:

- One adjusted misstatement relating to an error in the application of AASB 1058 *Income for Not-For-Profits*, an understatement of grant revenue based on the state of completion of the capital work funded by the grant (refer to Section 5 for further details).

Conclusion

Based on our procedures, we are satisfied that revenue, in all material respects, has been accounted for under Australian Accounting Standards, to the extent that they are not inconsistent with the LG Act and the Financial Management Regulations.

KEY AREAS OF AUDIT FOCUS (CONTINUED)

5. Provision for rehabilitation

Summary of response

Our audit procedures, among other things, included:

Substantive testing:

- Review management’s assessment to identify changes in circumstances and any change required to the provision for remediation costs for landfill. Management has engaged ASK Waste Management to assist with the provision assessment;
- Review the present value calculation for provision for remediation costs;
- Checking the accounting treatment and entries for the provision and the associated rehabilitation asset, where applicable;
- Reviewing disclosures in the notes to the financial statements are appropriate.

Findings and Conclusion

Findings

During the audit, we noted the following:

- Two adjusted misstatements (refer to Section 5 for further details), concerning incorrect application of the revaluation method of the accounting of the landfill provision and related assets as required by IRIC 1 *Changes in Decommissioning, Restoration and Similar Liabilities* and differences in inflation and discount rates used by the Town impacting the unwinding of interest.

Conclusion

Based on our procedures, we are satisfied that provisions for rehabilitation, in all material respects, have been accounted for under Australian Accounting Standards, to the extent that they are not inconsistent with the LG Act and the Financial Management Regulations.

KEY AREAS OF AUDIT FOCUS (CONTINUED)

KEY BALANCES

1. Rates revenue

Summary of response

Our audit procedures, among other things, included:

Control testing:

- Assessing the design, implementation and operating effectiveness of key internal controls operating within the revenue cycle.
- Reviewing the IT general controls related to the core financial accounting system.

Substantive testing:

- Reviewing rates receivables balances on a sample basis and performing subsequent receipt testing
- Performing analytical procedures on rates through a detailed comparison with Landgate valuation data and approved rate in the dollar.
- Determining if the disclosures in the notes to the financial report related to revenue recognition policy are appropriate

Conclusion

Based on our procedures, we are satisfied that rates revenue, in all material respects, have been accounted for under Australian Accounting Standards, to the extent that they are not inconsistent with the LG Act and the Financial Management Regulations.

KEY AREAS OF AUDIT FOCUS (CONTINUED)

2. Materials and contracts

Summary of response

Our audit procedures, among other things, included:

Control testing:

- Assessing the design, implementation and operating effectiveness of key internal controls operating within the purchasing and procurement cycle.
- Reviewing the IT general controls related to the core financial accounting system.

Substantive testing:

- Performing test of details, on a sample basis, over materials and contracts expense. The samples will be selected from transactions occurring throughout the year and include transactions near year end to ensure they are correctly and completely accounted for in the correct period.
- Performing a search for unrecorded liabilities.

Findings and Conclusion

Findings

During the audit, we noted the following:

- Two unadjusted misstatements (refer to Section 5 for further details), which we consider to be immaterial, but more than trivial concerning trade and other payable invoices recorded in the incorrect accounting period; and
- One internal control finding relating to the end-of-year accounting for trade and other payables.

Conclusion

Based on our procedures, we are satisfied that materials and contracts, in all material respects, have been accounted for under Australian Accounting Standards, to the extent that they are not inconsistent with the LG Act and the Financial Management Regulations.

KEY AREAS OF AUDIT FOCUS (CONTINUED)

3. Employee benefits expense

Summary of response

Our audit procedures, among other things, included:

Control testing:

- Assessing the design, implementation and operating effectiveness of key internal controls operating within the payroll cycle.
- Reviewing the IT general controls related to the core financial accounting system.

Substantive testing:

- Analytical procedures over employee benefit expenses and amounts allocated from employee benefits to capital projects.
- Analytical procedures over annual leave and long service leave provisions.
- Checking the mathematical accuracy of the long service leave computation, including consideration of significant assumptions, methods and data utilised.
- Performing test of details, on a sample basis, of key management personnel ('KMP') remuneration disclosures in the financial report.

Conclusion

Based on our procedures, we are satisfied that employee benefits expense, in all material respects, has been accounted for under Australian Accounting Standards, to the extent that they are not inconsistent with the LG Act and the Financial Management Regulations.

KEY AREAS OF AUDIT FOCUS (CONTINUED)

Other critical disclosures within the financial statements

RSM has also audited the following critical disclosures in the financial statements by verifying the underlying calculations and auditing the evidence to support the amounts disclosed. Our findings are outlined in the below table.

| Description of disclosure | RSM Audit response | Findings |
|-----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Related party disclosures | Reviewing the disclosures and supporting material to ensure compliance with AASB 124 <i>Related Party Disclosures</i> . Assessing the Local Government's internal controls around the identification and proper disclosure of related party transactions and the elected members' and senior officers' remuneration. | We have noted a reoccurring moderate internal control finding within section 4 of this report regarding inaccuracies in related party disclosure. Based on our procedures, other than the matter noted above we did not identify any further matters. |
| Areas subject to accounting estimates | We have considered the areas of the Local Government's financial statements that are subject to estimation uncertainty, few are of sufficient quantum to be susceptible to material misstatement. We determined that the balances listed below include estimates that may be susceptible to material misstatement due to the measurement of the monetary amount. <ul style="list-style-type: none"> ▪ Financial and non-financial assets - assessment of fair value inputs and impairment indicators; ▪ Investment property at fair value - discount rates; ▪ Landfill rehabilitation provision - discount rates, inflation rates and timing of future cash flows; ▪ Employee benefits provisions – the probability of leave vesting, discount rates, wage inflation rates and timing of future cash flows. Our additional audit work encompassed performing more granular assessments regarding the risk that accounting estimates are materially misstated. In addition, we focused on appropriately responding to the levels of estimation uncertainty, complexity and subjectivity in the accounting estimate. | As outlined above in section 3.1 and 3.2 above concerning infrastructure assets and investment property, we believe that the issue identified has a material impact on the financial report of the Town, due to the proportion this balance represents of the Town's total assets. As a result, we have not been able to obtain sufficient appropriate audit related to: <ul style="list-style-type: none"> ▪ Non-financial assets - assessment of fair value inputs and impairment indicators; Our procedures regarding the other accounting estimates did not identify any significant matters. |
| Capital and other commitments for expenditure | We have checked the underlying calculations and reviewed evidence (including but not limited to purchase orders and contracts) to support the amounts disclosed. | Our procedures regarding capital and other commitments for expenditure did not identify any significant matters. |

4. INTERNAL CONTROL FINDINGS

Based on our testing, we have included an update on the status of prior year findings as well as the following control weaknesses identified during the preliminary and final audit stages:

Financial statement audit

Prior year

At the date of this report, five recommendations noted in the prior year's audit remain open after verification.

| Findings | Year raised | Current Rating | Status |
|------------------------------------------------------------------------------------------------------------------------------------|-------------|----------------|--------|
| 1. Fair value of land, buildings and investment property - frequency of valuations | 2022 | Significant | Open |
| 2. Inaccuracies in related party disclosure | 2022 | Moderate | Open |
| 3. No evidence of independent review of the lease debtor's schedule periodically | 2022 | Moderate | Open |
| 4. No evidence of independent review of changes to employee master file data | 2022 | Moderate | Open |
| 5. Incorrect capitalisation of assets valued below \$5,000 per the <i>Local Government (Financial Management) Regulations 1996</i> | 2022 | Minor | Open |

At the date of this report, one recommendation noted in the prior year's audit remain open pending verification which will occur upon the completion of the Roads to Recovery acquittal for 2023.

| Findings | Year raised | Current Rating | Status |
|--------------------------------------------------------------------------------------------|-------------|----------------|--------|
| 1. Errors in the calculation of own source expenditure to acquit Roads to Recovery Funding | 2022 | Significant | Open |

Current year

At the date of this report, 13 recommendations noted in the current year's audit remain open.

| Findings | Rating | Status |
|-----------------------------------------------------------------------------------------------------------------------------------------|-------------|--------|
| 1. Fixed asset control activities have not been performed since the implementation of TechOne ERP | Significant | Open |
| 2. Maintenance of detailed and accurate asset registers | Significant | Open |
| 3. Bank and treasury control activities requiring a significant amount of management workaround after the implementation of TechOne ERP | Significant | Open |
| 4. Transfer of opening balances from SynergySoft ERP to TechOne ERP | Significant | Open |
| 5. Transfer of opening work-in-progress balances for capital projects between SynergySoft ERP and TechOne ERP | Significant | Open |
| 6. Journal entries with no evidence of review and approval | Significant | Open |
| 7. Expected credit loss assessment and reconciliation not performed regularly | Moderate | Open |
| 8. Credit card statements and reconciliations are filed with missing supporting documentation | Moderate | Open |
| 9. Missing evidence supporting changes to supplier master file data | Moderate | Open |
| 10. Payroll reconciliation to the general ledger not performed | Minor | Open |
| 11. Term deposit limits not compliant with Council Investment Policy | Minor | Open |

Current year (continued)

| Findings | Rating | Status |
|------------------------------------------------------------------------------------------------------|--------|--------|
| 12. End-of-year cut-off of trade and other payables | Minor | Open |
| 13. Asset disposal form not completed in a timely manner and with no evidence of review and approval | Minor | Open |

Information systems audit

Prior year

At the date of this report, 5 recommendations noted in the prior year's audit remain open after verification.

| Findings | Current Rating | Status |
|-----------------------------------------------------------------|----------------|--------|
| 1. Financial Application (SynergySoft) – User Access Management | Significant | Open |
| 2. Network – User Access Management | Significant | Open |
| 3. Business Continuity Management | Moderate | Open |
| 4. Backup Management | Moderate | Open |
| 5. Network Security Management | Moderate | Open |

Current year – final audit

At the date of this report, six recommendations noted in the current year's audit remain open.

| Findings | Rating | Status |
|-------------------------------------------------------------|-------------|--------|
| 1. Financial Application (TechOne) – User Access Management | Significant | Open |
| 2. Change Management | Moderate | Open |
| 3. IT Incident Response Management | Moderate | Open |
| 4. Data Loss Prevention | Moderate | Open |
| 5. Password Management | Minor | Open |
| 6. Physical Security Management | Minor | Open |



5. IDENTIFIED MISSTATEMENTS

Adjusted Misstatements

Because of the modified opinion, we may be unable to determine whether any further adjustments are necessary to the Town's Financial Report. However, from the audit procedures carried out, management made the following adjustments. We are not able to report on the completeness of the below-adjusted misstatements until the conclusion of the modification to the audit opinion has been reached.

| Description | Assets Dr/(Cr) \$ | Liabilities Dr/(Cr) \$ | Equity Dr/(Cr) \$ | Profit and Loss Dr/(Cr) \$ |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|------------------------------|-------------------------|----------------------------------|
| 1. Correction of value recognised as income for gifted assets to their fair value | - | - | (2,369,810) | 2,369,810 |
| 2. Recognition of fair value of Other Infrastructure fixed assets not initially included within the revaluation | (4,751,089) | - | 4,751,089 | - |
| 3. Correction of error in the application of AASB 140 <i>Investment Property</i> , being the adjustment for the discounting of the undiscounted fair value of land | (2,241,765) | - | - | 2,241,765 |
| 4. Recognition of income previously deferred regarding the design and construction of the bicycle path/footpath in Cooke Point based on the percentage of completion of performance obligations relating to approved projects. | - | 200,000 | - | (200,000) |
| 5. Correction to accounting for the revision of the landfill provisions per the revaluation model under IFRIC 1- <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i> | (172,227) | 707,039 | (534,812) | - |
| 6. Correction to accounting to reflect the unwinding of the finance costs associated with the landfill provision due to differences in the inflation and discount rates used by the Town. | - | (395,168) | - | 395,168 |
| 7. Creditor invoices for capital expenditure relating to the current financial year that were improperly excluded. | 116,581 | (116,581) | - | - |
| 8. Creditor invoices relating to future financial years that were improperly included. | - | 180,954 | - | (180,954) |
| 9. Error in the updating of asset values by the Town regarding the Gratwick Aquatic Centre where the incorrect value was inputted into the financial records. | (34,816,320) | - | 34,816,320 | - |
| 10. Reclassification of negative revaluation reserve balance related to infrastructure assets (Depot and Others) as a result of revaluation | - | - | (3,625,464) | 3,625,464 |
| 11. Recognition of provision for airport-land remediation works | 1,991,971 | (1,991,971) | - | - |
| Total | (39,872,849) | (1,415,727) | 33,037,323 | 8,251,253 |

Unadjusted Misstatements

Because of the modified opinion, we may be unable to determine whether any further unadjusted misstatements were present within the Town’s Financial Report. However, from the audit procedures carried out, we have identified the following unadjusted differences. We are not able to report on the completeness of the below-unadjusted misstatements until the conclusion of the modification to the audit opinion has been reached.

| Description | Assets Dr/(Cr) \$ | Liabilities Dr/(Cr) \$ | Equity Dr/(Cr) \$ | Profit and Loss Dr/(Cr) \$ |
|---------------------------------------------------------------------------------------------------------------------------|-------------------------|------------------------------|-------------------------|----------------------------------|
| 1. Reclassification of goods and services tax payable to goods and services tax receivable as the balance is net-settled. | (146,471) | 146,471 | - | - |
| 2. Recognition of credit loss on self-supporting loans receivable | (264,484) | - | - | 264,484 |
| Total | (410,955) | 146,471 | - | 264,484 |

Disclosure Deficiencies in the Financial Statements





Because of the modified opinion, we may be unable to determine whether any further corrections were necessary to the disclosures within the Town’s Financial Report until the conclusion of the modification to the audit opinion has been reached.






APPENDICES

APPENDIX 1 – REQUIRED COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE

Under Australian Auditing Standards, we are required to communicate the following matters to the Chief Executive Officer and the Council:

| Matter | How we addressed this matter | Result |
|---------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| Independence | We have fully satisfied ourselves that we do not have any actual or perceived conflict of interest. |  |
| Subsequent events | Based on our work within the scope of our engagement, nothing came to our attention to indicate subsequent events are not adequately disclosed or adjusted for within the financial report. However, as a result of the modified opinion, we may be unable to provide a conclusion on this matter. |  |
| Compliance with laws and regulations | Based on our work within the scope of our engagement, nothing came to our attention to indicate key controls around compliance with laws and regulations are ineffective. However, as a result of the modified opinion, we may be unable to provide a conclusion on this matter. |  |
| Responsibilities relating to fraud | We did not become aware of any fraud during our audit. However, as a result of the modified opinion, we may be unable to provide a conclusion on this matter. |  |

| Matter | How we addressed this matter | Result |
|----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| External confirmations | There were no instances where management refused or denied us sending a request for external confirmation. |  |
| Contingent liabilities or commitments | Based on our work within the scope of our engagement, nothing came to our attention to indicate contingent liabilities or commitments are not adequately disclosed within the financial report. However, as a result of the modified opinion, we may be unable to provide a conclusion on this matter. |  |
| Going concern | No events or conditions have been identified during the audit that may cast doubt on the Local Government's ability to continue as a going concern for 12 months from the date of our auditor's report. However, as a result of the modified opinion, we may be unable to provide a conclusion on this matter. |  |

APPENDIX 2 – CHANGES IN ACCOUNTING STANDARDS

| Standard or pronouncement | Description | Who does it affect | Effective date |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------------------------------------------------------------------------|
| AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates | <p>This Standard amends:</p> <ul style="list-style-type: none"> AASB 7 Financial Instruments: Disclosures, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements; ASB 101 Presentation of Financial Statements, to require entities to disclose their material accounting policy information rather than their significant accounting policies; AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates; and AASB Practice Statement 2 Making Materiality Judgements, to provide guidance on how to apply the concept of materiality to accounting policy disclosures. | All entities | 31 December 2023 (Accounting periods beginning on or after 1 January 2023) |
| AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current | This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. For example, the amendments clarify that liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of liability is also clarified. | All entities | 31 December 2024 (Accounting periods beginning on or after 1 January 2024) |
| AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date | AASB 2020-6 defers the effective date of AASB 2020-1 from 1 January 2022 to 1 January 2023. | All entities | 31 December 2024 (Accounting periods beginning on or after 1 January 2024) |
| AASB 2022-6 Amendments to Australian Accounting Standards – Noncurrent Liabilities with Covenants | AASB 2022-6 amends AASB 101 to provide further clarity on the presentation and disclosure of non-current liabilities with covenants, and to defer the effective date of the 2020 amendments from 1 January 2023 to 1 January 2024. | All entities | 31 December 2024 (Accounting periods beginning on or after 1 January 2024) |
| AASB 2022-5 Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback | <p>This Standard amends AASB 16 Leases to add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in AASB 15 Revenue from Contracts with Customers to be accounted for as a sale.</p> <p>AASB 16 already requires a seller-lessee to recognise only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. The amendments made by this Standard ensure that a similar approach is applied by also requiring a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that does not recognise any amount of the gain or loss related to the right of use it retains.</p> | All entities | 31 December 2024 (Accounting periods beginning on or after 1 January 2024) |

For more information, visit: www.rsm.global/australia/service/audit-and-assurance-services



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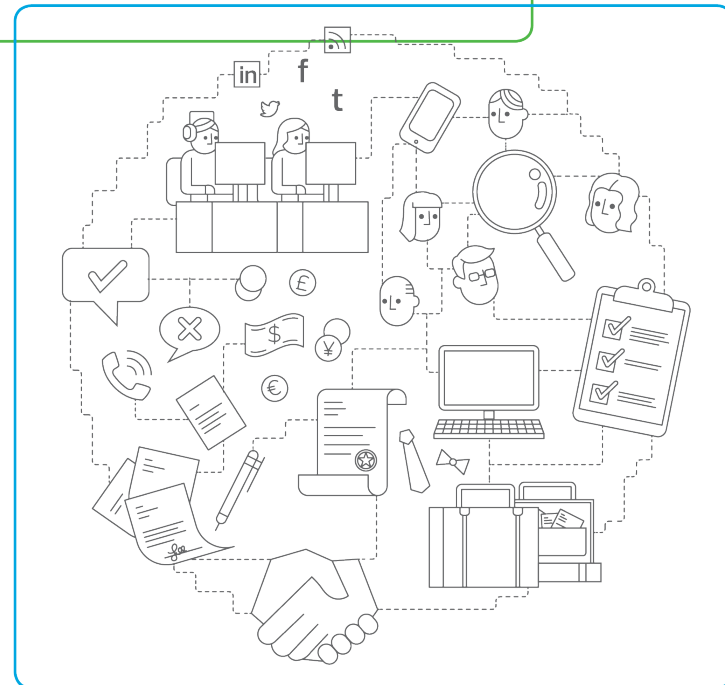
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HELPING YOU MOVE FORWARD
WITH CONFIDENCE





TOWN OF PORT HEDLAND
AUDIT, RISK AND COMPLIANCE COMMITTEE
TERMS OF REFERENCE

AUDIT, RISK & COMPLIANCE COMMITTEE TERMS OF REFERENCE**VERSION 12****1. Purpose of the Terms of Reference**

The purpose of this document is to define the Terms of Reference (TOR) for the Audit, Risk and Compliance Committee (the “ARC Committee” or “Committee”).

These TOR describe the Committee's purpose, authority, membership, functions, reporting requirements and responsibilities.

2. Establishment and Appointment

The ARC Committee is a formally appointed committee of the Council for the Town of Port Hedland (the “Town”) pursuant to section 7.1A of the *Local Government Act 1995* (“the Act”).

3. Role

The ARC Committee is to provide guidance and assistance to Council concerning matters within its Terms of Reference. It assumes a key role in assisting the Town of Port Hedland (the “Town”) in fulfilling its governance and oversight obligations related to financial reporting, internal controls, risk management systems, legislative compliance, ethical accountability, and internal and external audit functions.

4. Objectives

The primary objective of the ARC Committee is to assume responsibility for the annual external audit and establish effective communication with the Town’s external auditor. This ensures that Council can be satisfied with the performance of the local government in managing its financial affairs.

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

- 4.1 The scope of work, objectivity, performance and independence of the external auditor.
- 4.2 The integrity of internal and external financial reporting, including accounting policies.
- 4.3 The establishment, effectiveness and maintenance of controls and systems to safeguard the Town’s financial and physical resources.
- 4.4 The systems or procedures that are designed to ensure that the Town comply with relevant statutory and regulatory requirements.
- 4.5 The process and systems which protect the Council against risk, fraud and irregularities.
- 4.6 Compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance.
- 4.7 Provide guidance and assistance to Council as to the carrying out the functions of the local government in relation to audits.

AUDIT, RISK & COMPLIANCE COMMITTEE TERMS OF REFERENCEVERSION 12**5. Authority and Independence**

The ARC Committee does not have executive powers or authority to implement actions in areas over which the administration (management) has responsibility. Furthermore, the ARC Committee does not have any delegated financial responsibility. This ensures that the Committee is able to fulfill its function as an impartial advisory body separate from the Town's management, thereby ensuring objective assessments and guidance.

Under the Town's Register of Delegated Authority – Statutory, the ARC Committee:

- 5.1 Has the authority to meet with the Town's Auditor at least once every year on behalf of the Council [s.7.12A(2) of the Act].
- 5.2 Has the authority to:
 - i. Examine an audit report received by the local government.
 - ii. determine if any matters raised by the audit report, require action to be taken by the local government; and
 - iii. Ensure that appropriate action is taken in respect of those matters.
- 5.3 Has the authority to review and endorse the Town's report on any actions taken in response to an Auditor's report, prior to it being forwarded to the Minister [s.7.12A(4) of the Act].

6. Membership

Composition

- 6.1 The ARC Committee will comprise of a minimum of three and a maximum of five Elected Members, with one member being an independently appointed member, where possible. All members shall have full voting rights and will be appointed by an absolute majority vote of the Council [s5.10(1)(a) of the Act].
- 6.2 Council may appoint by an absolute majority up to three (3) Councillors to be Deputy Members of the Committee. Any Deputy Member may perform the functions of any Committee Member when the Member is unable to do so by reason of illness, absence or other cause. A Deputy of a Member of a Committee, while acting as a Member, has all the functions of and all the protection given to a member [s.5.11A(2)(a),(3) and (4) of the Act].
- 6.3 Deputy Members do not operate as substitutes for individual members. In situations where more than one Deputy Member is in attendance at a Committee meeting, the Committee will conduct a vote to designate which Deputy Member is authorised to perform the duties of the absent member.

Term

- 6.4 In compliance with section 5.11 of the Act, all members will be appointed by Council, and will remain a member until:

AUDIT, RISK & COMPLIANCE COMMITTEE TERMS OF REFERENCE

VERSION 12

- a) the term of the person's appointment as a committee member expires; or
- b) the local government removes the person from the office of committee member or the office of committee member otherwise becomes vacant; or
- c) the committee is disbanded; or
- d) the next ordinary elections day

Appointment

- 6.5 The Presiding Member and Deputy Presiding Member will be appointed by the ARC Committee Members at the Committee's first meeting following an Election.

Skills and Experience

- 6.6 Collectively, the group of Committee members possess a diverse set of skills and expertise encompassing risk management, assurance, business acumen and background in related fields.
- 6.7 Members may seek advice from an external independent advisor. 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)
 - *Local Government Act 1995*
 - Local Government experience and/or Band 1 Council
- 6.8 New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

Declaration of an Interest

- 6.9 ARC Committee members are required by the 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.

Resignation from the Committee

- 6.10 In accordance with Part 2, Regulation 4 of the *Local Government (Administration) Regulations 1996*, A Committee member may resign from membership of the Committee by giving the CEO or the Committee's presiding member written notice of the resignation. It is recommended that ARC Committee members provide a notice period of three (3) months.

Management excluded from membership

- 6.11 The Chief Executive Officer and Employees are not members of the Committee (Section 7.1A(3)&(4) of the Act).

AUDIT, RISK & COMPLIANCE COMMITTEE TERMS OF REFERENCEVERSION 12Management attendance

6.12 The following individuals from the Town's administration will be present at ARC Committee Meetings to offer advice, guidance, and undertake the responsibility of recording minutes:

- Chief Executive Officer
- Director Corporate Services
- Manager Governance
- Manager Financial Services
- Senior Audit, Risk and Insurance Advisor
- Audit, Risk and Insurance Support Officer

7. Meetings

- 7.1 The Committee shall meet at least quarterly.
- 7.2 The Presiding Member of the Committee has the authority to convene extra meetings, or such meetings may be convened upon the request of the Chief Executive Officer.
- 7.3 The 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 Act.
- 7.4 All Elected Members are invited to attend each Audit, Risk and Compliance Committee meeting, but will not be eligible to vote on any items presented at the meeting.
- 7.5 Meeting attendance is subject to Electronic Meetings and Electronic Attendance Policy 4/011.
- 7.6 As prescribed by Section 5.19 of the Act, the quorum for Committee meetings shall be at least 50% of the number of offices of the Committee (whether vacant or not).
- 7.7 The Chief Executive Officer will facilitate the meetings of the Committee and invite members of management, internal and external auditors or others to attend meetings as observers and to provide pertinent information, as necessary.
- 7.8 The Committee will develop a forward meeting schedule that includes the dates, location, and proposed work plan for each meeting for the forthcoming year, which covers the responsibilities outlined in this terms of reference.
- 7.9 Meeting agendas will be prepared and provided at least 72 hours in advance to members, along with appropriate briefing materials.
- 7.10 Minutes will be taken at each meeting and presented to the subsequent meeting for confirmation.
- 7.11 Pursuant to Regulation 13 of the *Local Government (Administration) Regulations 1996*, the unconfirmed minutes of the Committee meeting will be published within 7 days after the meeting is held.
- 7.12 Voting is in accordance with Section 5.21 of the Act.

AUDIT, RISK & COMPLIANCE COMMITTEE TERMS OF REFERENCEVERSION 12**8. Responsibilities**

The Committee will fulfill the following responsibilities:

Risk Management

- 8.1 Review and suggest improvements to whether management has in place a current and fit-for-purpose risk management framework and associated procedures for effective identification and management of the Town's risks, including fraud.
- 8.2 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.
- 8.3 Assess the impact of the Town's risk management framework on its control environment.
- 8.4 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.
- 8.5 Determine whether the Town has a sound and effective approach for business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically reviewed and tested.

Internal Control and Internal Audit

- 8.6 Ensure adequate systems of internal control are in place to mitigate key business risks and promote the effectiveness and efficiency of operations.
- 8.7 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.
- 8.8 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.
- 8.9 Monitor management's implementation of internal audit recommendations, processes and practices to ensure that the independence of the audit function is maintained.
- 8.10 Oversee the coordination of planned activities among the four lines of defence, delineating ownership, accountabilities, resources and governance of risk management activities within the Town.

Financial Reporting

- 8.11 Review and suggest improvements to significant accounting and reporting issues, including complex or unusual transactions and highly judgemental areas, and recent

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accounting, professional and regulatory pronouncements and legislative changes, and understand their effect on the financial report.

8.12 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.

8.13 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.

8.14 Review and suggest improvements (subject to legislation) to the draft Annual Financial Statements (subject to legislation) and recommend the adoption of the Annual Financial Statements to Council.

Compliance

8.15 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.

8.16 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.

8.17 Obtain regular updates from management about compliance matters.

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

External Audit

8.19 Meet with the Office of the Auditor General to discuss the audit plan (audit entrance meeting) and the results of the financial audit (audit exit meeting).

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

8.21 Provide an opportunity for the ARC Committee to meet with the external auditors to discuss any matters that the Committee or the external auditors believe should be discussed privately.

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

8.23 Monitor management's implementation of external audit recommendations.

Reporting

8.24 Report regularly to the Council ARC Committee activities, issues, and related recommendations through circulation of minutes.

AUDIT, RISK & COMPLIANCE COMMITTEE TERMS OF REFERENCE **VERSION 12**

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

Other Responsibilities

8.26 Perform other activities related to this terms of reference as requested by the Council or through audit recommendations.

8.27 Request that the Chief Executive Officer 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.

9. Definitions

| Term | Definition |
|---------------|------------------------------------------|
| ARC Committee | The Audit, Risk and Compliance Committee |
| CEO | The Chief Executive Officer |
| Committee | The Audit, Risk and Compliance Committee |
| The Act | The <i>Local Government Act 1995</i> |
| The Town | The Town of Port Hedland |
| TOR | The Terms of Reference |

10. Version Control

| Version | Meeting |
|---------|--------------------------------------------------------------------------------|
| V1 | <i>Adopted by Council at its Ordinary Meeting held 16 November 2011.</i> |
| V2 | <i>Amended by Council at its Ordinary Meeting held 23 October 2013.</i> |
| V3 | <i>Amended by Council at its Ordinary Meeting held on 11 December 2013.</i> |
| V4 | <i>Amended by Council at its Ordinary Meeting held on 27 May 2015.</i> |
| V5 | <i>Amended by Council at its Ordinary Meeting held on 28 October 2015.</i> |
| V6 | <i>Amended by Council at its Ordinary Meeting held on 22 June 2016.</i> |
| V7 | <i>Amended by Council at its Ordinary Meeting held on 24 May 2017.</i> |
| V8 | <i>Re-Adopted by Council at its Ordinary Meeting held on 1 November 2017.</i> |
| V9 | <i>Re-Adopted by Council at its Ordinary Meeting held on 19 December 2019.</i> |
| V10 | <i>Amended by Council at its Ordinary Meeting held on 23 September 2020.</i> |
| V11 | <i>Amended by Council at its Ordinary Meeting held on 7 September 2022.</i> |
| V12 | <i>Amended by Council at its Ordinary Meeting held on 27 March 2024.</i> |



TOWN OF PORT HEDLAND
AUDIT, RISK AND COMPLIANCE COMMITTEE
TERMS OF REFERENCE

|

AUDIT, RISK & COMPLIANCE COMMITTEE TERMS OF REFERENCE

VERSION 12

1. Purpose of the Terms of Reference

The purpose of this document is to define the Terms of Reference (TOR) for the Audit, Risk and Compliance Committee (the “ARC Committee” or “Committee”).

These TOR describe the Committee's purpose, authority, membership, functions, reporting requirements and responsibilities. The purpose of the terms of reference is to facilitate the operation of the Audit, Risk and Compliance Committee.

2. ~~Introduction~~ Establishment and Appointment

The ARC Committee is a formally appointed committee of the Council for the Town of Port Hedland (the “Town”) pursuant to section 7.1A of the *Local Government Act 1995* (“the Act”). The Audit, Risk and Compliance Committee has been established in accordance with Part 7 of the *Local Government Act 1995*.

3. Role

The ~~Audit, Risk and Compliance~~ARC Committee ~~is an advisory committee formally appointed by the Council and~~ is to provide guidance and assistance to Council ~~on matters relevant to its~~concerning matters within its ~~terms of reference.~~Terms of Reference. It assumes a key role in assisting the Town of Port Hedland (the “Town”) in fulfilling its governance and oversight obligations related to financial reporting, internal controls, risk management systems, legislative compliance, ethical accountability, and internal and external audit functions.

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 auditors 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.

4. Objectives

The primary objective of the ARC Committee is to assume responsibility for the annual external audit and establish effective communication with the Town’s external auditor. This ensures that

AUDIT, RISK & COMPLIANCE COMMITTEE TERMS OF REFERENCE

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~~Council can be satisfied with the performance of the local government in managing its financial affairs.~~

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

~~4.1 The scope of work, objectivity, performance and independence of the external auditor.~~

~~34.24~~ 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.~~

~~43.3~~ The establishment, effectiveness and maintenance of controls and systems to safeguard the Town's financial and physical resources.

~~43.4~~ 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.~~

~~43.56~~ The process and systems which protect the Council against risk, fraud and irregularities.

~~34.67~~ Compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance.

~~43.78~~ 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.~~

54. Authority and Independence

~~The ARC Committee does not have executive powers or authority to implement actions in areas over which the administration (management) has responsibility. Furthermore, the ARC Committee does not have any delegated financial responsibility. This ensures that the Committee is able to fulfill its function as an impartial advisory body separate from the Town's management, thereby ensuring objective assessments and guidance.~~

~~The Audit, Risk and Compliance Committee has the authority to~~Under the Town's Register of Delegated Authority – Statutory, the ARC Committee::

~~5.1~~ Has the authority to meet with the Town's Auditor at least once every year on behalf of the Council [s.7.12A(2) of the Act].

~~54.24~~ Review and suggest improvements to the internal and external auditor's annual audit plans and the outcomes/results of all audits undertaken. ~~Has the authority to:~~

- ~~i.~~ Examine an audit report received by the local government.

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- ii. determine if any matters raised by the audit report, require action to be taken by the local government; and
- ~~i.~~ iii. Ensure that appropriate action is taken in respect of those matters.

5.3 Has the authority to review and endorse the Town's report on any actions taken in response to an Auditor's report, prior to it being forwarded to the Minister [s.7.12A(4) of the Act].~~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)(e) 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.~~

65. Composition of Committee Members~~Membership~~Composition

~~6.1—~~ 6.1— The Audit, Risk and Compliance ARC Committee will comprise of three—a minimum of three and a maximum of five Elected Members Elected Members, with one member being an independently appointed member, where possible. All members shall have full voting rights and will be appointed by an absolute majority vote of the Council [s.5.10(1)(a) of the Act].~~.~~

6.2 Council may appoint by an absolute majority up to three (3) Councillors to be Deputy Members of the Committee. Any Deputy Member may perform the functions of any Committee Member when the Member is unable to do so by reason of illness, absence or other cause. A Deputy of a Member of a Committee, while acting as a Member, has all the functions of and all the protection given to a member [s.5.11A(2)(a),(3) and (4) of the Act].

6.3 Deputy Members do not operate as substitutes for individual members. In situations where more than one Deputy Member is in attendance at a Committee meeting, the Committee will conduct a vote to designate which Deputy Member is authorised to perform the duties of the absent member.

Term

~~6.42~~ 6.42 In compliance with section 5.11 of the Act, all members will be appointed by Council, and will remain a member until:~~The Council will appoint Audit, Risk and Compliance Committee members.~~

- a) the term of the person's appointment as a committee member expires; or
- b) the local government removes the person from the office of committee member or the office of committee member otherwise becomes vacant; or

AUDIT, RISK & COMPLIANCE COMMITTEE TERMS OF REFERENCEVERSION 12

- c) the committee is disbanded; or
~~a) the next ordinary elections day~~
d) _____

Appointment

~~6.5.53~~ The Presiding Member and Deputy Presiding Member will be appointed by the Audit, Risk and ComplianceARC Committee Members at the Committee's first meeting following ~~after~~ an Election.

Skills and Experience~~5.4~~

~~6.6~~ Collectively, the group of Committee members possess a diverse set of skills and expertise encompassing risk management, assurance, business acumen and background in related fields. 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.

~~6.5.75~~ Members may seek advice from an external independent advisor. ~~The independent advisor will have a Certified Practicing Accountant (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~~

~~6.8~~ New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

Declaration of an Interest

~~6.9~~ ARC Committee members are required by the 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.

Resignation from the Committee

~~5.6~~ As prescribed by Section 5.19 of the Act, the quorum for Committee meetings shall be at least 50% of the number of offices of the Committee (whether vacant or not). ~~6.10~~ In accordance with Part 2, Regulation 4 of the *Local Government (Administration) Regulations 1996*, A Committee member may resign from membership of the Committee

AUDIT, RISK & COMPLIANCE COMMITTEE TERMS OF REFERENCEVERSION 12

by giving the CEO or the Committee's presiding member written notice of the resignation. It is recommended that ARC Committee members provide a notice period of three (3) months.

Management excluded from 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.

~~6.5.119~~ The Chief Executive Officer and ~~E~~employees are not members of the Committee (Section 7.1A(3)&(4) of the Act). -

AUDIT, RISK & COMPLIANCE COMMITTEE TERMS OF REFERENCEVERSION 12Management attendance

6.12 The following individuals from the Town's administration will be present at ARC Committee Meetings to offer advice, guidance, and undertake the responsibility of recording minutes:

- Chief Executive Officer
- Director Corporate Services
- Manager Governance
- Manager Financial Services
- Senior Audit, Risk and Insurance Advisor
- Audit, Risk and Insurance Support Officer

67. _____ Meetings

76.1 The Committee shall meet at least quarterly.

7.2 The Presiding Member of the Committee has the authority to convene extra meetings, or such meetings may be convened upon the request of the Chief Executive Officer. 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.

7.36.2 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-Act.

7.46.3 All Elected Members are invited to attend each Audit, Risk and Compliance Committee meeting, but will not be eligible to vote on any items presented at the meeting.

7.56.4 Meeting attendance is subject to Electronic Meetings and Electronic Attendance Policy 4/011. ~~All Audit, Risk and Compliance Committee members are expected to attend each meeting in person.~~

7.6 As prescribed by Section 5.19 of the Act, the quorum for Committee meetings shall be at least 50% of the number of offices of the Committee (whether vacant or not).

6.57.7 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.

7.86.6 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~~ which covers ~~all~~ the responsibilities outlined in this terms of reference.

7.96.7 Meeting agendas will be prepared and provided at least 72 hours in advance to members, along with appropriate briefing materials.

AUDIT, RISK & COMPLIANCE COMMITTEE TERMS OF REFERENCE VERSION 12

~~7.106.8~~ Minutes will be taken at each meeting and presented to the subsequent meeting for confirmation.

~~7.116.9~~ Pursuant to ~~R~~regulation 13 of the *Local Government (Administration) Regulations 1996*, ~~t~~he unconfirmed minutes of the Committee meeting will be published within 7 days after the meeting is held. ~~unconfirmed minutes will be made available for inspection by members of the public, within 5 (five) business days after the meeting.~~

~~7.126.10~~ Voting is in accordance with Section 5.21 of the Act.

AUDIT, RISK & COMPLIANCE COMMITTEE TERMS OF REFERENCEVERSION 128.7. ___ — Responsibilities

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

7.1 — Risk Management

~~7.1.18.1~~ — Review and suggest improvements to whether management has in place a current and ~~comprehensive fit-for-purpose enterprise~~ risk management framework and associated procedures for effective identification and management of the Town's ~~business and financial~~ risks, including fraud.

~~8.7.1.2~~ — 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.

~~8.7.1.3~~ — Assess the impact of the Town's ~~enterprise~~ risk management framework on its control environment, ~~and insurance arrangements.~~

~~7.1.48.4~~ 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.

~~7.1.58.5~~ Determine whether the Town has a sound and effective approach for business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically reviewed and tested.

7.2 — Internal Control and Internal Audit

~~7.2.18.6~~ — Ensure adequate systems of internal control are in place to mitigate key business risks and promote the effectiveness and efficiency of operations.

~~8.7.2.2~~ — 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.

~~7.2.38.8~~ — 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.

~~8.97.2.4~~ — Monitor management's implementation of internal audit recommendations, processes and practices to ensure that the independence of the audit function is maintained.

~~7.2.58.10~~ — Oversee the coordination of planned activities ~~between-among~~ the ~~four~~ lines of defence, ~~which outlines the delineating~~ ownership, accountabilities, resources and governance of risk management activities within the Town.

AUDIT, RISK & COMPLIANCE COMMITTEE TERMS OF REFERENCEVERSION 12Financial Reporting

~~8.11~~ ~~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~~ ~~8.12~~ — 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~~ ~~8.13~~ — 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~~ ~~8.14~~ — Review and suggest improvements (subject to legislation) to the draft Annual Financial Statements (subject to legislation) and recommend the adoption of the Annual Financial Statements to Council.

~~7.4~~ Compliance

~~8.15~~ ~~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~~ ~~8.16~~ — 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~~ ~~8.17~~ — Obtain regular updates from management about compliance matters.

~~8.18~~ ~~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~~ ~~8.19~~ — Meet with the Office of the Auditor General to discuss the audit plan (audit entrance meeting) and the results of the financial audit (audit exit meeting).

~~7.5.2~~ ~~8.20~~ — Consider the findings and recommendations of relevant Performance Audits undertaken by the external auditor and ensure the Town implements relevant recommendations.

~~7.5.3~~ ~~8.21~~ — Provide an opportunity for the ~~Audit, Risk and Compliance~~ARC 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.

AUDIT, RISK & COMPLIANCE COMMITTEE TERMS OF REFERENCE **VERSION 12**

~~7.5.48.22~~ — Annually review and suggest improvements to the performance of external audit including the level of satisfaction with the external audit function.

~~8.23 7.5.5~~ — Monitor management’s implementation of external audit recommendations.

~~7.5.6~~ — ~~Monitor the relationship between internal auditors and the Office of the Auditor General.~~

~~7.6~~ — Reporting ~~Responsibilities~~

~~7.6.18.24~~ — Report regularly to the Council ~~Audit, Risk and Compliance~~ARC Committee activities, issues, and related recommendations through circulation of minutes.

~~8.25 7.6.2~~ — Monitor that open communication between the internal auditor, the external auditors, and the Town’s management occurs.

~~8~~ — Other Responsibilities

~~8.18.26~~ Perform other activities related to this terms of reference as requested by the Council or through audit recommendations.

8.27 Request that the Chief Executive Officer 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.

9. Definitions

| <u>Term</u> | <u>Definition</u> |
|----------------------|-------------------------------------------------|
| <u>ARC Committee</u> | <u>The Audit, Risk and Compliance Committee</u> |
| <u>CEO</u> | <u>The Chief Executive Officer</u> |
| <u>Committee</u> | <u>The Audit, Risk and Compliance Committee</u> |
| <u>The Act</u> | <u>The Local Government Act 1995</u> |
| <u>The Town</u> | <u>The Town of Port Hedland</u> |
| <u>TOR</u> | <u>The Terms of Reference</u> |

10.9 — Version Control

| <u>Version</u> | <u>Meeting</u> |
|----------------|-----------------------------------------------------------------------------|
| <u>V1</u> | <u>Adopted by Council at its Ordinary Meeting held 16 November 2011.</u> |
| <u>V2</u> | <u>Amended by Council at its Ordinary Meeting held 23 October 2013.</u> |
| <u>V3</u> | <u>Amended by Council at its Ordinary Meeting held on 11 December 2013.</u> |
| <u>V4</u> | <u>Amended by Council at its Ordinary Meeting held on 27 May 2015.</u> |
| <u>V5</u> | <u>Amended by Council at its Ordinary Meeting held on 28 October 2015.</u> |

AUDIT, RISK & COMPLIANCE COMMITTEE TERMS OF REFERENCE

VERSION 12

| | |
|------------|---------------------------------------------------------------------------------------|
| <u>V6</u> | <u><i>Amended by Council at its Ordinary Meeting held on 22 June 2016.</i></u> |
| <u>V7</u> | <u><i>Amended by Council at its Ordinary Meeting held on 24 May 2017.</i></u> |
| <u>V8</u> | <u><i>Re-Adopted by Council at its Ordinary Meeting held on 1 November 2017.</i></u> |
| <u>V9</u> | <u><i>Re-Adopted by Council at its Ordinary Meeting held on 19 December 2019.</i></u> |
| <u>V10</u> | <u><i>Amended by Council at its Ordinary Meeting held on 23 September 2020.</i></u> |
| <u>V11</u> | <u><i>Amended by Council at its Ordinary Meeting held on 7 September 2022.</i></u> |
| <u>V12</u> | <u><i>Amended by Council at its Ordinary Meeting held on 27 March 2024.</i></u> |

- ~~V1. — Adopted by Council at its Ordinary Meeting held 16 November 2011.~~
- ~~V2. — Amended by Council at its Ordinary Meeting held 23 October 2013.~~
- ~~V3. — Amended by Council at its Ordinary Meeting held on 11 December 2013.~~
- ~~V4. — Amended by Council at its Ordinary Meeting held on 27 May 2015.~~
- ~~V5. — Amended by Council at its Ordinary Meeting held on 28 October 2015.~~
- ~~V6. — Amended by Council at its Ordinary Meeting held on 22 June 2016.~~
- ~~V7. — Amended by Council at its Ordinary Meeting held on 24 May 2017.~~
- ~~V8. — Re-Adopted by Council at its Ordinary Meeting held on 1 November 2017.~~
- ~~V9. — Re-Adopted by Council at its Ordinary Meeting held on 19 December 2019.~~
- ~~V10. — Amended by Council at its Ordinary Meeting held on 23 September 2020.~~
- ~~V11. — Re-adopted by Council at its Ordinary Meeting held on 7 September 2022.~~

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return - Port Hedland



Port Hedland – Compliance Audit Return

| Commercial Enterprises by Local Governments | | | | |
|---------------------------------------------|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|----------|
| No | Reference | Question | Response | Comments |
| 1 | s3.59(2)(a) F&G Regs 7,9,10 | Has the local government prepared a business plan for each major trading undertaking that was not exempt in 2023? | Yes | |
| 2 | s3.59(2)(b) F&G Regs 7,8A, 8, 10 | Has the local government prepared a business plan for each major land transaction that was not exempt in 2023? | Yes | |
| 3 | s3.59(2)(c) F&G Regs 7,8A, 8,10 | Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2023? | Yes | |
| 4 | s3.59(4) | Has the local government complied with public notice and publishing requirements for each proposal to commence a major trading undertaking or enter into a major land transaction or a land transaction that is preparatory to a major land transaction for 2023? | Yes | |
| 5 | s3.59(5) | During 2022, did the council resolve to proceed with each major land transaction or trading undertaking by absolute majority? | Yes | |

| Delegation of Power/Duty | | | | |
|--------------------------|-----------|------------------------------------------------------------------------------------------------------------------|----------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| No | Reference | Question | Response | Comments |
| 1 | s5.16 (1) | Were all delegations to committees resolved by absolute majority? | Yes | |
| 2 | s5.16 (2) | Were all delegations to committees in writing? | Yes | |
| 3 | s5.17 | Were all delegations to committees within the limits specified in section 5.17 of the Local Government Act 1995? | Yes | |
| 4 | s5.18 | Were all delegations to committees recorded in a register of delegations? | Yes | |
| 5 | s5.18 | Has council reviewed delegations to its committees in the 2022/2023 financial year? | No | The 2023/24 Delegation Review went to the 30 August 2023 OCM, which resulted in an absolute majority council decision. Decision No. CM202324/118 |

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|----|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-------------------------------------------------------------------------------------------------------------------------------------|
| 6 | s5.42(1) & s5.43 Admin Reg 18G | Did the powers and duties delegated to the CEO exclude those listed in section 5.43 of the Local Government Act 1995? | Yes | |
| 7 | s5.42(1) | Were all delegations to the CEO resolved by an absolute majority? | Yes | |
| 8 | s5.42(2) | Were all delegations to the CEO in writing? | Yes | |
| 9 | s5.44(2) | Were all delegations by the CEO to any employee in writing? | Yes | |
| 10 | s5.16(3)(b) & s5.45(1)(b) | Were all decisions by the Council to amend or revoke a delegation made by absolute majority? | Yes | |
| 11 | s5.46(1) | Has the CEO kept a register of all delegations made under Division 4 of the Act to the CEO and to employees? | Yes | |
| 12 | s5.46(2) | Were all delegations made under Division 4 of the Act reviewed by the delegator at least once during the 2022/2023 financial year? | No | The 2023/24 Delegation Review went to the 30 August 2023 OCM, which resulted in an absolute majority council decision. CM202324/118 |
| 13 | s5.46(3) Admin Reg 19 | Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record in accordance with Local Government (Administration) Regulations 1996, regulation 19? | Yes | |

| Disclosure of Interest | | | | |
|------------------------|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|---------------------------------------------------------------------------------------|
| No | Reference | Question | Response | Comments |
| 1 | s5.67 | Where a council member disclosed an interest in a matter and did not have participation approval under sections 5.68 or 5.69 of the Local Government Act 1995, did the council member ensure that they did not remain present to participate in discussion or decision making relating to the matter? | Yes | |
| 2 | s5.68(2) & s5.69(5) Admin Reg 21A | Were all decisions regarding participation approval, including the extent of participation allowed and, where relevant, the information required by the Local Government (Administration) Regulations 1996 regulation 21A, recorded in the minutes of the relevant council or committee meeting? | Yes | |
| 3 | s5.73 | Were disclosures under sections 5.65, 5.70 or 5.71A(3) of the Local Government Act 1995 recorded in the minutes of the meeting at which the disclosures were made? | Yes | |
| 4 | s5.75 Admin Reg 22, Form 2 | Was a primary return in the prescribed form lodged by all relevant persons within three months of their start day? | No | Not all primary returns were lodged within three months of the relevant persons start |

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| | | | | |
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| | | | | date, however all but 1 have subsequently been provided to the Town. The employee who did not lodge their return is no longer employed at the Town. |
| 5 | s5.76 Admin Reg 23, Form 3 | Was an annual return in the prescribed form lodged by all relevant persons by 31 August 2022? | No | There were 7 outstanding annual returns. The employees are no longer employed at the Town. |
| 6 | s5.77 | On receipt of a primary or annual return, did the CEO, or the Mayor/President, give written acknowledgment of having received the return? | Yes | |
| 7 | s5.88(1) & (2)(a) | Did the CEO keep a register of financial interests which contained the returns lodged under sections 5.75 and 5.76 of the Local Government Act 1995? | Yes | |
| 8 | s5.88(1) & (2)(b) Admin Reg 28 | Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70, 5.71 and 5.71A of the Local Government Act 1995, in the form prescribed in the Local Government (Administration) Regulations 1996, regulation 28? | Yes | |
| 9 | s5.88(3) | When a person ceased to be a person required to lodge a return under sections 5.75 and 5.76 of the Local Government Act 1995, did the CEO remove from the register all returns relating to that person? | No | This register is maintained by Governance on a regular basis. However, it currently includes information about individuals who no longer need to submit a return. This issue will be addressed in the 2024 calendar year. |
| 10 | s5.88(4) | Have all returns removed from the register in accordance with section 5.88(3) of the Local Government Act 1995 been kept for a period of at least five years after the person who lodged the return(s) ceased to be a person required to lodge a return? | Yes | |
| 11 | s5.89A(1), (2) & (3) Admin Reg 28A | Did the CEO keep a register of gifts which contained a record of disclosures made under sections 5.87A and 5.87B of the Local Government Act 1995, in the form prescribed in the Local Government (Administration) Regulations 1996, regulation 28A? | Yes | |
| 12 | s5.89A(5) & (5A) | Did the CEO publish an up-to-date version of the gift register on the local government's website? | Yes | |
| 13 | s5.89A(6) | When people cease to be a person who is required to make a disclosure under section 5.87A or 5.87B of the Local Government Act 1995, did the CEO remove from the register all records relating to those people? | Yes | |

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return - Port Hedland



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|----|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|--|
| 14 | s5.89A(7) | Have copies of all records removed from the register under section 5.89A(6) of the Local Government Act 1995 been kept for a period of at least five years after the person ceases to be a person required to make a disclosure? | Yes | |
| 15 | s5.70(2) & (3) | Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to council or a committee, did that person disclose the nature and extent of that interest when giving the advice or report? | Yes | |
| 16 | s5.71A & s5.71B(5) | Where council applied to the Minister to allow the CEO to provide advice or a report to which a disclosure under section 5.71A(1) of the Local Government Act 1995 relates, did the application include details of the nature of the interest disclosed and any other information required by the Minister for the purposes of the application? | N/A | |
| 17 | s5.71B(6) & s5.71B(7) | Was any decision made by the Minister under section 5.71B(6) of the Local Government Act 1995, recorded in the minutes of the council meeting at which the decision was considered? | N/A | |
| 18 | s5.104(1) | Did the local government prepare and adopt, by absolute majority, a code of conduct to be observed by council members, committee members candidates that incorporates the model code of conduct? | Yes | |
| 19 | s5.104(3) & (4) | Did the local government adopt additional requirements in addition to the model code of conduct? If yes, does it comply with section 5.104(3) and (4) of the Local Government Act 1995? | N/A | |
| 20 | s5.104(7) | Has the CEO published an up-to-date version of the code of conduct for council members, committee members and candidates on the local government's website? | Yes | |
| 21 | s5.51A(1) & (3) | Has the CEO prepared and implemented a code of conduct to be observed by employees of the local government? If yes, has the CEO published an up-to-date version of the code of conduct for employees on the local government's website? | Yes | |

| Disposal of Property | | | | |
|----------------------|-----------|----------|----------|----------|
| No | Reference | Question | Response | Comments |

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return - Port Hedland



| | | | | |
|---|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|--|
| 1 | s3.58(3) | Where the local government disposed of property other than by public auction or tender, did it dispose of the property in accordance with section 3.58(3) of the Local Government Act 1995 (unless section 3.58(5) applies)? | Yes | |
| 2 | s3.58(4) | Where the local government disposed of property under section 3.58(3) of the Local Government Act 1995, did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property? | Yes | |

| Elections | | | | |
|-----------|-------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|--------------------------------------------------------------------------|
| No | Reference | Question | Response | Comments |
| 1 | Elect Regs 30G(1) & (2) | Did the CEO establish and maintain an electoral gift register and ensure that all disclosure of gifts forms completed by candidates and donors and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the forms relating to each candidate in accordance with regulations 30G(1) and 30G(2) of the Local Government (Elections) Regulations 1997? | N/A | No gifts were disclosed by candidates during the 2023 Ordinary Election. |
| 2 | Elect Regs 30G(3) & (4) | Did the CEO remove any disclosure of gifts forms relating to an unsuccessful candidate, or a successful candidate that completed their term of office, from the electoral gift register, and retain those forms separately for a period of at least two years in accordance with regulation 30G(4) of the Local Government (Elections) Regulations 1997? | N/A | No gifts were disclosed by candidates during the 2023 Ordinary Election. |
| 3 | Elect Regs 30G(5) & (6) | Did the CEO publish an up-to-date version of the electoral gift register on the local government's official website in accordance with regulation 30G(5) of the Local Government (Elections) Regulations 1997? | N/A | No gifts were disclosed by candidates during the 2023 Ordinary Election. |

| Finance | | | | |
|---------|-----------|----------|----------|----------|
| No | Reference | Question | Response | Comments |

Audit, Risk & Compliance Committee Meeting Agenda

15 April 2024

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return - Port Hedland



| | | | | |
|---|-----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | s7.1A | Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Local Government Act 1995? | Yes | |
| 2 | s7.1B | Where the council delegated to its audit committee any powers or duties under Part 7 of the Local Government Act 1995, did it do so by absolute majority? | Yes | |
| 3 | s7.9(1) | Was the auditor's report for the financial year ended 30 June 2023 received by the local government by 31 December 2023? | No | The OAG and RSM as auditors did not complete and provide the Town the auditor's report for the financial year ended 30 June 2023 by 31 December 2023. |
| 4 | s7.12A(3) | Where the local government determined that matters raised in the auditor's report prepared under section 7.9(1) of the Local Government Act 1995 required action to be taken, did the local government ensure that appropriate action was undertaken in respect of those matters? | N/A | The auditor's report has not been received. |
| 5 | s7.12A(4)(a) & (4)(b) | Where matters identified as significant were reported in the auditor's report, did the local government prepare a report that stated what action the local government had taken or intended to take with respect to each of those matters? Was a copy of the report given to the Minister within three months of the audit report being received by the local government? | N/A | The auditor's report has not been received. |
| 6 | s7.12A(5) | Within 14 days after the local government gave a report to the Minister under section 7.12A(4)(b) of the Local Government Act 1995, did the CEO publish a copy of the report on the local government's official website? | N/A | The auditor's report has not been received. |
| 7 | Audit Reg 10(1) | Was the auditor's report for the financial year ending 30 June 2023 received by the local government within 30 days of completion of the audit? | N/A | At the time of responding (26 February 2024), the audit remains incomplete. |

| Local Government Employees | | | | |
|----------------------------|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|----------|----------|
| No | Reference | Question | Response | Comments |
| 1 | s5.36(4) & s5.37(3) Admin Reg 18A | Were all CEO and/or senior employee vacancies advertised in accordance with Local Government (Administration) Regulations 1996, regulation 18A? | Yes | |

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return - Port Hedland



| | | | | |
|---|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----------------------------------------------------------------------------------|
| 2 | Admin Reg 18E | Was all information provided in applications for the position of CEO true and accurate? | N/A | The CEO was appointed in December 2019 and commenced in February 2020. |
| 3 | Admin Reg 18F | Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position under section 5.36(4) of the Local Government Act 1995? | N/A | The CEO was appointed in December 2019 and commenced in February 2020. |
| 4 | s5.37(2) | Did the CEO inform council of each proposal to employ or dismiss senior employee? | Yes | |
| 5 | s5.37(2) | Where council rejected a CEO's recommendation to employ or dismiss a senior employee, did it inform the CEO of the reasons for doing so? | N/A | There were no proposals to dismiss senior employee(s) in the 2023 calendar year. |

| Official Conduct | | | | |
|------------------|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|----------|
| No | Reference | Question | Response | Comments |
| 1 | s5.120 | Has the local government designated an employee to be its complaints officer? | Yes | |
| 2 | s5.121(1) & (2) | Has the complaints officer for the local government maintained a register of complaints which records all complaints that resulted in a finding under section 5.110(2)(a) of the Local Government Act 1995? | Yes | |
| 3 | S5.121(2) | Does the complaints register include all information required by section 5.121(2) of the Local Government Act 1995? | Yes | |
| 4 | s5.121(3) | Has the CEO published an up-to-date version of the register of the complaints on the local government's official website? | Yes | |

| Tenders for Providing Goods and Services | | | | |
|------------------------------------------|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|----------|
| No | Reference | Question | Response | Comments |
| 1 | F&G Reg 11A(1) & (3) | Did the local government comply with its current purchasing policy, adopted under the Local Government (Functions and General) Regulations 1996, regulations 11A(1) and (3) in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less? | Yes | |

Audit, Risk & Compliance Committee Meeting Agenda

15 April 2024

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return - Port Hedland



| | | | | |
|----|--------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|--|
| 2 | s3.57 F&G Reg 11 | Subject to Local Government (Functions and General) Regulations 1996, regulation 11(2), did the local government invite tenders for all contracts for the supply of goods or services where the consideration under the contract was, or was expected to be, worth more than the consideration stated in regulation 11(1) of the Regulations? | Yes | |
| 3 | F&G Regs 11(1), 12(2), 13, & 14(1), (3), and (4) | When regulations 11(1), 12(2) or 13 of the Local Government Functions and General) Regulations 1996, required tenders to be publicly invited, did the local government invite tenders via Statewide public notice in accordance with Regulation 14(3) and (4)? | Yes | |
| 4 | F&G Reg 12 | Did the local government comply with Local Government (Functions and General) Regulations 1996, Regulation 12 when deciding to enter into multiple contracts rather than a single contract? | Yes | |
| 5 | F&G Reg 14(5) | If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents, or each acceptable tenderer notice of the variation? | Yes | |
| 6 | F&G Regs 15 & 16 | Did the local government's procedure for receiving and opening tenders comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 15 and 16? | Yes | |
| 7 | F&G Reg 17 | Did the information recorded in the local government's tender register comply with the requirements of the Local Government (Functions and General) Regulations 1996, Regulation 17 and did the CEO make the tenders register available for public inspection and publish it on the local government's official website? | Yes | |
| 8 | F&G Reg 18(1) | Did the local government reject any tenders that were not submitted at the place, and within the time, specified in the invitation to tender? | Yes | |
| 9 | F&G Reg 18(4) | Were all tenders that were not rejected assessed by the local government via a written evaluation of the extent to which each tender satisfies the criteria for deciding which tender to accept? | Yes | |
| 10 | F&G Reg 19 | Did the CEO give each tenderer written notice containing particulars of the successful tender or advising that no tender was accepted? | Yes | |

Audit, Risk & Compliance Committee Meeting Agenda

15 April 2024

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return - Port Hedland



| | | | | |
|----|---------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-----------------------------------------------------------------------------|
| 11 | F&G Regs 21 & 22 | Did the local government's advertising and expression of interest processes comply with the requirements of the Local Government (Functions and General) Regulations 1996, Regulations 21 and 22? | Yes | |
| 12 | F&G Reg 23(1) & (2) | Did the local government reject any expressions of interest that were not submitted at the place, and within the time, specified in the notice or that failed to comply with any other requirement specified in the notice? | N/A | No expressions of interest were rejected. |
| 13 | F&G Reg 23(3) & (4) | Were all expressions of interest that were not rejected under the Local Government (Functions and General) Regulations 1996, Regulation 23(1) & (2) assessed by the local government? Did the CEO list each person as an acceptable tenderer? | Yes | |
| 14 | F&G Reg 24 | Did the CEO give each person who submitted an expression of interest a notice in writing of the outcome in accordance with Local Government (Functions and General) Regulations 1996, Regulation 24? | Yes | |
| 15 | F&G Regs 24AD(2) & (4) and 24AE | Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice in accordance with Local Government (Functions & General) Regulations 1996 regulations 24AD(4) and 24AE? | Yes | |
| 16 | F&G Reg 24AD(6) | If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application notice of the variation? | Yes | |
| 17 | F&G Reg 24AF | Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 16, as if the reference in that regulation to a tender were a reference to a pre-qualified supplier panel application? | Yes | |
| 18 | F&G Reg 24AG | Did the information recorded in the local government's tender register about panels of pre-qualified suppliers comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 24AG? | Yes | |
| 19 | F&G Reg 24AH(1) | Did the local government reject any applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time, specified in the invitation for applications? | N/A | All responses were submitted on time through Vendorpanel and were accepted. |

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return - Port Hedland



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|-----------|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|--|
| 20 | F&G Reg 24AH(3) | Were all applications that were not rejected assessed by the local government via a written evaluation of the extent to which each application satisfies the criteria for deciding which application to accept? | Yes | |
| 21 | F&G Reg 24AI | Did the CEO send each applicant written notice advising them of the outcome of their application? | Yes | |
| 22 | F&G Regs 24E & 24F | Where the local government gave regional price preference, did the local government comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 24E and 24F? | Yes | |

| Integrated Planning and Reporting | | | | |
|-----------------------------------|-------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|------------|
| No | Reference | Question | Response | Comments |
| 1 | Admin Reg 19C | Has the local government adopted by absolute majority a strategic community plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section? | Yes | 27/07/2022 |
| 2 | Admin Reg 19DA(1) & (4) | Has the local government adopted by absolute majority a corporate business plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section? | Yes | 30/08/2023 |
| 3 | Admin Reg 19DA(2) & (3) | Does the corporate business plan comply with the requirements of Local Government (Administration) Regulations 1996 19DA(2) & (3)? | Yes | |

| Optional Questions | | | | |
|--------------------|----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|------------|
| No | Reference | Question | Response | Comments |
| 1 | Financial Management Reg 5(2)(c) | Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with the Local Government (Financial Management) Regulations 1996 regulations 5(2)(c) within the three financial years prior to 31 December | Yes | 17/05/2022 |

Audit, Risk & Compliance Committee Meeting Agenda

15 April 2024

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return - Port Hedland



| | | | | |
|---|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | 2023? If yes, please provide the date of council's resolution to accept the report. | | |
| 2 | Audit Reg 17 | Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Local Government (Audit) Regulations 1996 regulation 17 within the three financial years prior to 31 December 2023? If yes, please provide date of council's resolution to accept the report. | Yes | 25/08/2021 |
| 3 | s5.87C | Where a disclosure was made under sections 5.87A or 5.87B of the Local Government Act 1995, were the disclosures made within 10 days after receipt of the gift? Did the disclosure include the information required by section 5.87C of the Act? | Yes | |
| 4 | s5.90A(2) & (5) | Did the local government prepare, adopt by absolute majority and publish an up-to-date version on the local government's website, a policy dealing with the attendance of council members and the CEO at events? | Yes | |
| 5 | s5.96A(1), (2), (3) & (4) | Did the CEO publish information on the local government's website in accordance with sections 5.96A(1), (2), (3), and (4) of the Local Government Act 1995? | Yes | |
| 6 | s5.128(1) | Did the local government prepare and adopt (by absolute majority) a policy in relation to the continuing professional development of council members? | Yes | |
| 7 | s5.127 | Did the local government prepare a report on the training completed by council members in the 2022/2023 financial year and publish it on the local government's official website by 31 July 2023? | No | The Town maintains a Councillor Training Register; however, the Register was not uploaded to the Town's website in 2023. The register was uploaded to the website in February 2024. |
| 8 | s6.4(3) | By 30 September 2023, did the local government submit to its auditor the balanced accounts and annual financial report for the year ending 30 June 2023? | Yes | |
| 9 | s.6.2(3) | When adopting the annual budget, did the local government take into account all its expenditure, revenue and income? | Yes | |

Audit, Risk & Compliance Committee Meeting Agenda

15 April 2024

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return - Port Hedland



Chief Executive Officer

Date

Mayor/President

Date



Department of
**Local Government, Sport
and Cultural Industries**

Our ref E24050236
Enquiries LG Support and Engagement Team
Phone 1300 762 511
Email goodgovernance@dlgsc.wa.gov.au

Mr Carl Askew
Chief Executive Officer
Town of Port Hedland
Via Email caskew@porthedland.wa.gov.au

Dear Mr Askew

NON-COMPLIANCE - 2023 COMPLIANCE AUDIT RETURN

In accordance with the *Local Government (Audit) Regulations 1996*, a local government is required to provide the Department of Local Government, Sport and Cultural Industries (DLGSC) with a certified copy of their Compliance Audit Return by 31 March each year.

Regulation 15 states that a certified copy of the Compliance Audit Return together with a copy of the relevant section of the minutes whereby council adopted the return, and any additional information explaining or qualifying the return is to be submitted to the Departmental CEO.

The DLGSC have deemed the Town of Port Hedland non-compliant with the legislative requirements by failing to submit the 2023 Compliance Audit Return by the required date of 31 March 2024.

We request that within 14 days of the date of this letter you complete and submit the Shire's CAR with the required documents via the CAR portal.

If you would like to discuss this matter further, please contact the Local Government Support and Engagement team by telephone on 1300 762 511 or email goodgovernance@dlgsc.wa.gov.au.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Leah Horton'.

Leah Horton
A/Director Support and Engagement

5 April 2024

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