



AGENDA

Dear Committee Members,

I respectfully advise that an **AUDIT, RISK AND COMPLIANCE COMMITTEE MEETING** will be held in the Council Chambers, McGregor St, Port Hedland, on **Tuesday, 8 August 2023**, commencing at 5:30pm

MEETING AGENDA ATTACHED

Yours faithfully

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

Carl Askew
Chief Executive Officer

03 August 2023

DISCLAIMER

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DISCLOSURE OF FINANCIAL/ IMPARTIALITY/ PROXIMITY INTERESTS

*Local Government Act 1995 – Section 5.65, 5.70 and 5.71
Local Government (Model Code of Conduct) Regulations 2021*

<i>This form is provided to enable members and officers to disclose an Interest in a matter in accordance with the regulations of Section 5.65, 5.70 and 5.71 of the Local Government Act and Local Government (Model Code of Conduct) Regulations 2021</i>			
Name			
Position			
Date of Meeting			
Type of Meeting (Please circle one)	Council Meeting/ Committee Meeting/ Special Council Meeting Workshop/ Public Agenda Briefing/ Confidential Briefing		
Interest Disclosed			
Item Number and Title			
Nature of Interest			
Type of Interest (please circle one)	Financial	Proximity	Impartiality
Interest Disclosed			
Item Number and Title			
Nature of Interest			
Type of Interest (please circle one)	Financial	Proximity	Impartiality

Signature: _____

Date: _____

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

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

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

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Item 1 Opening of Meeting

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

Item 2 Acknowledgement of Traditional Owners and Dignitaries

The Presiding Member acknowledges the Kariyarra people as the Traditional Custodians of the land that we are meeting on and recognises their strength and resilience and he pays his respects to elders past, present and emerging.

Item 3 Recording of Attendance

Important note:

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

3.1 Attendance

Scheduled Present:

Committee Members:

Deputy Mayor Tim Turner (Presiding Member)
Councillor Ash Christensen

Scheduled for Attendance:

Carl Askew (Chief Executive Officer)
Tom Kettle (Manager Governance)
Stephanie Sikaloski (Audit, Risk and Insurance Advisor)

3.2 Attendance by Telephone / Instantaneous Communications

3.3 Apologies

Councillor Flo Bennett

3.4 Approved Leave of Absence

3.5 Disclosure of Interests

Item 4 Applications for Leave of Absence

Nil.

Item 5 Response to Previous Questions

Nil.

Item 6 Public Time

Important note:

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

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

6.1 Public Question Time

6.2 Public Statement Time

6.3 Petitions/Deputations/Presentations/Submissions

Item 7 Questions from Members without Notice

Item 8 Announcements by Presiding Member without Discussion

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

The Audit, Risk and Compliance Committee Members declare that they have given due consideration to all matters contained in the agenda.

Item 10 Confirmation of Minutes from Previous Meeting

OFFICER'S RECOMMENDATION

That Council confirm that the Minutes of the Audit, Risk and Compliance Committee Meeting held on Tuesday 9 May 2023 are a true and correct record.

Item 11 Reports of Officers

11.1 REVIEW OF AUDIT LOG FOR THE STRATEGIC 3-YEAR INTERNAL AUDIT PLAN (FY2020/21 TO FY2022/23)

Author: Audit, Risk and Insurance Advisor
Authorising Officer: Manager Governance
Disclosure of Interest: The Author and Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

OFFICER’S RECOMMENDATION

That the Audit, Risk and Compliance Committee receive and note the progress update against the management actions contained within the Audit Log for the Strategic 3-Year Internal Audit Plan (FY 2020/21 to FY 2021/23).

SIMPLE MAJORITY VOTE REQUIRED

PURPOSE

The purpose of this report is for the Audit, Risk and Compliance Committee (ARC Committee) to receive and note the progress update against the management actions contained within the Audit Log for the Strategic 3-Year Internal Audit Plan (FY 2020/21 to FY 2022/23).

The ARC Committee, through section 7.2.4 of its Terms of Reference, has a responsibility to monitor management’s implementation of internal audit recommendations, processes and practices to safeguard the independence of the audit function.

DETAIL

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

In accordance with the Internal Audit Plan, the Town is required to maintain an Audit Log to track the status of agreed management actions.

A summary of the status of agreed management actions is found in the table below.

Action Due	Completed	In progress	Overdue	Total
FY 2020/21	5		4	9
FY 2021/22	17		6	23
FY 2022/23	51		22	73
FY 2023/24	0	19	0	19
FY 2024/25	0	3		3
No due date	3	0	0	3
Total	76	22	32	130

Overdue management actions have been assigned a revised due date in agreement with the Accountable Officer.

LEVEL OF SIGNIFICANCE

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

CONSULTATION

Internal

- Director Corporate Services
- Audit, Risk and Insurance Advisor

External Agencies

- William Buck Advisors (WA)

Community

- Nil

LEGISLATION AND POLICY CONSIDERATIONS

- Regulation 17, *Local Government (Audit) Regulations 1996*

FINANCIAL AND RESOURCES IMPLICATIONS

There are no financial or resource implications associated with this item.

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

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

- 4.2.3 Transparent and regular governance reporting and communication to the community is undertaken

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

Corporate Business Plan

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

- 4.b.3.1 Ensure governance information provided to the community is in line with legislated requirements.

RISK MANAGEMENT CONSIDERATIONS

This item poses a compliance risk since the Town has made a commitment to implement approved management action plans based on audit recommendations arising from its Strategic 3-Year Internal Audit Plan. These recommendations are developed in accordance with industry standards, legal requirements, and compliance guidelines. The risk rating is considered to be medium (9), which is determined by a likelihood of possible (3) and a consequence of moderate

(3). The risk will be mitigated through the administration's and ARC Committee's regular reviewing and monitoring of the Audit Log.

OPTIONS

Option 1 – Adopt officer's recommendation

Option 2 – Do not adopt officer's recommendation

CONCLUSION

It is recommended that the ARC Committee receive and note the progress update against the management actions contained within the Audit Log for the Strategic 3-Year Internal Audit Plan. Overdue management actions have been assigned a revised due date in agreement with the Accountable Officer. With the ARC Committee providing oversight over the status of management actions, this will strengthen accountability and transparency.

ATTACHMENTS

1. Audit Log – Full Version (Confidential) (Under Separate Cover)
2. Audit Log – Overdue Actions Excerpt (Confidential) (Under Separate Cover)

11.2 INTERNAL AUDIT REPORT – STRATEGIC ASSET MANAGEMENT AND MAINTENANCE

Author: Audit, Risk and Insurance Advisor
Authorising Officer: Manager Governance
Disclosure of Interest: The Author and Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

OFFICER'S RECOMMENDATION

That the Audit, Risk and Compliance Committee receive and note the 2022/23 Financial Year Internal Audit Report of Strategic Asset Management and Maintenance, as per Attachment 1.

SIMPLE MAJORITY VOTE REQUIRED

PURPOSE

The purpose of this report is for the Audit, Risk and Compliance Committee (ARC Committee) to note the outcomes of the 2022/23 Financial Year Internal Audit Report of Strategic Asset Management and Maintenance.

The agreed management actions will be recorded in the Audit Log and progress updates on recommendations actioned by the Town of Port Hedland (the "Town") will be provided to the ARC Committee on a regular basis.

DETAIL

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

In accordance with the Internal Audit Plan, William Buck were tasked to conduct an internal audit of the Town's Asset Management and Maintenance processes. The overall objective of this engagement was to determine whether effective controls were in place around the Town's Asset Management and Maintenance functions. This area of review was clearly defined in the Internal Audit Plan, for the 2022/23 Financial Year.

Scope of Review

The scope of the audit included an assessment of the following:

- Asset Management and Asset Maintenance strategies;
- Management of infrastructure assets and condition assessments;
- Asset renewal modelling and development of an Asset Renewal Program;
- Development and approvals of strategic capital works programs and the maintenance of current infrastructure assets;
- Asset management accounting processes;
- Asset counts;
- Environmental approvals and compliance reporting for Town Assets; and

- Implementation of annual environmental offset, conservation, and foreshore programs.

Overall Comment & Findings by William Buck Advisors (WA):

“The internal audit identifies the need to establish a documented, structured approach to managing the Town’s assets and ensuring its alignment with the Town’s overall strategic objectives. The strategic asset management framework outlines the principles, processes, and practices that guide the effective management of assets throughout their life cycle. At the moment, there is a lack of details at the process and practice levels. Whilst, our overall assessment shows that the Town does maintain their assets adequately, it is recommended that those processes are formalised in a strategic asset management plan”.

Recommendations from Review

The Town has started the process of implementing recommendations. The target completion date provided by the management for each recommendation is given below.

Target Completion Date	No of Recommendations
31/12/2023	1
28/02/2024	2
30/06/2024	4
31/12/2024	2
Actioned	3

Current status of Internal Audit Plan

The below table summarises the current status of the three-year rolling and annual internal audit plan.

Year	Quarter	Area of Internal Audit Review	Status
2020/21	1st	Procurement and Contract Management	Complete
	3rd	Regulation 17 Review (Statutory Obligation)	Complete
	4th	Records Management	Complete
2021/22	1st	Finance Management Review (Statutory Obligation)	Complete
	2nd	Safety and Security Management	Complete
	3rd	Project Management	Complete
2022/23	1st	Business Continuity and Disaster Recovery	Complete
	2nd	Fraud Risk Management and Misconduct	Complete
	3rd	Strategic Asset Management and Maintenance	Complete

LEVEL OF SIGNIFICANCE

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

CONSULTATION

Internal

- Director Corporate Services
- Director Infrastructure Services
- Director Regulatory Services
- Manager Infrastructure Operations
- Manager Infrastructure Projects and Assets
- Manager Waste and Services
- Manager Financial Services
- Senior Accountant
- Senior Waste and Resource Recovery Officer
- Coordinator Property Management
- Accounts Officer – Assets

External Agencies

- William Buck Advisors (WA)

Community

Nil.

LEGISLATION AND POLICY CONSIDERATIONS

- Policy 9/010 Asset Management

FINANCIAL AND RESOURCES IMPLICATIONS

The value of works, as contracted with William Buck and identified in the Amended Strategic 3 Year Rolling and Annual Internal Audit Plan was recorded, considered, and adopted in the Audit, Risk and Compliance Committee on 10 March 2021.

The adopted FY2022/23 Budget included sufficient funding for the internal audit costs. 80 Hours were billed at \$140 per hour excluding GST. The costs incurred in relation to the Strategic Asset Management and Maintenance Review were \$11,200.00 excluding GST.

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

The following section of the Town's Strategic Community Plan 2022-2032 is applicable in the consideration of this item:

- 3.1.4 Ensure natural resource assets are well-managed and enhanced
- 3.2.3 Provide and promote sustainable energy waste and water management practices
- 4.2.2 Transparent and regular governance reporting and communication to the community is undertaken.

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

Corporate Business Plan

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

- 1.d.2.1 Develop, implement and review an asset management renewal program to ensure long-term sustainability of the Town's assets.

- 1.d.3.3 Ensure that the Town's stores and fleet services provide adequate support to meet the Town's infrastructure requirement.
- 1.d.3.4 Ensure that the Town's commercial, community and residential properties are fit for purpose, compliant and maintained to the appropriate standards.
- 3.b.1.4 Assess and rationalise the Town's infrastructure and assets.
- 3.b.3.1 Develop, implement and review a sustainability plan for the Town's infrastructure.
- 4.b.3.1 Ensure governance information provided to the community is in line with legislated requirements.

RISK MANAGEMENT CONSIDERATIONS

There is a compliance risk associated with this item. If the auditor's recommendations are not considered and the management action plans not implemented, the Town is at risk of not meeting compliance, regulatory or best practice requirements. The risk rating is considered to be medium (9), which is determined by a likelihood of possible (3) and a consequence of moderate (3).

This risk will be reduced by the adoption and implementation of the agreed management actions.

OPTIONS

Option 1 – Adopt officer's recommendation

Option 2 – Do not adopt officer's recommendation

CONCLUSION

This report presents the ARC Committee with an overview of the review of Strategic Asset Management and Maintenance, and how the Town's administration will be addressing all relevant findings for improvement.

ATTACHMENTS

1. Strategic Asset Management and Maintenance Audit Report (Under Separate Cover)

11.3 THREE-YEAR STRATEGIC INTERNAL AUDIT PLAN - FY2023/24 TO FY2025/26

Author: Audit, Risk and Insurance Advisor
Authorising Officer: Manager Governance
Disclosure of Interest: The Author and Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

OFFICER’S RECOMMENDATION

That the Audit, Risk and Compliance Committee adopt the Three-Year Strategic Internal Audit Plan – FY2023/24 to FY2025/26, as per Attachment 1.

SIMPLE MAJORITY VOTE REQUIRED

PURPOSE

The purpose of this report is to present the proposed reviews outlined in the Three-Year Strategic Internal Audit Plan – FY2023/24 to FY2025/26 (Internal Audit Plan) to the Audit, Risk, and Compliance Committee (ARC Committee) for their consideration. The report aims to facilitate the adoption of the Internal Audit Plan by the ARC Committee.

DETAIL

Background

In alignment with the Town's Procurement Policy and considering the impending completion of the previous Internal Audit Plan by June 2022, the Town released RFQ 2223023 Internal Audit Program through VendorPanel on Friday, 10 March 2023.

The contract deliverables are:

Area	Deliverable
Internal Audit Program (Plan)	The Contractor is to deliver a proposed Three (3) Year Internal Audit Program (Internal Audit Program) to the Principal. The Internal Audit Program will need to be considered and adopted by the Audit, Risk & Compliance (ARC) Committee prior to any reviews being undertaken.
Reviews	Performance of three (3) reviews per annum and a formal documented Final Report of Findings (Audit Report) after each review is undertaken. The Contractor is to report its findings of each review to the ARC Committee at the earliest ARC Committee Meeting subsequent to the finalisation of each review.

The contract for RFQ 2223023 Internal Audit Program was awarded to Paxon Group on 09 May 2023.

In collaboration with the Town's Audit, Risk and Insurance business unit, Paxon Group has successfully developed and presented the initial contractual deliverable, which is the Internal Audit Plan, to the Town (Attachment 1).

Scheduled Reviews for FY 2023/24

1. Audit Log Review

As at July 5th, 2024, 144 actions were recorded in the Town's Audit Log, with 73 of them marked by Responsible Officer's as completed.

The Town's Audit, Risk and Insurance business unit will obtain evidence from Responsible Officer's which will be provided to Paxon Group to evaluate, ensuring that the completed actions have been effectively addressed. Additionally, Paxon Group will conduct testing, where possible, to assess the operational effectiveness of these actions. This process aims to verify that the necessary remediation measures have been taken to mitigate identified risks.

2. Regulation 17 Review

The requirement for this internal audit review is set out within regulation 17 of the Local Government (Audit) Regulations 1996, which states:

- "(1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to –*
- (a) risk management; and*
 - (b) internal control; and*
 - (c) legislative compliance.*
- (2) The review may relate to any or all of the matters referred to in sub regulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*
- (3) The CEO is to report to the audit committee the results of that review."*

3. Customer Service, Social Media and Stakeholder Engagement

The objectives of this review are to ensure:

- Customer service objectives are documented and monitored to assess and improve performance.
- Publications and media responses are appropriately approved prior to release, including:
 - Strategy and Management Practice are in place and operational; and
 - Internal guidance covers all expected areas
- Social Media is administered effectively, including:
 - Strategy and Management Practice are in place and operational; and
 - Internal guidance covers all expected areas such as monitoring and responding to adverse comments, approval of posting and access to applications
 - Induction and training processes are appropriately designed and operating effectively
- To assess the design and operation of processes related to the coordination of stakeholder management

Audit Methodology

A risk-based audit approach has been used in selecting the reviews to be carried out over the three-year period. This is an approach that directs audit resources towards areas of the Town's

operations that pose the highest risk. It involves assessing risks, prioritising audit activities based on their significance, and focusing on high-risk areas where material misstatements, fraud, non-compliance, or operational inefficiencies are more likely to occur. This methodology aims to improve governance, risk management, and control processes by addressing key risks effectively.

Monitor and Review

The purpose of monitoring and reviewing the Internal Audit Plan is to ensure its ongoing effectiveness and alignment with the Town's objectives. The key objectives of monitoring and reviewing the plan are as follows:

- **Assessing progress:** Regular monitoring allows the Town to track the progress made in implementing the internal audit plan. It helps identify any gaps or deviations from the intended timeline or scope of the plan. This assessment provides insights into the plan's effectiveness in addressing risks and meeting organisational goals.
- **Adapting to changes:** A three-year timeframe can witness various changes in the Town's risk landscape, operations, and strategic objectives. Monitoring and reviewing the plan provides an opportunity to evaluate whether the identified risks and priorities have remained consistent or if there are emerging risks that need to be incorporated. It allows for flexibility in adapting the plan to the evolving needs of the organisation.
- **Identifying improvements:** The monitoring and review process helps identify areas where improvements can be made in the internal audit plan. This may include refining the scope of audits, adjusting resource allocations, or enhancing methodologies. By identifying areas for improvement, the Town can strengthen its internal audit function and enhance its ability to manage risks effectively.

In summary, monitoring and reviewing the Internal Audit Plan will ensure its ongoing relevance, effectiveness, and alignment with the Town's changing risk landscape and strategic priorities. It supports continuous improvement and enhances the Town's ability to manage risks and achieve its objectives.

LEVEL OF SIGNIFICANCE

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

CONSULTATION

Internal

- Executive Leadership Team (ELT)
- Senior Leadership Team (SLT)
- Manager Governance

External Agencies

- Paxon Group

Community

Nil.

LEGISLATION AND POLICY CONSIDERATIONS

- Regulation 17, *Local Government (Audit) Regulations 1996*
The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to risk management, internal control and legislative compliance. Each of those matters is to be the subject of a review not less than once in every three financial years and the results must be reported to the ARC Committee.
- Regulation 5, *Local Government (Financial Management) Regulations 1996*
The CEO is to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every three financial years) and report to the local government the results of those reviews.

FINANCIAL AND RESOURCES IMPLICATIONS

Period	Hours Allocated	Cost (incl GST)
FY 2023/24	320	\$49,280
FY 2024/25	280	\$43,120
FY 2025/26	280	\$43,120
Total	880	\$135,520

The cost associated with the Internal Audit Plan is subject to potential changes, which will be monitored and reviewed. If there are alterations to the scope or schedule of the planned reviews, it may impact the cost. Any modifications made to the Internal Audit Plan will be promptly communicated to the ARC Committee.

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

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

- 4.b.2 Transparent and regular financial reporting and communication to the community is undertaken
- 4.b.3 Transparent and regular governance reporting and communication to the community is undertaken

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

Corporate Business Plan

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

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

RISK MANAGEMENT CONSIDERATIONS

There is a compliance risk associated with this item if the ARC Committee do not adopt the Internal Audit Plan. The Town must conduct a Regulation 17 review at least once every three years, in accordance with Regulation 17 of the *Local Government (Audit) Regulations 1996*.

The Town's next review is scheduled to be completed by Paxon Group prior to the end of Financial Year 2023-24, in line with the legislated timeframe. The risk rating is considered to be medium (6), which is determined by a likelihood of unlikely (2) and a consequence of moderate (3).

There is a reputational risk associated with this item if the ARC Committee do not adopt the Internal Audit Plan. Failure to adopt the plan may lead to perceptions of poor governance, lack of transparency, and increased suspicion of financial mismanagement, potentially resulting in reputational damage, decreased stakeholder confidence, and negative public perception. The risk rating is considered to be low (4), which is determined by a likelihood of unlikely (2) and a consequence of minor (2).

These risks will be eliminated by the adoption of the officer's recommendation.

OPTIONS

Option 1 – Adopt officer's recommendation

Option 2 – Amend officer's recommendation

Option 3 – Do not adopt officer's recommendation

CONCLUSION

The objective of the Internal Audit Plan is to provide an outline of the areas that the Town considers a priority for review, using risk as the basis for identification and noting the contribution of internal audit as a risk control. Three (3) areas of review are proposed in the 2023/24 Financial Year.

The Internal Audit Plan will undergo periodic monitoring and review, allowing for updates and adjustments based on changes in the Town's risk appetite, expansion of operations, shifts in strategic objectives, and evolving priorities. This ensures that the Internal Audit Plan remains aligned with the Town's dynamic circumstances and enables effective risk management and control processes. Regular evaluation and potential modifications to the plan support the Town's ability to proactively address emerging risks and align internal audit activities with evolving organisational needs.

ATTACHMENTS

1. **Three-Year Internal Audit Plan (Under Separate Cover)**

11.4	FY 2022-23 QUARTER 4 PROCUREMENT REPORT ON PANELS USAGE
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Author: Senior Procurement & Contracting Advisor
Authorising Officer: Manager Governance
Disclosure of Interest: The Author and Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

OFFICER'S RECOMMENDATION

That the Audit, Risk and Compliance Committee note 'Nil' identified non-compliance with Policy 2/022 Panels of Pre-Qualified Suppliers for Quarter 4 Financial Year 2022-23.

SIMPLE MAJORITY VOTE REQUIRED

PURPOSE

As part of Panels of Pre-Qualified Suppliers Policy 2/022, Section 3 Compliance and Reporting the Town shall on a quarterly basis report to the Town's Audit, Risk and Compliance Committee any identified non-compliance with the Policy.

DETAIL

In accordance with Regulation 24AC of the Local Government (Functions and General) Regulations 1996, the Town has established the following Panels of Pre-Qualified Suppliers:

Sr. No	Panel Number	Panel Details	No. of suppliers on the Panel	No. of Works undertaken through Panel engagement
1	RFT 1920-48	Pre-Qualified Panel for Tradespeople	21	06
2	RFT 2021-02	Panel of Engineering Consultants	26	03
3	RFT 2021-04	Waste Management Consulting Panel	04	-
4	RFT 2122-01	Design Review Panel	11	-
5	RFT 2122-08	Project Management Consultants Panel	04	02
6	RFT 2122-12	Panel for Concrete Placement Program	05	01
7	RFT 2122-17	Panel for Supply of Plant Equipment and Operators for Infrastructure Works	10	03
8	RFT 2122-25	Panel for Report Writing, Investigation and Response Consulting	03	02

As per section 2.2 of Policy 2/022 Panels of Pre-Qualified Suppliers, the Town exercises one of the following options for the distribution of work:

- a) The Town will obtain quotations from each pre-qualified supplier on the panel with respect to all purchases.

Or

- b) The Town will purchase goods and services exclusively from any prequalified supplier appointed to that panel.

The quotes obtained are authorised in accordance with the Town's Delegation Register. In every instance, a contract for an item of work with a prequalified supplier is not to exceed 12 months or include any options to renew or extend.

The Procurement Team diligently collaborated with the ERP team to address gaps discovered in the ERP system, which had hindered the compilation of the last quarter's report. The process of obtaining the required data proved to be challenging; however, valuable suggestions have been proposed to the ERP Team to streamline the procedure and ensure accurate data compilation in the future.

During this period, Procurement successfully identified the list of projects awarded to Pre-Qualified Panel Suppliers on VendorPanel and TechOne for the duration of 01 April 2023 to 30 June 2023. However, it is essential to acknowledge that the data, though diligently obtained, has been produced through a manual process.

Based on the available data, the Procurement Team reports no instances of non-compliance with the Panels Policy, indicating a satisfactory level of adherence.

LEVEL OF SIGNIFICANCE

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

CONSULTATION

Internal

Senior Procurement and Contracting Advisor

External Agencies

Nil.

Community

Nil.

LEGISLATION AND POLICY CONSIDERATIONS

- Policy 2/022 - Panels of Pre-Qualified Suppliers.
- Policy 2/007 - Procurement Policy
- Regulation 24AC of the Local Government (Functions and General) Regulations 1996

FINANCIAL AND RESOURCES IMPLICATIONS

Nil

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

The following section of the Town's Strategic Community Plan 2022-2032 is applicable in the consideration of this item:

- 4.2.3 Transparent and regular governance reporting and communication to the community is undertaken

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

Corporate Business Plan

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

- 4.b.3.1 – Ensure Governance information provided to the community is in line with legislated requirements.

RISK MANAGEMENT CONSIDERATIONS

There is a compliance risk associated with this item because failure to implement the right procedure will result in non-compliance with industry best practice. The risk rating is considered to be medium (6), which is determined by a likelihood of possible (3) and a consequence of minor (2).

The risk will be mitigated by ensuring officers follow the procedures as per the procurement requirements in accordance with the Town's Policy documents.

OPTIONS

Option 1 – Adopt officer's recommendation

Option 2 – Amend officer's recommendation

Option 3 – Do not adopt officer's recommendation

CONCLUSION

In accordance with the Panels of Pre-Qualified Suppliers Policy 2/022, Section 3, Compliance and Reporting, this report presents the Audit, Risk and Compliance Committee with an overview of the Procurement findings for non-compliance with the Panels Policy for the quarter 01 April 2023 to 30 June 2023.

ATTACHMENTS

Nil

Item 12 New Business of an Urgent Nature (Late items)

Nil.

Item 13 Matters for Which Meeting May Be Closed (Confidential Matters)

Nil.

Item 14 Closure

14.1 Date of Next Meeting

The next Audit, Risk and Compliance Committee Meeting will be held on Tuesday 28 November 2023 commencing at 5:30pm.

14.2 Closure

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

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TERMS OF REFERENCE

1. Purpose of the Terms of Reference

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

2. Introduction

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

The Audit, Risk and Compliance Committee is an advisory committee formally appointed by the Council and is to provide guidance and assistance to Council on matters relevant to its terms of reference. 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.

3. Objectives

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

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

- 3.7 Compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance.
- 3.8 Provide guidance and assistance to Council as to the carrying out the functions of the local government in relation to audits.

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

4. Authority

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

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

5. Composition of Committee Members

- 5.1 The Audit, Risk and Compliance Committee will comprise of three Elected Members.
- 5.2 The Council will appoint Audit, Risk and Compliance Committee members.
- 5.3 The Presiding Member and Deputy Presiding Member will be appointed by the Audit, Risk and Compliance Committee Members after an Election.
- 5.4 The members, taken collectively, will have a broad range of skills and experience in accounting or related financial management, with an understanding of accounting and auditing standards in a public sector environment.
- 5.5 Members may seek advice from an external independent advisor. The independent advisor will have a Certified 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

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

6. Meetings

- 6.1 Meetings may be called by the Presiding Member of the Audit, Risk and Compliance Committee, or at the request of the Mayor or Chief Executive Officer.
- 6.2 The Audit, Risk and Compliance Committee meetings are generally open to the public unless the Presiding Member or Chief Executive Officer deem it necessary to proceed behind closed doors pursuant to Section 5.23 of the *Local Government Act 1995*.
- 6.3 All Elected Members are invited to attend each Audit, Risk and Compliance Committee meeting, but will not be eligible to vote on any items presented at the meeting.
- 6.4 All Audit, Risk and Compliance Committee members are expected to attend each meeting in person.
- 6.5 The Chief Executive Officer will facilitate the meetings of the Audit, Risk and Compliance Committee and invite members of management, internal and external auditors or others to attend meetings as observers and to provide pertinent information, as necessary.
- 6.6 The Audit, Risk and Compliance Committee will develop a forward meeting schedule that includes the dates, location, and proposed work plan for each meeting for the forthcoming year, that cover all the responsibilities outlined in this terms of reference.
- 6.7 Meeting agendas will be prepared and provided at least 72 hours in advance to members, along with appropriate briefing materials.
- 6.8 Minutes will be taken at each meeting and presented to the subsequent meeting for confirmation.
- 6.9 Pursuant to regulation 13 of the *Local Government (Administration) Regulations 1996*, unconfirmed minutes will be made available for inspection by members of the public, within 5 (five) business days after the meeting.
- 6.10 Voting is in accordance with Section 5.21 of the Act.

7. Responsibilities

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

7.1 Risk Management

- 7.1.1 Review and suggest improvements to whether management has in place a current and comprehensive enterprise risk management framework and associated procedures for effective identification and management of the Town's business and financial risks, including fraud.
- 7.1.2 Determine whether a sound and effective approach has been followed in managing the Town's major risks including those associated with individual projects, program implementation, and activities.
- 7.1.3 Assess the impact of the Town's enterprise risk management framework on its control environment and insurance arrangements.
- 7.1.4 Review and suggest improvements to the process of developing and implementing the Town's fraud control arrangements and satisfy itself the Town has appropriate processes and systems in place to detect, capture and effectively respond to fraud-related information.
- 7.1.5 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

- 7.2.1 Ensure adequate systems of internal control are in place to mitigate key business risks and promote the effectiveness and efficiency of operations.
- 7.2.2 Approve, review and suggest improvements to the Internal Audit Plan and ensure the Internal Audit function is operating effectively, independently and in accordance with the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing.
- 7.2.3 Receive and review all audit reports and provide advice to the Council on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice.
- 7.2.4 Monitor management's implementation of internal audit recommendations, processes and practices to ensure that the independence of the audit function is maintained.
- 7.2.5 Oversee the coordination of planned activities between the 4 lines of defence, which outlines the ownership, accountabilities, resources and governance of risk management activities within the Town.

7.3 Financial Report

- 7.3.1 Review and suggest improvements to significant accounting and reporting issues, including complex or unusual transactions and highly judgemental areas, and recent accounting, professional and regulatory pronouncements and legislative changes, and understand their effect on the financial report.
- 7.3.2 Review with management and the external auditors the results of the audit, including any difficulties encountered, and suggest improvements if required.
- 7.3.3 Review and suggest improvements to the process for the consolidation of financial information of the Town related entities into the financial reports of the Town.
- 7.3.4 Review with management and the external auditors all matters required to be communicated to the Audit, Risk and Compliance Committee under the Australian Auditing Standards, and suggest improvements if required.
- 7.3.5 Review and suggest improvements (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

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

7.5 External Audit

- 7.5.1 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 Consider the findings and recommendations of relevant Performance Audits undertaken by the external auditor and ensure the Town implements relevant recommendations.
- 7.5.3 Provide an opportunity for the Audit, Risk and Compliance Committee to meet with the external auditors to discuss any matters that the Audit, Risk and Compliance Committee or the external auditors believe should be discussed privately.
- 7.5.4 Annually review and suggest improvements to the performance of external audit including the level of satisfaction with external audit function.

7.5.5 Monitor management's implementation of external audit recommendations.

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

7.6 Reporting Responsibilities

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

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

8 Other Responsibilities

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

8.2 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 Version Control

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.*