

# 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, 6 December 2022**, commencing at **5:30pm**

MEETING AGENDA ATTACHED

Yours faithfully



Carl Askew  
Chief Executive Officer

2 December 2022

**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<br>(Please circle one)  | Council Meeting/ Committee Meeting/ Special Council Meeting<br>Workshop/ Public Agenda Briefing/ Confidential Briefing |           |              |
| Interest Disclosed  |  |           |              |
| Item Number and Title   |  |           |              |
| Nature of Interest  |  |           |              |
| Type of Interest<br>(please circle one)   | Financial  | Proximity | Impartiality |
| Interest Disclosed  |  |           |              |
| Item Number and Title   |  |           |              |
| Nature of Interest  |  |           |              |
| Type of Interest<br>(please circle one)   | Financial  | Proximity | Impartiality |

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

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

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

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



## Order Of Business

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## Item 1 Opening of Meeting

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

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## Item 2 Acknowledgement of Traditional Owners and Dignitaries

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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.

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## Item 3 Recording of Attendance

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*Important note:*

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

### 3.1 Attendance

#### Scheduled Present:

#### Committee Members:

Councillor Flo Bennett  
Councillor Ash Christensen

#### Scheduled for Attendance:

Carl Askew (Chief Executive Officer)  
Karren MacClure (Director Corporate Services)  
Tom Kettle (Manager Governance)  
Linda Zhai (Manager Financial Services)  
Stephanie Sikaloski (Audit, Risk and Insurance Advisor)

### 3.2 Attendance by Telephone / Instantaneous Communications

Deputy Mayor Tim Turner (Presiding Member)

### 3.3 Apologies

### 3.4 Approved Leave of Absence

### 3.5 Disclosure of Interests

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**Item 4 Applications for Leave of Absence**

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Nil.

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**Item 5 Response to Previous Questions**

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Nil.

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**Item 6 Public Time**

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*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

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**Item 7 Questions from Members without Notice**

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

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

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

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

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**OFFICER'S RECOMMENDATION**

That the Audit, Risk and Compliance Committee confirm that the Minutes of the Audit, Risk and Compliance Committee Meeting held on Wednesday 10 August 2022 are a true and correct record.

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**Item 11 Reports of Officers**

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**11.1 AUDITED FINANCIAL STATEMENTS - FINANCIAL YEAR 2021/22**

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

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**OFFICER'S RECOMMENDATION**

1. That the Audit, Risk and Compliance Committee receive the Audited Annual Financial Report, Independent Auditor's Closing Report, and Management Letter of Audit Findings for the financial year ended 30 June 2022; and
2. That the Audit, Risk and Compliance Committee recommend Council adopt the Audited Annual Financial Report, Independent Auditor's Closing Report, and Management Letter of Audit Findings for the financial year ended 30 June 2022.

*SIMPLE MAJORITY VOTE REQUIRED*

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**PURPOSE**

The purpose of this report is for the Audit, Risk and Compliance Committee (Committee) to consider the Audited Annual Financial Report, Independent Auditor's Closing Report and Management Letter for the financial year ended 30 June 2022, and to endorse all reports to Council.

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

RSM Australia Pty Ltd ("the Town's Auditors") have advised that they will be issuing the Auditor General an unmodified audit opinion for the financial year ended 30 June 2022.

**DETAIL**

Each year, the Town of Port Hedland (the "Town") is required to prepare general purpose financial statements and refer them to its Auditors as soon as practicable, no later than 30 September following the end of the financial year (Section 6.4 of the *Local Government Act 1995*). The draft Annual Financial Report for the year-ended 30 June 2022 was submitted to its Auditors on 30 September 2022.

The Annual Financial Report is prepared in accordance with Australian Accounting Standards; the *Local Government Act 1995*; and the *Local Government (Financial Management) Regulations 1996*. Management are responsible for preparing the Annual Financial Report in accordance with the Standards, Act and Regulations and to ensure that it fairly reflects the financial performance and position of the Town.

The Town's Auditors conducted the end of year audit onsite between 10-14 October 2022. The role of the Auditor is to provide an opinion based on their audit as

to whether Management has fulfilled these obligations. The Auditors also prepare a separate, more detailed report for Management, identifying any issues arising from the conduct of the audit, and recommending any corrective actions.

The Town's Auditors issued the Town with an unmodified audit opinion with respect to the Annual Financial Report, meaning that the Town's financial statements are fairly and appropriately presented, and in accordance with legislation and standards.

The Auditors have presented several matters for consideration by management as identified in Confidential Attachment 3.

Under section 5.54 of the *Local Government Act 1995*, the Annual Financial Report and Independent Auditor's Report must be accepted by the local government by 31 December, provided the Independent Auditor's Report is available. If the Independent Auditor's Report is not available in time for the Annual Financial Report for a financial year to be accepted by 31 December after that financial year, the Annual Financial Report is to be accepted by the local government no later than 2 months after the Independent Auditor's Report becomes available.

The Audited Annual Financial Report and Management Letter are expected to be signed off by the Auditor's on 6 December 2022, during the Exit Meeting. The ARC Committee has delegated authority to liaise with the Auditor, receive and examine the Auditor's report and any Management issues arising from the conduct of the audit.

## **SUMMARY OF FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022**

### *Continuing Operations*

A municipal surplus occurs where an opening balance carried forward plus revenue exceeds expenditure in a particular financial year. The Town has recognised a closing municipal surplus of \$86,000 from the 2021/22 financial year to be carried forward to the 2022/23 financial year (refer to page 7 of the Annual Financial Report).

The Town has realised a net operating surplus of \$14.90 million from continuing operations (excludes capital expenditure).

The Town's operating revenue streams in financial year 2021/22 increased by 1% since financial year 2020/21. Specifically, there was an increase in revenue raised from rates and fees and charges, which was offset by a decrease in other revenue, specifically the reversal of a landfill provision from the previous financial year and land sales at Kingsford Smith Business Park being lower than the previous year.

The Town's operating expenses increased by 15%. Notable variances from financial year 2020/21 include:

- Employee costs increased by 9% due to the ongoing Technology One Project and increase in Parks and Gardens staff to maintain an increased amount of assets;
- Materials and contract costs increased by 25%, attributed to increased cost of contractors for waste collection, cyclone response expenditure and the ongoing Technology One Project; and
- Depreciation on non-current assets increased by 25% due to an increase in the amount of capital assets.

## AUDIT FINDINGS

The Town's Auditors have identified several matters for consideration to be addressed by Management. Please refer to Confidential Attachment 3 for these findings.

## LEVEL OF SIGNIFICANCE

In accordance with Policy 4/009 'Significant Decision Making', this matter is considered to be of medium significance as it summarises the financial position of the Town for the financial year ended 30 June 2022 and reflects performance against the Strategic Community Plan and Corporate Business Plan in existence at the time. Risks associated with the audit findings are set out in this report under the heading 'Risk Management Considerations'.

## CONSULTATION

### *Internal*

The Annual Financial Reports and audit were completed with the input and assistance of the Executive Leadership team, the Financial Services team and the Governance team.

### *External Agencies*

- The Town's Auditors, RSM Australia
- The Office of the Auditor General

### *Community*

Not applicable

## LEGISLATION AND POLICY CONSIDERATIONS

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

The Department of Local Government, Sport and Cultural Industries has also prepared Operational Guideline Number 9 to provide guidelines for the Committee relating to Audit in Local Government.

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

Under section 5.54 of the *Local Government Act 1995*, the annual financial statements and audit report must be accepted by 31 December, provided the auditor's report is available. If the auditor's report is not available in time for the annual report for a financial year to be accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor's report becomes available.

## FINANCIAL AND RESOURCES IMPLICATIONS

The costs associated with conducting the interim and end of financial year audit are included in the 2021/22 budget and financial statements.

Completion of the Annual Financial Report will present a confirmed closing municipal surplus of \$86,000 from 2021/22 to be carried forward to the 2022/23 financial year. This will be included as part of the mid-year budget review.

## STRATEGIC AND SUSTAINABILITY IMPLICATIONS

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

- 4.2.1 Sound long-term financial planning is implemented
- 4.2.2 Transparent and regular financial reporting and communication to the community is undertaken.
- 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 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 because the Annual Financial Report and Independent Auditor's Report must be accepted by the Town by 31 December, provided the Independent Auditor's Report is available. If the Town does not meet this deadline, it will result in non-compliance with the requirements under the *Local Government Act 1995*.

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 eliminated by ensuring that Council is in a position to accept the Annual Financial Report and Independent Auditor's Report.

## OPTIONS

*Option 1 – Adopt officer's recommendation*

*Option 2 – Do not adopt officer's recommendation*

## CONCLUSION

The 2021/22 Financial Year Annual Financial Report, Independent Auditor's Closing Report and Management Letter are attached for the ARC Committee's review.

The Town is continuously working towards improvements in the financial management area and there will be a focus on creating stronger internal controls within financial management and processes in accordance with the Town's values and long-term sustainability.

## ATTACHMENTS

1. 2021/22 Financial Year Annual Financial Report - Confidential (under separate cover)
2. Independent Auditor's Closing Report - Confidential (under separate cover)
3. Management Letter of Audit Findings - Final Audit and Information Systems Audit - Confidential (under separate cover)

**11.2 REVIEW OF AUDIT LOG FOR THE STRATEGIC 3-YEAR INTERNAL AUDIT PLAN**

**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.

***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.

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 ensure that the independence of the audit function is maintained.

**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   | 12        |             | 11        | 23         |
| FY 2022/23   | 27        | 36          | 3         | 66         |
| FY 2023/24   | 0         | 6           |           | 6          |
| FY 2024/25   | 0         | 1           |           | 1          |
| <b>Total</b> | <b>44</b> | <b>43</b>   | <b>18</b> | <b>105</b> |

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

There is a compliance risk associated with this item because the Town has committed to implement agreed management action plans from audit recommendations made through its Strategic 3-Year Internal Audit Plan. 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. Any overdue items have been re-assigned a new 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 - Confidential (under separate cover)

**11.3 INTERNAL AUDIT REPORT - BUSINESS CONTINUITY AND DISASTER RECOVERY MANAGEMENT**

**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.

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**OFFICER'S RECOMMENDATION**

That the Audit, Risk and Compliance Committee receive and note the 2022/23 Financial Year Internal Audit Report of Business Continuity and Disaster Recovery Management, as per Attachment 1.

*SIMPLE MAJORITY VOTE REQUIRED*

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**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 Business Continuity and Disaster Recovery Management.

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 Business Continuity and Disaster Recovery processes. The overall objective of this the review was to determine whether adequate and effective business continuity and disaster recovery measures were in place for ensuring continuity of business during and/or after incidents. 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 considered the following:

- Roles and responsibilities for co-ordinating Business Continuity Plan ("BCP") development, maintenance and testing are clearly defined;
- A formal risk assessment has been completed to define potential events or incidents that could cause a disruption to the Town's business services;
- A formal plan has been developed to define the Town's response to business continuity risks and is regularly reviewed and approved;



- BCP clearly defines contingencies to manage various stages of the BCP life-cycle including emergency, backup and recovery phases;
- BCP establishes a “chain of command” in the event of a crisis which defines who is responsible for decision making and how decisions should be made; and
- BCP’s are regularly tested, results of testing are documented, and outcomes of testing are used to refresh and improve plans.

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

“The Town has established a detailed BCP that is rich in information. Overtime this document should be refined through testing, reviews, and ongoing monitoring of risks.

The internal audit has identified improvement opportunities to enhance the business impact analysis by the inclusion of the recovery time objective and references to the maximum acceptable outage timeframes for business activities.

Whilst the business impact analysis is extensive (in Appendix 1 of the BCP), it is saturated with many business activities and priority ranking that seem to be disconnected to the critical business functions identified in the relevant part (section 3) of the BCP. Accordingly, it is uncertain whether all key dependencies have been identified and addressed.”

***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 |
|------------------------|-----------------------|
| 31/12/2022             | 6                     |
| 30/06/2023             | 8                     |

Recommendations being applied to the BCP include:

- Removing medium and low priority risks from the Business Impact Assessment (BIA);
- Incorporating maximum allowable outages and recovery time objectives to the BIA;
- Including details on proposed testing throughout the financial year; and
- Inclusion of key interdependencies within the BIA.

It should also be noted that the Town has completed its first testing and review exercise of a component of the BCP, being SMS communications with staff based on information generated from the new OneConnect system. The testing was considered successful as the majority of staff members could be contacted through this system (in an emergency) with those staff who were not contacted identified. Failure of contact was due to staff members incorrectly checking/updating their details within the OneConnect system, which has since been rectified.

***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             | In progress   |
|         | 3rd | Strategic Asset Management and Maintenance       | Not commenced |

## 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 Regulatory Services  
 Manager Governance  
 Audit, Risk and Insurance Advisor

### *External Agencies*

William Buck Advisors (WA):

- Director
- Internal Auditor

### *Community*

Nil.

## LEGISLATION AND POLICY CONSIDERATIONS

- Section 8.5 *ISO 22301:2019 Security and resilience – Business continuity management systems*

## 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 Business Continuity and Disaster Recovery 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:

- 3.2.2 Prepare, educate, respond and recover in partnership with key agencies from emergencies such as cyclones.

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

- 3.b.2.1 Implement, monitor and review the ToPH Local Emergency Management Arrangements to enable the community to both prepare for and recover from emergencies.
- 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 Business Continuity and Disaster Recovery Management, and how the Town's administration will be addressing all relevant findings for improvement.

### **ATTACHMENTS**

1. **2022/23 Financial Year Internal Audit Report of Business Continuity and Disaster Recovery (under separate cover)**

|             |  |
|-------------|--|
| <b>11.4</b> | <b>FY 2022-23 QUARTER 1 PROCUREMENT REPORT ON PANELS USAGE</b> |
|-------------|--|

**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 1 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                            | 22   |
| 2      | RFT 2021-02  | Panel of Engineering Consultants   | 26                            | 02   |
| 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                            | -  |
| 6      | RFT 2122-12  | Panel for Concrete Placement Program                                       | 05                            | 05   |
| 7      | RFT 2122-17  | Panel for Supply of Plant Equipment and Operators for Infrastructure Works | 10                            | 08   |
| 8      | RFT 2122-25  | Panel for Report Writing, Investigation and Response Consulting            | 03                            | -  |

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.

Procurement identified the list of works that were awarded to the Pre-Qualified Panel Suppliers on VendorPanel for the quarter 01 July 2022 to 30 September 2022 and report 'Nil' non-compliance with the Panels Policy.

### **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 July 2022 to 30 September 2022.

### **ATTACHMENTS**

Nil

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**Item 12 Motions of which Previous Notice has been given**

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Nil.

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

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Nil.

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

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Nil.

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**Item 15 Closure**

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**15.1 Date of Next Meeting**

The next Audit, Risk and Compliance Committee Meeting will be held on Tuesday, 7 March 2023 commencing at 5:30pm.

**15.2 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

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

### 2. Introduction

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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

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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**

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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**

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- 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**

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- 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**

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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**

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- 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**

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- 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.*