



AGENDA

Dear Committee Members

I respectfully advise that an **AUDIT, RISK AND COMPLIANCE COMMITTEE MEETING** will be held in the Gratwick Hall, McGregor St, Port Hedland, on **Wednesday, 10 March 2021**, 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

5 March 2021

DISCLAIMER

No responsibility whatsoever is implied or accepted by the Town of Port Hedland for any act, omission, statement or intimation occurring during Council Meetings. The Town of Port Hedland disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission, and statement of intimation occurring during Council Meetings. Any person or legal entity that acts or fails to act in reliance upon any statement, act or omission occurring in a Council Meeting does so at their own risk. The Town of Port Hedland advises that any person or legal entity should only rely on formal confirmation or notification of Council resolutions.

DISCLOSURE OF FINANCIAL/ IMPARTIALITY/ PROXIMITY INTERESTS

Local Government Act 1995 – Section 5.65, 5.70 and 5.71

Local Government (Administration) Regulation 34C

<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 (Administration) Regulation 34C</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.”

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 responsible to the Council. 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 auditor and overseeing the external audit function and promoting the transparency and accountability of the Town's financial management systems and reporting. The role of the 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 Practising Account (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 A quorum will be a minimum of 50% of the membership.

- 5.7 Audit, Risk and Compliance Committee members are required by the Local Government Act and Code of Conduct in observing the requirements of declaring any proximity, financial or impartiality interests that relate to any matter to be considered at each meeting.
- 5.8 New members will receive relevant information and briefings on their appointment to assist them to meet their committee responsibilities.
- 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.
- 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 one week in advance to members, along with appropriate briefing materials.
- 6.8 Minutes will be taken at each meeting and presented to the subsequent meeting for confirmation.
- 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.

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.
- 7.2 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.
- 7.3 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 to the draft Annual Financial Statements 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 Review and suggest improvements to the external auditor's proposed audit scope and approach for financial performance audits, including any reliance on internal auditor activity.

7.5.2 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.

7.6 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 Governance 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.

*(Adopted by Council at its Ordinary Meeting held 16 November 2011.
Amended by Council at its Ordinary Meeting held 23 October 2013.
Amended by Council at its Ordinary Meeting held on 11 December 2013.
Amended by Council at its Ordinary Meeting held on 27 May 2015.
Amended by Council at its Ordinary Meeting held on 28 October 2015.
Amended by Council at its Ordinary Meeting held on 22 June 2016.
Amended by Council at its Ordinary Meeting held on 24 May 2017.
Re-Adopted by Council at its Ordinary Meeting held on 1 November 2017.
Re-Adopted by Council at its Ordinary Meeting held on 19 December 2019.
Amended by Council at its Ordinary Meeting held on 23 September 2020.)*

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Item 1 Opening of Meeting

The Chief Executive Officer is to declare the meeting open at [Enter Time](#).

Item 2 Acknowledgement of Traditional Owners and Dignitaries

The Chief Executive officer acknowledges the Kariyarra people as the Traditional Custodians of this land, on whose land we are meeting, and recognises their strength and resilience, and pays his respects to Elders past, present and emerging.

Item 3 Recording of Attendance

3.1 Attendance

Scheduled Present:

Committee Members:

Councillor Eva Bartho
Councillor Tim Turner
Councillor Jan Gillingham

Scheduled for Attendance:

Carl Askew (Chief Executive Officer)
Karren MacClure (Director Corporate Services)
Mark Dawson (Governance Manager)
Angelique Cook (Senior Governance Advisor)
Rebecca Wilkinson (Governance Officer/ Minute Taker)

3.2 Attendance by Telephone / Instantaneous Communications

3.3 Apologies

3.4 Approved Leave of Absence

3.5 Disclosure of Interests

3.6 Election of Presiding Member and Deputy Presiding Member

3.6.1 Election of Presiding Member

Section 5.12 and Schedule 2.3 of the *Local Government Act 1995* (Act) requires that a committee elect a presiding member.

5.12. Presiding members and deputies, election of

(1) The members of a committee are to elect a presiding member from amongst themselves in accordance with Schedule 2.3, Division 1 as if the references in that Schedule —

(a) to “office” were references to “office of presiding member”; and

(b) to “council” were references to “committee”; and

(c) to “councillors” were references to “committee members”.

.....

The appointment will be until 16 October 2021, with the membership and presiding member being considered following the 2021 Ordinary Election of the Town of Port Hedland Council. Should there be more than one nomination, it will be necessary for a secret ballot to be held to elect a committee member to the position in accordance with the *Local Government Act 1995*.

Under Schedule 2.3, Part 4 of the *Local Government Act 1995*, the procedure for electing the Presiding Member is as follows:-

4. How mayor or president is elected

- (1) The council is to elect a councillor to fill the office.*
- (2) The election is to be conducted by the CEO in accordance with the procedure prescribed.*
- (3) Nominations for the office are to be given to the CEO in writing before the meeting or during the meeting before the close of nominations.*
 - (3a) Nominations close at the meeting at a time announced by the CEO, which is to be a sufficient time after the announcement by the CEO that nominations are about to close to allow for any nominations made to be dealt with.*
- (4) If a councillor is nominated by another councillor the CEO is not to accept the nomination unless the nominee has advised the CEO, orally or in writing, that he or she is willing to be nominated for the office.*
- (5) The councillors are to vote on the matter by secret ballot as if they were electors voting at an election.*
- (6) Subject to clause 5(1), the votes cast under subclause (5) are to be counted, and the successful candidate determined, in accordance with Schedule 4.1 (which deals with determining the result of an election) as if those votes were votes cast at an election.*
- (7) As soon as is practicable after the result of the election is known, the CEO is to declare and give notice of the result in accordance with regulations, if any.*

5. Votes may be cast a second time

- (1) If when the votes cast under clause 4(5) are counted there is an equality of votes between 2 or more candidates who are the only candidates in, or remaining in, the count, the count is to be discontinued and the meeting is to be adjourned for not more than 7 days.*
- (2) Any nomination for the office may be withdrawn, and further nominations may be made, before or when the meeting resumes.*
- (3) When the meeting resumes the councillors are to vote again on the matter by secret ballot as if they were electors voting at an election.*
- (4) The votes cast under subclause (3) are to be counted, and the successful candidate determined, in accordance with Schedule 4.1 as if those votes were votes cast at an election.*

3.6.2 Election of Deputy Presiding Member

Committees must also elect a committee member (other than the presiding member) to fill the office of deputy presiding member, in accordance with Section 5.12 (2) of the *Local Government Act 1995*.

5.12. Presiding members and deputies, election of

....

- (2) *The members of a committee may elect a deputy presiding member from amongst themselves but any such election is to be in accordance with Schedule 2.3, Division 2 as if the references in that Schedule –*
- (a) to “office” were references to “office of deputy presiding member”; and*
 - (b) to “council” were references to “committee”; and*
 - (c) to “councillors” were references to “committee members”; and*
 - (d) to “mayor or president” were references to “presiding member”.*

The procedure for electing the deputy presiding member is similar to that of filling the office of presiding member, as listed under Schedule 2.3, Division 2, Part 8 of the *Local Government Act 1995*.

8. How deputy mayor or deputy president is elected

- (1) The council is to elect a Councillor (other than the Mayor) to fill the office.*
- (2) The election is to be conducted in accordance with the procedure prescribed, by the Mayor, or if he or she is not present, by the Chief Executive Officer.*
- (3) Nominations for the office are to be given to the person conducting the election in writing, before the meeting or during the meeting before the close of nominations.*
- (3a) Nominations close at the meeting at a time announced by the person conducting the election, which is to be a sufficient time after the announcement by that person that nominations are about to close to allow for any nominations made to be dealt with.*
- (4) If a Councillor is nominated by another Councillor the person conducting the election is not to accept the nomination unless the nominee has advised the person conducting the election, orally or in writing, that he or she is willing to be nominated for the office.*
- (5) The council members are to vote on the matter by secret ballot as if they were electors voting at an election.*
- (6) Subject to clause 9(1) the votes cast under subclause (5) are to be counted, and the successful candidate determined, in accordance with Schedule 4.1 as if those votes were votes cast at an election.*
- (7) As soon as is practicable after the result of the election is known, the Chief Executive Officer is to declare and give notice of the result in accordance with regulations, if any*

9. Votes may be cast a second time

(1) *If, when the votes cast under clause 8(5) are counted, there is an equality of votes between 2 or more candidates who are the only candidates in, or remaining in, the count, the count is to be discontinued and, not more than 7 days later, a special meeting of the council is to be held.*

(2) *Any nomination for the office may be withdrawn, and further nominations may be made, before or when the special meeting is held.*

(3) *When the special meeting is held the council members are to vote again on the matter by secret ballot as if they were voting at an election.*

(4) *The votes cast under subclause (3) are to be counted, and the successful candidate determined, under Schedule 4.1 as if those votes were votes cast at an election.*

Item 4 Applications for Leave of Absence

Nil.

Item 5 Response to Previous Questions

Nil.

Item 6 Public Time

Important note:

This meeting is being recorded on audio tape. If you do not give permission for recording your participation please indicate this at the meeting. In accordance with the Town's Standing Orders nobody shall record the proceedings of any meeting unless that person has been given permission by the chairperson to do so and mobile telephones must be switched off.

Unless the Presiding Member determines otherwise, a person may ask up to three questions at a meeting. The time to be allocated for the asking of and responding to questions raised by members of the public is up to 15 minutes but the Presiding member may extend question time for up to 60 minutes after the end of the minimum time for questions. Members of the public are required to complete a question form and place the completed form in the tray provided.

In accordance with the Town's Standing Orders, 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

Amendment:
"Chief
Executive
Officer"
changed to
"Presiding
Member"

The ~~Chief Executive Officer~~ **Presiding Member** declares that he had given due consideration to all matters contained in the agenda.

Item 10 Confirmation of Minutes from Previous Meeting

OFFICER'S RECOMMENDATION

That the Audit, Risk and Compliance Committee confirm that the Minutes of the Audit, Risk and Compliance Committee Meeting held on Tuesday 11 August 2020 are a true and correct record.

SIMPLE MAJORITY VOTE REQUIRED

Item 11 Reports of Officers

11.1 Corporate Services

11.1.1 AMENDED STRATEGIC 3 YEAR INTERNAL AUDIT PLAN
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Author: Senior Governance 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.

OFFICER'S RECOMMENDATION

That Audit, Risk and Compliance Committee accept and adopt the amended Strategic 3 Year Internal Audit Plan, as per Attachment 1.

SIMPLE MAJORITY VOTE REQUIRED

PURPOSE

The purpose of this report is for the Audit, Risk and Compliance (ARC) Committee to consider and adopt the amended Strategic 3 Year Internal Audit Plan. The proposed amendments will ensure that the Town of Port Hedland (Town) can achieve the agreed 'Area of Review'.

DETAIL

Background

Following the engagement in February 2020, William Buck was requested to prepare the Strategic 3 Year Rolling and Annual Internal Audit Plan (Internal Audit Plan). The Internal Audit Plan had been reviewed and approved by the Town's Executive Leadership Team in May 2020 and was based on previously identified audit issues, regular high risk areas, and Office of Auditor General areas of concern. This Plan comprises of 15 internal audit reviews that are to be conducted over a 3 year period, with an average of five (5) reviews conducted per year.

This Internal Audit Plan was accepted and adopted by the ARC Committee on 11 August 2020 (Council decision: ARC202021/013).

Proposed Amendments to the Internal Audit Plan

To ensure that outcomes and recommendations from the internal audit reviews are addressed and/or implemented effectively and efficiently, taking into consideration resourcing constraints and prioritisation of other key tasks and projects, it is proposed that the Internal Audit Plan be amended.

The proposed amendments were made in line with Town deliverables, fit for purpose and statutory obligations. The amendments will ensure that the Town meets the timeframes stipulated under 'Area of Review', which is clearly defined in Attachment 1, for the 2020/21, 2021/22 and 2022/23 financial years.

A summary of the proposed amendments are as follows:

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

The six (6) projects removed from the current Internal Audit Plan will be rolled over to future financial years and form part of a proposed five (5) year Internal Audit Plan.

LEVEL OF SIGNIFICANCE

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

CONSULTATION

Internal

- Chief Executive Officer
- Director Corporate Services
- Manager Governance

External Agencies

- William Buck Consulting (WA) Pty Ltd.

Community

- Nil

LEGISLATION AND POLICY CONSIDERATIONS

- Part 7 – *Local Government Act 1995*; and
- *Local Government (Audit) Regulations 1996*
- Section 7.2 of the Audit, Risk and Compliance Committee's Terms of Reference.

FINANCIAL AND RESOURCES IMPLICATIONS

The financial impacts are budgeted in the 2020/21 Budget for \$55,000. This will be dependent on the number of hours performed by William Buck at a cost of \$140 ex GST per hour.

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

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

- 2.b.4 Business approval processes are transparent and pathways streamlined
- 2.c.1 Business and government agencies and other relevant stakeholders are engaged to:
- 4.b.1 Sound long-term financial planning is implemented
- 4.b.3 Transparent and regular governance reporting and communication to the community is undertaken

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

Disability Access and Inclusion Plan

The following outcome of the Town's Disability Access and Inclusion Plan 2017-2022 apply in relation to this item:

- Outcome 3 – Information
- Outcome 4 – Quality of Service

Corporate Business Plan

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

- 4.b.3.2 – Ensure all governance information provided to the community is in line with legislated requirements.*Corporate Business Plan*

RISK MANAGEMENT CONSIDERATIONS

There is a compliance risk associated with this item because the Town has a 3 year Internal Audit Plan that is made in line with Town deliverables and covers fit for purpose and statutory obligations. The risk rating is considered to be low (2), which is determined by a likelihood of rare (1) and a consequence of minor (2).

This risk will be eliminated by the adoption of the officer's recommendation.

OPTIONS

Option 1 – Adopt officer's recommendation

Option 2 – Amend officer's recommendation

Option 3 – Do not adopt officer's recommendation

CONCLUSION

It is recommended that the ARC Committee adopt the amended Strategic 3 Year Internal Audit Plan to ensure that the Town of Port Hedland can achieve the agreed 'Area of Review' for the 2020/21, 2021/22 and 2022/23 financial years.

ATTACHMENTS

1. 20200310 Amended Strategic 3 year Internal Audit Plan (under separate cover)

11.1.2 PROCUREMENT AND CONTRACTING MANAGEMENT AUDIT REVIEW 2020

Author: William Buck Chartered Accountants & Advisors
Authorising Officer: Director Corporate Services
Disclosure of Interest: The Author and Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

OFFICER'S RECOMMENDATION

That the Audit, Risk and Compliance Committee:

1. Receive the Procurement and Contract Management Audit Review 2020, as per Attachment 1; and
2. Recommend Council receive and adopt the Procurement and Contract Management Audit Review 2020.

SIMPLE MAJORITY VOTE REQUIRED

PURPOSE

The purpose of this report is for the Audit, Risk and Compliance Committee to note the outcomes of the Procurement and Contract Management Audit Review 2020 Report. The agreed management actions will be recorded in the Audit Log and progress updates on improvements made by the Town of Port Hedland (Town), will be provided to the Audit, Risk and Compliance (ARC) Committee on a quarterly basis.

DETAIL*Background*

William Buck Consulting (WA) Pty Ltd (William Buck) were engaged by the Town to act as the Town's internal audit function and commenced work in that role effective 24 February 2020. Following the engagement, William Buck was requested to prepare a Strategic three (3) Year Rolling and Annual Internal Audit Plan (Internal Audit Plan). This Internal Audit Plan was accepted and adopted by the ARC Committee on 11 August 2020 (Council decision: ARC202021/013).

In accordance with the Internal Audit Plan, William Buck was assigned to review the Town's procurement and contract management processes. The purpose of the review was to ensure the Town has appropriate processes and procedures in place around procurement and contract management and that these processes are managed effectively and efficiently.

Overall Comment & Findings

Based on the review performed by William Buck, ten (10) medium rated findings were identified in relation to the basic design and operation of processes in respect to procurement and contract management.

The Procurement and Contract Management Audit Review 2020 Report (Internal Audit Report) was reviewed by the Executive Leadership Team with agreed management actions, action

owners and proposed target dates for completion being determined in relation to the following areas:

- Overall improvement opportunities in respect of procurement and contract management related policies and procedures.
- Development of an Internal Operating Procedure (IOP) for Contract Management and Project Management.
- Document and implement processes for the management of insurance.
- Document and implement processes for the management of bank guarantees.
- Enhancements to the Tender Register and processes for updating it.
- Improvement of processes and documentation around contractor performance assessments prior to contract extensions.
- Enhancement to controls and monitoring in respect to contract variations.
- Enhanced monitoring and reviews of Vendor Data within the Finance System including the development of an associated IOP.
- Enhancement to procurement record keeping practices to ensure all records are uploaded into the Records Management System.
- Enhanced pro-active organisational training on Procurement and Contract Management practices.

The Town is progressing well in implementing actions noted in the report and with nine (9) of the above ten (10) actions to be implemented before 31 December 2021. Actions relating to the implementation of a new ERP system is anticipated to be in place by December 2022, however interim controls will be implemented within the current system (SynergySoft) to reduce the level of risk. These interim controls will be implemented prior to 30 September 2021.

LEVEL OF SIGNIFICANCE

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

CONSULTATION

Internal

- Executive Leadership Team
- Manager Finance
- Senior Procurement Advisor
- Procurement Officer
- Senior Governance Advisor

External Agencies

- William Buck Consulting (WA) Pty Ltd

Community

- Nil

LEGISLATION AND POLICY CONSIDERATIONS

- Part 7 – *Local Government Act 1995*; and
- *Local Government (Audit) Regulations 1996*.
- Section 7.2 of the Audit, Risk and Compliance Committee’s Terms of Reference.

FINANCIAL AND RESOURCES IMPLICATIONS

The value of works for the first year, as contracted with William Buck and identified in the Strategic three (3) Year Rolling and Annual Internal Audit Plan was recorded, considered and adopted by the ARC Committee on 11 August 2020, for the value of \$53,200.00.

The adopted FY2020/21 Budget included sufficient funding for the internal audit costs.

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

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

- 2.b.4 Business approval processes are transparent and pathways streamlined
- 2.c.1 Business and government agencies and other relevant stakeholders are engaged to:
- 4.b.1 Sound long-term financial planning is implemented
- 4.b.3 Transparent and regular governance reporting and communication to the community is undertaken

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

Disability Access and Inclusion Plan

The following outcome of the Town’s Disability Access and Inclusion Plan 2017-2022 apply in relation to this item:

- Outcome 3 – Information
- Outcome 4 – Quality of Service

Corporate Business Plan

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

- 4.b.3.2 – Ensure all governance information provided to the community is in line with legislated requirements.

RISK MANAGEMENT CONSIDERATIONS

Ten (10) medium rated compliance and reputational risks have been identified based on the findings identified in the Procurement and Contract Management Audit Review 2020 Report.

There are compliance risks associated with this item because the Town must ensure that it has adequate procedures and processes in place to preserve and protect its systems, procedures, assets and its reputation. The overall risk rating is considered to be medium (9), which is determined by a likelihood of likely (3) and a consequence of moderate (3).

This risk will be reduced by the adoption of the recommendation, implementing the agreed management actions and future operational enhancements to the Town’s overall procurement and recording keeping practices.

OPTIONS

Option 1 – Adopt officer’s recommendation

Option 2 – Amend officer’s recommendation

Option 3 – Do not adopt officer’s recommendation

CONCLUSION

This report presents the Audit, Risk and Compliance Committee with an overview of the reviewing process for Procurement and Contract Management, and how the Town’s administration will be addressing all relevant findings for improvement. It is recommended that the Audit, Risk and Compliance Committee recommend that Council receive and note the Procurement and Contract Management Audit Review 2020.

ATTACHMENTS

1. 20201216_Procurement and Contracting Management Audit Review 2020 (under separate cover)

11.1.3 FINANCIAL STATEMENTS FY2020

Author: Manager Financial Services
Authorising Officer: Chief Executive Officer
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:

1. Receive the Audited Annual Financial Report, Independent Auditor's Report, Closing Report, and Management Letter of Audit Findings for the financial year ended 30 June 2020; and
2. Recommend Council adopt the Audited Annual Financial Report, Independent Auditor's Report, Closing Report, and Management Letter of Audit Findings for the financial year ended 30 June 2020.

SIMPLE MAJORITY VOTE REQUIRED

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 2020, 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 (Auditors) have advised that they will be issuing an unqualified audit opinion for the financial year ended 30 June 2020.

DETAIL

Each year, the Town is required to prepare general purpose financial reports and refer them to the 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 2020 was submitted to the Auditors on 30 September 2020.

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's responsibility is to prepare it in accordance with the Standards, Act and Regulations and to ensure that the reports fairly present the financial performance and position of the Town.

The Town's Auditors, RSM Australia, conducted the end of year audit onsite from 19-23 October 2020. 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.

RSM Australia Pty Ltd issued the Town with an unqualified audit opinion with respect to the financial statements, meaning that the Town of Port Hedland financial records and statements are fairly and appropriately presented, and in accordance with legislation and standards.

This report presents to the Committee the audited Annual Financial Report (AFR), Audit Closing Report and Management Letter from the Town's Auditors, RSM Australia Pty Ltd, for the year ended 30 June 2020.

The Auditors have presented no matters for consideration as identified in confidential attachment 3.

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.

The finalisation of all reports from audit was not completed until the 5th March 2021 and hence the delay in providing the information to the Committee.

The financial statements and Management Letter are expected to be signed off by the auditors on 10 March 2021, during the Committee meeting with the Auditors. Council's ARC Committee has delegated authority to liaise with the Auditor, and 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 2019

Continuing Operations

A municipal deficit occurs where an opening balance carried forward plus revenue falls short of expenditure in a particular financial year. The Town has recognised a closing municipal deficit of \$0.2M from 2019/20 to be carried forward to the 2020/21 financial year (refer to page 8 of the financial statements).

The Town has realised a net operating surplus of \$20.6M from continuing operations (excludes capital expenditure) and an operating surplus ratio of 0.22%.

The Town's operating revenue streams decreased overall by 1%, which is representative of a reduction in interest rates income and fees and charges income due to mandatory facility closures.

The Town's operating expenses decreased by 6% due to lower material and contracts costs and other expenditure. However the Town was under budget for operating expenses overall due mainly to materials and contracts costs attributed to unfinished projects.

The Town is not within the guidelines on the debt service cover ratio and asset sustainability ratio, as determined by the Department of Local Government, Sport and Cultural Industries. The debt service cover ratio is not relevant as all debt was repaid by the Town in June 2019. The asset sustainability ratio is 2.02, against a target of 0.9. The asset renewal programme for

2019/20 required an increased spend to make up for the delay to works scheduled in 2018/19 disrupted by tropical cyclone Veronica.

MANAGEMENT LETTER AUDIT FINDINGS

RSM has identified no 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 2020 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 was 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
- Moore Stephens for assistance with technical accounting matters
- AssetVal Pty Ltd for clarification on discount rate on investment property

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 regards 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 2019/20 budget and financial statements.

Completion of the Annual Financial Report will present a confirmed closing municipal deficit of \$0.2M from 2019/20 to be carried forward to the 2020/21 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 2018-2028 are applicable in the consideration of this item:

- 4.b.1 Sound long-term financial planning is implemented
- 4.b.2 Transparent and regular financial reporting and communication to the community is undertaken
- 4.b.3 Transparent and regular governance reporting and communication to the community is undertaken

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

Per the risk matrix contained in policy 1/022 'Risk Management', the level of risk is considered to be Medium (9), with risk managed by adequate controls, managed by specific procedures and subject to regular monitoring.

OPTIONS

Option 1 – Adopt officer's recommendation

Option 2 – Do not adopt officer's recommendation

CONCLUSION

The 2019/20 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. Town of Port Hedland OAG Exit Meeting Agenda 30 June 2020 (Confidential under separate cover)
2. Closing Report for the year ending 30 June 2020 (OAG Reviewed) (Confidential under separate cover)
3. Annual Financial Statement FY2019/20 (Confidential under separate cover)
4. Management Letter to Auditors FY2019/20 (Confidential under separate cover)

Attachments
have been
updated

11.1.4 2020 COMPLIANCE AUDIT RETURN

Author: Governance Officer
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:

1. Review and note the areas of non-compliance and actions the Town will undertake to ensure future compliance in the 2020 Compliance Audit Return; and
2. Recommend Council adopt the 2020 Compliance Audit Return.

SIMPLE MAJORITY VOTE REQUIRED

PURPOSE

The purpose of this report is for the Audit, Risk and Compliance Committee to consider the Town's 2020 Compliance Audit Return (CAR).

DETAIL

Each year all Western Australian Local Government Authorities are required to undertake a compliance audit and forward the results to the Department of Local Government, Sport and Cultural Industries (the Department) by 31 March. The CAR is a self-assessment of a local government referring to its levels of compliance with the *Local Government Act 1995* and its subsidiary regulations.

A local government's Audit Committee is required to review the CAR and report the results of that review to the Council prior to adoption by Council. The Town will then request for Council's approval to submit the CAR to the Department by 31 March 2021.

The CAR is one of the tools utilised by the Department to monitor how the local government functioned throughout the previous calendar year from a compliance perspective. It identifies areas of non-compliance that provide guidance to officers as to where processes may be reviewed to ensure improved compliance.

The Governance team undertook a thorough review to carry out the compliance audit and the findings have been issued throughout the CAR.

For the 2020 calendar year, the Town of Port Hedland was non-compliant in four areas:

1. *Disclosure of Interest*

Question 11 relates to whether all gifts were disclosed in the detail outlined in the Local Government (Administration) Regulations 1996. It was identified that the internal gift declaration form did not include a section for the address of the person who made the gift, which made the Council non-compliant.

Governance have updated the internal form accordingly and moving forward the register of gifts will now include the address of the person who made the gift.

2. *Finance*

Question 1 queries if Audit Committee members were appointed by an Absolute Majority. The Town is technically non-compliant. The Ordinary Council Meeting (OCM) held on 4 November 2020, saw the appointment of three (3) Elected Members to the Audit, Risk and Compliance (ARC) Committee. The council decision was carried 9-0. However, the staff recommendation in the Council report stipulated that a Simple Majority was required for the vote, although the body of the report noted an Absolute Majority was required.

For the avoidance of doubt, a further report was presented to Council on 24 February 2021 to formally re-confirm and appoint members to the ARC by an Absolute Majority Vote. (Decision #CM202021/124)

Question 5 queries if the Town received an auditor's report for the financial year ending 30 June 2020 prior to 31 December 2020. Due to changes in the *Local Government (Financial Management Regulations) 1996* there has been a delay in receiving the auditor's report for 2019/20 financial year. As the amendments to the regulation has delayed the auditors, this non-compliance was unavoidable on the Town's behalf.

Questions 7 is a follow-on from question 5, and due to the auditor's report for the financial year ending 30 June 2020 not being received due to regulation updates, the Town needs to state this as non-compliant. The auditors have indicated that there are no significant items to report for the financial year ending 30 June 2020, and the Town intends to report what action will be taken to rectify any matters identified by the auditors within a timely manner.

Question 11 queries if the Town received a copy of the auditor's report for the financial year ending 30 June 2020 within 30 days of the audit being completed. As the audit has not been completed due to delays from the update to the *Local Government (Financial Management Regulations) 1996* the Town has not received this report and must advise this as non-compliant.

3. *Tenders for Providing Goods and Services*

Question 2 queries if the Council complied with its current purchasing policy for the supply of goods or services for contracts worth \$250,000 or less. Refer to question 3.

Question 3 asks if the Town invited tenders for all contracts for the supplies of goods or services worth \$250,000 or more.

The non-compliant response was in relation to a single instance during March 2020 where it was understood at the time a chiller (HVAC) quoted at \$160,500 for the JD Hardie Youth Centre was purchased from a supplier contrary to the legislative tender requirements (at the time this was \$150,000) and the Town's internal purchasing policy. It is worth noting the WA State Government increased the tender threshold from \$150,000 to \$250,000 during April 2020.

This incident was reported to the Audit, Risk and Compliance (ARC) Committee at the meeting held on 11 August 2020 as being a non-compliant issue that was contrary to the Town's 2/007 Purchasing Policy. The ARC also noted that the non-compliance will be included in the Compliance Audit Return submitted for the year ended 31 December 2020 (Decision # ARC202021/014).

Subsequent to the 2020 ARC meeting further checks were undertaken with it noted the purchase of a chiller was included as an option within the original tender (master contractor) for the JD Hardie centre project. The perceived non-compliance issue arose as a result of a commitment from the Town (Letter of intent) to the main distributor of the chiller that should the master contractor not require the chiller then the Town would purchase and re-sell it. This was due to the fact the equipment had to be ordered ahead of time and it was considered unreasonable for the supplier to be left with an expensive piece of plant that had to be pre-ordered.

On the basis the master contractor did require the chiller for the JD Hardie centre works in accordance with the original scoped and tendered works, the fact the master contractor was paid for the chiller, and the fact no contract was entered into with the supplier of the chiller then it has been determined no breach of the tender regulations or the Town's purchasing policy occurred.

4. Optional Questions

Question 2 relates to the CEO reviewing the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance. This review commenced in December 2020 by William Buck Consulting (WA) Pty Ltd (William Buck) and forms part of a three year internal audit plan. The final Regulation 17 Audit Review report will be presented at the May 2021 Audit, Risk and Compliance (ARC) Committee meeting. The Town is required to state this as non-compliance as this was not completed prior to 31 December 2020, however the Town is focusing on finalising this review in this financial year.

Question 3 queries if all gifts were disclosed by employees and Elected Members within ten (10) days of receiving the gift. Over the course of 2020, there was one occurrence where an employee disclosed a gift twelve (12) days after receiving the gift, which is two (2) days over the legislated deadline and therefore non-compliant. Current employees and Elected Members have been reminded of the process and requirements for disclosing gifts, and current Governance staff process these requests as soon as possible to ensure this statutory obligation is met.

Question 4 asks if disclosed gifts by employees and Elected Members include all information required as per the *Local Government Act 1995*. It was identified that the internal gift declaration form did not include a section for disclosing the address of the person making the gift, which is non-compliant. The Town's processes have now been updated accordingly to include the address of the person who made the gift.

LEVEL OF SIGNIFICANCE

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

CONSULTATION

Internal

- Executive Leadership Team
- The CAR was completed internally by the Governance team, who consulted with all responsible officers throughout the organisation.

External Agencies

- Department of Local Government, Sport and Cultural Industries

Community

Nil.

LEGISLATION AND POLICY CONSIDERATIONS

Policy 2/016 'Regional Price Preference was considered in the completion of the compliance audit review.

Section 7.13(1)(i) of the *Local Government Act 1995* require local governments to carry out an audit of compliance with such statutory requirements. Regulation 14 of the Local Government (Audit) Regulations 1996 outlines the period of time, the form and the process on the compliance audit. The compliance audit is required to be reviewed by an Audit Committee and then reported to Council.

FINANCIAL AND RESOURCES IMPLICATIONS

There are no financial implications related to 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.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.

RISK MANAGEMENT CONSIDERATIONS

There is a compliance risk associated with this item because the Town will not be compliant if the CAR is not adopted by Council or submitted to the Department by 31 March 2021. The risk rating is considered to be low (4), which is determined by a likelihood of unlikely (2) and a consequence of minor (2).

OPTIONS

Option 1 – Adopt officer’s recommendation

Option 2 – Do not adopt officer’s recommendation

CONCLUSION

The CAR is a fundamental mandatory obligation required from all local governments for statutory compliance. The CAR provides the Town an opportunity to check its processes and determine whether it is compliant and as a result the Town is accountable for its actions within the local government framework. It is recommended that the Audit, Risk and Compliance Committee recommend that Council adopt the 2020 CAR.

ATTACHMENTS

1. 2020 Compliance Audit Return (under separate cover)

11.2 Community Services

Nil.

11.3 Regulatory Services

Nil.

11.4 Infrastructure Services

Nil.

11.5 Executive Services

Nil.

Item 12 Motions of which Previous Notice has been given

Nil.

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

Nil.

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

Nil.

Item 15 Closure

15.1 Date of Next Meeting

The next Audit, Risk and Compliance Committee Meeting will be held on Tuesday 11 May 2021 commencing at 5:00pm.

15.2 Closure

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