



## **TOWN OF PORT HEDLAND**

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

**TUESDAY 7 FEBRUARY 2017 AT 5:30PM**

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

#### *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.*

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

*David Pentz  
Chief Executive Officer*

## **TERMS OF REFERENCE**

### **1. Purpose of the Terms of Reference**

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

### **2. Introduction**

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

The Audit, Risk and Governance Committee is an advisory committee formally appointed by the Council and is responsible to the Council. The Audit, Risk and Governance Committee does not have executive powers or authority to implement actions in areas over which management has responsibility and does not have any financial responsibility. The Audit, Risk and Governance Committee does not have any management functions and is therefore independent of management.

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

The Audit, Risk and Governance Committee objective is to assist the Town of Port Hedland Council in liaising with the auditor and overseeing the external audit function and promoting the transparency and accountability of the Town's financial management systems and reporting. The role of the Committee is to report to the Council and provide appropriate advice and recommendations on matters relevant to its terms of reference in order to facilitate decision making by the Council in relation to the discharge of its responsibilities.

### **3. Objectives**

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

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

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

**4. Authority**

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

- 4.1 Review and suggest improvements to the internal and external auditor's annual audit plans and the outcomes/results of all audits undertaken.
- 4.2 Formally meet with the Town's appointed external auditor as necessary.
- 4.3 Seek resolution on any disagreements between management and the external auditors on financial reporting.
- 4.4 Advise Council on any or all of the above as deemed necessary.

**5. Composition**

- 5.1 The Audit, Risk and Governance Committee will comprise of six members, four Elected Members and two independent members.
- 5.2 The Council will appoint Audit, Risk and Governance Committee members.
- 5.3 The Presiding Member and Deputy Presiding Member will be appointed by the Audit, Risk and Governance Committee, biennially by election by all committee members after the Ordinary Local Government Election.
- 5.4 The members, taken collectively, will have a broad range of skills and experience relevant to the operations of the Town. At least one member of the committee will have accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment.
- 5.5 Independent members will be appointed until the next Ordinary Local Government Election.
- 5.6 A quorum will be a minimum of 50% of the membership.
- 5.7 Audit, Risk and Governance Committee members are required by the Local Government Act and Code of Conduct in observing the requirements of declaring any proximity, financial or impartiality interests that relate to any matter to be considered at each meeting.
- 5.8 New members will receive relevant information and briefings on their appointment to assist them to meet their committee responsibilities.

**6. Meetings**

- 6.1 Meetings may be called by the Presiding Member of the Audit, Risk and Governance Committee, or at the request of the Mayor or Chief Executive Officer.
- 6.2 The Audit, Risk and Governance Committee meetings are generally open to the public unless the Presiding Member or Chief Executive Officer deem it necessary to proceed behind closed doors pursuant to Section 5.23 of the Local Government Act 1995.

- 6.3 All Elected Members are invited to attend each Audit, Risk and Governance Committee meeting.
- 6.4 All Audit, Risk and Governance Committee members are expected to attend each meeting in person.
- 6.5 The Chief Executive Officer will facilitate the meetings of the Audit, Risk and Governance Committee and invite members of management, internal and external auditors or others to attend meetings as observers and to provide pertinent information, as necessary.
- 6.6 The Audit, Risk and Governance Committee will develop a forward meeting schedule that includes the dates, location, and proposed work plan for each meeting for the forthcoming year, that cover all the responsibilities outlined in this terms of reference.
- 6.7 Meeting agendas will be prepared and provided at least one week in advance to members, along with appropriate briefing materials.
- 6.8 Minutes will be taken at each meeting and presented to the subsequent meeting for confirmation.

## **7. Responsibilities**

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

### **7.1 Risk management**

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

### **7.2 Business continuity**

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

### 7.3 Internal Control

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

### 7.4 Financial Report

- 7.4.1 Review and suggest improvements to significant accounting and reporting issues, including complex or unusual transactions and highly judgemental areas, and recent accounting, professional and regulatory pronouncements and legislative changes, and understand their effect on the financial report.
- 7.4.2 Review with management and the external auditors the results of the audit, including any difficulties encountered, and suggest improvements if required.
- 7.4.3 Review and suggest improvements to the annual financial report and performance report of the Town of Port Hedland and its subsidiaries, and consider whether it is complete, consistent with information known to Audit, Risk and Governance Committee members, and reflects appropriate accounting principles.
- 7.4.4 Review and suggest improvements to the process for the consolidation of financial information of the Town related entities into the financial reports of the Town.
- 7.4.5 Review with management and the external auditors all matters required to be communicated to the Audit, Risk and Governance Committee under the Australian Auditing Standards, and suggest improvements if required..
- 7.4.6 Review and suggest improvements to the draft Annual Financial Statements and recommend the adoption of the Annual Financial Statements to Council.
- 7.4.7 Receive the quarterly budget review.

### 7.5 Compliance

- 7.5.1 Review and suggest improvements to the systems and processes to monitor effectiveness of the system for monitoring compliance with legislation and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.

7.5.2 Keep informed of the findings of any examinations by regulatory agencies and any auditor (internal or external) observations and monitor management's response to these findings.

7.5.3 Obtain regular updates from management about compliance matters.

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

## **7.6 Internal Audit**

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

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

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

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

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

7.6.6 Review and suggest improvements to all audit reports and provide advice to the Council on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice.

7.6.7 Monitor management's implementation of internal audit recommendations.

## **7.7 External Audit**

7.7.1 Review and suggest improvements to the external auditor's proposed audit scope and approach for financial performance audits, including any reliance on internal auditor activity.

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

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

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

7.7.5 Monitor management's implementation of external audit recommendations.

## **7.8 Reporting Responsibilities**

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

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

**7.9 Other Responsibilities**

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

7.9.2 Annually review, suggest improvements to and assess the adequacy of the Audit, Risk and Governance Committee terms of reference, request Council approval for proposed changes, and ensure appropriate disclosure as might be required by legislation or regulation.

*(Adopted by Council at its Ordinary Meeting held 16 November 2011.*

*Amended by Council at its Ordinary Meeting held 23 October 2013.*

*Amended by Council at its Ordinary Meeting held on 11 December 2013.*

*Amended by Council at its Ordinary Meeting held on 27 May 2015.*

*Amended by Council at its Ordinary Meeting held on 28 October 2015.*

*Amended by Council at its Ordinary Meeting held on 22 June 2016.)*

<b>Item 1</b>	<b>Opening of Meeting.....</b>	<b>10</b>
<b>Item 2</b>	<b>Acknowledgement of Traditional Owners.....</b>	<b>10</b>
<b>Item 3</b>	<b>Recording of Attendance.....</b>	<b>10</b>
	3.1 Attendance.....	10
	3.2 Apologies.....	10
	3.3 Approved Leave of Absence.....	10
	3.4 Disclosure of Interests .....	10
<b>Item 4</b>	<b>Response to Previous Questions .....</b>	<b>10</b>
	4.1 Questions taken on notice from Public at Audit, Risk and Governance Committee Meeting held on Tuesday 6 December 2016 .....	11
	4.2 Questions taken on notice from Committee Members at Audit, Risk and Governance Committee Meeting held on Tuesday 6 December 2016 .....	11
	4.2.1 Ms Nina Pangahas.....	11
	4.2.2 Mr Ron Attwood .....	11
	4.2.3 Mr Richard Whitwell .....	11
<b>Item 5</b>	<b>Applications for Leave of Absence.....</b>	<b>12</b>
<b>Item 6</b>	<b>Attendance by Telephone/Instantaneous Communications.....</b>	<b>12</b>
<b>Item 7</b>	<b>Public Time .....</b>	<b>12</b>
	7.1 Public Question Time.....	12
	7.2 Public Statement Time.....	13
	7.3 Petitions/Deputations/Presentations/Submissions.....	13
<b>Item 8</b>	<b>Questions from Members without Notice .....</b>	<b>13</b>
	8.1 Ms Pangahas.....	13
	8.2 Mr Attwood .....	13
<b>Item 9</b>	<b>Declarations of All Members to Have Given Due Consideration to All Matters Contained in the Business Paper before the Meeting.....</b>	<b>13</b>
<b>Item 10</b>	<b>Confirmation of Minutes of Previous Meeting .....</b>	<b>14</b>
	10.1 Confirmation of Minutes of the Audit, Risk and Governance Committee Meeting held on Tuesday 6 December 2016 .....	14
<b>Item 11</b>	<b>Announcements by Presiding Member without Discussion .....</b>	<b>14</b>
<b>Item 12</b>	<b>Reports of Officers.....</b>	<b>15</b>
	12.1 Corporate Services .....	15
	12.1.1 Audit, Risk and Governance Committee 2017 Meeting Schedule and Work Plan Determination .....	15
	12.1.2 Monthly Audit, Risk and Governance Committee Reports .....	20
	12.1.3 Audit Update .....	23



	12.1.4 Risk Management Framework .....	26
	12.1.5 2016/17 Mid-Year Budget Review.....	35
<b>Item 13</b>	<b>Motions of Which Previous Notice Has Been Given .....</b>	<b>43</b>
<b>Item 14</b>	<b>New Business of an Urgent Nature.....</b>	<b>43</b>
<b>Item 15</b>	<b>Matters for Which Meeting May Be Closed (Confidential Matters) .....</b>	<b>43</b>
<b>Item 16</b>	<b>Closure.....</b>	<b>43</b>
	16.1 Date of Next Meeting .....	43
	16.2 Closure .....	43

---

**Item 1 Opening of Meeting**

---

The Presiding Member declared the meeting open at 5.30pm.

---

**Item 2 Acknowledgement of Traditional Owners**

---

The Presiding Member acknowledges the traditional custodians, the Kariyarra people, and recognises the contribution of Kariyarra elders past, present and future, in working together for the future of Port Hedland.

---

**Item 3 Recording of Attendance**

---

**3.1 Attendance**

Committee Members:

Mayor Camilo Blanco – Presiding Member

Councillor Louise Newbery

Councillor Richard Whitwell

Councillor Julie Arif as proxy member

Community Members:

Ms Nina Pangahas

Mr Ron Attwood – Deputy Presiding Member

Officers:

Kathryn Crothers                      Director Corporate Services

Peter Keane                              Manager Strategic Development

Louise O'Donnell                      Governance Officer/ Minute Taker

Public                                      0

Media                                      0

ToPH Officers                          4

**3.2 Apologies**

Councillor Lincoln Tavo

**3.3 Approved Leave of Absence**

Nil

**3.4 Disclosure of Interests**

Nil

---

**Item 4 Response to Previous Questions**

---

#### **4.1 Questions taken on notice from Public at Audit, Risk and Governance Committee Meeting held on Tuesday 6 December 2016**

Nil

#### **4.2 Questions taken on notice from Committee Members at Audit, Risk and Governance Committee Meeting held on Tuesday 6 December 2016**

##### **4.2.1 Ms Nina Pangahas**

*In relation to item 6 on attachment 3 of the Risk Register; what is the status of the traffic plan and how will the traffic plan reduce the risk?*

The Director of Corporate Services advised that the Town cannot do anything until Main Roads gives the Town feedback.

*Is the traffic plan being prepared by the Town or Main Roads?*

BHPB has already conducted a traffic and intersection modelling at KSBP. MRWA is currently assessing the application for a RAV5 access into KSBP.

##### **4.2.2 Mr Ron Attwood**

*In regards to item 1 on attachment 1 of the outstanding decisions, why is it taking so long for completion of point 4 of this item?*

Investigations have been partially carried out. A report will be presented at the March ARG meeting by the Assets team regarding current condition and suitability for access of the tower and the cost of removal or renewal.

*Why is the quarterly budget review for 2015 taking so long to be completed?*

Under LG legislation formal budget reviews are only required to be undertaken once a year between 1 January and 31 March for the 6 months ending 31 December. For the 2014/15 financial year the midyear budget review was undertaken in January 2015 and presented to the Audit and Finance Committee Meeting on the 18th February 2015.

For the 2015/16 financial year the midyear budget review for the period ending 31 December 2015 was undertaken in January 2016 and presented at the Audit Risk Governance Committee Meeting on 19 February 2016. Both reviews were then subsequently presented to Council at February OCM. Therefore no statutory budget reviews are outstanding for prior financial years.

*In relation to item 5 of attachment 3 on the Risk Register, it stated that the dredging of the boat ramp is completed, who authorised these works as completed and who authorised these works to be paid? Has there been a sounding mechanisms done on the whole of the dredged part?*

Manager Engineering Operations authorised works as completed. Chief Executive Officer is to authorise the final payment. Survey was conducted post dredging.

##### **4.2.3 Mr Richard Whitwell**

*In relation to the restricted access vehicles turning into Kingsford Smith and the classification of vehicles that may be aloud, what is the view of administration to this being a reduction of risk?*

A traffic management plan will ensure that the speed and the volume of heavy vehicle usage are within the compliance parameters.

*In relation to item 3 on attachment 3 of the Risk Register; is it sufficient to mitigate a risk by giving them a letter and asking them not to do it again? Is this effective?*

The Risk mitigation strategy for budgeted income that is not 100% certain is to budget for a transfer of said income into a reserve, therefore removing reliance on funds for operations or capital investment and removing the risk of a negative effect on the closing municipal surplus for a given year. With regards to the collection of outstanding Debt and to ensure financial commitments are adhered to, the Town's debt collection process extends beyond letter of demand and includes general procedure claims where value and nature of claim would make it financially beneficial to do so.

---

**Item 5 Applications for Leave of Absence**

---

Nil

---

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

---

Nil

---

**Item 7 Public Time**

---

*Important note:*

*'This meeting is being recorded on audio tape as an additional record of the meeting and to assist with minute-taking purposes which may be released upon request to third parties. If you do not give permission for recording your participation please indicate this at the meeting. The public is reminded that in accordance with Section 6.16 of the Town of Port Hedland Local Law on Standing Orders nobody shall use any visual or vocal electronic device or instrument to record the proceedings of any meeting unless that person has been given permission by the presiding member to do so. Members of the public are also reminded that in accordance with section 6.17(4) of the Town of Port Hedland Local Law on Standing Orders mobile telephones must be switched off and not used during the meeting.'*

*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.*

The Presiding Member opened public question time at 5.36pm.

**7.1 Public Question Time**

Nil

The Presiding Member closed public question time at 5.36 pm.

The Presiding Member opened public statement time at 5.37pm.

## **7.2 Public Statement Time**

Nil

The Presiding member closed public statement time at 5.37pm.

## **7.3 Petitions/Deputations/Presentations/Submissions**

Nil

---

## **Item 8 Questions from Members without Notice**

---

### **8.1 Ms Pangahas**

*Ms Pangahas enquired if it was possible to ask questions during the resolution of agenda items?*

The Mayor advised that they can suspend standing orders in these circumstances.

### **8.2 Mr Attwood**

This question was asked during item 4.

*Has the boat ramp on Richardson Street been physically eco sounded?*

The Chief Executive Officer advised that the question would be taken on notice.

*In relation to attachment 1 of item 12.1.2; on part 4 it states that a further response will be given in February 2017; will this response be coming to the Audit, Risk and Governance Committee?*

The Chief Executive Officer advised that this response will be going straight to Council.

---

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

---

The following Committee Members declared that they had given due consideration to all matters contained in the agenda:

- Mayor Camilo Blanco
- Councillor Louise Newbery
- Councillor Richard Whitwell
- Councillor Julie Arif
- Ms Nina Pangahas
- Mr Ron Attwood

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

---

**10.1 Confirmation of Minutes of the Audit, Risk and Governance Committee Meeting held on Tuesday 6 December 2016****ARG201617/018 OFFICER RECOMMENDATION/ARG COMMITTEE DECISION****MOVED: CR NEWBERY****SECONDED: MS PANGAHAS**

That the Audit, Risk and Governance Committee confirm that the Minutes of the Audit, Risk and Governance Committee Meeting held on Tuesday 6 December 2016 are a true and correct record.

**CARRIED 6/0**

---

**Item 11 Announcements by Presiding Member without Discussion**

---

Nil

*Disclaimer*

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

---

**Item 12 Reports of Officers**

---

**12.1 Corporate Services****12.1.1 Audit, Risk and Governance Committee 2017 Meeting Schedule and Work Plan Determination**

File No: 12/14/0002  
Applicant/ Proponent: Nil  
Subject Land/ Locality: Nil  
Date: 12 January 2017  
Author: Grace Waugh, Coordinator Governance  
Authorising Officer: Kathryn Crothers, Director Corporate Services  
Disclosure of Interest from Nil  
Author:  
Authority/Discretion: ☒ Executive – the substantial direction setting and oversight role of the Council. E.g. adopting plans and reports, accepting tenders, directing the Chief Executive Officer, setting and amending budgets.

Attachments:

Nil.

---

**ARG201617/019 OFFICER RECOMMENDATION 1/ARG COMMITTEE DECISION****MOVED: CR ARIF****SECONDED: CR NEWBERY**

**That the Audit, Risk and Governance Committee request that Council approve to reduce the current Audit, Risk and Governance Committee Meeting Schedule to be held bi-monthly, on the following dates:**

<b>Date</b>	<b>Time</b>	<b>Place</b>
<b>Tuesday 7 March 2017</b>	<b>5:30pm</b>	<b>Council Chambers</b>
<b>Tuesday 2 May 2017</b>	<b>5:30pm</b>	<b>Council Chambers</b>
<b>Tuesday 4 July 2017</b>	<b>5:30pm</b>	<b>Council Chambers</b>
<b>Tuesday 5 September 2017</b>	<b>5:30pm</b>	<b>Council Chambers</b>
<b>Tuesday 7 November 2017</b>	<b>5:30pm</b>	<b>Council Chambers</b>

**CARRIED 4/3 BY THE MAYORAL CASTING VOTE**

For: Mayor Blanco, Cr Arif, Cr Newbery  
Against: Mr Attwood, Ms Pangahas, Cr Whitwell

**ARG201617/020 OFFICER RECOMMENDATION 2/ARG COMMITTEE DECISION****MOVED: CR ARIF****SECONDED: MS PANGAHAS**

**That the Audit, Risk and Governance Committee request that the Chief Executive Officer organise a briefing on Tuesday 7 March 2017 at 4.30pm to determine the Audit, Risk and Governance Committee Work Plan.**

**CARRIED 6/0**

---

**EXECUTIVE SUMMARY**

The Audit Risk and Governance (ARG) Committee currently meet on a monthly basis, this being the first Tuesday of each month. It is recommended that the frequency of the meetings be reduced to further enhance the efficiency and productivity of the ARG Committee meetings and its outcomes.

The forward work plan for the Committee is also required to be determined in accordance with the Committee's Terms of Reference.

**BACKGROUND**

Pursuant to section 6.6 of the ARG Committee Terms of Reference, the Committee is required to develop a forward meeting schedule for 2017, including dates, times, locations and a proposed work plan.

*ARG Committee Meeting Dates*

To fully determine the dates that are to be set by the ARG Committee for 2017, the Committee needs to take into consideration the amount of agenda items that are likely to be presented at each meeting, and if it is feasible to conduct meetings monthly.

A comparison between the total number of agenda items in 2015 and 2016 reveals that there is little difference in total agenda items for the year.

- 2015 Total = 29
- 2016 Total = 32

However, in August 2016, there was the introduction of the standing agenda item "Monthly Status Reports", of which the 2016 total includes 5 of these agenda items. Also, in May 2016, Mayor Blanco (then Councillor) raised 7 notice of motions. Taking into consideration these two pieces of information, it can be assumed that the 2016 total number of officer agenda items presented to the Committee should in fact be 20.

Below is a more comprehensive summary of how many agenda items have been presented to the ARG Committee during the last 12 months:



ARG Committee Meeting Date	# Agenda Items	Comments	Revised # of agenda items, excluding recurring monthly reports or notices of motions
9 February 2016	5	-	5
8 March 2016	4	-	4
12 April 2016	2	-	2
10 May 2016	8	7 of which were notice of motions from Cr Blanco	1
7 June 2016	1	-	1
5 July 2016	1	-	1
9 August 2016	3	1 of which were the monthly status reports	2
6 September 2016	1	Only the monthly status reports	0
4 October 2016	4	1 of which were the monthly status reports	3
8 November 2016	2	1 of which were the monthly status reports	1
6 December 2016	1	Only the monthly status reports	0

The conclusion taken from the above table, is that ARG Committee meetings are taking place too frequently, resulting in a noticeable reduction of the number of reports being presented to the Committee for consideration at each meeting. It is therefore considered an inefficiency of Committee productivity, Committee Members time and Town resources to continue the meeting frequency as monthly.

#### *Work Plan Meeting Date*

Currently there is no work plan set for the ARG Committee. It is recommended that an informal briefing is arranged with Town officers and Committee Members at a time determined appropriate by the ARG Committee.

Once a suitable date is determined by the Committee, the work plan can then be discussed and determined for the year.

### CONSULTATION

- Director Corporate Services
- Administration Officer, Governance

### LEGISLATIVE IMPLICATIONS

The *Local Government Act 1995* Part 7 and the *Local Government (Audit) Regulations 1996* outline the requirements of an Audit Committee, but do not specify any required frequency of the Committee Meetings. Regulation 12 of the *Local Government (Administration) Regulations 1996* state that at least once a year a local government is to give local public notice of the dates, times and places of committee meetings that are to be held in the next 12 months.

### POLICY IMPLICATIONS

There are no Town of Port Hedland policies that relate to this item.

### FINANCIAL IMPLICATIONS

Should the ARG Committee endorse the less frequent occurrence of their Committee meetings, it would result in a favourable reduction of Town employee costs. This would be due to the decrease in overtime rates for Town officers who are in attendance.

Should meetings take place less frequently, other minor favourable financial implications would include:

- The reduction of stationery costs from printing and compiling the hardcopy agendas
- The reduction of facility costs due to having the meetings after hours

### STRATEGIC IMPLICATIONS

The Town of Port Hedland Strategic Community Plan section 4.1 'Strategic and Best Practice Local Government Administration' applies, as it outlines the following:

- Be efficient and effective in use of resources, infrastructure, assets and technology.

By reducing the frequency of meetings, this would be seen as being efficient in the use of resources, and supporting the Town's Strategic Community Plan.

### SUSTAINABILITY IMPLICATIONS

#### *Environmental*

There are no significant identifiable environmental impacts arising from adoption of the officer's recommendation.

#### *Economic*

There are no significant identifiable economic impacts arising from adoption of the officer's recommendation.

#### *Social*

There are no significant identifiable social impacts arising from adoption of the officer's recommendation.

#### *Risk*

Risk	That the ARG Committee does not support a reduction in meeting frequency.	That the ARG Committee does not resolve to set a date to determine the 2017 ARG Committee work plan.
Risk Likelihood (based on history and with existing controls)	Possible (3)	Possible (3)
Risk Impact / Consequence	Insignificant (1)	Minor (2)

Risk Rating (Prior to Treatment or Control)	Low (1-4)	Medium (5-9)
Principal Risk Theme	Financial Impact - 2 Minor - \$3,000 - \$30,000	Failure to effectively manage, coordinate and review critical projects
Risk Action Plan (Controls or Treatment proposed)	Accept Officer Recommendation	Accept Officer Recommendation

### Risk Matrix

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

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives; occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and risk ratings of 3 and 6 have been determined for this item. Any items with a risk rating over 10 (considered to be high or extreme risk) will be added to the Risk Register, and any item with a risk rating over 17 will require a specific risk treatment plan to be developed.

### CONCLUSION

It is recommended that the Audit Risk and Governance Committee adopt a revised meeting schedule for 2017, and resolve to set a date to determine the 2017 Audit, Risk and Governance Committee work plan.

## 12.1.2 Monthly Audit, Risk and Governance Committee Reports

File No: 12/14/0002  
Applicant/ Proponent: N/A  
Subject Land/ Locality: N/A  
Date: 27/01/2017  
Author: Grace Waugh, Coordinator Governance  
Authorising Officer: Kathryn Crothers, Director Corporate Services  
Disclosure of Interest from Author: Nil  
Authority/Discretion: ☒ Information Purposes - includes items provided to Council for information purposes only, that do not require a decision of Council (i.e. - for 'noting').

Attachments:

1. Monthly Status of Audit, Risk and Governance Committee Decisions (under separate cover)
2. Monthly Audit, Risk and Governance Committee Decision Completion Report (under separate cover)
3. Monthly Risk Register Report (under separate cover)

### **ARG201617/021 OFFICER RECOMMENDATION/ARG COMMITTEE DECISION**

**MOVED: CR ARIF**

**SECONDED: CR WHITWELL**

**That the Audit, Risk and Governance Committee receive the following reports:**

1. **Monthly Status of Audit, Risk and Governance Committee Decisions, as at 27 January 2017;**
2. **Monthly Audit, Risk and Governance Committee Decision Completion Report, as at 27 January 2017; and**
3. **Monthly Risk Register Report as at 27 January 2017.**

***CARRIED 6/0***

## **EXECUTIVE SUMMARY**

The purpose of this report is to provide the Audit Risk and Governance (ARG) Committee with the monthly status of all outstanding ARG Committee decisions, all completed ARG Committee decisions and the current Risk Register within the stated period.

## **BACKGROUND**

To ensure accountability and transparency, an update of all previous ARG decisions are to be provided to the ARG Committee for review. Committee Members have requested that these be provided monthly.

The Risk Register is being used to manage all risks identified with a risk rating of 10 and higher. Currently any items of an ongoing nature are also listed on the register and are being monitored on a monthly basis.

## **CONSULTATION**

### *Internal*

- Director Corporate Services
- Coordinator Governance

## **LEGISLATIVE IMPLICATIONS**

As this report is for information purposes only, there are no legislative implications associated with receiving the attached reports.

## **POLICY IMPLICATIONS**

As this report is for information purposes only, there are no policy implications associated with receiving the attached reports.

## **FINANCIAL IMPLICATIONS**

As this report is for information purposes only, there are no financial implications associated with receiving the attached reports.

## **STRATEGIC IMPLICATIONS**

Section 4.1 'Strategic and best practice local government administration' of the Strategic Community Plan applies as monitoring previous committee decisions assists with delivering high quality corporate governance accountability.

## **SUSTAINABILITY IMPLICATIONS**

### *Environmental*

There are no significant identifiable environmental impacts arising from adoption of the officer's recommendation.

### *Economic*

There are no significant identifiable economic impacts arising from adoption of the officer's recommendation.

### *Social*

There are no significant identifiable social impacts arising from adoption of the officer's recommendation.

### *Risk*

As the attached reports are for information purposes only, the risk assessment table has been removed.

A risk assessment for each item contained in the monthly status update, would have been completed as part of the original agenda item, and can be found in the minutes of the relevant meeting of which it was first tabled.

#### **CONCLUSION**

It is recommended that the Audit, Risk and Governance Committee receive the attached reports which provide a status on the outstanding ARG Committee Decisions, completed ARG Committee Decisions and the Risk Register.

### 12.1.3 Audit Update

File No: 12/14/0002  
Applicant/ Proponent: Nil  
Subject Land/ Locality: Nil  
Date: 12 January 2017  
Author: Grace Waugh, Coordinator Governance  
Authorising Officer: Kathryn Crothers, Director Corporate Services  
Disclosure of Interest from Nil  
Author:  
Authority/Discretion: ☒ Information Purposes - includes items provided to Council for information purposes only, that do not require a decision of Council (i.e. - for 'noting').

Attachments:  
Nil.

---

#### **ARG201617/022 OFFICER RECOMMENDATION/ARG COMMITTEE DECISION**

**MOVED: CR ARIF**

**SECONDED: MS PANGAHAS**

**That the Audit, Risk and Governance Committee note the update on the audit's being undertaken at the Town of Port Hedland.**

***CARRIED 4/2***

For: Mayor Blanco, Cr Arif, Cr Newbery, Ms Pangahas  
Against: Mr Attwood, Cr Whitwell

---

#### **EXECUTIVE SUMMARY**

This report is to provide an update to the Audit, Risk and Governance Committee on audit's being conducted at the Town of Port Hedland.

#### **BACKGROUND**

The Town is currently undergoing a review audit in relation to recruitment, the Port Hedland International Airport long-term lease, procurement between 1 January and 31 August 2016 over \$150,000 as per Council decision, CM201617/069, at the Ordinary meeting on 28 September 2016. This audit is being conducted by Paxon Group and is due to be completed mid-February 2017.

The Town is also having the Compliance Audit Return for 2016 completed externally to ensure that it is comprehensive. Once the return is completed a full audit will be undertaken to identify any areas of non-compliance with legislation and addressing the requirements of regulation 17 of the *Local Government (Audit) Regulations 1996*. This will assist the Town is creating a legacy register which will include all non-compliance instances and what the Town is doing to rectify the issues.

The Town has contracted Enterprise Security Enterprise Solutions to undertake an independent Information Technology review. The review will assess the IT assets, infrastructure and networks, business systems and processes, as well as policies and procedures for effectiveness. The review will assist the Town in understanding matters such as fit for purpose; alignment to best practice, regulatory compliance and organisational goals; readiness for change and undertake cost benefit and risk analysis. The outcomes from the review will be a list of options and recommendations, as well as a roadmap for improvement.

#### **CONSULTATION**

- Chief Executive Officer
- Director Corporate Services
- Manager Strategic Development

#### **LEGISLATIVE IMPLICATIONS**

The CEO is to review certain systems and procedures at least once every two calendar years in accordance with regulation 17 of the *Local Government (Audit) Regulations 1996*.

#### **POLICY IMPLICATIONS**

There are no Town of Port Hedland policies that relate to this item.

#### **FINANCIAL IMPLICATIONS**

The cost of the Paxon review audit is included in the budget as a budget variation. Costs associated with the Compliance Audit Return, the comprehensive audit and the IT review will be identified in the midyear budget review where additional funds are required.

#### **STRATEGIC IMPLICATIONS**

The Town of Port Hedland Strategic Community Plan section 4.1 'Strategic and Best Practice Local Government Administration' applies, as it outlines the following:

- Be efficient and effective in use of resources, infrastructure, assets and technology.

#### **SUSTAINABILITY IMPLICATIONS**

##### *Environmental*

There are no significant identifiable environmental impacts arising from adoption of the officer's recommendation.

##### *Economic*

There are no significant identifiable economic impacts arising from adoption of the officer's recommendation.

##### *Social*

There are no significant identifiable social impacts arising from adoption of the officer's recommendation.



*Risk*

Risk	That the audits identify non-compliance with legislation.
Risk Likelihood (based on history and with existing controls)	Possible (3)
Risk Impact / Consequence	Moderate (3)
Risk Rating (Prior to Treatment or Control)	Medium (5-9)
Principal Risk Theme	Compliance - 3 Moderate - Non-compliance with significant regulatory requirements imposed
Risk Action Plan (Controls or Treatment proposed)	If non-compliance is identified, put in place processes and measures to assist in minimising future non-compliant occurrences.

*Risk Matrix*

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

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives; occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and risk rating of 9 have been determined for this item. Any items with a risk rating over 10 (considered to be high or extreme risk) will be added to the Risk Register, and any item with a risk rating over 17 will require a specific risk treatment plan to be developed.

**CONCLUSION**

It is recommended that the Audit Risk and Governance Committee note the Town's update on audits being undertaken.

### 12.1.4 Risk Management Framework

File No: 12/14/0002  
Applicant/ Proponent: N/A  
Subject Land/ Locality: N/A  
Date: 25 January 2017  
Author: Linda Zietsman, Finance Projects Coordinator  
Authorising Officer: Kathryn Crothers, Director Corporate Services  
Disclosure of Interest from Nil  
Author:  
Authority/Discretion: ☒ Executive – the substantial direction setting and oversight role of the Council. E.g. adopting plans and reports, accepting tenders, directing the Chief Executive Officer, setting and amending budgets.

Attachments:

1. Risk Management Framework (under separate cover)
2. Risk Management Policy 1/022

---

#### **ARG201617/023 OFFICER RECOMMENDATION/ARG COMMITTEE DECISION**

**MOVED: CR ARIF**

**SECONDED: CR WHITWELL**

**That the Audit, Risk and Governance Committee note the Risk Management Framework.**

***CARRIED 4/2***

For: Mayor Blanco, Cr Arif, Cr Newbery, Cr Whitwell  
Against: Mr Attwood, Ms Pangahas

---

#### **EXECUTIVE SUMMARY**

The purpose of this report is to note and request feedback on the Risk Management Framework for implementation by Town officers.

A better practice review was done by UHY Haines Norton on 22 June 2016. The review highlighted the requirement for risk management. Subsequently, Council adopted the Risk Management Policy (1/022) at their Ordinary Council Meeting on 27 April 2016 (decision number 201516/226).

This Risk management framework outlines the Town's risk management approach. The **AS/NZS ISO 31000:2009** principles are incorporated in this framework.

#### **BACKGROUND**

The framework sets out a structured risk approach. The actions addressed include a focus on the roles and responsibilities, risk reporting and escalation and continuous improvement.

The risk management process actions set out are:

- Establishing the context
- Do risk assessment
- Treat the risk

Important continuous actions include communication and consulting, monitoring, and the review of risks and their management process and effectiveness.

### **CONSULTATION**

Internal:

- Manager Strategic Development – advice and direction received
- Executive Leadership Team
- Town of Port Hedland Risk Register – review of format and future application done
- Risk management policy 1/022 – direction setting for framework
- Audit, Risk and Governance committee – Terms of Reference – direction setting for framework.

External:

- UHY Haines Norton, 2015; Better Practice Review
- Internet sources listed in the framework reference table
- Local Government Operational Guidelines, Section 9 – Audit in Local Government
- Local Government Accounting Manual, Section 7 – Internal Control

### **LEGISLATIVE IMPLICATIONS**

The Risk Management Framework was created following the review of the Town's systems and procedures in accordance with regulation 17 of the *Local Government (Audit) Regulations 1996*.

### **POLICY IMPLICATIONS**

Policy 1/022 Risk Management applies to this item.

### **FINANCIAL IMPLICATIONS**

There are no significant identifiable financial implications arising from adoption of the officer's recommendation.

### **STRATEGIC IMPLICATIONS**

The framework has been created in accordance with the Strategic Community Plan 2014-2024 as only best practice has been included to ensure the risk management culture is embedded in the current plan.

### **SUSTAINABILITY IMPLICATIONS**

#### *Environmental*

There are no significant identifiable environmental impacts arising from adoption of the officer's recommendation.

*Economic*

There are no significant identifiable economic impacts arising from adoption of the officer's recommendation.

*Social*

There are no significant identifiable social impacts arising from adoption of the officer's recommendation.

*Risk*

Risk	Risk Framework not adopted. CEO unable to measure Risk and Internal Control effectiveness	Risk Framework not adopted. Strategic Plan undeliverable due to lack of risk management
Risk Likelihood (based on history and with existing controls)	Possible (3)	Possible (3)
Risk Impact / Consequence	Minor (2)	Minor (2)
Risk Rating (Prior to Treatment or Control)	Medium (5-9)	Medium (5-9)
Principal Risk Theme	Compliance - 2 Minor - Regular noticeable temporary non-compliances	Reputation - 2 Minor - Substantiated, localised impact on key stakeholder trust or low media item
Risk Action Plan (Controls or Treatment proposed)	Manage by redrafting of Risk Management Framework	Manage by inclusion of Risk rating in current Strategic Community plan under review

## Risk Matrix

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

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

Risk Rating: 6

Risk is acceptable with adequate controls.

Treatment plans:

- Include risk assessment as part of Strategic Community Plan review.
- Redraft of Risk Management Framework if required.

## **CONCLUSION**

A formal structure is required for successful risk management. The Risk Management Policy will direct the management of risks, and the framework will set out the approach and application.

The risk management framework sets out a systematic approach to the management of risks, ensuring that regular review and continuous improvement guidance is provided. The framework will also ensure reporting and escalation structures are defined.

With the Implementation of a Risk Management framework, the following areas will be strengthened:

- Achievement of operational and strategic goals
- Ongoing improvement of efficiency and effectiveness
- A risk aware culture.

## ATTACHMENT 2 TO ITEM 12.1.4

## TOWN OF PORT HEDLAND POLICY MANUAL

## 1/022 RISK MANAGEMENT POLICY

**Policy Objective**

The Town of Port Hedland is committed to organisation wide risk management principles, systems and processes that ensure consistent, efficient and effective assessment of risk in all planning, decision making and operational processes.

**Definitions**

Definition of "Risk": AS/NZS ISO 31000:2009 defines risk as "the effect of uncertainty on objectives".

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative, or a deviation from the expected. An objective may be financial, related to health and safety, or defined in other terms.

Definition of "Risk Management": The application of coordinated activities to direct and control an organisation with regard to risk.

**Policy Content**

The Town of Port Hedland considers risk management to be an essential management function in its operations. It recognises that the risk management responsibility for managing specific risks lies with the person who has the responsibility for the function, service or activity that gives rise to that risk.

Council is committed to the principles, framework and process of managing risk as outlined in AS/NZS ISO 31000:2009.

The Town will manage risks continuously using a process involving the identification, analysis, evaluation, treatment, monitoring and review of risks. It will be applied to decision making through all levels of the organisation in relation to planning or executing any function, service or activity.

In particular it will be applied to:

- Strategic planning
- Expenditure of large amounts of money
- New strategies and procedures
- Management of projects, tenders and proposals
- Introducing significant change, and
- The management of sensitive areas

Risk Management Objectives:

- The achievement of organisational goals and objectives
- The ongoing health and safety of all employees at the workplace
- Ensuring public safety within the Council's jurisdiction is not compromised
- Limited loss or damage to property and other assets
- Limited interruption to business continuity
- Positive public perception of Council and the Town of Port Hedland

---

**TOWN OF PORT HEDLAND POLICY MANUAL**

---

- Application of equal opportunity principles in the workforce and the community.

**Responsibilities:**

- Executives, managers and supervisors have the responsibility and accountability for ensuring that all staff manage the risks within their own work areas. Risks should be anticipated and reasonable protective measures taken.
- All managers will encourage openness and honesty in the reporting and escalation of risks.
- All staff will be encouraged to alert management to the risks that exist within their area, without fear of recrimination.
- All staff will, after appropriate training, adopt the principles of risk management and comply with all policies, procedures and practices relating to risk management.
- All staff and employees will, as required, conduct risk assessments during the performance of their daily duties.
- The level of sophistication of the risk assessment will be commensurate with the scope of the task and the associated level of risk identified.
- Failure by staff to observe reasonable directions from supervisors regarding the management of risks and/or failure of staff to take reasonable care in identifying and treating risks in the workplace may result in disciplinary action.
- It is the responsibility of every department to observe and implement this policy in accordance with procedures and initiatives that are developed by management.
- Council is committed morally and financially to the concept and resourcing of risk management.

**Monitor and Review:**

The Town will implement a robust reporting and recording system that will be regularly monitored to ensure closeout of risks and identification of ongoing issues and trends.

Risk management key performance indicators, relating to both organisational and personal performance will be developed, implemented and monitored, by the Town.

## TOWN OF PORT HEDLAND POLICY MANUAL

SAMPLE  
RISK ASSESSMENT & ACCEPTANCE CRITERIA  
(As at December 2015)

## EXISTING CONTROLS RATING

LEVEL	RATING	FORESEEABLE	DESCRIPTION
E	Excellent	Doing what is best when it comes to what the community can do	Doing what is best when it comes to what the community can do, regularly and consistently (requirements, and support relevant and current resources, costs of process, practice and industry best practices expected at this stage)
A	Adequate	Doing what is reasonable under the circumstances	Doing what is reasonable under the circumstances, regularly and consistently (requirements, and support relevant and current resources, costs of process, practice and industry best practices expected at this stage)
I	Inadequate	Not doing what is or should be done under the circumstances	Not doing what is or should be done under the circumstances, regularly and consistently (requirements, and support relevant and current resources, costs of process, practice and industry best practices expected at this stage)

## MEASURES OF CONSEQUENCE

LEVEL	1	2	3	4	5
RATING	Insignificant	Minor	Moderate	Major	Catastrophic
HEALTH	Negligible injuries	First aid injuries	Medical type injuries or lost time injury < 5 days	Lost time injury > 5 days	Fatality, permanent disability
FINANCIAL IMPACT	Less than \$3,000	\$3,000 - \$30,000	\$30,001 - \$200,000	\$200,001 - \$5M	More than \$5M
SERVICE INTERRUPTION	No material service interruption	Temporary interruption to an activity - backlog cleared with existing resources	Interruption to Service Unit's deliverables - backlog cleared by additional resources	Prolonged interruption of critical core service deliverables - additional resources, performance affected	Indefinite/prolonged interruption of critical core service deliverables - non-compliance
COMPLIANCE	Occasional non-compliance	Regular non-compliance	Non-compliance with significant regulatory requirements imposed	Non-compliance results in termination of services or imposed penalties	Non-compliance results in criminal charges or significant damages or penalties
REPUTATION	Unsubstantiated, limited low impact on key stakeholder trust, low profile or no media item	Substantiated, localized impact on key stakeholder trust or low media item	Substantiated, public embarrassment, moderate impact on key stakeholder trust or moderate media profile	Substantiated, public embarrassment, widespread high impact on key stakeholder trust, high media profile, third party actions	Substantiated, public embarrassment, widespread loss of key stakeholder trust, high widespread media profile, third party actions
ENVIRONMENT	Contained, reversible impact managed by on site response	Contained, reversible impact managed by internal response	Contained, reversible impact managed by external agencies	Uncontained, reversible impact managed by a coordinated response from external agencies	Uncontained, irreversible impact



## TOWN OF PORT HEDLAND POLICY MANUAL

SAMPLE  
RISK ASSESSMENT & ACCEPTANCE CRITERIA  
(As at December 2016)



## MEASURES OF LIKELIHOOD

LEVEL	RATING	DESCRIPTION	FREQUENCY	PROBABILITY
5	Almost Certain	The event is expected to occur in most circumstances	More than once per year	Greater than 90% chance of occurrence
4	Likely	The event will probably occur in most circumstances	At least once per year	60% - 90% chance of occurrence
3	Possible	The event should occur at some time	At least once in 3 years	40% - 60% chance of occurrence
2	Unlikely	The event could occur at some time	At least once in 10 years	10% - 40% chance of occurrence
1	Rare	The event may only occur in exceptional circumstances	Less than once in 15 years	Less than 10% chance of occurrence

## RISK MATRIX

Consequence		Insignificant	Minor	Modest	Major	Catastrophic
Likelihood		1	2	3	4	5
Almost Certain	5	MEDIUM (5)	HIGH (10)	HIGH (15)	EXTREME (20)	EXTREME (25)
Likely	4	LOW (4)	MEDIUM (8)	HIGH (12)	HIGH (16)	EXTREME (20)
Possible	3	LOW (3)	MEDIUM (6)	MEDIUM (9)	HIGH (12)	HIGH (15)
Unlikely	2	LOW (2)	LOW (4)	MEDIUM (6)	MEDIUM (8)	HIGH (10)
Rare	1	LOW (1)	LOW (2)	LOW (3)	LOW (4)	MEDIUM (5)

## RISK ACCEPTANCE CRITERIA

RISK RANK	LEVEL OF RISK	DESCRIPTION	CRITERIA FOR RISK ACCEPTANCE	RESPONSIBILITY
EXTREME	17 - 25	Urgent Action Required	Risk only acceptable with excellent controls and all treatment plans to be expanded and implemented where possible, managed by highest level of authority and subject to continuous monitoring	CEO / Council
HIGH	10 - 16	Attention Required	Risk acceptable with excellent controls, managed by senior management / executive and subject to monthly monitoring	Deputy CEO
MEDIUM	5 - 9	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring	Operational Manager
LOW	1 - 4	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring	Operational Manager

---

**TOWN OF PORT HEDLAND POLICY MANUAL**

---

Council adoption date and resolution no.	16 December 2015 OCM 201516/109
Date of adoption of amendment and resolution number <b>do not delete the previous dates</b>	27 April 2016 OCM 201516/226
Relevant legislation	Nil
Delegated authority	Nil
Business unit	N/A
Directorate	Office of the CEO
Review frequency	As Required

**12.1.5 2016/17 Mid-Year Budget Review**

File No: 12/05/0010  
Applicant/ Proponent: N/A  
Subject Land/ Locality: N/A  
Date: 11/01/2017  
Author: Jodi Marchant, Acting Manager Financial Services  
Authorising Officer: Kathryn Crothers, Director Corporate Services  
Disclosure of Interest from Author: Nil  
Authority/Discretion: ☒ Information Purposes - includes items provided to Council for information purposes only, that do not require a decision of Council (i.e. - for 'noting').  
  
☒ Executive – the substantial direction setting and oversight role of the Council. E.g. adopting plans and reports, accepting tenders, directing the Chief Executive Officer, setting and amending budgets.

## Attachments:

1. Proposed Annual Budget 2016/17

**ARG201617/024 OFFICER RECOMMENDATION/ARG COMMITTEE DECISION****MOVED: CR ARIF****SECONDED: CR WHITWELL****That the Audit, Risk and Governance Committee receive the indicative 2016/17 mid-year Budget Review.*****CARRIED 5/1***

For: Mayor Blanco, Cr Arif, Cr Newbery, Cr Whitwell, Ms Pangahas  
Against: Mr Attwood

**EXECUTIVE SUMMARY**

This report presents an indicative summary of the 2016/17 mid-year Budget Review. The review is an opportunity to reevaluate the current budget and allocate funding for emerging community and social priorities, allowing the organisation to respond and provide the best result for the town. There are also numerous other factors and urgent matters that are affecting the operational activities and revenue streams which have resulted in budget variations and are discussed in the background of this report. The proposed budget changes from the review indicate a budget variation of \$1.151M, resulting in a closing municipal surplus of \$139K as at 30 June 2017.

The Audit, Risk and Governance Committee is only required to receive the budget review in accordance with the terms of reference.

## BACKGROUND

Following the 2016/17 Budget adoption on 25th August 2016, the LG (Financial Management) Regulations (1996) state that we are required to carry out a review of the Annual Budget between 1 January and 31 March in each Financial Year. The purpose of this report is to review the budget as at 31 December 2016 and present the proposed indicative revised budget to be received by the Audit, Risk and Governance Committee (ARG).

The Budget Review is an opportunity to reevaluate the current budget as a result of numerous factors that affect the operational activities and revenue streams. The reviews are used as a tool for decision making for current and future activities and they are a key component of prudential financial management practices in order to mitigate financial risk exposure to Council. In conjunction with compliance to legislation, the review conducted in January aimed to reconsider all budget items and review them by taking into account any changes in the macro or minor economic variables and any other relevant information.

The figures presented to the committee are indicative as there are possible changes due to confirmation of funding opportunities, prioritisation of new initiatives and comments received from committee members.

Summary of Financials as at 31<sup>st</sup> December 2016:

- Capital expenditure to date is tracking at 17% budget spent to date, with committed orders bringing the current financial completion to 37%. A number of large projects including Faye Gladstone Netball Courts Clubroom Upgrade; Marina Development; South Headland Aquatic Centre Works; Pinga St Rehabilitation and others are currently in scoping or tender phase. Throughout the budget review it has been identified that a majority of projects will be completed by June 2017, however with a number of final payments potentially falling due in July/August 2017 required budget carry forwards.
- Operating expenditure is generally on track YTD, however overall tracking 30% under budget, mainly due to the \$15.8M airport works yet to be spent due to scoping and project delivery timeline.
- Operating income is overall on target YTD with grant payments under budget due to timing of payments and interest income ahead of schedule due timing of maturities.

For more detailed information, please refer to the Statement of Financial Activity for the period ended 31<sup>st</sup> December 2016 as adopted at OCM on 25<sup>th</sup> January 2017.

A Statement of Financial Activity by Nature and Type is attached which demonstrates the current annual budget, the proposed annual budget following the variations included as part of the budget review and the budget amendments. A current budgeted operating deficit of \$19.342M is occurring this financial year mainly due to the \$15.872M agreed works to be carried out at the airport that is classified as operating in nature, fully funded by a transfer from reserve, and to a lesser extent prior year grant funded operating projects held in reserve of \$0.360M.

Below is a summary of the major variations:

- Operating Revenue overall reduction of \$744k:
  - \$504k reduction in Operating Grants, Subsidies and Contributions due to grant funding applications budgeted and not approved – largely in part due to the change of the FMG Membership agreement with Wanangkura Stadium. This is also partially offset in a reduction in Operating Expenditure for these;
  - \$75k reduction in expected Nursery sales;
  - \$80k reduction in Town Planning Regulatory Fees due to a significant decline in applications being received;

- Increase in Building Control revenue \$15k and RV Camping fees of \$20k.
- Operating Expenditure overall increase of \$1.153M:
  - \$721k increase in employee costs attributed to the inclusion of one new fixed term position (Community Safety and Crime Prevention Officer as per OCM on 25<sup>th</sup> January 2017), termination payments, allowances incurred to date not budgeted, and reallocation of consultant budget to contract employees to fill short term vacancies;
  - \$307k increase due to YMCA contract management fee variations;
  - \$700k increase for works required at the Landfill to meet compliance requirements funded by Waste Management Reserve;
  - Various new initiatives to meet community needs and expectations as detailed below.
- Capital Expenditure and Revenue:
  - \$403k increase in expenditure and grant funding (nil municipal impact) for the Faye Gladstone Netball Court Clubhouse Upgrades;
  - \$168k reduction due to postponement of remainder of Gratwick remedial works to 2017/18;
  - Marquee Park savings with project coming in under budget by \$173k;
  - New Initiatives outlined below including
    - SHAC Additional renewal works \$350k
    - Records Management Software \$225k
    - Commencement of Shade Structures Renewal Program \$100k
- Other:
  - \$677K reduction in depreciation mainly as a result of the Plant & Equipment valuation
  - \$253k transfer from reserves to Muni to release funds no longer allocated to projects. (SHAC Carpark & Wedgefield Drainage Strategy)
  - Reduction in transfer to reserve due to landfill and Kingsford Smith Business Park land sales.

Included in the operating and capital expenditure increases identified through the budget review are a number of new initiatives proposed for this financial year as outlined below:

Project	Proposed Budget	Funding	Muni Impact	Commentary	Priority
Cemetery Masterplan	\$30,000	\$0	\$30,000	Preparation of a cemetery masterplan to identify works required and future sustainability. There have been a number of ongoing issues in relation to the South Hedland Cemetery. Given there has never been a plan set out for the cemetery, it is proposed that a Masterplan be developed. This will assist the Town and Community in future burials and planning memorial works to honour the deceased.	Medium
Project Preliminary works, RSA and Compliance Improvement	\$100,000	\$0	\$100,000	Project investigation/design budget to allow Works & Services team to be in a position to deal with grant funding opportunities and plan for future projects.	Medium
Shade Structures	\$100,000	\$100,000	\$0	There are a number of rusted shade structures across the Town which need to be removed and replaced to provide	Medium

Renewal Program				adequate coverings for community users. The Works & Services Team are required to prioritise the work in terms of roll-out. Include \$100k in 16/17 and budget for an additional \$530k in 17/18. Team to investigate funding opportunities.	
CBD Litter Trial	\$55,000	\$0	\$55,000	<p>Contractors to commence CBD litter collection duties 4 hours per day 7 days per week for 3 months with possible extension to EOFY. Over the course of the past few months South Hedland CBD has had a large amount of litter, graffiti and vandalism issues. This has mainly occurred at Centenary Park, the Skate Park and around Lotteries House. Crews currently attend site and are there from anywhere between 2-4 hours per day and crews are unable to complete their daily schedules.</p> <p>Since the start of 2017 crews are picking up anywhere between 10-15 bags of rubbish per day in the area, they have also picked up 205 syringes 89 of which have been found in the CBD area.</p> <p>By doing this it will allow our own litter crews to be utilised more effectively throughout the town and spend more time in other areas where litter is becoming an issue.</p>	High
Compliance Audit	\$50,000	\$0	\$50,000	Completion of the 2016 Compliance Audit by an external party. Once the initial return is completed a comprehensive compliance audit will be completed to identify all areas of non-compliance. This will create a list of legacy issues for the CEO which will assist the Town in improving policies and processes.	High
Coastal Hazard Reduction Management Action Plan	\$250,000	\$250,000	\$0	Completion of the CHRMAP is essential for the progression of the Marina works and approvals with the Department of Planning. This action plan will cover the coastal area of Port Hedland. This project is intended to be part funded by reserve and grant funding.	High
Dust Monitoring	\$40,000	\$0	\$40,000	Dust monitoring contribution to DER LIDAR program.	High
South Hedland Aquatic Centre Additional Renewal Works	\$350,000	\$350,000	\$0	The South Hedland Aquatic Centre Plant Room upgrade is currently in progress and requires the centre to be closed for a prolonged period of time. This time will provide officers ample opportunity to repair and upgrade many items that would interfere with general operations would the pool be open. The project will also aid public perception of the facility knowing that there were a number of visible items upgraded or	Medium

				renewed while the pool was closed. To be funded from the Asset Management Reserve	
Strategic Community Plan	\$190,000	\$0	\$190,000	Budget required to undertake consultation to complete the Strategic Community Plan and appoint a new fixed term position in a 6 month contract.	High
Records Management Software Upgrade	\$225,000	\$0	\$225,000	Independent audits of the current Records Management in March 2015 and July 2016 which both recommend implementation of a new Record Management System for the Town. Our current System is non-compliant with State Records guidelines around digital recordkeeping which provides a high risk for the Town. It's non user friendly nature means staff members are primarily working out of their Outlook inbox and network drives, meaning the organisations information and records is not being managed in line with the State Records Act 2000. Only 20-25 staff add items into the Central Records module in Synergy on a regular to semi-regular basis. We are frequently needing to expand our digital storage due to carrying excess amounts of legacy data on network drives.	Low/Medium
Lighting Repairs / Upgrade to Fleet Workshop	\$10,000	\$10,000	\$0	Significant repairs and upgrades to the lighting at the Fleet workshop are required for safety and compliance. This is to be funded by the Asset Management Reserve.	Medium

## CONSULTATION

The 16/17 Budget has been reviewed by all Budget Managers and the Executive Leadership Team, who collectively have considered the impact of increased expenses and identified areas of savings available for re-allocation to enable the inclusion of initiatives to benefit the community and keep within the budget guidelines of a balanced budget.

## LEGISLATIVE IMPLICATIONS

A local government is required to carry out a budget review between the 1 January and 31 March of each financial year in accordance with regulation 33A(1) of the *Local Government (Financial Management) Regulations 1996*. The review must consider the financial performance between 1 July to 31 December, the financial position at the date of the review, and review the outcomes for the end of financial year forecast as stipulated in regulation 33A(2A).

The review must be submitted to Council within 30 days with Council to determine whether or not to adopt the review by absolute majority as required by regulation 33A(2) and (3). The budget review will be presented to Council at its Ordinary Meeting on 22 February 2017 for consideration.

If the local government has delegated to the CEO the exercise of its power to make payments from the municipal fund or the trust fund, as this Council has, Regulation 13 of the *Local Government (Financial Management) Regulations 1996* requires the Town to prepare a list of accounts paid by the CEO each month showing for each account paid since the last such list was prepared —

- (a) the payee's name; and
- (b) the amount of the payment; and
- (c) the date of the payment; and
- (d) sufficient information to identify the transaction.

Although there is no statutory requirement to present the review to the Audit, Risk and Governance Committee a section has been included in the Committee's terms of reference under 7.4.7 to receive quarterly budget reviews. The Town has not undergone quarterly budget reviews for the 2016/17 financial year due to the fact that they are not required by legislation and due to internal resourcing requirements. It is the Committee's role to provide comment and feedback on the review in terms of the overall aspects of the review.

### **FINANCIAL IMPLICATIONS**

The mid-year Budget Review has identified an increased expenditure requirement to address immediate community and business needs coupled with a reduction in some revenue streams. The result is a proposed reduction to the closing municipal surplus of \$139K as at 30 June 2017. The report presents budget combined expenditure, revenue and capital variations totalling \$1.151M. However, figures presented in this report are indicative and subject to change following further review and prioritisation between financial years, which will be undertaken prior to Council consideration at February OCM.

### **STRATEGIC IMPLICATIONS**

The Town provides the 2016/17 mid-year Budget Review as part of its delivery of high quality corporate governance, accountability and compliance. The Town's goals and actions in this regard are set out in the Leading our Community section of the Strategic Community Plan 2014-2024.

### **SUSTAINABILITY IMPLICATIONS**

#### *Environmental*

There are no significant identifiable environmental impacts arising from adoption of the officer's recommendation.

#### *Economic*

There are no significant identifiable economic impacts arising from adoption of the officer's recommendation.

#### *Social*

There are no significant identifiable social impacts arising from adoption of the officer's recommendation.



*Risk*

Risk	That the review not be submitted to Council within 30 days after the review has been finalised.
Risk Likelihood (based on history and with existing controls)	Unlikely (2)
Risk Impact / Consequence	Moderate (3)
Risk Rating (Prior to Treatment or Control)	Medium (5-9)
Principal Risk Theme	Compliance - 3 Moderate - Non-compliance with significant regulatory requirements imposed
Risk Action Plan (Controls or Treatment proposed)	Accept Officer Recommendation and submit to February OCM for Council's consideration

## Risk Matrix

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

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

**CONCLUSION**

This report presents an indicative summary of the 2016/17 mid-year Budget Review. A number of variations are proposed as part of this review to meet community and organisational requirements and reflect reduction in some revenue streams. The indicative outcome of the review is a budget variation of \$1.151M, resulting in a municipal surplus of \$139K as at 30 June 2017. A further review and prioritisation between financial years may see an improvement to this final position. The Audit, Risk and Governance Committee is only required to receive the budget review in accordance with the terms of reference.



**TOWN OF PORT HEDLAND  
PROPOSED ANNUAL BUDGET  
2016/17 MID-YEAR BUDGET REVIEW  
BY NATURE & TYPE**

	Current Budget	Proposed Budget	Amendment
	\$000's	\$000's	\$000's
<b>Operating Revenue</b>			
Rates	23,684	23,684	0
Operating grants, subsidies & contributions	8,459	7,952	(507)
Fees & charges	12,329	12,317	(12)
Interest earnings	7,391	7,379	(12)
Other revenue	2,197	1,983	(213)
<b>Total Operating Revenue</b>	<b>54,059</b>	<b>53,315</b>	<b>(744)</b>
<b>Operating Expenditure</b>			
Employee costs	(21,839)	(22,560)	(721)
Materials & contracts	(30,073)	(31,328)	(1,255)
Utilities	(2,515)	(2,580)	(65)
Depreciation	(13,839)	(13,162)	677
Interest expenses	(1,261)	(1,261)	0
Insurance expenses	(1,044)	(1,044)	0
Other expenditure	(2,829)	(2,619)	210
<b>Total Operating Expenditure</b>	<b>(73,401)</b>	<b>(74,555)</b>	<b>(1,154)</b>
<b>Operating Surplus/(Deficit)</b>	<b>(19,342)</b>	<b>(21,240)</b>	<b>(1,898)</b>
<b>Add Back Non Cash Items</b>			
Depreciation	13,839	13,162	(677)
Profit / Loss On Asset Disposal	(210)	(150)	60
Transfer to/ (from) non current	(924)	(924)	0
<b>Capital Expenditure and Revenue</b>			
Acquisition of infrastructure, property, plant and equipment	(21,552)	(22,025)	(473)
Proceeds From Sale Of Assets	870	530	(340)
Non-operating grants, subsidies & contributions	5,147	5,184	37
New loan borrowings	0	0	0
Proceeds from self supporting loans	98	90	(8)
Transfer from reserves	32,095	32,419	323
Loan principal repayments	(1,179)	(1,179)	0
Transfer to reserves	(13,201)	(12,139)	1,062
<b>Estimated Municipal Surplus / (Deficit) Brought Forward 1 July 2016</b>	<b>5,650</b>	<b>5,650</b>	
<b>Estimated Municipal Surplus / (Deficit) Carried Forward 30 June 2017</b>	<b>1,290</b>	<b>(623)</b>	

---

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

---

Nil

---

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

---

Nil

---

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

---

Nil

---

**Item 16 Closure**

---

**16.1 Date of Next Meeting**

The next Audit, Risk and Governance Committee Meeting will be held on Tuesday 7 March 2017, commencing at 5:30pm.

**16.2 Closure**

There being no further business, the Presiding Member declared the meeting closed at 6.10pm.