

# AGENDA

Dear Committee Members

I respectfully advise that an **AUDIT, RISK AND COMPLIANCE COMMITTEE MEETING** will be held in the Council Chambers, McGregor St, Port Hedland, on **Tuesday, 11 May 2021**, commencing at 5:30pm.

MEETING AGENDA ATTACHED

Yours faithfully



Carl Askew  
Chief Executive Officer

6 May 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.”*

## Order Of Business

Item 1	Opening of Meeting .....	6
Item 2	Acknowledgement of Traditional Owners and Dignitaries .....	6
Item 3	Recording of Attendance.....	6
3.1	Attendance .....	6
3.2	Attendance by Telephone / Instantaneous Communications .....	6
3.3	Apologies .....	6
3.4	Approved Leave of Absence .....	6
3.5	Disclosure of Interests.....	6
Item 4	Applications for Leave of Absence .....	6
Item 5	Response to Previous Questions .....	6
Item 6	Public Time .....	7
6.1	Public Question Time .....	7
6.2	Public Statement Time.....	7
6.3	Petitions/Deputations/Presentations/Submissions.....	7
Item 7	Questions from Members without Notice .....	7
Item 8	Announcements by Presiding Member without Discussion.....	7
Item 9	Declarations of All Members to Have Given Due Consideration to All Matters Contained in the Business Paper before the Meeting .....	7
Item 10	Confirmation of Minutes from Previous Meeting .....	8
Item 11	Reports of Officers.....	9
11.1	Corporate Services .....	9
11.1.1	2021 External Audit Entrance Meeting.....	9
11.2	Community Services .....	11
11.3	Regulatory Services .....	11
11.4	Infrastructure Services .....	11
11.5	Executive Services .....	11
Item 12	Motions of which Previous Notice has been given .....	11
Item 13	New Business of an Urgent Nature (Late items) .....	11
Item 14	Matters for Which Meeting May Be Closed (Confidential Matters) .....	11
Item 15	Closure .....	11
15.1	Date of Next Meeting .....	11
15.2	Closure.....	11

---

**Item 1 Opening of Meeting**

---

The Presiding Member is to declare the meeting open

---

**Item 2 Acknowledgement of Traditional Owners and Dignitaries**

---

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

---

**Item 3 Recording of Attendance**

---

**3.1 Attendance****Scheduled Present:****Committee Members:**

Councillor Eva Bartho (Presiding Member)  
Councillor Tim Turner (Deputy Presiding Member)  
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**

---

**Item 4 Applications for Leave of Absence**

---

Nil.

---

**Item 5 Response to Previous Questions**

---

**5.1 Response to questions taken on notice from Public at the Audit, Risk and Compliance Committee Meeting held on 10 March 2021**

Nil.

## 5.2 Response to questions taken on notice from Committee Members at the Audit, Risk and Governance Committee Meeting held on 10 March 2021

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

---

All members to declare that have given due consideration to all matters contained.

---

## 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 10 March 2021 are a true and correct record.

*SIMPLE MAJORITY VOTE REQUIRED*

---

---

## Item 11 Reports of Officers

---

### 11.1 Corporate Services

<b>11.1.1 2021 EXTERNAL AUDIT ENTRANCE MEETING</b>
--

**Author:** Manager Financial Services

**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 Committee adopt the Audit Planning Memorandum, as per Attachment 1.

***SIMPLE MAJORITY VOTE REQUIRED***

---

#### PURPOSE

The purpose of this report is for the Audit, Risk and Compliance (ARC) Committee to adopt the Audit Planning Memorandum for the forthcoming year.

#### DETAIL

The primary purpose of this Audit Planning Memorandum (APM) is to brief the Town of Port Hedland (Town) on the proposed approach by RSM Australia (RSM), on behalf of the Office of the Auditor General (OAG), to audit the financial report of the Town for the year ending 30 June 2021.

The APM is a key tool for discharging the auditor's responsibilities in relation to communicating with those charged with governance.

The APM is presented and discussed at this entrance meeting to ensure the ARC Committee understands the Towns and the auditor's responsibilities in the audit process.

#### LEVEL OF SIGNIFICANCE

In accordance with Policy 4/009 'Significant Decision Making', this matter is considered to be of low significance. It does not meet any requirements of a 'significant' decision.

#### CONSULTATION

##### *Internal*

- Chief Executive Officer
- Director Corporate Services
- Manager Financial Services

##### *External Agencies*

- Office of the Auditor General
- RSM



*Community*

- Nil

**LEGISLATION AND POLICY CONSIDERATIONS***Local Government Act 1995**Local Government (Financial Management) Regulations 1996**Local Government (Audit) Regulations 1996 – Regulation 9*

The entrance meeting is not specifically an audit regulation, however it forms the basis of regulation 9 which is the performance of the audit.

**FINANCIAL AND RESOURCES IMPLICATIONS**

There are no financial implications associated with this item.

**STRATEGIC AND SUSTAINABILITY IMPLICATIONS**

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

- 4.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 if the Committee do not adopt an audit plan for the forthcoming year, the audit will not be able to proceed. 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 – Do not adopt officer's recommendation***CONCLUSION**

It is recommended that the ARC Committee adopt the 2021 Audit Planning Memorandum to ensure the audit proceeds without delay. The adoption of the APM will also allow Committee members to have insight on which items are to be addressed in the upcoming audit, and offers structure and guidance to the process.

**ATTACHMENTS**

1. Audit Planning Memorandum 30 June 2021 (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 10 August 2021 commencing at 5:30pm.

**15.2 Closure**

There being no further business, the Presiding Member declared the meeting closed

## 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 Practicing 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.)*