



# AGENDA

Dear Hon. Fredrick Riebeling AM JP

I respectfully advise that an **AUDIT, RISK AND COMPLIANCE COMMITTEE MEETING** will be held in the **Jimblebar Room, Wanangkura Stadium, Hamilton Road, South Hedland**, on **Tuesday, 10 March 2020**, commencing at **5:30pm**

**MEETING AGENDA ATTACHED**

Yours faithfully

Carl Askew  
Chief Executive Officer

5 March 2020



**DISCLAIMER**

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**DISCLOSURE OF FINANCIAL/ IMPARTIALITY/ PROXIMITY INTERESTS**

*Local Government Act 1995 – Section 5.65, 5.70 and 5.71*

*Local Government (Administration) Regulation 34C*

<i>This form is provided to enable members and officers to disclose an Interest in a matter in accordance with the regulations of Section 5.65, 5.70 and 5.71 of the Local Government Act and Local Government (Administration) Regulation 34C</i>			
Name			
Position			
Date of Meeting			
Type of Meeting (Please circle one)	Council Meeting/ Committee Meeting/ Special Council Meeting Workshop/ Public Agenda Briefing/ Confidential Briefing		
Interest Disclosed			
Item Number and Title			
Nature of Interest			
Type of Interest (please circle one)	Financial	Proximity	Impartiality
Interest Disclosed			
Item Number and Title			
Nature of Interest			
Type of Interest (please circle one)	Financial	Proximity	Impartiality

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

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

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

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

## TERMS OF REFERENCE

### 1. Purpose of the Terms of Reference

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

### 2. Introduction

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

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

The Audit, Risk and Compliance Committee will primarily focus on relevant matters relating to Audit (internal and external) Risk and Compliance.

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

### 3. Objectives

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

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

- 3.8 Provide guidance and assistance to Council as to the carrying out the functions of the local government in relation to audits.

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

#### 4. Authority

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

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

#### 5. Composition of Committee Members

- 5.1 The Audit, Risk and Compliance Committee will comprise of three Elected Members.
- 5.2 The Council will appoint Audit, Risk and Compliance Committee members.
- 5.3 The Presiding Member and Deputy Presiding Member will be appointed by the Audit, Risk and Compliance Committee, Members after an Election.
- 5.4 The members, taken collectively, will have a broad range of skills and experience in accounting or related financial management, with an understanding of accounting and auditing standards in a public sector environment.
- 5.5 Members may seek advice from an external independent advisor. The independent advisor will have a Certified Practising Account (CPA), Chartered Accountancy (CA) qualification or relevant discipline or experience in a similar position. The independent advisor must be able to demonstrate expertise and knowledge in at least one of the disciplines of financial risk management, corporate governance, risk management or auditing. The independent advisor will also have demonstrated understanding and/or experience in:
  - Accounting Standards (AASB)
  - Tax Legislation
  - *Local Government Act 1995*
  - Local Government experience and/or Band 1 Council
- 5.6 A quorum will be a minimum of 50% of the membership.

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

## **6. Meetings**

- 6.1 Meetings may be called by the Presiding Member of the Audit, Risk and Compliance Committee, or at the request of the Mayor or Chief Executive Officer.
- 6.2 The Audit, Risk and Compliance Committee meetings are generally open to the public unless the Presiding Member or Chief Executive Officer deem it necessary to proceed behind closed doors pursuant to Section 5.23 of the Local Government Act 1995.
- 6.3 All Elected Members are invited to attend each Audit, Risk and Compliance Committee meeting.
- 6.4 All Audit, Risk and Compliance Committee members are expected to attend each meeting in person.
- 6.5 The Chief Executive Officer will facilitate the meetings of the Audit, Risk and Compliance Committee and invite members of management, internal and external auditors or others to attend meetings as observers and to provide pertinent information, as necessary.
- 6.6 The Audit, Risk and Compliance Committee will develop a forward meeting schedule that includes the dates, location, and proposed work plan for each meeting for the forthcoming year, that cover all the responsibilities outlined in this terms of reference.
- 6.7 Meeting agendas will be prepared and provided at least one week in advance to members, along with appropriate briefing materials.
- 6.8 Minutes will be taken at each meeting and presented to the subsequent meeting for confirmation.

## **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.  
Amended by Council at its Ordinary Meeting held on 19 December 2019.)*

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**Item 1 Opening of Meeting**

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

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

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The Commissioner acknowledges the Kariyarra people, on whose lands we are meeting, and pays his respects to Elders past, present and emerging.

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**Item 3 Recording of Attendance**

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**3.1 Attendance**

**Scheduled Present:** Hon. Fredrick Riebeling AM JP  
**Scheduled for Attendance:** Carl Askew (Chief Executive Officer)  
Anthea Bird (Director Corporate Services)  
Josephine Bianchi (Director Community Services)  
Craig Watts (Director Regulatory Services)  
Lee Furness (Director Infrastructure Services)  
Nicki Thomas (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**

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**Item 4 Applications for Leave of Absence**

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**Item 5 Response to Previous Questions**

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**5.1 Response to questions taken on notice from Public at the Audit, Risk and Compliance Committee Meeting held on Tuesday 12 November 2019**

Nil

**5.2 Response to questions taken on notice from Committee Members at the Audit, Risk and Governance Committee Meeting held on Tuesday 12 November 2019**

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**5.2.1 Mr Arnold Carter**

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*What is the present position for the relocation of the library for Port Hedland residents?*

The Manager Community Development provided the following response:

At the Ordinary Council Meeting held on 19 December 2019, Council approved to enter into a lease with Sentinel Portfolio Management for shop 7, Port Hedland Boulevard Shopping Centre to accommodate the new Port Hedland library. The library is scheduled to open on 27 **26** March 2020.

Amendment:  
The library is  
scheduled to  
open on  
26 March  
2020.

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**Item 6 Public Time**

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*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

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**Item 7 Questions from Members without Notice**

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

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

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The Commissioner declares that he had given due consideration to all matters contained in the agenda.

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

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### *Disclaimer*

*Members of the public are cautioned against taking any action on Council 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.*

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### **OFFICER'S RECOMMENDATION**

That Council confirm that the Minutes of the Audit, Risk and Compliance Committee Meeting held on Tuesday 12 November 2019 are a true and correct record.

***SIMPLE MAJORITY VOTE REQUIRED***

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## Item 11 Reports of Officers

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### 11.1 Corporate Services

<b>11.1.1 2019 COMPLIANCE AUDIT RETURN</b>
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**Author:** Governance Advisor  
**Authorising Officer:** Director Corporate Services  
**Disclosure of Interest:** The Author and Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

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#### OFFICER'S RECOMMENDATION

That the Committee:

1. Note the areas of non-compliance in the 2019 Compliance Audit Return;
2. Note the actions the Town will undertake to ensure future compliance; and
3. Recommend Council to adopt the 2019 Compliance Audit Return.

*SIMPLE MAJORITY VOTE REQUIRED*

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#### PURPOSE

The purpose of this report is for the Audit, Risk and Compliance Committee to consider the Town's 2019 Compliance Audit Return (CAR).

#### DETAIL

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

A local government's Audit Committee is required to review the CAR and report the results of that review to the Council prior to adoption by Council. The Town will then request for Council's approval to submit the CAR to the Department by 31 March 2020.

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

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

For the 2019 calendar year, the Town of Port Hedland was non-compliant in three areas:

### 1. *Disclosure of Interest*

Question 7 relates to whether all designated employees lodged their primary return within three months of their start date. There were two officers of the Town that did not lodge their primary returns on time. They have since lodged their primary returns. The reason for this was due to an administrative oversight as the relevant officers were not notified of the requirement to lodge their returns and Governance team failed to identify. The Town has implemented checklists which streamlines the delegation process and mitigates the risk of this happening again. The Corruption and Crime Commission (CCC) and the Department were notified.

Question 8 relates to whether all continuing elected members lodged their annual return by 31 August 2019. There were two elected members that did not lodge their annual return by 31 August 2019. The due date for this return occurred during the suspension period of the Council. The Corruption and Crime Commission (CCC) and the Department were notified for the year ended 30 June 2019.

### 2. *Integrated Planning and Reporting*

Question 7 relates to whether the local government has developed a Workforce Plan. The Town developed a Workforce Plan and the Council endorsed this plan in principle at the Ordinary Council Meeting held on 24 October 2012. The Town has not presented a Workforce Plan to Council since 2012 and due to the content within this plan being out of date, this is deemed non-compliant in accordance with regulation 19DA(3) of the *Local Government (Administration) Regulations 1996*. To satisfy this non-compliance, a new Workforce Plan is under development.

### 3. *Tenders for Providing Goods and Services*

Question 24 relates to whether the local government fulfilled its statutory requirements in relation to its intention to adopt a regional price preference policy as outlined in regulation 24E of the *Local Government (Functions and General) Regulations 1996*.

The Town did not advertise its intention to adopt the amended regional price preference policy in 2018. This was an administrative oversight. To address this non-compliance, this requirement has been included in the Town's checklist for adopting a new or amended regional price preference policy in the future.

Question 25 relates to whether the local government has fulfilled its statutory requirements in relation to the adoption of a Regional Price Preference policy as outlined in regulation 24F of the *Local Government (Functions and General) Regulations 1996*.

The Town did not advertise the adoption of the amended regional price preference policy in 2018. This was an administrative oversight. To satisfy this non-compliance, this requirement has been included in the Town's checklist for adopting a new or amended regional price preference policy in the future.

## **LEVEL OF SIGNIFICANCE**

In accordance with Policy 4/009 'Significant Decision Making', this matter is considered to be of medium significance, due to likely consequences arising from non-compliance, potential to impact the Town's ability to deliver services, impact to the reputation of the Town of Port

Hedland and general interest by the community in the compliance capability of the business operations of the Town of Port Hedland.

## CONSULTATION

### *Internal*

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

### *External Agencies*

- WALGA was contacted for advice on a question listed in the CAR.

### *Community*

- Nil

## LEGISLATION AND POLICY CONSIDERATIONS

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

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

## FINANCIAL AND RESOURCES IMPLICATIONS

There are no financial implications related to this item.

## STRATEGIC AND SUSTAINABILITY IMPLICATIONS

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

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

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

## RISK MANAGEMENT CONSIDERATIONS

There is a compliance risk associated with this item because the Town will not be compliant if the CAR is not adopted by Council or submitted to the Department by 31 March 2020. The risk rating is considered to be low (4), which is determined by a likelihood of unlikely (2) 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**

The CAR is a fundamental mandatory obligation required from all local governments for statutory compliance. The CAR provides the Town an opportunity to check its processes and determine whether it is compliant and as a result the Town is accountable for its actions within the local government framework. It is recommended that the Audit, Risk and Compliance Committee recommend that Council adopt the 2019 CAR.

**ATTACHMENTS**

1. 2019 Compliance Audit Return (under separate cover)

**11.1.2 2020 AUDIT, RISK AND COMPLIANCE COMMITTEE WORK PLAN**

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

**OFFICER'S RECOMMENDATION**

That the Committee adopt the 2020 Audit, Risk and Compliance Committee Work Plan as per attachment 1.

*SIMPLE MAJORITY VOTE REQUIRED*

**PURPOSE**

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

**DETAIL**

The ARC Committee is required to develop an annual work plan in accordance with section 6.6 of the Committee's adopted Terms of Reference, that stipulates:

*'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.'*

The work plan provides a framework that guides the implementation of the Committee's responsibilities as outlined in the *Local Government Act 1995*, the *Local Government (Audit) Regulations 1996* and in the Committee's Terms of Reference for the forthcoming year.

The work plan aligns the Committee's responsibilities with any key legislative compliance dates and the Committee's adopted meeting schedule. The work plan also allows Committee Members to be able to anticipate upcoming items for inclusion in each quarterly Committee meeting.

**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*

- Director Corporate Services
- Manager Financial Services

*External Agencies*

- Nil

### *Community*

- Nil

## **LEGISLATION AND POLICY CONSIDERATIONS**

Section 6.6 of the Terms of Reference (TOR) of the ARC Committee state that a work plan for the forthcoming year is to be developed.

Although the adoption of an ARC Committee work plan is not legislatively required, the TOR is a requirement of the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996*.

## **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 a work plan for the forthcoming year, the Committee would be in breach of their Terms of Reference. 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.

There is a service interruption risk associated with this item, because if the Committee do not adopt a work plan, the Committee members will not have insight on what the ARC Committee will be determining in the coming months and will not have time to research and make enquiries in relation to any upcoming agenda items. The risk rating is considered to be low (4), which is determined by a likelihood of unlikely (2) 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 2020 work plan to ensure the ARC Committee meets key compliance dates and responsibilities for the forthcoming year. The adoption of the work plan will also allow Committee members to have insight on which items are to be determined in the coming months, and offers structure and guidance to the Committee.

**ATTACHMENTS**

1. 2020 Audit, Risk and Compliance Work Plan (under separate cover)

**11.1.3 ADDITIONAL AUDIT FINDING**

**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 receive and endorse to Council the Updated Closing Report and Management Letter of Audit Findings for the financial year ended 30 June 2019.

*SIMPLE MAJORITY VOTE REQUIRED*

**PURPOSE**

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

This report presents to the Committee the Updated Closing Report and Management Letter of Audit Findings from the Town's Auditors, RSM Australia Pty Ltd (RSM), for the year ended 30 June 2019.

RSM issued the Town with an unqualified audit opinion with respect to the financial statements, meaning that the Town of Port Hedland financial records and statements are fairly and appropriately presented, and in accordance with General Accepted Accounting Principles (GAAP).

RSM initially presented four findings for consideration at the Audit, Risk and Governance meeting held on 12 November 2019. Following that meeting and prior to the sign-off of the Annual Financial Report on 19 November 2019, RSM reported an additional finding, increasing the total number of findings to five reported in the Closing Report. This finding was presented to Council prior to the adoption of the Financial Statements however has not been formally presented to the ARC. To ensure the Committee are fully informed with the financial status of the Town, it is prudent that the additional finding is presented to the ARC.

**DETAIL**

The Auditors presented five matters for consideration as identified in confidential Attachment 2. Each year, the Town is required to prepare general purpose financial reports and refer them to the Auditors as soon as practicable, no later than 30 September following the end of the financial year (Section 6.4 of the *Local Government Act 1995*). The draft annual financial report for the year-ended 30 June 2019 was submitted to the Auditors on 27 September 2019.

The Annual Financial Report is prepared in accordance with Australian Accounting Standards; the *Local Government Act 1995*; and the *Local Government (Financial Management) Regulations 1996*.

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

The Town's Auditors, RSM Australia, conducted the end of year audit onsite from 14-20 October 2019. The role of the Auditor is to provide an opinion based on their audit as to whether Management has fulfilled these obligations. The Auditors also prepare a separate, more detailed report for Management, identifying any issues arising from the conduct of the audit, and recommending any corrective actions.

The financial statements were expected to be signed off by the auditors on 13 November 2019, following the Committee meeting with the Auditors on 12 November 2019. After the Committee meeting the reports went through RSM's final review process completed by the Audit Partner. The Audit Partner identified new queries previously not raised during the process and resulted in an additional finding not initially reported by the onsite auditors to the Audit, Risk and Governance Committee. The Town had no control of this late review and it was not communicated by RSM at the Committee meeting on 12 November 2019 that their audit process had not been finalised. The Annual Financial Report was signed off by RSM on 19 November 2019.

Council's Audit, Risk and Governance Committee has delegated authority to liaise with the Auditor, and receive and examine the Auditor's report and any Management Letters arising from the conduct of the audit.

RSM has identified five matters (including the four matters previously reported) for consideration to be addressed by Management. Please refer to confidential attachment 2 for findings and management response/action plan.

## LEVEL OF SIGNIFICANCE

In accordance with Policy 4/009 'Significant Decision Making', this matter is considered to be of medium significance as it summarises the financial position of the Town for the financial year ended 30 June 2018 and reflects performance against the Strategic Community Plan and Corporate Business Plan in existence at the time. Risks associated with the audit findings are set out in this report under the heading 'Risk Management Considerations'.

## CONSULTATION

### *Internal*

- Executive Leadership Team
- The Financial Services Team
- The Governance Team

### *External Agencies*

- The Town's Auditors, RSM Australia
- Moore Stephens

### *Community*

- Nil

## LEGISLATION AND POLICY CONSIDERATIONS

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

The Department of Local Government and Communities has also prepared Operational Guideline Number 9 to provide guidelines for the ARC relating to Audit in Local Government.

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

## FINANCIAL AND RESOURCES IMPLICATIONS

The costs associated with conducting the interim audit and end of financial year audit are included in the 2018/19 budget and financial statements.

## STRATEGIC AND SUSTAINABILITY IMPLICATIONS

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

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

### *Corporate Business Plan*

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

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

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

## RISK MANAGEMENT CONSIDERATIONS

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

RSM identified five matters for consideration to be addressed by Management. The Town is actioning all five matters with a view to final resolution by 30 June 2020.

**OPTIONS**

*Option 1 – Adopt officer’s recommendation*

*Option 2 – Amend officer’s recommendation*

*Option 3 – Do not adopt officer’s recommendation*

**CONCLUSION**

The updated Closing Report and Annexure A Management Letter of Audit Findings are attached for the ARC Committee’s review. The Town is continuously working towards improvements in the financial management area and there will be a focus on creating stronger internal controls within financial management and processes in accordance with the Town’s values and long-term sustainability.

**ATTACHMENTS**

1. ToPH-Closing Report for the year 30 June 2019 Final - Confidential (under separate cover)
2. Annexure A - TOPH - Management Letter Points F2019 - Confidential (under separate cover)
3. Annexure B Effect of Adjustments and Misstatements Final - Confidential (under separate cover)
4. Management Letter - Confidential (under separate cover)

**11.1.4 ADOPTION OF THE 2019/20 BUDGET HALF YEAR REVIEW**

**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 endorse the 2019/2020 Budget Half Year Review for the period ended 31 December 2019 for adoption by Council, resulting in a projected closing municipal surplus of \$843,592 as at 30 June 2020.

*SIMPLE MAJORITY VOTE REQUIRED*

**PURPOSE**

The purpose of this report is for the Audit, Risk and Governance Committee (Committee) to consider and endorse the 2019/2020 budget half year review for adoption by Council. Budget reviews are required to be completed covering 1 July to no later than 31 December as per *Section 33A of Local Government (Financial Management) Regulations 1996*. A review of the annual budget must be completed between 1 January and 31 March for the applicable budget year. The review is an opportunity to evaluate 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.

**DETAIL**

This budget review has been prepared to include information required by the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996* and Australian Accounting Standards.

The budget review is an opportunity to evaluate and update the current budget which may have been impacted by various factors since the budget 2019/2020 first quarter review was adopted on by Council on 27 November 2019. The projected closing municipal surplus of \$843,592 is an increase from the original budget surplus of \$449,611. This is mainly attributable to an increase in funds transferred from the Financial Risk Reserve as they are no longer considered at risk and are required to cover a potential non-reimbursement for disaster recovery works. The operating surplus has increased by \$10,031,093. This increase predominately relates to Council's decision on 5 February 2020 to proceed with back rating of certain properties at a waived rate of 25%.

Council adopted the reporting of the following material variances to be used in the statements of financial activity and the annual budget review.

1. With regards to expenditure classified as capital projects, a variance of 10% or \$10,000, whichever is greater, of the year to date budget, with individual project as the level that requires explanation.

2. With regards to all other items excluding capital projects identified above, a variance of 10% or \$50,000, whichever is greater, of the year to date budget, with Nature and Type as the level that requires explanation.

Features of the half-year budget review include:

<b>Operational Program Amendments - Revenue</b>	
Increase in budgeted rates as per council decision "Retrospective rating of certain port and associated land" on 5 February 2020 and a general reduction in rates revenue due to changes in valuations for certain properties within the Local Government area.	\$11,338,561
Increase in insurance proceeds budgeted from Cyclone Veronica works	\$300,000
<b>Operational Program Amendments - Expenses</b>	
Increase in budgeted recruitment costs and salaries and wages, directly attributed to Council's increased commitment to capital projects over the next five years.	(\$521,972)
Increase in budgeted repairs and maintenance costs at Town managed recreational sites.	(\$332,078)
Increase in material and contract costs relating to Tropical Cyclone Damien works (assumption is costs will be reimbursed by DFES next financial year)	(\$750,000)
Increase in budgeted costs relating to Development WA and Spoilbank design.	(\$100,000)
Reduction in budgeted allowances for Member of Council due to suspension of elected members.	\$195,645
Port Hedland Library budget transferred to capital budget due to accounting standard changes on treatment of leases.	\$80,000
Depot Master plan budget transferred to capital budget to begin detail design works.	\$200,000
<b>Operational Program – New Initiatives</b>	
Repairs and maintenance costs on properties made available to Steven St residents.	(\$275,000)
Arts and Culture Strategy – new event as per outcomes of community consultation.	(\$45,000)
Improvements to Civic Centre gardens	(\$200,000)
<b>Investing and Finance Activities Amendments</b>	
Reduction in DRAFA reimbursement to be received following Tropical Cyclone Veronica works.	(\$3,689,760)
Proceeds from self-supporting loans budget reduced to match deferral of loan payments by Port Hedland Yacht Club for six months.	(\$38,776)
Increase in transfer from cash back reserves following assessment of rates quarantined in the financial risk reserve.	\$933,044
Increased transfer to cash back reserves following Council's decision to place retrospective rates into a reserve.	(\$14,965,556)

<b>Capital Program Amendments</b>	
Plant replacement program – Transfer of budget to Light vehicles replacement program to cover 2019 costs not accrued.	\$428,803
Light vehicles replacement program – Increase in budget due to 2019 costs not accrued and extra cars required.	(\$473,803)
Telecommunications renewal & upgrade project – Works delayed to 2020/2021 financial year.	\$570,000
Synergy replacement and systems review – Works delayed to 2020/2021 financial year.	\$350,000
Transfer station/Community Recycling centre – Works delayed to 2020/2021 financial year.	\$750,000
Irrigation Tank Replacement McGregor St – Increase in budget due to both tanks requiring more work than anticipated.	(\$145,095)
Port Hedland Community Facilities (Turf club) - Detailed Design – Increase in scope and shortening of delivery of masterplan following community consultation.	(\$200,000)
South Hedland Sports Precinct Stage 1 - Detailed Design - Increase in scope and shortening of delivery of masterplan following community consultation.	(\$600,000)
JD Hardie Youth Zone - Detailed Design - Increase in scope and shortening of delivery of masterplan following community consultation.	(\$200,000)
Depot Works Masterplan implementation - Increase in scope and shortening of delivery of masterplan.	(\$1,000,000)
Creche to SHAC – project removed and funds allocated to fencing.	\$200,000
Desktop phone system – Works delayed to 2020/2021 financial year.	\$155,000
South Hedland Main Street – Throssell Road verge upgrade – project delivered under budget	\$24,700
<b>Capital Program – New Initiatives</b>	
Cooke Point bridge implementation (as presented at 26 February 2020 council meeting).	(\$85,000)
Fencing upgrade at South Hedland Aquatic Centre to reduce vandalism.	(\$250,000)
Local area traffic management - This project was included in the budget for FY19. Additional costs incurred to finalise project.	(\$62,036)
Kerb And Disability Ramp Improvements And Renewal - This project was included in the budget for FY19. Additional costs incurred to finalise project.	(\$70,000)
Building Renewal And Upgrade Program - This project was included in the budget for FY19. Additional costs incurred to finalise project.	(\$100,000)
Lighting And Safety Upgrades At Pretty Pool Car Park - This project was included in the budget for FY19. Additional costs incurred to finalise project.	(\$6,084)
Port Hedland Library - Operational project transferred to capital budget due to accounting standard changes on treatment of leases.	(\$90,000)
JD Hardie Outdoor Basketball Courts Backboards Upgrade - This project was included in the budget for FY19. Additional costs incurred to finalise project.	(\$40,894)

## LEVEL OF SIGNIFICANCE

In accordance with Policy 4/009 'Significant Decision Making', this matter is considered to be of medium significance, because budget reviews are vital to ensure the Town is forecasting expected expenditure and revenue in line with current conditions and commitments. Budget 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.

## CONSULTATION

### *Internal*

- The 2019/20 current budget has been reviewed by all Managers and the Executive Leadership Team. They have collectively considered the impact of the budget amendments presented, to benefit the community as a whole and keep within the budget guidelines of a balanced budget.

### *External Agencies*

- Nil

### *Community*

- Nil

## LEGISLATION AND POLICY CONSIDERATIONS

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).

Any budget review must be submitted to Council within 30 days of completion, 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 for adoption at the Ordinary Council Meeting scheduled for 25 March 2020.

## FINANCIAL AND RESOURCES IMPLICATIONS

The 2019/2020 Budget Half Yearly Review for the period ended 31 December 2019 has identified increased operating revenue of \$11,363,611 and increased operating expenditure of \$1,332,518, resulting in a net increase to the operating surplus of \$10,031,093. Capital programmes have decreased by \$7,203,032 to a total estimated \$34,795,489.

The majority of the increased operating revenue relates to retrospective rates that are to be placed into a reserve as per a previous Council decision and has resulted in an increased transfer to cash back reserves of \$14,965,556. Council has also assessed rates quarantined in the financial risk reserve as no longer at risk and this has increased the transfers from cash backed reserves by \$933,064.

## STRATEGIC AND SUSTAINABILITY IMPLICATIONS

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

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

### *Environmental*

Nil

### *Economic*

There are significant benefits to the local economy including investment in local infrastructure and the utilisation of local trades and businesses where possible, practical and available.

### *Social*

Significant social impacts will be achieved including the investment into community infrastructure and programs and the promotion of the Town as a great place to live and work

### *Corporate Business Plan*

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

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

## RISK MANAGEMENT CONSIDERATIONS

As per the risk matrix contained in policy 1/022 'Risk Management', there is a risk rating of medium (6) assigned to the risk that the review not be submitted to Council within 30 days after the review has been finalised. This risk has an unlikely (2) possibility and a moderate (3) impact in relation to compliance with significant regulatory requirements imposed.

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

There is a risk rating of medium (9) assigned to the risk that the Council do not adopt the 2019/2020 Budget Half Yearly Review for the period ended 31 December 2019, resulting in the delay or inability to perform specific capital works which are essential but do not currently have an approved budget item line. This risk is possible (3) with a moderate (3) impact in relation to compliance with significant regulatory requirements imposed

This risk will be eliminated by endorsing the 2019/2020 budget half year review for adoption by Council.

**OPTIONS**

*Option 1 – Adopt officer’s recommendation*

*Option 2 – Amend officer’s recommendation*

*Option 3 – Do not adopt officer’s recommendation*

**CONCLUSION**

This report presents a summary of the 2019/2020 Budget Half Yearly Review for the period ended 31 December 2019.

A number of variations are proposed as part of this review to meet community and organisational requirements. The outcome of the review presents an estimated municipal surplus of \$843,592 as at 30 June 2020.

**ATTACHMENTS**

1. Statement of Financial Activities (under separate cover)
2. Capital Projects Worksheet (under separate cover)
3. Operational Project Worksheet.pdf (under separate cover)
4. Reserves (under separate cover)

**11.2 Community Services**

Nil

**11.3 Regulatory Services**

Nil

**11.4 Infrastructure Services**

Nil

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**Item 12 Motions of Which Previous Notice Has Been Given**

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

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

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**Item 15 Closure**

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**145.1 Date of Next Meeting**

The next Audit, Risk and Compliance Committee Meeting will be held on 12 May 2020 commencing at 5:30pm.

**15.2 Closure**

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