



MINUTES

Audit, Risk and Compliance Committee Meeting

Tuesday, 11 May 2021

Date: Tuesday, 11 May 2021

Time: 5:30pm

Location: Council Chambers, Civic Centre
McGregor Street
Port Hedland

Distribution Date: 13 May 2021

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Item 1 Opening of Meeting

The Presiding Member declared the meeting open at 5:30 pm.

Item 2 Acknowledgement of Traditional Owners and Dignitaries

The Presiding Member acknowledged the Kariyarra people as the Traditional Custodians of the land we met.

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)

Public: 6
Media: 0
Staff: 3

3.2 Attendance by Telephone / Instantaneous Communications

Nil

3.3 Apologies

Nil

3.4 Approved Leave of Absence

Nil

3.5 Disclosure of Interests

Nil

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 Compliance Committee Meeting held on 10 March 2021

Nil.

Item 6 Public Time

Important note:

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

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.

6.1 Public Question Time

The Presiding Member declared Public Question Time opened at 5:33pm.

6.1.1 MR TK RIVERA

The Presiding Member advised that questions had been received from Mr TK Rivera, via email on 11 May 2021. These questions would be taken on notice and responses will be provided to Mr Rivera and published in the agenda of the next Audit, Risk and Compliance Committee meeting, scheduled for Tuesday 10 August 2021.

Risk Management Policy

1. *What risk register has been developed to identify hazards and implement controls across all functions of Council? What is the review frequency for this document?*
2. *What is the methodology for creating and maintaining such a risk register? Arising out of the register, what are the top ten hazards to the Town of Portland as an organisation?*
3. *If no risk register exists, I encourage the Town to consider running a small number of facilitated risk workshops with the intention to capture input from the field operations staff and their supervisors, middle management and senior management from each of the Town's directorates. Can the Committee commit to actioning this with Town staff?*
4. *For the purpose of managing risk to the Town's staff's health & safety, the Town organisation's reputation, the Town's built & natural environment and the Town organisation's finances, how does the Risk & Audit Committee ensure that staff, consultants and contractors apply the Town's risk management framework outlined in the Risk Management Policy?*
5. *What review processes are done by Town staff to confirm compliance by staff, consultants & contractors with this policy?*

Purchasing Policy

6. *\$250,000 is the point at which the Town requires public tenders to be invited for outsourced works & services, subject to certain exemptions. This figure was set many years ago and now results in an unnecessary burden to Town staff in preparing and administering tenders. What representations is the Town making to the Department of Local Government and Western Australian Local Government Association to have this figure raised to \$500,000 or higher?*
7. *When did the Risk & Audit Committee last receive a quarterly non-compliance report from Town staff? What actions are being taken by the Committee to ensure this report is routinely submitted quarterly by staff?*

Project Management

8. *No policy for project management appears in the Policy Manual. What reason can the Committee provide for this omission by the Town? I encourage the Town to develop a policy for this area of its functions. This should incorporate the Town's risk management framework as it applies to scoping projects, developing project cost estimates, resourcing project, identification of project management staff and identifying different stages of project development & delivery. Such a policy should address how the Town manages risk to environment, social and local economic arising out of project works.*
9. *Can the Committee commit to actioning this with Town staff?*

Quality Management

10. No policy for quality management appears in the Policy Manual. What reason can the
11. Committee provide for this omission by the Town? I encourage the Town to develop a quality management plan to cover activities associated with operational works (value over \$100,000) and capital works, including any pre-construction and construction phase activities. I encourage the Town to develop quality management procedures to cover all written documentation with is issued to external parties including members of the public.
12. Can the Committee commit to actioning this with Town staff?

The Presiding Member declared Public Question Time closed at 5:34pm.

6.2 Public Statement Time

The Presiding Member declared Public Statement Time opened at 5:34pm.

Nil

The Presiding Member declared Public Statement Time closed at 5:34pm.

6.3 Petitions/Deputations/Presentations/Submissions

Nil

Item 7 Questions from Members without Notice

Nil

Item 8 Announcements by Presiding Member without Discussion

Nil

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:

Councillor Eva Bartho
Councillor Tim Turner
Councillor Jan Gillingham

Item 10 Confirmation of Minutes from Previous Meeting

ARC202021/156 OFFICER'S RECOMMENDATION / COMMITTEE DECISION

MOVED: CR GILLINGHAM
TURNER

SECONDED: CR

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.

CARRIED 3/0

Item 11 Reports of Officers

11.1 Corporate Services

11.1.1 2021 EXTERNAL AUDIT ENTRANCE MEETING

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.

ARC202021/157 OFFICER'S RECOMMENDATION / COMMITTEE DECISION

MOVED: CR TURNER
GILLINGHAM

SECONDED: CR

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

CARRIED 3/0

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 at 5:38pm.

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.)