



RSM Australia Pty Ltd

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7 May 2019

PRIVATE AND CONFIDENTIAL

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Mayor
Town of Port Hedland
Civic Centre
McGregor Street
PORT HEDLAND WA 6721

Mr David Pentz
Chief Executive Officer
Town of Port Hedland
Civic Centre
McGregor Street
PORT HEDLAND WA 6721

Dear Sirs

Management letter following the interim phase of our audit for the year ending 30 June 2019

We have now completed our interim audit work, subject to normal completion procedures.

This report is part of a continuing dialogue between the Town of Port Hedland (**Town**) and ourselves. This report outlines matters of governance interest that have come to our attention during the current audit. We have prepared this report in accordance with Auditing Standard ASA 260 *Communication With Those Charged With Governance*.

An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters. For this reason, the report is intended for the sole use of the Town and we consider it inappropriate for this report to be made available to third parties, or quoted or referred to, without our written consent. We do not accept responsibility to any other persons or for any reliance that third parties may place on it.

We set out below details of matters concerning the Town's internal control, accounting practices and other observations, which should be considered by management. However, an audit is not designed to identify all matters relevant to governance.

We have kept management informed of the issues included in this letter as they have arisen. A draft of the matters in this letter was previously provided to management for their review and comment. This letter includes management's formal responses and the person responsible for addressing the matter.

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1 MANAGEMENT LETTER POINTS AND CONTROL WEAKNESSES PREVIOUSLY REPORTED

Part of our interim audit testing requires us to follow up on prior year management letter points to ensure that appropriate measures have been taken to address the issues reported. The following table illustrates the status of previous years' management letter points and control weaknesses that have not been resolved at the time of our previous audit and whether management has taken appropriate action to subsequently resolve the matters:

1.1 RSM management letter points brought forward from the 2018 final audit

Findings	Rating	Status
1. Submission of annual financial report to auditors	Significant	Open*
2. Readiness for the 30 June 2018 final audit	Significant	Open*
3. Bank reconciliations	Moderate	Resolved
4. Long outstanding rates receivable	Moderate	Open*
5. Non-compliance with Investment Policy	Moderate	Open*
6. Unidentified variance in rates revenue recognised	Moderate	Open*

*Due to the nature of these findings, their status will be assessed during the year ended 30 June 2019 final audit visit.

2 MANAGEMENT LETTER POINTS AND CONTROL WEAKNESSES IDENTIFIED DURING THE 2019 INTERIM AUDIT

During our current interim audit we examined the design and implementation of the internal controls relevant to the accounting and financial control systems. The findings from this work are disclosed in ANNEXURE A.

RSM was also engaged by the Town to conduct a separate financial management review to assist the Chief Executive Officer in reporting to the Town on the appropriateness and effectiveness of the financial management systems and procedures in accordance with regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*. The findings from that engagement are discussed in our separate Report of Factual Findings dated 7 May 2019.

3 OTHER MATTERS

Our procedures did not identify any matters of fraud to report to you and we had no disagreements with management about significant accounting matters.

Finally, we would like to take this opportunity to thank your staff for the co-operation we have received throughout our audit. If there are any further matters which you wish to discuss concerning our audit, please contact me.

Yours faithfully



D J WALL
Director

TOWN OF PORT HEDLAND**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019****FINDINGS IDENTIFIED DURING THE *INTERIM* AUDIT**

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1 Review of credit card purchases		✓	
2 Submission of Statement of Financial Activity to Council		✓	

KEY TO RATINGS

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However even if the issue is not likely to impact the audit opinion, it should be addressed promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

TOWN OF PORT HEDLAND

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019

FINDINGS IDENTIFIED DURING THE *INTERIM* AUDIT

1. Review of credit card purchases

Finding:

The Town's credit card policy states that Managers, Directors and the CEO are responsible for:

Ensuring that on at least a monthly basis a credit card reconciliation statement for each credit card is signed by the cardholder and countersigned by the officer's supervisor which, in the case of the CEO, is the Mayor or Acting Mayor.

During our controls testing, it was found that for one credit card holder there were three instances when there was no evidence of the credit card reconciliation statements being reviewed by an authorised officer on a monthly basis.

Rating: Moderate

Implication:

Failure to review monthly credit card statements on a monthly basis increases the Town's risk of fraud or misuse of the credit card.

Management Comment:

We acknowledge the Credit Card in question was not formally reviewed for August 2018, September 2018 and February 2019. For the months in question the credit card had not been used or had minimal transactions. Through our review it has come to our attention this may have occurred due to the reconciliation template used for that credit card. We have actioned sufficient changes on the template to ensure the supervisor has now a set place to sign.

Our current informal procedure for Credit Cards is the Director of Corporate and Performance or the Manager of Finance reviews the credit cards in addition to the supervisor and has formally signed to confirm their review. This process is minimising our risk of fraud and misuse.

Responsible Person: Manager of Finance

Completion Date: May 2019

TOWN OF PORT HEDLAND

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019

FINDINGS IDENTIFIED DURING THE *INTERIM* AUDIT

2 Submission of Statement of Financial Activity to Council

Findings:

The July 2018 and November 2018 Statements of Financial Activity were not presented at an ordinary meeting of Council within 2 months after the end of the month to which the statement relates as required by regulation 34(4)(a) of the *Local Government (Financial Management) Regulations 1996*.

Rating: Moderate

Implication:

Failure to submit the above mentioned Statements of Financial Activity represents a breach of regulation 34(4)(a) of the *Local Government (Financial Management) Regulations 1996*.

Recommendation:

The monthly Statements of Financial Activity should be presented at an ordinary meeting of Council within two months after the end of the month to which the statement relates in accordance with regulation 34(4)(a) of the *Local Government (Financial Management) Regulations 1996*.

Management Comment:

Management acknowledge that the statements were presented late.

The November 2018 statements were prepared within the 2 months after the end of month, however due to ordinary council meeting scheduling the report was not able to be presented until the February 2019 ordinary council meeting.

Management will endeavour to improve compliance with Local Government (Financial Management) Regulations 1996 regulation 34(4)(a). However, ordinary council meetings for 2019 are scheduled in a similar manner, resulting in it being difficult to be complaint for November 2019 Statements of Financial Activity.

It should be noted that processes have been improved such that monthly statements are now completed within four weeks of the month close.

Responsible Person: Senior Financial Accountant

Completion Date: February 2020