



TOWN OF PORT HEDLAND

AUDIT, RISK AND GOVERNANCE COMMITTEE MEETING MINUTES

TUESDAY 2 MAY 2017 AT 5:30PM

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

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

*David Pentz
Chief Executive Officer*

Distribution Date: 9 May 2017

TERMS OF REFERENCE

1. Purpose of the Terms of Reference

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

2. Introduction

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

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

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

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

3. Objectives

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

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

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

4. Authority

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

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

5. Composition

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

6. Meetings

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

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

7. Responsibilities

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

7.1 Risk management

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

7.2 Business continuity

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

7.3 Internal Control

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

7.4 Financial Report

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

7.5 Compliance

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

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

7.5.3 Obtain regular updates from management about compliance matters.

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

7.6 Internal Audit

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

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

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

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

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

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

7.6.7 Monitor management's implementation of internal audit recommendations.

7.7 External Audit

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

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

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

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

7.7.5 Monitor management's implementation of external audit recommendations.

7.8 Reporting Responsibilities

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

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

7.9 Other Responsibilities

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

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

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

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

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

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

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

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

Item 1	Opening of Meeting	10
Item 2	Acknowledgement of Traditional Owners	10
Item 3	Recording of Attendance	10
	3.1 Attendance.....	10
	3.2 Apologies.....	10
	3.3 Approved Leave of Absence.....	10
	3.4 Disclosure of Interests.....	10
Item 4	Response to Previous Questions	11
	4.1 Questions taken on notice from Public at Audit, Risk and Governance Committee Meeting held on Tuesday 7 March 2017.....	11
	4.2 Questions taken on notice from Committee Members at Audit, Risk and Governance Committee Meeting held on Tuesday 7 March 2017.....	11
Item 5	Applications for Leave of Absence	11
Item 6	Attendance by Telephone/Instantaneous Communications	11
Item 7	Public Time	11
	7.1 Public Question Time.....	11
	7.2 Public Statement Time.....	12
Item 8	Questions from Members without Notice	12
	8.1 Mr Ron Attwood.....	12
Item 9	Declarations of All Members to Have Given Due Consideration to All Matters Contained in the Business Paper before the Meeting	13
Item 10	Confirmation of Minutes of Previous Meeting	13
	10.1 Confirmation of Minutes of the Audit, Risk and Governance Committee Meeting held on Tuesday 7 March 2017.....	13
Item 11	Announcements by Presiding Member without Discussion	14
Item 12	Reports of Officers	15
	12.1 Corporate Services.....	15
	12.1.1 Update Best Practice Review.....	15
	12.1.2 Audit Findings Report.....	18
	12.1.3 Monthly Audit, Risk and Governance Committee Reports.....	23
	12.1.4 Adoption of the Audit, Risk and Governance Committee Work Plan 2017 26	
Item 13	Motions of Which Previous Notice Has Been Given	29
Item 14	New Business of an Urgent Nature	29
Item 15	Matters for Which Meeting May Be Closed (Confidential Matters)	29
Item 16	Closure	29

16.1 Date of Next Meeting29
16.2 Closure29

Item 1 Opening of Meeting

The Presiding Member declared the meeting open at 5:31pm.

Item 2 Acknowledgement of Traditional Owners

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

Item 3 Recording of Attendance

3.1 Attendance

Committee Members:

Mayor Camilo Blanco – Presiding Member

Councillor Louise Newbery

Councillor Richard Whitwell

Community Members:

Mr Ron Attwood – Deputy Presiding Member

David Pentz	Chief Executive Officer
Kathryn Crothers	Director Corporate and Performance
Peter Keane	Acting Director Infrastructure and Town Services
Louise O'Donnell	Governance Officer/ Minute Taker

Elected Members	1
Public	0
Media	0
Officers	2

3.2 Apologies

Committee Members:

Councillor Lincoln Tavo

Community Members

Ms Nina Pangahas

3.3 Approved Leave of Absence

Nil

3.4 Disclosure of Interests

Name	Item no.	Interest	Nature
Mr Ron Attwood	12.1.2	Impartiality	RSM Australia PTY LTD audit Mr Attwood's company

Item 4 Response to Previous Questions

4.1 Questions taken on notice from Public at Audit, Risk and Governance Committee Meeting held on Tuesday 7 March 2017

Nil

4.2 Questions taken on notice from Committee Members at Audit, Risk and Governance Committee Meeting held on Tuesday 7 March 2017

Nil

Item 5 Applications for Leave of Absence

Nil

Item 6 Attendance by Telephone/Instantaneous Communications

Nil

Item 7 Public Time

Important note:

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

In accordance with section 6.7(3) of the Town of Port Hedland Local Law on Standing Orders, members of the public are required to complete a question form and place the completed form in the tray provided.

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

7.1 Public Question Time

Nil

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

The Presiding Member opened Public Statement Time at 5:35pm.

7.2 Public Statement Time

Nil

The Presiding Member closed Public Statement Time at 5:35pm.

Item 8 Questions from Members without Notice

8.1 Mr Ron Attwood

In regards to attachment 1 of item 12.1.1 'Update Best Practice Review', why is there no explanations as to what the icons are in the priority column?

The Director of Corporate and Performance advised that this would be provided in future reports.

In regards to the same attachment, policies are marked as 100% complete, who endorsed this as completed?

The Presiding Member advised that all policies that were on the Audit, Risk and Governance schedule have been presented to the Audit, Risk and Governance Committee and Council.

The Coordinator Governance advised that this particular item that Mr Attwood is referring to has been completed as an internal operating procedure which was developed for the purposes of enabling Elected Members to ask questions to the Chief Executive Officer outside the formal meeting framework.

The Coordinator Governance explained how the attachment is set out as Mr Attwood explained he had difficulty reading it because the columns were struck out as complete.

Would it be more appropriate for the columns to be in a different colour rather than struck out so it would be easier to read?

The Presiding Member advised that the Audit, Risk and Governance Committee or the Council endorsed that an item would be struck out once completed.

Why did I received printed attachments for the Audit, Risk and Governance Committee meeting in an A4 document rather than an A3 like it shows on the computer?

The Chief Executive Officer advised that the original documents were created in an A4 format which is why it was printed in that size and advised that attachments could be printed in A3 size for future meetings for Mr Attwood.

On page 14 of attachment 2 item 12.1.1, it states the following "meetings that are not conducted in line with relevant legislation, internal policies and good practice will have adverse effects on the reputation of staff, Elected Members and the Town overall", what is being done about this?

The Presiding Member advised that the code of conduct has been reviewed.

The Chief Executive Officer advised that the list on page 19 of the same attachment is the Town's response to the audit.

Who creates the due dates for the actions for the Corporate Business Plan and Community Strategic Plan?

The Chief Executive Officer advised that the due dates are entered by the Town's administration.

The Presiding Member advised that the dates listed on the plan were pushed out because of the change of Executive staff.

On page 44 of attachment 2 item 12.1.1 it states the following "The Town indicated that it had experienced safety issues in the past, some of which were highlighted in a recent audit and the Town's Risk Management Improvement Plan", were these medical issues?

The Chief Executive Officer advised that it was about the culture and staff moral throughout the organisation.

With the audit findings, will the Auditors be asked to look at attachment 2 to item 12.1.1 at the meeting on Thursday?

The Presiding Member advised that these findings have been discussed by the Audit, Risk and Governance Committee and have been presented to Council. He further advised that these findings were discussed with the Auditors last year.

Can the Committee talk about committee decisions and the Risk Register when it comes to the agenda item?

The Presiding Member advised in the affirmative.

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

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

- Mayor Camilo Blanco
- Councillor Louise Newbery
- Councillor Richard Whitwell
- Mr Ron Attwood

Item 10 Confirmation of Minutes of Previous Meeting

10.1 Confirmation of Minutes of the Audit, Risk and Governance Committee Meeting held on Tuesday 7 March 2017

ARG201617/030 OFFICER RECOMMENDATION/ COMMITTEE DECISION

MOVED: CR NEWBERY

SECONDED: CR WHITWELL

That the Audit, Risk and Governance Committee confirm that the Minutes of the Audit, Risk and Governance Committee Meeting held on Tuesday 7 March 2017 are a true and correct record.

CARRIED 4/0

Item 11 Announcements by Presiding Member without Discussion

The Presiding Member advised that no one attended the Audit, Risk and Governance Committee Briefing meeting that was arranged to take place prior to the Audit, Risk and Governance Committee meeting on 2 May 2017, the only person that showed up 10 minutes late was a Community Member and thus resulted in the meeting being cancelled.

He further added that if Committee Members no longer would like these briefings to go ahead that a decision should be made to cancel.

Disclaimer

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

Item 12 Reports of Officers

12.1 Corporate Services

12.1.1 Update Best Practice Review

File No: 12/14/0002
 Applicant/ Proponent: N/A
 Subject Land/ Locality: N/A
 Date: 20 April 2017
 Author: Linda Zietsman, Acting Manager Financial Services
 Authorising Officer: Kathryn Crothers, Director Corporate and Performance
 Disclosure of Interest from Author: N/A
 Authority/Discretion: Advocacy
 Executive
 Legislative
 Quasi-Judicial
 Information Purposes

Attachments:

1. Extract from Business Improvement Register (under separate cover)
 2. Better Practice Review (under separate cover)
-

ARG201617/031 OFFICER RECOMMENDATION/ COMMITTEE DECISION

MOVED: CR NEWBERY

SECONDED: CR WHITWELL

That with respect to the Best Practice Review conducted by the Department of Local Government and Communities during 2016, Audit Risk and Governance Committee:

- 1. Receive the best practice items extract from the Town's Business Improvement Plan.**
- 2. Note the implementation progress of the identified best practice items.**

CARRIED 4/0

EXECUTIVE SUMMARY

The Department of Local Government conducted a Best Practice review in the Town during 2016. A report was issued outlining best practice improvements required in the Town. Implementation of this best practice items will reduce the risk related to legislative non-compliance.

BACKGROUND

During the review, the department identified thirty one items for improvement. Twelve items were fully implemented to date. Ten items have been identified as high priority and eight as medium priority. Six of these items relate to the Strategic Community Plan currently under review. A further two items are risk management related and a further three items refer to policy management.

CONSULTATION

All consultation of an internal nature, including Managers and Officers, with regards to items under their area of responsibility.

LEGISLATIVE IMPLICATIONS

The Local Government Act 1995 sets out the Audit committee objectives in Guideline 09; Audit in Local Government. One of the objectives is to, in liaison with the CEO, ensure the effective and efficient management of the Towns financial systems and compliance with legislation. This include the use of best practice guidelines relative to audit, risk management, internal control and legislative compliance.

POLICY IMPLICATIONS

The Risk Management Policy no. 1/022, outline the Towns commitment to consider risk management as an essential management function in the Towns functioning and operations. Implementing best practice in the Town is part of ongoing risk management in the Town. Best practice reduce risk levels and contribute towards effective and efficient management of the Towns financial systems and compliance with legislation.

FINANCIAL IMPLICATIONS

There are no financial implications in receiving the best practices extract.

STRATEGIC IMPLICATIONS

There are no strategic implications relating to this item.

SUSTAINABILITY IMPLICATIONS

Environmental

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

Economic

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

Social

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

Risk

There is a risk rating of Low (3) assigned to the risk that Best Practice not implemented can result in a legislative breach.

OPTIONS**Option 1**

That the Audit, Risk and Governance Committee note the Officer's Recommendation.

Option 2

That the Audit, Risk and Governance Committee note the implementation progress regarding Best Practice improvements identified by the Department of Local Government and request further clarification or discussion.

CONCLUSION

During a Best Practice review the Department of Local Government identified a list of Best Practice improvements in the Town. This list was accepted by the Town. Officers have been steadily working towards implementation of these best practices.

This best practice improvements will reduce the risk of legislative non-compliance and provide the assurance to the CEO that risk has been mitigated in the areas identified during the review.

5:55pm Mr Attwood declared an impartiality interest in item 12.1.2 'Audit Findings Report' as RSM Australia PTY LTD audit Mr Attwood's company.

12.1.2 Audit Findings Report

File No: 14/06/0001
Applicant/ Proponent: N/A
Subject Land/ Locality: N/A
Date: 30 March 2017
Author: Linda Zietsman, Acting Manager Financial Services
Authorising Officer: Kathryn Crothers, Director Corporate Services
Disclosure of Interest from Author: N/A
Authority/Discretion: Advocacy
 Executive
 Legislative
 Quasi-Judicial
 Information Purposes

Attachments:

1. TOPH Audit Findings Report (under separate cover)
2. RSM Bird Cameron Closing Report for 30 June 2015 (under separate cover)
3. RSM Australia Closing Report for 30 June 2016 (under separate cover)
4. Extract from Audit, Risk & Governance Committee meeting minutes 5 July 2016
5. Extract from Division 4, Section 7.13 of the Local Government Act 1995

ARG201617/032 OFFICER RECOMMENDATION/ COMMITTEE DECISION

MOVED: CR WHITWELL

SECONDED: CR NEWBERY

That with respect to the RSM Australia external audit findings for 2014/15 and 2015/16, the Audit, Risk and Governance Committee:

- 1. Receive the report regarding the audit findings for 2014/15 and 2015/16 financial years.**
- 2. Authorise the Chief Executive Officer to submit the report to the Minister.**

CARRIED 4/0

EXECUTIVE SUMMARY

The external auditors, RSM Australia PTY LTD completed and submitted Closing reports for the years 30 June 2015 and 30 June 2016.

The Local Government Act 1995 Part 7, Division 4, s. 7.13 (4) state the responsibility of local government to prepare a report regarding the audit conducted and to forward this report to the Minister. This report is due at the Minister no later than the 30th June of the year following the external audit.

BACKGROUND

The Town of Port Hedland did not complete the 2014/15 report. Neither was it submitted to the Minister by 30 June 2016. This breach of legislation was reported during the recent Compliance review.

The attached report completed include both financial years and is planned for submission to the Minister by 30 June 2016. All findings and audit adjustments have been included in the report. Detail regarding corrective actions taken by the Town for each control weakness identified is included in the report.

CONSULTATION

Consultation was carried out internally between management and Director of Corporate and Performance.

LEGISLATIVE IMPLICATIONS

The Local Government Act 1995 Part 7, Division 4, s. 7.13 (4); General Audit Regulations. It is the responsibility of local government to prepare a report regarding the yearly external financial audit and forward a copy of this report to the Minister by 30th of June the following year.

POLICY IMPLICATIONS

There are no policy implications relating to this agenda item.

FINANCIAL IMPLICATIONS

There are no financial implications relating to this agenda item.

STRATEGIC IMPLICATIONS

There are no strategic implications relating to this agenda item.

SUSTAINABILITY IMPLICATIONS

Environmental

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

Economic

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

Social

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

RISK ASSESSMENT

The risk remain that the Town will be in breach of legislation should the Council not authorise the CEO to send this report to the Minister. This may result in an occasional noticeable temporary non-compliance. This is a Low risk.

OPTIONS**Option 1**

That the Audit, Risk and Governance Committee receive the report as per Officer's Recommendation.

Option 2

That the Audit, Risk and Governance Committee not authorise the CEO to submit the report to the Minister by 30 June 2017 and the Town of Port Hedland is in breach of the *Local Government Act 1995*.

CONCLUSION

Submission of the report on the audit findings of 2014/15 and 2015/16 will ensure that the Town is compliant to legislation. The 2014/15 report was not submitted and non-submission of this report will result in a further breach of legislation.

ATTACHMENT 4 TO ITEM 12.1.3

AUDIT, RISK & GOVERNANCE COMMITTEE MEETING MINUTES

5 JULY 2016

BACKGROUND

The Town's appointed Auditor, RSM Bird Cameron, completed the interim audit field work and the review of the appropriateness and effectiveness of the financial management systems and procedures onsite from the 19-21 of April 2016.

The Auditors have advised that the Management Letter and the Report of Factual Findings are intended for the sole use of the Town (presented under confidential cover).

Interim Audit

The Interim Audit is predominantly concerned with sample testing of financial transactions and a review of the internal controls, procedures and processes of the Town of Port Hedland. The Auditors have prepared a Management Letter in accordance with Auditing Standard ASA 260 *Communication with Those Charged with Governance*. The report includes audit observations, recommendations and management's formal responses.

The following is the summary of key findings as detailed in Attachment 1 (Annexure A). Recommendations and management commentary are included in the key findings:

- Non-compliance with internal purchasing policy
- Credit Card transactions

As a result of Audit procedures, the Auditors have not identified any matters of fraud and there were no disagreements with management about significant accounting matters.

Financial Management Review

The purpose of the Financial Management Review is to determine 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*. Based on the factual findings, the Town considers the financial management systems and procedures to be appropriate and effective.

The exceptions noted by RSM Bird Cameron have been presented to management as recommendations for strengthening internal controls. Management have welcomed these recommendations, discussed these in depth with the Auditors and will be taking immediate action to ensure these findings are addressed and incorporated into practice.

CONSULTATION

The Town's Auditors, RSM Bird Cameron
Finance Team
Manager of Finance
Acting Director of Corporate Services
Executive Leadership Group
CEO

LEGISLATIVE IMPLICATIONS

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

Local Government Act 1995

Part 7 Audit
Division 4 General
s. 7.13

- (2) Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.
- (3) A local government is to examine the report of the auditor prepared under section 7.9(1), and any report prepared under section 7.9(3) forwarded to it, and is to —
- (a) determine if any matters raised by the report, or reports, require action to be taken by the local government; and
 - (b) ensure that appropriate action is taken in respect of those matters.

(4) A local government is to —

- (a) prepare a report on any actions under subsection (3) in respect of an audit conducted in respect of a financial year; and
- (b) forward a copy of that report to the Minister,

by the end of the next financial year, or 6 months after the last report prepared under section 7.9 is received by the local government, whichever is the latest in time.

[Section 7.12A inserted by No. 49 of 2004 s. 8.]

7.13. Regulations as to audits

- (1) Regulations may make provision —
- (aa) as to the functions of the CEO and the audit committee in relation to audits carried out under this Part and reports made on those audits;
 - (ab) as to the functions of audit committees, including the selection and recommendation of an auditor;
 - (ac) as to the procedure to be followed in selecting an auditor;
 - (ad) as to the contents of the annual report to be prepared by an audit committee;

12.1.3 Monthly Audit, Risk and Governance Committee Reports

File No: 12/14/0002
Applicant/ Proponent: N/A
Subject Land/ Locality: N/A
Date: 24/04/2017
Author: Grace Waugh, Coordinator Governance
Authorising Officer: Kathryn Crothers, Director Corporate and Performance
Disclosure of Interest from Author: Nil
Authority/Discretion: Advocacy
 Executive
 Legislative
 Quasi-Judicial
 Information Purposes

Attachments:

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

ARG201617/033 OFFICER RECOMMENDATION/ COMMITTEE DECISION

MOVED: CR NEWBERY

SECONDED: MAYOR BLANCO

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

1. **Monthly Status of Audit, Risk and Governance Committee Decisions, as at 24 April 2017;**
2. **Monthly Audit, Risk and Governance Committee Decision Completion Report, as at 24 April 2017; and**
3. **Monthly Risk Register Report as at 24 April 2017.**

CARRIED 3/2 BY MAYORAL CASTING VOTE

For: Mayor Blanco, Councillor Newbery
Against: Councillor Whitwell, Mr Attwood

EXECUTIVE SUMMARY

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

BACKGROUND

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

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

CONSULTATION

Internal consultation has been implemented between relevant officers to ensure that all actions and comments provided in the attached reports are up to date at the time of printing.

LEGISLATIVE IMPLICATIONS

There are no legislative implications associated with receiving the attached reports.

POLICY IMPLICATIONS

There are no policy implications associated with receiving the attached reports.

FINANCIAL IMPLICATIONS

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

STRATEGIC IMPLICATIONS

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

SUSTAINABILITY IMPLICATIONS*Environmental*

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

Economic

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

Social

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

Risk

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

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

OPTIONS

Option 1

That the Audit, Risk and Governance Committee receive reports as per Officer's Recommendation.

Option 2

That the Audit, Risk and Governance Committee not receive reports as per Officer's Recommendation.

CONCLUSION

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

12.1.4 Adoption of the Audit, Risk and Governance Committee Work Plan 2017

File No: 12/01/0001
Applicant/ Proponent: Nil
Subject Land/ Locality: Nil
Date: 20 April 2017
Author: Grace Waugh, Coordinator Governance
Authorising Officer: Kathryn Crothers, Director Corporate and Performance
Disclosure of Interest from Author: Nil
Authority/Discretion: Advocacy
 Executive
 Legislative
 Quasi-Judicial
 Information Purposes

Attachments:

1. ARG Committee Work Plan 2017 (under separate cover)

OFFICER RECOMMENDATION

That the Audit, Risk and Governance Committee adopt the Audit, Risk and Governance Committee Work Plan 2017.

LAPSED FOR WANT OF A MOVER

EXECUTIVE SUMMARY

The Audit, Risk and Governance (ARG) Committee is required to develop a proposed annual work plan in accordance with the Committee's adopted Terms of Reference. The ARG work plan 2017 provides a framework of all upcoming and ongoing items for the ARG Committee to consider, and at which meeting the item is scheduled to be tabled.

By providing the ARG Committee with this work plan, Committee members may take it upon themselves to research and make enquiries in advance on any items that are to be tabled at upcoming meetings. Subsequently, by having a work plan in advance and having Committee members research items that are contained in the work plan, it is considered beneficial to Council, as Committee members will have adequate information and knowledge of the items when they are to be considered by the Committee or endorsed to Council.

It is to be noted that all enquires and research by Committee members must be undertaken in accordance with the Committees Terms of Reference and the Town of Port Hedland Code of Conduct.

BACKGROUND

In accordance with section 6.6 of the ARG Terms of Reference, the Committee is to adopt a work plan for the forthcoming year. At the ARG Committee Meeting held on 2 February 2017, the Committee resolved the following:

“MOVED: CR ARIF

SECONDED: MS PANGAHAS

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

CARRIED 6/0”

Following this resolution, a workshop was held with ARG Committee members on 7 March 2017, at which the 2017 ARG work plan was discussed.

CONSULTATION

Consultation was conducted with ARG Committee members and Town Officers at a workshop held on 7 March 2017.

Following the workshop, internal consultation was held between the Director Corporate and Performance, Coordinator Governance and Governance Administration Officer to finalise the 2017 ARG work plan.

LEGISLATIVE IMPLICATIONS

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

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

POLICY IMPLICATIONS

There are no known policy implications relating to the adoption of the 2017 ARG work plan.

FINANCIAL IMPLICATIONS

There are no known financial implications relating to the adoption of the 2017 ARG work plan.

STRATEGIC IMPLICATIONS

The Town's Strategic Community Plan 2014-2024 section 4.1 "Strategic and best practice local government administration" states that the Town is to deliver high quality corporate governance accountability and compliance. By adopting the 2017 ARG Committee work plan, this strategy is being met.

SUSTAINABILITY IMPLICATIONS

Environmental

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

Economic

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

Social

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

Risk

There is a risk rating of Low (4) assigned to the risk that if the ARG Committee do not adopt the 2017 ARG work plan, they will not be adhering to the ARG Committee Terms of Reference.

There is a risk rating of Low (4) assigned to the risk that officers do not adhere to the adopted 2017 ARG work plan, therefore not complying with the delivery of scheduled items to the Committee in accordance with the work plan. TO reduce this risk, each item noted on the work plan has been added

OPTIONS

Option 1

That the Audit, Risk and Governance Committee adopt Officer's Recommendation.

Option 2

That the Audit, Risk and Governance Committee do not adopt the Audit Risk and Governance Committee Work Plan for the 2017 calendar year.

Option 3

That the Audit, Risk and Governance Committee adopt the Audit Risk and Governance Committee Work Plan for the 2017 calendar year with the following amendments:

Option 4

That the Audit, Risk and Governance Committee requests the Chief Executive Officer to conduct further workshops with the Audit, Risk and Governance Committee to determine the Audit Risk and Governance Committee Work Plan for the 2017 calendar year, at a date to be determined.

CONCLUSION

It is recommended that the ARG Committee adopt the work plan as noted in attachment 1, to allow the Committee members to have insight on what their Committee will be determining in the coming months. This will give the Committee ample time to research and make enquiries in relation to any upcoming agenda items, ultimately ensuring the Committee has adequate information to provide sound endorsement to Council.

Item 13 Motions of Which Previous Notice Has Been Given

Nil

Item 14 New Business of an Urgent Nature

Nil

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

Nil

Item 16 Closure

16.1 Date of Next Meeting

The next Audit, Risk and Governance Committee Meeting will be held on Tuesday 4 July 2017, commencing at 5:30pm.

16.2 Closure

There being no further business, the Presiding Member declared the meeting closed at 6:09pm.