



TOWN OF PORT HEDLAND

AUDIT, RISK AND GOVERNANCE COMMITTEE MEETING MINUTES

TUESDAY 6 MARCH 2018 AT 5:30PM

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

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*David Pentz,
Chief Executive Officer*

Distribution Date: 14 March 2018

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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 eleven members, nine 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.

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.)

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Item 1 Opening of Meeting

The Presiding Member declared the meeting open at 5.30pm.

Item 2 Acknowledgement of Traditional Owners and Dignitaries

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

Mayor Camilo Blanco - Presiding Member
Deputy Mayor Louise Newbery
Councillor Julie Arif
Councillor Richard Whitwell
Councillor Tricia Hebbard
Councillor Telona Pitt - Deputy Presiding Member
Dan Collins – Community Member
Arnold Carter - Community Member

David Pentz	Chief Executive Officer
Robert Leeds	Director Development, Sustainability and Lifestyle
Anthea Bird	Director Corporate and Performance
Gerard Sherlock	Director Infrastructure and Town Services
Josephine Bianchi	Manager Governance
Samantha Fernandes	Governance Officer/Minute Taker

Public	0
Media	0
Officers	0

3.2 Attendance by Telephone / Instantaneous Communications

Nil

3.3 Apologies

Councillor Peter Carter
Councillor George Daccache

3.4 Approved Leave of Absence

Councillor Warren McDonogh

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 Governance Committee Meeting held on Thursday 7 December 2017**5.1.1 Ms Nina Pangahas**

In relation to item 12.1.3 attachment 3 - 'Risks Derived from Council Decisions', item line 6 in relation to Port Haven TWA Village - lease renewal, could the Town outline all the risks identified through the risk assessment process?

The Director Development, Sustainability and Lifestyle advises that risks are determined by the author of the Council report during the agenda preparation phase. Officers use the measures of likelihood and consequence contained in the Town's Risk Management Policy 1/022 to determine the risk rating which is further outlined in the policies risk matrix. The rating that was determined by the author was 'High (15)', which was achieved by multiplying a likelihood of 'Possible (3)' and consequence of 'Catastrophic (5)'.

The principal risk theme was determined as reputational, which in the policy under a catastrophic (5) consequence rating states: "Substantiated, public embarrassment, widespread loss of key stakeholder trust, high widespread multiple media profile, third party actions".

The risk implication as determined by the author in the original report that was presented to Council at their meeting on 24 May 2017 is as follows:

"There is a risk rating of high (15) assigned to the risk that failure to reach agreement on terms for an extension of the Port Haven lease will create lasting and serious damage to the Town's relationship with BHPBIO".

5.2 Response to Questions taken on notice from Committee Members at the Audit, Risk and Governance Committee Meeting held on Thursday 7 December 2017**5.2.1 Deputy Mayor Newbery**

In relation to the airport and the 10 year lease for Kingsford Smith Business Park, at the bottom of this page 56 of Attachment 1 for item 12.1.2 'Audited Annual Financial Report for the period ended 30 June 2017' it stated "at the end of 2016/17 financial year 35 lots remained for sale of which 4 lots are being leased to the airport operator", what does this mean?

The Principal Town Planner advises that the TWA lots at the rear of Kingsford Smith Business Park are part of the Port Hedland International Airport leasehold area, and will therefore not be subject to sale.

The term of the lease is for 10 years for a 4000 bed camp, when did this lease commence?

The Principal Town Planner advises that the lease to BHP commenced in 2012 initially for 10 years, with a 5 year option, to address workforce accommodation shortages at the time. The lease was novated to PHIA as a sublease when the Town entered into this agreement with PHIA. BHP have advised they do not intend to construct a TWA facility on this land in the foreseeable future.

Item 6 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 chairperson 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 5.33pm.

6.1 Public Question Time

There were no questions.

The Presiding Member closed Public Question Time at 5.33pm.

The Presiding Member opened Public Statement Time at 5.34pm.

6.2 Public Statement Time

There were no questions.

The Presiding Member closed Public Statement Time 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:

Mayor Camilo Blanco - Presiding Member
Deputy Mayor Louise Newbery
Councillor Julie Arif
Councillor Richard Whitwell
Councillor Tricia Hebbard
Councillor Telona Pitt - Deputy Presiding Member
Dan Collins – Community Member
Arnold Carter - Community Member

Item 10 Confirmation of Minutes of Previous Meeting

10.1 Confirmation of Minutes of the Audit, Risk and Governance Committee Special Meeting held on Tuesday 20 February 2018.**ARG201718/059 OFFICER'S RECOMMENDATION****MOVED: CR ARIF****SECONDED: DEPUTY MAYOR NEWBERY**

That the Audit, Risk and Governance Committee confirm that the Minutes of the Audit, Risk and Governance Committee Special Meeting held on Tuesday 20 February 2018 are a true and correct record.

CARRIED 8/0**10.2 Confirmation of Minutes of the Audit, Risk and Governance Committee Meeting held on Thursday 7 December 2017.****ARG201718/060 OFFICER'S RECOMMENDATION****MOVED: DEPUTY MAYOR NEWBERY****SECONDED: CR PITT**

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

CARRIED 8/0*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 11 Reports of Officers

11.1 Corporate and Performance**11.1.1 Funding and Donations for the Quarter 1 October 2017 to 31 December 2017 (File No. 02/05/0001)**

Author	Management Accountant
Authorising Officer	Director Corporate and Performance
Disclosure of Interest	The Author and Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

ARG201718/061 OFFICER'S RECOMMENDATION**MOVED: MR CARTER****SECONDED: CR ARIF**

That the Audit, Risk and Governance Committee receive the list of funding and donations made for the quarter 1 October 2017 to 31 December 2017 in accordance with the 2017/18 adopted budget.

CARRIED 8/0

PURPOSE

The guidelines to the Town of Port Hedland Funding and Donations Policy 6/003 state the Chief Executive Officer is to submit quarterly reports to the Audit, Risk and Governance Committee detailing all funding and donations that have been made since the previous quarter. Attachment 1 lists \$1,975.00 of funding and donations paid for the quarter 1 October 2017 to 31 December 2017.

DETAIL

Town of Port Hedland Policy 6/003 Funding and Donations was adopted at Ordinary Council Meeting held 27 January 2011. The policy was last amended 22 June 2016 (201516/265). The objective of the policy is to ensure Council allocates financial support to the community in the most effective manner within the guidelines and in within the budget allocation for the year.

As per the guidelines of Policy 6/003 Funding and Donations, attachment 1 lists \$1,975.00 of funding and donations paid during the period 1 October 2017 to 31 December 2017.

LEVEL OF SIGNIFICANCE

In accordance with Policy 4/009 'Significant Decision Making', this matter is considered to be of low significance.

CONSULTATION

Internal

Internal consultation was conducted with the Director Corporate & Performance and Manager Financial Services.

External

External consultation was conducted with the applicants as stated in attachment 1.

LEGISLATION AND POLICY CONSIDERATIONS

There are no Acts, Regulations and/or Local Laws applicable to this item.

Policy 6/003 Funding and Donations Guidelines state the Town of Port Hedland Chief Executive Officer is to submit quarterly reports to the Audit, Risk and Governance Committee detailing all Matched Funding Grants and Community Donations that have been made since the previous quarter.

Providing attachment 1 ensures compliance with this policy.

FINANCIAL AND RESOURCES IMPLICATIONS

The provision of \$170,025.00 was included in the 2017/18 adopted budget for community grants.

The provision of \$1,975.00 was paid to successful and eligible community grant applicants from 1 October 2017 to 31 December 2017, with \$9,766.00 paid from 1 July 2017 to 30 September, 2017.

This leaves \$158,284.00 remaining as uncommitted in the 2017/18 budget as at 31 December 2017. This amount includes the Community Partnerships Budget of up to \$45,000.00 to be allocated pending the current year's round of applications.

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

The following sections of the Council's *Strategic Community Plan 2014-2024* are applicable in the consideration of this item:

1.1 A unified community across our townships

- Ensure all members of the community can access our services and facilities
- Provide safe and accessible community facilities, services, events and open spaces that connect people and neighbours
- Facilitate the provision of high-quality health services and facilities equal to those found in metropolitan areas

1.2 A vibrant community rich in diverse cultures

- Deliver and support programs, events, facilities and services which attract and retain residents to increase our permanent population
- Celebrate our multiculturalism, indigenous culture, arts and history
- Work with key agencies and our community to reduce antisocial behaviours and improve community safety

4.2 Engage our community and stakeholders

- Lead a community-oriented organisation that delivers responsive and helpful services to our customers
- Represent our community and provide transparent and accountable civic leadership
- Facilitate community engagement and civic participation
- Be a powerful voice and influential partner with Federal and State Governments and major industries for the development of Port Hedland
- Ensure community members know how to access our services and facilities
- Promote a positive representation of our community and Town's services

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

RISK MANAGEMENT CONSIDERATIONS

There is a risk rating of Low (2) assigned to the Financial Impact risk that Town of Port Hedland may exceed the budget and / or approve applications that are deemed ineligible as per Policy 6/003.

OPTIONS

Option 1 - Adopt Officers Recommendation

Option 2 – Do not adopt Officers Recommendation

CONCLUSION

The guidelines to the Town of Port Hedland Funding and Donations Policy 6/003 state the Chief Executive Officer is to submit quarterly reports to the Audit, Risk and Governance Committee detailing all funding and donations that have been made for the quarter 1 July 2017 to 30 June 2018. Recommendation is to accept attachment 1 as compliance with guidelines included in Policy 6/003 Funding and Donations.

ATTACHMENTS

1. List of funding and donations made for the quarter 1 October 2017 to 31 December 2017.

ATTACHMENT 1 TO ITEM 11.1.1



SUMMARY OF COMMUNITY FUNDING & DONATIONS PAID FOR THE QUARTER 1 OCTOBER 2017 TO 31 DECEMBER 2017

17/18 Budget for Community Grants	\$170,025.00
Less Payments:	
Quarter 1	9,766.00
Quarter 2	1,975.00
	11,741.00
Balance in Budget as at 31 December 2017	\$158,284.00

Quarter 2						
Applicant	Amount Requested	Amount Paid	Funding Category	Project	Reason for Variation	Previously received funding? If so how much?
Chloe Glasson	\$500	\$500	Youth Support Grant	Support to attend Under 15 Regional/State Softball Championship in Perth January 2018	N/A	No
Treloar Child Care Centre	\$1,475	\$1475	Community Support Grant	Fee waiver towards Annual Christmas Party to be held on 10 December 2017	N/A	2016/17 \$1,405.10 2015/16 \$300.10 2014/15 \$709.10 2013/14 \$977.50 2012/13 \$2,000
Total	\$1,975	\$1,975				

Previous Grants

Quarter 1							
Applicant	Amount Requested	Amount Paid	Funding Category	Project	Reason for Variation	Previously received funding? If so how much?	
Pilbara Music Festival	\$3,000	\$3,000	Community Support Grant	Pilbara Music Festival 2017 – cash support towards hire of Matt Dann Cultural Centre and Adjudicator.	N/A	Waiver of Fees: 2014/15 \$3,704.55 2015/16 \$3,835.45	
Kurrsi 9's Memorial Rugby League Team c/o Hedland Touch Association	\$3,000	\$3,000	Community Support Grant	Support to attend to attend 2 day Kimberley Rugby League Association's event in Kununurra.	N/A	No.	
Australian Navy Cadets - TS Pilbara	\$3,000	\$3,000	Community Support Grant	10 x TS Pilbara Cadets attending the Youth Adventure Voyage Sail.	N/A	2014/15 \$2,000 2015/16 \$3,000	
Cassia Primary School P & C Association	\$766	\$766	Community Support Grant	End of Year School Presentation and Concert – cash support to hire Wanangkurra Stadium.	N/A	2015/16 \$617	
Total	\$9,766	\$9,766					

11.1.2 Quarterly Status of the ARG Committee's Endorsements to Council and the Council Decision Risk Register (File No. 12/14/0002)

Author	Governance Support Officer
Authorising Officer	Director Corporate and Performance
Disclosure of Interest	The Author and Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

ARG201718/062 OFFICER'S RECOMMENDATION**MOVED: DEPUTY MAYOR NEWBERY****SECONDED: CR WHITWELL****That the Audit, Risk and Governance Committee;**

- 1. Note the outcome of the Audit, Risk and Governance Committee's endorsements to Council over the last quarter (28 November 2017 to 26 February 2018), and**
- 2. Note the active risks with an initial risk rating over 'High' on the Town's Council Decision Risk Register.**

CARRIED 8/0**PURPOSE**

The purpose of this report is to provide the Audit, Risk and Governance (ARG) Committee with a quarterly status of all endorsements that the Committee has made to Council, and the status of risks identified in Council reports with an initial risk rating over 'High'.

DETAIL

At the ARG Committee meeting held on 7 June 2016, it was requested by a former Committee Community Member that the ARG Committee receive a 'Status Report' of items that have been endorsed by the ARG Committee to Council. The Chief Executive Officer at the time confirmed that status reports would be presented to the Committee in each subsequent agenda as an information only item.

The Town has further expanded on the initial request, and provides the Committee with a status update on Council reports which have an initial risk rating of 'High', as determined by the Town's policy 1/022 'Risk Management Policy'.

To streamline the way that information is presented to the Committee, the Town has consolidated the previous three separate reports on outstanding decisions, completion report and the risk register into this one agenda item.

Status of Endorsed Items

All decisions that are made by the ARG Committee are minuted, and are subsequently included in the following Council meeting’s agenda for Council to note. Occasionally there are specific items which require distinct endorsement to Council, which Council vote upon separate to receiving the ARG Committee’s minutes. All minutes of ARG Committee meetings, inclusive of decisions have been received by Council, additionally below is a list of items that were separately endorsed by the ARG Committee in the last ninety (90) days (28 November 2017 to 26 February 2018) and the result of Council’s decision:

ARG Committee Meeting - 7 December 2017

1. Audited Annual Financial Report for 2016/17 endorsed by the Committee. Adopted by Council at their meeting on 13 December 2017. Audited Financials included in the 2016/17 Annual Report.
2. 2017/18 Budget Review ending 31 October 2017 endorsed by the Committee. Adopted by Council at their meeting on 13 December 2017.

ARG Committee Meeting – 20 February 2018

1. 2017/18 Mid-Year Budget Review endorsed to Council. Council is to vote on this matter at their meeting on 28 February 2018. As this meeting has not taken place at the time of writing this report, the decision is not known.

Council Decision Risk Register

The ‘Council Decision Risk Register’ is a register of all risks that are identified in Officer’s reports to Council. The register was commenced after the adoption of the Town’s risk management policy. Due to the volume of entries on this register, Officers present to the ARG Committee only active risks that have an initial risk rating of ‘High’ as determined by the risk matrix contained in the policy. Risk ratings are determined by multiplying the likelihood by the consequence. There are many different themes to the risks ranging from financial, compliance, service interruption, to reputation and environment.

Outlined below are the risks that had an initial risk rating of ‘High’, and are classed as active at the time of writing this report:

Risk Origin	22 June 2016 Ordinary Council Meeting	Initial Risk Rating	High (12)
Item Title	Statement of Financial Activity for the period ended 31 May 2016	Residual Rating	Medium (8)
Risk	Community Contribution Mia Mia		
Risk Theme	Financial		
Initial Officer Comments	The 2015/16 Adopted Budget includes a community contribution of \$464,845 under the Mia Mia lease. This lease expires in December 2019 and income is uncertain after this date.		
Risk Action Plan	Manage by transferring income received to reserve such that the organization does not rely on the revenue for operations.		
Officers Status Update	Previously in communication with Mia Mia via legal team, Mia Mia reply received, claims rejected by TOPH, reply send by TOPH legal team. Possible discussion regarding reduction of the community contribution to take place. Await Mia Mia response. No response received from Mia Mia regarding Town’s offer to discussion on acceptable terms. Advised A/CEO to proceed with debt recovery of all		

	<p>outstanding rates and lease fees, but negotiate on reduction in community facilities contribution. Acting Director Corporate Services initiated debt recovery proceedings for the full amount owing. Debt recovery for rates and outgoings in progress. Discussion regarding community contribution to follow between Mia Mia and CEO. No feedback received from Mia Mia. Await permission to resume debt recovery of full outstanding amount. Response received from Mia Mia, currently under consideration. Letter sent 04/08/17 advising client of Town's intention to go to Arbitration.</p> <p>23/11/2017- First Arbitration Conference held on 23/11/17. Programming orders were made for the parties to file their claims, defenses, counterclaims, set-offs and discovery between now and February 2018. The parties are to participate in a mediation conference by 31/03/18.</p> <p>27/02/2017 – Current orders have been suspended until 7 March 2018 which will enable the Town to come to a decision as to whether to fully proceed with arbitration or whether any other type of settlements are considered viable.</p>
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Risk Origin	27 July 2016 Ordinary Council Meeting	Initial Risk Rating	High (12)
Item Title	South Hedland Bowling and Tennis Club Self Supporting Loan	Residual Rating	Medium (8)
Risk	That SHBTC default on the loan in its entirety		
Risk Theme	Financial		
Initial Officer Comments	Principle loan amount was \$500,000 (plus interest) Annual payments are \$40,838.00.		
Risk Action Plan	The item will be by the placed on the Risk Register and monitored by the administration and overseen by the Audit, Risk & Governance Committee.		
Officers Status Update	<p>Loan repayment extended to 23/2/2017. Financial condition of SHBTC improving and expected to meet the obligation. Payment of outstanding monies received 15/3/17. Future payments will be closely monitored. 10/8/17 - Next Loan repayment due 26/8/17 and indications from the SHBTC committee is that payment will be made on time. They have commenced \$500 weekly payments which are being held until such a time that the invoice is raised.</p> <p>23/11/2017 - The 'February 2017' invoice for the Self Supporting Loan was raised on 26/08/2017 in line with extension decision and this has been paid. The council resolution stated that the loan was to be extended by 6 months so Final payment is now due 23 Feb 2034 instead of the originally scheduled 26 August 2033. The next invoice is due to be raised in Feb 2018.</p> <p>22/02/2018 - the next invoice is due to be raised with all other invoices paid to date.</p>		

Risk Origin	28 September 2016 Ordinary Council Meeting	Initial Risk Rating	High (12)
Item Title	Kingsford Smith Business Park – Heavy Vehicle Access	Residual Rating	Low (4)
Risk	That there is a serious traffic accident directly attributable to the larger RAV5A vehicle		
Risk Theme	Health		
Initial Officer Comments	Await response from Main Roads regarding access of RAV5A vehicles to Wallwork road. Action will be considered on receipt of response.		
Risk Action Plan	Control through a traffic plan		

Officers Status Update	Main roads responded and accepted the TOPH proposal for limited RAV access between GNH and KSBP. Risk is reduced to minor. No further traffic plans are required. The risk assessment was made after Wallwork road was downgraded off the RAV network. The initial risk rating was overstated. Residual risk is Low as no longer a high risk.
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Risk Origin	24 May 2017 Ordinary Council Meeting	Initial Risk Rating	High (15)
Item Title	Hedland Aquatic Facility Operation and Master Planning	Residual Rating	Medium (8)
Risk	There is a risk rating of 15 (High) assigned to the reputational risk associated with the inability to return South Hedland to full operation during winter months and the delay associated with development of a new facility.		
Risk Theme	Reputation		
Initial Officer Comments	Council supported the motion to approve the operational use for the SHAC for winter months only. Risk will be ongoing.		
Risk Action Plan	Monitor the operation of the South Hedland Aquatic Centre.		
Officers Status Update	<p>Work is continuing to try and get the pool operational this Winter. Council has supported and funded master planning of the South Hedland Sports precinct, including investigating a replacement facility for SHAC. Issues with the plant mean the risk is ongoing.</p> <p>23/11/2017 - Works have commenced to repair and upgrade the South Hedland Aquatic Centre. Official re-opening set for 26 January 2018.</p> <p>20/02/2018 - SHAC Reopened - operation will be monitored in accordance with Risk Action Plan.</p>		

Risk Origin	27 September 2017 Ordinary Council Meeting	Initial Risk Rating	High (12)
Item Title	Award of Tender 2017-12 Supply of Project Management and Site Supervision Services	Residual Rating	High (12)
Risk	There could be compliance and reputation ramifications if the Town do not assign the right expertise and experience required to undertake a specific project.		
Risk Theme	Compliance and Reputation		
Initial Officer Comments	Tender has been endorsed by Council and all contracts have been signed.		
Risk Action Plan	Monitor the contract to ensure a high level of performance and delivery is achieved. Monitor timesheets to ensure they reflect the agreed program of works Ensure all invoicing is in line with rates tendered.		
Officers Status Update	<p>22/02/2018 - The risk action plan will remain the same throughout the contract period. Project Manager</p> <p>27/02/2018 – This tender should have been issued as a panel of pre-qualified suppliers, and will be reviewed in line with the Towns proposed policy on Panels of Pre-qualified Suppliers before the end of its initial term.</p>		

LEVEL OF SIGNIFICANCE

In accordance with Policy 4/009 ‘Significant Decision Making’, this matter is considered to be of low significance.

CONSULTATION

All consultation has been conducted internally with relevant officers to ensure the timely completion of status updates for the items on the registers.

LEGISLATION AND POLICY CONSIDERATIONS

There are no legislative requirements for the ARG Committee to receive these updates.

Policy 1/022 'Risk Management Policy' outlines the Towns responsibility to manage and monitor risks. The policy does not require the status of any risks that are identified to be presented to the ARG Committee, however, by presenting them to the ARG Committee, the Town is promoting accountability and transparency.

FINANCIAL AND RESOURCES IMPLICATIONS

There are no financial implications associated with this report.

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

This following section of the Council's *Strategic Community Plan 2014-2024* are applicable in the consideration of this item:

- 4.1 Strategic and best practice local government administration*
- Deliver high quality corporate governance accountability and compliance.

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

RISK MANAGEMENT CONSIDERATIONS

There is no risk management considerations in relation to this report. As the report is for noting only, therefore there is no associated risk rating or principal risk theme applied.

OPTIONS

Option 1 - Adopt Officers Recommendation

Option 2 – Do not adopt Officers Recommendation

CONCLUSION

The quarterly status of Committee endorsements to Council, and the status of the Town's Council Decision Risk Register are for noting only. These quarterly status updates are being presented at each meeting as requested by the Committee, and have been added to the Committee's adopted work plan.

ATTACHMENTS

Nil.

11.1.3 Consolidation of Town of Port Hedland Audits, Reviews and Inquiry into Wanangkura Stadium (File No. 13/09/0016)

Author	Manager Governance
Authorising Officer	Director Corporate and Performance
Disclosure of Interest	The Author and Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

ARG201718/063 OFFICER'S RECOMMENDATION

MOVED: CR ARIF

SECONDED: MR. CARTER

That the Audit, Risk and Governance Committee:

- Note that all outcomes of audits and reviews the Town has been involved in since 2015 are to be consolidated; and**
- Note that the Committee will receive quarterly progress reports on improvements the Town is making in relation to all audits and reviews.**

CARRIED 8/0

PURPOSE

The purpose of this report is to present to the Audit, Risk and Governance Committee with an overview of the audits and reviews that have taken place since 2015, and how and when the Town's administration proposes to address all recommendations and suggestions for improvements.

DETAIL

Since 2015 the Town has been involved in a number of programs and audits that have highlighted areas within which the Town needs to make improvements. Most of the audits have taken place in accordance with statutory requirements, others have been requested to be carried out by the Council, while others have been reviews that the Town initiated, or agreed to participate in. Details are as follows:

Item Description	Company	Date
Audit Regulation 17	UHY Haynes Norton	April 2015
15/16 Yearly Audit	RSM Australia	November 2016
Review of Selected Procurement Events	Moore Stephens	December 2015
Procurement Probity Review	Peter Keane	February 2016
Review of Selected Procurement Events	Moore Stephens	April 2016
Better Practice Review	Department Local Government	June 2016
16/17 Yearly Audit	RSM Australia	November 2017
Compliance Audit Return	Department Local Government	March 2017
Governance Review	Australian Institute of Company Directors	May 2017
Reviews on Procurement Processes Jan – Aug 2016, Redundancy Payments and Redeployment of Staff Dec 2013 to August	Paxon Group	July 2017

2016, PHIA Long Term Lease and Review of the Appointment of the Executive Officer in 2015		
Procurement Improvement Review	WALGA	December 2017
Credit Cards	Office of the Auditor General	February 2018
Special inquiry into R4R project (Wanangkura Stadium)	State Government	February 2018
Audit Regulation 17	Moore Stephens	March 2018
Compliance Audit Return	Department Local Government	March 2018

The above audits and programs have been presented to elected members and/or to the ARG Committee as they have been released over the years but have never been addressed as a single body of work. The Compliance Audit Return and the Audit Regulation 17 Review are included as separate items in this agenda. The management letter from the Office of the Auditor General in relation to their recent assessment on the Town's protocols surrounding the use of credit cards is attached to this report (attachment 1). The outcomes of the Special Inquiry on the Wanangkura Stadium are included under attachment 2.

To ensure that all outcomes and recommendations are addressed and/or actioned, the Town's administration has been systematically working through them. Up until now however the Committee has only been presented with part of this body of work, as part of the Better Practice Review quarterly report. This report, although somewhat informative, does not offer a clear understanding of critical areas that need addressing, as it simply represents a list of administrative task that need to be actioned at an operational level.

To ensure that the Committee is fully informed on all of the work that the Town is undertaking in relation to the various audits, it is therefore proposed to consolidate all recommendations from all of the audits and reviews listed above into one document, and to present to the Committee progress reports based on said consolidated document on a quarterly basis.

In this way the Committee will have a more strategic oversight of the type of critical work that needs to be undertaken in specific areas, be presented with any areas of concern, and recommendations as to how the Town proposes to address these.

Currently the main areas that the Town is focusing on are as follows:

Integrated Planning and Reporting Framework

The Town is currently reviewing its entire suite of strategic plans. The Strategic Community Plan is being drafted with a view of being presented to an upcoming Council meeting. The Town is also in the process of developing a Corporate Business Plan, a Long Term Financial Plan, an Asset Management Plan, Capital Works Plan and a Workforce Plan.

Procurement (Various)

Improvement opportunities in relation to procurement have been identified in a number of audits, these being the Moore Stephens audits conducted in December 2015 & April 2016, Paxon Group review on procurement processes July 2017, the procurement probity review by Peter Keane in February 2016, and WALGA's procurement improvement review dated December 2017.

The Town has recently established a procurement team with the aim of establishing a centrally-led procurement framework. The team has already commenced an extensive body of work in relation to procurement which has seen the launch of an online procurement platform where all quotes are uploaded (this system complements the current one already in place for tenders). This platform, named Vendorpanel, enables the Town to better scrutinize submissions and therefore control its procurement activities. The Town's procurement team has also reviewed its suite of procurement policies, to be considered by Council at its Ordinary meeting in February 2018. The policies will then be complemented by internal operating procedures and work flowcharts which will determine all relevant processes associated with the various procurement activities, with training to be offered to all relevant officers in May 2018. This training will be facilitated by the Western Australian Local Government Association which was engaged by the Town in July 2017 to conduct a procurement improvements review, the results of which were forwarded to the Town in December 2017.

Overhead Allocations (RSM Australia, November 2017)

Overhead allocations have been an ongoing issue identified for a number of years. The complexity of these calculations coupled with the organisational structure changes over the last two years has resulted in this finding. A full review of the chart of account was undertaken by Moore Stephens which included recommendations in relation to overhead allocations and ensuring the budget and actuals were applied in line with the Act and Financial Management Regulations. These amendments have been implemented and were presented as part of the Budget Review for period ended 31 December 2017.

Reconciliation of Fixed Assets (RSM Australia, November 2017)

The annual financial statement audit for year ended 30 June 2017 identified inconsistencies in the fixed asset register between Synergy and Assetic resulting in an inability to appropriately reconcile the fixed asset register. To address this, the Town will be consolidating all assets back into Synergy for accounting and control purposes. This will be complete prior to the end of the financial year.

Ratios (RSM Australia, November 2017)

Local Government Operational Guideline Number 18 – June 2013 (the Guideline), provides benchmark standards for the ratios required to be reported under regulation 50 of the *Local Government (Financial Management) Regulations 1996*. For the year ended 30 June 2017, the three of the seven ratio's came in below benchmark. Ratios below the benchmark standard could indicate adverse trends in the financial sustainability of the Town in accordance with the Guideline.

The short term financial sustainability of the Town reflected in the ratio calculations is a direct result of reduced grant income and other available income sources to use for operational functions, as well as the increased pressure to reduce rates. Following the completion of the Strategic Community Plan, the 2018/19 budget will be prepared to align to community needs while ensuring sufficient income is realized to fund ongoing operations and capital renewal. The debt portfolio concerns reflected in the debt coverage ratio will be addressed as part of the wealth framework discussions to ensure long term sustainability of the Town. The completion of the Asset Management Plans will underpin the asset sustainability and asset renewal ratios moving forward in both the long and short term, with focus continuing around asset renewal and meeting community needs.

Bank Reconciliations (RSM Australia, November 2017)

Year-end transactions processed for Reserves, relating to the PHIA interest transfers were reversed and re-entered due to incorrect process followed. During reconciliation finalisation it was identified as non cash related and reversed in September 2017 (mistakenly assuming the trial balance for year-end closed). The Town is committed to addressing and amending the current reserve transfer and cash management practices and developing internal operating procedures and checklists as well as monthly reconciliations to ensure this is correctly handled moving forwards. Currently, Moore Stephens has been engaged to work with the Finance Team on the bank reconciliation process with a view to move towards automated bank reconciliations by the end of the financial year.

Credit Cards (Office of the Auditor General, February 2018)

In relation to the credit card audit carried out by the Office of the Auditor General ('OAG'), it has to be noted that recent changes in legislation have meant that the OAG has been tasked to conduct performance audits on the economy, efficiency and effectiveness of any aspect of local government operations. Audit topics are determined following a comprehensive topic selection process including requests from Parliament, government, key stakeholders and the community. As of 2020, all financial audits of local governments will be conducted by the OAG. The Town was contacted in November 2017 and an audit officer presented to the Town early December to complete an audit of credit cards at the Town. The audit resulted in two findings which are presented in more detail on the attached management letter. Both findings are in the process of being rectified to strengthen internal controls and will be complete by the end of March 2018.

Wanangkura Stadium (State Government, February 2018)

The Inquiry into Government Programs and Projects was conducted by the Western Australian Public Sector Commission. The Inquiry examined 31 programs and projects entered into by State Government between 2008 and 11 March 2017, focusing on the governance arrangements, decision making processes and financial consequences. As per attachment 2, the Inquiry considered the Town of Port Hedland's Wanangkura Stadium project. The final recommendations were as follows:

1. The Town of Port Hedland must review the stadium's configuration and design and examine the causes of flooding to determine whether these can be rectified.
2. The Town of Port Hedland must ensure that future projects have appropriate governance and are managed well. This includes a robust business case, financial and risk analysis, cost/benefit analysis, project management and a framework for decision making and reporting.
3. The Town of Port Hedland must implement processes to improve its record keeping practices and ensure that it complies with the *State Records Act 2000*.

This is how the Town will be addressing these points:

1. The Town is currently investigating drainage issues at the stadium and how these might deal with it. The execution of works in relation to drainage will be designed in conjunction with the subsequent stages of the South Hedland integrated sports precinct as per tender 2017-14.
2. The Town has established a competent and experienced project management team that sees all of its projects being run in accordance with Australian Standards. This team is being supported and assisted by a newly established procurement team to ensure that the

relevant governance processes are applied from project inception to project delivery and close-out. The Town also ensures that its staff has access to relevant training as well as continuous improvement opportunities in project management and procurement, to ensure that all of its projects have appropriate governance and are managed well.

3. The Town has greatly improved its record keeping practices since the Wanangkura Stadium project, with the establishment of an experience Records team to support the organization in managing its day-to-day recording activities, as well as the recent employment of a Digitisation Officer to deal with a back-log of hard-copy documents which require digitizing. The Town has 2013-2018 Records Keeping Plan in place to ensure it is compliant with the State Records Act 2000. The Town is also reviewing its current records management system to ensure that it suits the needs of the organization, and will consider any changes and/or upgrades as part of the 18/19 budget process.

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

- Governance Team
- Manager Finance
- Manager HR
- Manager ICT
- Executive Leadership Team

LEGISLATION AND POLICY CONSIDERATIONS

The *Local Government Act 1995* and *associated Regulations* determine most of the audit requirements listed above.

FINANCIAL AND RESOURCES IMPLICATIONS

There are no direct financial and resource implications arising from this agenda item.

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

This following section/s of the Council's *Strategic Community Plan 2014-2024* are applicable in the consideration of this item:

- | | |
|--|---|
| <i>4.1 Strategic and best practice local government administration</i> | <ul style="list-style-type: none">• Deliver high quality corporate governance accountability and compliance.• Maintain a strong and sustainable financial position• Be efficient and effective in use of resources, infrastructure, assets and technology• Attract, develop and retain an effective workforce to deliver organisational outcomes |
|--|---|

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

RISK MANAGEMENT CONSIDERATIONS

As per the risk matrix contained in policy 1/022 'Risk Management', the level of risk is considered to be Medium (9) for this agenda item. This is calculated as moderate consequence and possible likelihood. This report promotes legislative compliance, good governance, transparency and accountability.

OPTIONS

Option 1 – Adopt Officers Recommendation

Option 2 – Do not adopt Officers Recommendation

CONCLUSION

This report presents the Audit, Risk and Governance Committee with an overview of the audits and reviews that have taken place since 2015, and how and when the Town's administration proposes to address all recommendations and suggestions for improvements. By consolidating these audits, the Committee will have a more strategic oversight of the type of critical work that needs to be undertaken and the recommendations as to how the Town proposes to address these.

ATTACHMENTS

1. OAG Management Letter
2. R4R Report Wanangkura Stadium (Under separate cover)

ATTACHMENT 1 TO ITEM 11.1.3

TOWN OF PORT HEDLAND

PERIOD OF AUDIT: 1 JANUARY 2017 – 30 SEPTEMBER 2017

FINDINGS IDENTIFIED DURING THE AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Timeliness of credit card acquittals		✓	
2. Purchases above delegation limits			✓

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: 1 JANUARY 2017 – 30 SEPTEMBER 2017

FINDINGS IDENTIFIED DURING THE AUDIT

1. Timeliness of credit card acquittals

Finding

We noted that the credit card acquittal process has not been completed for statements dating from August 2017 onwards.

This is not in line with the Town's credit card policy which requires acquittals to be performed on a monthly basis.

As a result, 150 credit card transactions for August and September 2017 have not yet been entered into the Council's financial management system as of December 2017.

We also observed that credit card approvals are usually not dated, thus making it difficult to determine timeliness of review.

Rating: Moderate**Implication**

When credit card transactions are not acquitted in a timely manner, there is an increased risk that unauthorised transactions are not identified and resolved in a timely manner.

Recommendation

We recommend that those responsible for acquitting credit cards are reminded of their obligation to ensure that all acquittals are completed in a timely manner.

Also ensuring reviews/authorisations are dated will assist in this monitoring process.

Management Comment**Responsible Person:****Completion Date:**

TOWN OF PORT HEDLAND

PERIOD OF AUDIT: 1 JANUARY 2017 – 30 SEPTEMBER 2017

FINDINGS IDENTIFIED DURING THE AUDIT

2. Purchases above delegation limits

Finding

We noted one instance of a credit card holder making a payment for a transaction outside their purchasing delegation limit.

Rating: Minor

Implication

The Town's internal controls over procurement are not being complied with. Consequently, there is an increased risk of unauthorised purchases.

Recommendation

We recommend that the Town remind cardholder's of their responsibilities in relation to purchasing limits.

Management Comment

Responsible Person:

Completion Date:

DRAFT

11.1.4 Compliance Audit Return (File No. 14/06/0001)

Author	Governance Officer
Authorising Officer	Manager Governance
Disclosure of Interest	The Author and Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

ARG201718/064 OFFICER'S RECOMMENDATION**MOVED: CR ARIF****SECONDED: CR PITT**

That the Audit, Risk and Governance Committee receive and note the Compliance Audit Return for 2017.

CARRIED 8/0**PURPOSE**

The purpose of this report is to present to the Audit, Risk and Governance Committee, the Compliance Audit Review for the 2017 financial year for comment.

DETAIL

Section 7.13(1)(i) of the *Local Government Act* requires the Town of Port Hedland to annually complete an audit of its compliance with statutory obligations, as prescribed by the Department. These statutory obligations are listed in regulation 13 of the *Local Government (Audit) Regulations*. The compliance audit review considers the business of Council for a full calendar year, in this instance being from 1 January 2017 to 31 December 2017.

Pursuant to regulation 14, once the compliance audit review is completed, it is to be reviewed by the Audit, Risk and Governance Committee (3A). The outcome of the review by the Committee and the compliance audit review are then presented and adopted at an Ordinary Meeting of Council (3).

Both the compliance audit review certified the Mayor and Chief Executive Officer, and relevant excerpt of the minutes to the Ordinary Meeting of Council (including resolution) must be submitted to the Department by 31 March 2018 (reg 15).

For the 2017 calendar year, the Town of Port Hedland was non-compliant in two areas:

Disclosure of interest

As per question seven of the section on disclosure of interest, two Town of Port Hedland employees failed to submit their annual returns by 31/08/17. One employee submitted their return late due to overseas travel and the other employee did not submit a return due to resignation for terminal illness. Thirty one employees submitted their annual return by the due date. To ensure compliance in 2018, the Governance unit will ensure relevant officers are sufficiently informed of their obligations and the resulting consequences, and provide timely reminders in the lead up to the due date.

Tenders – tender threshold

As part of the audit process, a number of invoices paid to the same company for the provision of the same service were found to exceed the tender threshold. This resulted in noncompliance with the section 3.57 of the Act and regulation 11 of the *Local Government (Functions and General) Regulations*. More stringent process in relation to tendering have been put in place, through the establishment of the procurement team to set up a centrally led procurement framework.

Tenders – panels

The Town of Port Hedland failed to comply with the obligations for pre-qualified suppliers, under the audit section on tenders. Since this time, a procurement team has been established, and a Panels of Pre-Qualified Suppliers Policy presented to the February 2018 Ordinary Council meeting for endorsement. The intent of the policy is to ensure that future requirements for pre-qualified suppliers will be conducted in accordance with the legislative requirements.

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

The compliance audit review was completed internally by the Governance Officer, who consulted with the Procurement Advisor and Officer, Manager Financial Services, Coordinator for Workshop and Procurement, Communications Officer, Manager Human Resources and the Executive Leadership Team.

Consultation with a Senior Project Officer and Manager at the Department of Local Government, Sport and Cultural Industries was actioned for the review of compliance.

LEGISLATION AND POLICY CONSIDERATIONS

There are no policy considerations in the completion of the compliance audit review.

As identified above, the Town of Port Hedland is required under the *Local Government Act* and *Local Government (Audit) Regulations* to complete an annual audit of its compliance with statutory obligations. This audit is required to be submitted to the Department of Local Government, Sport and Cultural Industries by 31 March 2018.

FINANCIAL AND RESOURCES IMPLICATIONS

There are no financial and resource implications arising from this agenda item.

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

This following sections of the Council’s *Strategic Community Plan 2014-2024* are applicable in the consideration of this item:

- 3.1 Sustainable services and infrastructure*
- Support the development of education, research and strategic investment opportunities for 'clean technology' industrial development and energy production
 - Develop and maintain our infrastructure to ensure the long-term sustainability of our built and natural environment
 - Provide and promote sustainable waste management practices, including recycling initiatives
 - Facilitate the delivery of high quality and enduring built and natural environment
- 4.1 Strategic and best practice local government administration*
- Deliver high quality corporate governance accountability and compliance.
 - Maintain a strong and sustainable financial position
 - Be efficient and effective in use of resources, infrastructure, assets and technology
 - Attract, develop and retain an effective workforce to deliver organisational outcomes

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

RISK MANAGEMENT CONSIDERATIONS

As per the risk matrix contained in policy 1/022 'Risk Management', the level of risk is considered to be Medium (9) for this agenda item. This is calculated as moderate consequence and possible likelihood. This report promotes legislative compliance, good governance, transparency and accountability.

OPTIONS

There are no alternative recommendations for the Committee in receiving the 2017 Compliance Audit Return.

CONCLUSION

The compliance audit return is a fundamental mandatory obligation required of all local governments for statutory compliance. The compliance audit return ensures the processes of the Town of Port Hedland are accurate, transparent and accountable.

ATTACHMENTS

1. The 2017 Compliance Audit Return (Under separate cover)

11.1.5 Regulation 17 Audit (File No. 13/09/0016)

Author	Governance Officer
Authorising Officer	Manager Governance
Disclosure of Interest	The Author and Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

ARG201718/065 OFFICER'S RECOMMENDATION**MOVED: MR. CARTER****SECONDED: CR ARIF**

That the Audit, Risk and Governance Committee approve the two audit documents completed by Moore Stephens in relation to the Regulation 17 review audit:

- 1. Review of Risk Management, Legislative Compliance and Internal Controls as per attachment 1; and**
- 2. Review of Risk Management, Legislative Compliance and Internal Controls – Recommended Improvements as per attachment 2.**

CARRIED 8/0**PURPOSE**

The purpose of this report is to request the Audit, Risk and Governance Committee consider approving the audit report and improvement plan prepared by external auditor Moore Stephens.

DETAIL

Every two years, regulation 17(1) of the *Local Government (Audit) Regulations* requires the Chief Executive Officer to review the appropriateness and effectiveness of its systems and procedures in relation to risk management, internal control and legislative compliance. That report is to be presented to the Audit, Risk and Governance Committee (Regulation 17(3)). On this occasion, external auditors Moore Stephens were contracted to complete the review, as they had also been involved in the first review that took place in 2015 and therefore able to determine the progress that the Town has achieved or otherwise in the different areas to be audited. Moore Stephens has presented the Town with a review report (attachment 1) and a recommended improvement report (attachment 2). As follows is a summary of their review.

Risk Management

As per attachment 1, the Town of Port Hedland developed its formal risk management processes with the adoption of a Risk Management Policy in December 2015. This was reviewed by Council in April 2016. A supporting Risk Management Framework was established and is deemed appropriate, however not consistently applied. Whilst significant improvements in the risk management systems and processes have occurred over the last 4 years, they are not considered to have been fully implemented and as such are not fully effective and require further development and application.

To address this, the Town is currently recruiting for a Senior Governance Advisor who will be tasked with:

- rolling out a risk management framework
- reviewing the Town's risk policy
- ensuring that appropriate risk management practices are in place
- creating a risk register for recording of all risk assessments

Internal Controls

As per attachment 1, given the size, resources, operations and context in which the Town of Port Hedland operates, the internal control framework was deemed inappropriate and to contain a number of weaknesses. The internal control framework was assessed as ineffective across the organisation.

The Town is currently undertaking the following work in the key areas identified for improvement:

1) Procurement controls

The Town has recently formed a procurement team with the aim of establishing a centrally-led procurement framework. The team has already commenced an extensive body of work in relation to procurement which has seen the launch of an online procurement platform where all quotes are uploaded (this system complements the current one already in place for tenders). This platform, named Vendorpanel, enables the Town to better scrutinize and therefore control its procurement activities. The Town's procurement team has also reviewed its suite of procurement policies, to be considered by Council at its Ordinary meeting in February 2018. The policies will then be complemented by internal operating procedures and work flowcharts which will determine all relevant processes associated with the various procurement activities, with training to be offered to all relevant officers in May 2018. This training will be facilitated by the Western Australian Local Government Association which was engaged by the Town in July 2017 to conduct a procurement improvements review, the results of which were forwarded to the Town in December 2017.

2) Receipting

Procedures are in the process of being reviewed in line with system improvements and the roll out of point of sale receipting at site locations, moving away from the production of manual receipts and reducing risk. Receipting is reconciled on a monthly basis to the bank statements to ensure all cash received is receipted in the correct period.

3) Investments

The investment register, policy and process is currently under review, with suggested improvements to be included on the register to provide more clarity on the movement of invested funds. A full audit of investments for the current financial year is to be complete with clearly documented movements and approvals in one location. This will tie into the work being undertaken in relation to the Wealth Fund framework with investment options for the Town being investigated. Copies of the investment register are printed and saved with each investment undertaken. Additional governance and signing to be added as part of the process review.

Legislative Compliance

As per attachment 1, currently the Town relies on senior staff to identify and prevent breaches of legislation. Staff turnover, competing principles and variations in workloads were noted to negatively impact legislative compliance. However, with the exception of the noted breaches of legislation, and in the instances where the effectiveness was assessed, the current legislative compliance control procedures and systems, although largely informal, were considered effective.

To address the above, the Town has recently developed an internal corporate calendar which highlights all statutory obligations under the Local Government Act 1995 that the Town is required to comply with. The Town is currently recruiting for a Senior Governance Advisor who will be tasked with ensuring the breaches of legislation are prevented, identified and reported, as well as developing checklists for functions which require high level legislative compliance.

Moore Stephens also presented the Town with a 'recommended improvements' report. All suggested improvements will be consolidated with all other audit and review recommendations the Town has been subject to and/or participated in since 2015; progress reports will then be presented to the Committee on a quarterly basis.

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 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

- Moore Stephens
- Manager Governance
- Manager IT
- Procurement Team
- Community Emergency Services Advisor
- Director Infrastructure and Town Services
- Chief Executive Officer
- Manager Finance
- Director of Development, Sustainability and Lifestyle.

LEGISLATION AND POLICY CONSIDERATIONS

The Town of Port Hedland Risk Management Policy (1/022) acknowledges the Town's commitment to risk identification and management. This agenda item comes within the scope of the policy for the Town to identify, evaluate, treat, monitor and review the risks identified in the audit report.

As identified above, the Town of Port Hedland is required under the *Local Government (Audit) Regulations* to complete a review as to the effectiveness of its systems and procedures in relation to risk management, internal control and legislative compliance. The review report is required to be presented to the Audit, Risk and Governance Committee.

FINANCIAL AND RESOURCES IMPLICATIONS

The cost of contracting the external auditors Moore Stephens to conduct the Regulation 17 review audit was \$16,445 (incl. GST). This was attributed to general ledger code E04091000-360 Governance Operations – Consultants.

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

This following section/s of the Council's *Strategic Community Plan 2014-2024* are applicable in the consideration of this item:

- 4.1 Strategic and best practice local government administration*
- Deliver high quality corporate governance accountability and compliance.
 - Maintain a strong and sustainable financial position
 - Be efficient and effective in use of resources, infrastructure, assets and technology
 - Attract, develop and retain an effective workforce to deliver organisational outcomes

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

RISK MANAGEMENT CONSIDERATIONS

As per the risk matrix contained in policy 1/022 'Risk Management', the level of risk is considered to be Medium (9) for this agenda item. This is calculated as moderate consequence and possible likelihood. This report promotes legislative compliance, good governance, transparency and accountability.

The Moore Stephens recommended improvements will be applied to the Town's Business Improvement Register for action.

OPTIONS

The item is requesting for the Committee to receive and note the outcomes of the audit, so there are no alternative recommendations.

CONCLUSION

The Regulation 17 review audit is a mandatory obligation for all local governments in relation to risk management, internal controls and legislative compliance, and it ensures the processes of the Town of Port Hedland are effective, appropriate, accurate, transparent and accountable.

ATTACHMENTS

1. Moore Stephens – Final Review – V1.8 (Under separate cover)
2. Moore Stephens – Final Improvement Plan – V1.8 (Under separate cover)

Item 12 Motions of Which Previous Notice Has Been Given

Nil

Item 13 New Business of an Urgent Nature

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 Governance Committee Meeting will be held on Tuesday 5 June 2018, commencing at 5:30pm.

15.2 Closure

There being no further business, the Presiding Member declared the meeting closed at 5.43pm.