



CONFIRMED MINUTES

Audit, Risk and Compliance Committee Meeting

Wednesday 11 September 2024

Time: 5:30pm

**Location: Council Chambers, McGregor Street
Port Hedland WA 6721**

Distribution Date: 18 September 2024

Presiding Member:

A handwritten signature in black ink, written over a horizontal line.

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1 Opening of Meeting

The Chief Executive Officer declared the meeting open at 5:33pm.

2 Acknowledgement of Traditional Owners and Dignitaries

The Presiding Member acknowledged the Kariyarra people as the Traditional Custodians of the land that we are meeting on and recognised their strength and resilience and paid respect to elders past, present and emerging.

3 Recording of Attendance

Important note:

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

3.1 Attendance

Present: Deputy Mayor Ash Christensen
Cr Lorraine Butson
Cr Ambika Rebello

Attendance: Steve Leeson (Director Corporate Services)
Kaleena Cruickshank (Manager Financial Services)
Tom Kettle (Manager Governance)
Stephanie Sikaloski (Senior Audit, Risk & Insurance Advisor)
Jessica Hunt (Audit, Risk & Insurance Support Officer)

Media: 0

Public: 2

3.2 Attendance by Telephone / Instantaneous Communications

Carl Askew (Chief Executive Officer)

3.3 Apologies

Nil.

3.4 Approved Leave of Absence

Nil.

3.5 Disclosures Of Interest

Nil.

4 Election of Presiding and Deputy Presiding Member

Mr Carl Askew, Chief Executive Officer, received two nominations for the office of Presiding Member of the Audit, Risk and Compliance Committee. Deputy Mayor Christensen nominated himself, a second nomination was received from Cr Butson nominating Deputy Mayor Christensen. Deputy Mayor Ash Christensen was elected unopposed to the office of Presiding Member at 5:37pm.

Deputy Mayor Christensen, as the Presiding Member, received two nominations for the office of Deputy Presiding Member of the Audit, Risk and Compliance Committee. Deputy Mayor Christensen and Cr Butson had both nominated Cr Rebello. Cr Ambika Rebello was elected unopposed to the office of Deputy Presiding Member at 5:40pm.

The Chief Executive Officer extended his welcome to the newly elected members as they assumed their roles in their respective offices.

5 Applications for Leave of Absence

Nil.

6 Response to Previous Questions

6.1 Response to Questions taken on notice from Elected Member at the Special Audit, Risk and Compliance Committee Meeting held on 15 April 2024

Nil.

6.2 Response to Questions taken on notice from Public at the Special Audit, Risk and Compliance Committee Meeting held on 15 April 2024

| | |
|-------|---------------|
| 6.2.1 | John Ashenden |
|-------|---------------|

Question

My question, as a resident ratepayer in the Town, I can take this on notice, but could I get the breakdown of the salaries of the CEO and the Directors of the Town? I want a complete breakdown of all the bits and bobs, extras they get for housing or whatever else?

Cr Blanco provided the following response

We are going to have to take that one on Notice. I think you'll find that might be on the Confidential side, but the Annual Report does list bracket that the CEO and Directors are paid in, within a ten thousand dollar range.

And where do I find that?

Cr Blanco provided the following response

You can look that up in the Annual Reports. I suppose when the Audit is finalised and the ARC completes it, then our Annual Report will determine. In the Annual Report you will have the 2022-2023.

I see the heads nodding, but I don't understand why it's so confidential since the ratepayers are the ones that actually pay those wages. We should have a right to know what it is.

Cr Blanco provided the following response

I tend to agree with you but there are limitations to what we can. We will take that question on notice and get a response from the Administration for you.

Director Corporate Services provided a written response on 23 April 2024

Information regarding employee salaries is disclosed within the Town's Annual Reports in accordance with section 5.53 of the Local Government Act 1995. Under subsection (2) The annual report is to contain prescribed information following Administration Regulations 1996 19B:

- (b) the number of employees of the local government entitled to an annual salary that falls within each band of \$10,000 over \$130,000; and
- (e) the remuneration paid or provided to the CEO during the financial year.

With regards to more specific employee benefit details requested, certain information is considered confidential in nature under section 5.23 (2) of the Local Government Act 1995 for the following reasons:

- (a) A matter affecting an employee or employees; and
- (b) the personal affairs of any person

7 Public Time

7.1 Public Question Time

The Presiding Member opened Public Question Time at 5:42pm.

| | |
|-------|----------------|
| 7.1.1 | Camillo Blanco |
|-------|----------------|

In item 12.9, a table is presented regarding the Quarter 4 Procurement Report on panel usage. Regarding Number 5, there is a reference to RFT2122-17 for the Supply of Plant and Equipment. The issue raised is that the amount listed in the confidential

section exceeds the delegated authority by double. Could we get clarification on how this occurred?

Specifically, for RFT2122-17, as indicated in the confidential attachments, the associated costs seem to exceed the delegation authority. The key question is how we were able to exercise this delegation without involving the Council. Regardless of panel usage, we need to understand the process for exceeding delegation limits, what triggers this allowance, and what the delegation threshold is for panels. It's unclear whether the delegation limit is \$10 million, \$50 million, or another amount. Happy to have this taken on notice.

Deputy Mayor Christensen provided the following response

Taken on notice.

The Presiding Member closed Public Question Time at 5:47pm.

7.2 Public Statement Time

The Presiding Member declared Public Statement Time open at 5:47pm.

Nil.

The Presiding Member declared Public Statement Time closed at 5:48pm.

7.3 Petitions / Deputations / Presentations / Submissions

Nil.

8 Questions from Members without Notice

Nil.

9 Announcements by Presiding Member without Discussion

Nil.

10 Declarations of All Members to have given due consideration to all matters contained in the Agenda before the Meeting

The following Audit, Risk and Compliance Committee Members declared that they have given due consideration to all matters contained in the agenda.

Deputy Mayor Ash Christensen
Cr Ambika Rebello
Cr Lorraine Butson

11 Confirmation of Minutes of Previous Meeting**ARC202425/001 COMMITTEE DECISION****MOVED: Cr Lorraine Butson****SECONDED: Cr Ambika Rebello**

That Committee Members confirm that the Minutes of the Audit, Risk & Compliance Committee Meeting held on 12 March 2024 are a true and correct record.

CARRIED BY SIMPLE MAJORITY (3/0)

*For: Deputy Mayor Ash Christensen, Cr Ambika Rebello, Cr Lorraine Butson
Against: Nil*

ARC202425/002 COMMITTEE DECISION**MOVED: Cr Ambika Rebello****SECONDED: Cr Lorraine Butson**

That Committee Members confirm that the Minutes of the Special Audit, Risk & Compliance Committee Meeting held on 15 April 2024 are a true and correct record.

CARRIED BY SIMPLE MAJORITY (3/0)

*For: Deputy Mayor Ash Christensen, Cr Ambika Rebello and Cr Lorraine Butson
Against: Nil*

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.

12 Reports of Officers

| | |
|-------------|---|
| 12.1 | 2023-24 External Audit Planning Memorandum |
|-------------|---|

Author: **Manager Financial Services**

Authorising Officer: **Director Corporate Services**

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

ARC202425/003 COMMITTEE DECISION

MOVED: Cr Ambika Rebello

SECONDED: Deputy Mayor Ash Christensen

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

CARRIED BY SIMPLE MAJORITY (3/0)

*For: Deputy Mayor Ash Christensen, Cr Ambika Rebello and Cr Lorraine Butson
Against: Nil*

PURPOSE

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

DETAIL

The primary purpose of this Audit Planning Memorandum (APM) is to brief the Town of Port Hedland (Town) on the proposed approach by RSM Australia (RSM), on behalf of the Office of the Auditor General (OAG), to audit the financial report of the Town for the year ending 30 June 2021.

The APM forms the basis for discussion at the audit entrance meeting scheduled for 13 August 2024 and is a key tool for discharging responsibilities in relation to communicating with those charged with governance.

LEVEL OF SIGNIFICANCE

In accordance with Policy 4/009 'Significant Decision Making', this matter is considered to be of low significance. It does not meet any requirements of a 'significant' decision.

CONSULTATION

Internal

- Chief Executive Officer
- Director Corporate Services
- Manager Financial Services

External Agencies

- Office of the Auditor General
- RSM

Community

- Nil

LEGISLATION AND POLICY CONSIDERATIONS

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

Local Government (Audit) Regulations 1996 – Regulation 9 The entrance meeting is not specifically an audit regulation; however, it forms the basis of regulation 9 which is the performance of the audit.

FINANCE AND RESOURCE IMPLICATIONS

There are no financial implications associated with this item.

STRATEGIC SUSTAINABILITY IMPLICATIONS

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

Our Leadership:

4.2.3 Transparent and regular governance reporting and communication to the community is undertaken.

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

Access and Inclusion

The following outcome of the Town's Access and Inclusion Plan 2023-2026 apply in relation to this item:

Nil.

Corporate Business Plan

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

Our Corporate Services:

Governance and Procurement - Provide high standards of governance and leadership.

Financial Management and Rates - Financial management services compliant with legislation to enable the Town to sustainably provide services to the community.

Audit and Risk Management - Committed to organisation wide risk management principles, systems and processes that ensure consistent, efficient and effective assessment of risk in all planning, decision making and operational processes.

RISK MANAGEMENT CONSIDERATIONS

| | |
|---|------------------------------------|
| Risk Type | Operational |
| Risk Category | Compliance |
| Cause | Non-adoption of the audit plan |
| Effect | Inability for the audit to proceed |
| Risk Treatment | Adopt Officers Recommendation |
| <p>There is an Operational, risk associated with this item, because if the Committee do not adopt an audit plan for the forthcoming year, the audit will not be able to proceed.</p> <p>The risk rating is considered to be Low (2), which is determined by a likelihood of Rare (1) and a consequence of Minor (2).</p> <p>This risk will be eliminated by the adoption of the officer’s recommendation.</p> | |

OPTIONS

Option 1 – Adopt officer’s recommendation

Option 2 – Do not adopt officer’s recommendation

CONCLUSION

It is recommended that the ARC Committee adopt the 2024 Audit Planning Memorandum to ensure the audit proceeds without delay. The adoption of the APM

will also allow Committee members to have insight into which items are to be addressed in the upcoming audit and offers structure and guidance to the process.

ATTACHMENTS

1. Town of Port Hedland Audit Planning Memorandum 30 June 2024 - DRAFT
[**12.1.1** - 24 pages]

12.2 **FY2022-23 External Audit Log Review**

Author: **Senior Audit, Risk & Insurance Advisor**

Authorising Officer: **Director Corporate Services**

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

ARC202425/004 COMMITTEE DECISION

MOVED: Cr Ambika Rebello

SECONDED: Cr Lorraine Butson

That the Audit, Risk & Compliance Committee receive and note the status of management actions resulting from the 2022-23 External Audit, as per Confidential Attachments 1 and 2.

CARRIED BY SIMPLE MAJORITY (3/0)

For: Deputy Mayor Ash Christensen, Cr Ambika Rebello and Cr Lorraine Butson
Against: Nil

PURPOSE

The purpose of this report is for the Audit, Risk and Compliance Committee (ARC Committee) to review the current status of management actions resulting from the 2022-23 External Audit.

DETAIL

Each year, the Town of Port Hedland (the "Town") is required to prepare general purpose financial statements and submit them to external auditors by 30 September following the end of the financial year (Section 6.4 of the *Local Government Act 1995*).

The Annual Financial Report is prepared in accordance with Australian Accounting Standards; the *Local Government Act 1995*; and the *Local Government (Financial Management) Regulations 1996*. Management are responsible for preparing the Annual Financial Report in accordance with the Standards, Act and Regulations and to ensure that it fairly reflects the financial performance and position of the Town.

The Town of Port Hedland's (the Town) Audited Annual Financial Report, Independent Auditor's Closing Report and Management Letter of Audit Findings for the financial year ended 30 June 2023 were adopted by Council at its meeting held on 24 April 2024 (CM202324/250).

The Management Letter of Audit Findings included a list of findings, recommendations, and agreed-upon corrective actions related to:

- The financial audit
- The information systems audit

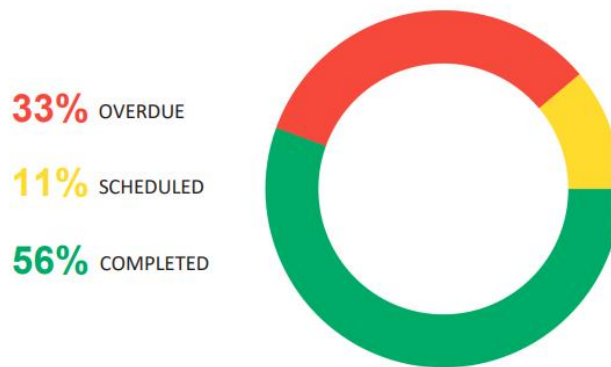
This report is intended to provide the ARC Committee with an update of the status of agreed upon corrective management actions to date. A summary is as follows:

Financial Audit

| Action Due | Completed | In progress | Overdue | Total |
|------------|-----------|-------------|---------|-------|
| FY 2022-23 | 10 | 2 | 6 | 18 |

Audit Management Actions

OVERVIEW

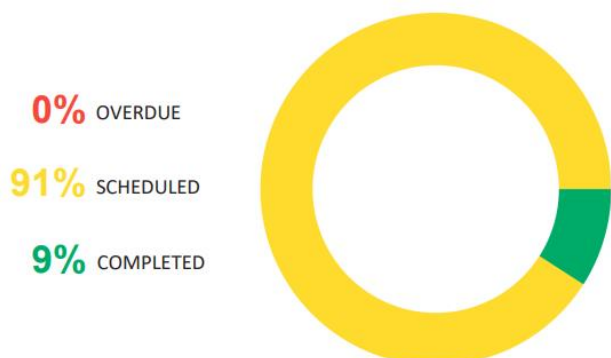


Information Systems Audit

| Action Due | Completed | In progress | Overdue | Total |
|------------|-----------|-------------|---------|-------|
| FY 2022-23 | 1 | 10 | 0 | 11 |

Audit Management Actions

OVERVIEW



Verification of items marked as complete by management has not yet occurred. This will be performed prior to or during the next review cycle scheduled for 1 October 2024.

LEVEL OF SIGNIFICANCE

In accordance with Policy 4/009 'Significant Decision Making', this matter is considered to be of medium significance. Failure to complete corrective actions could result in potential non-compliance with the Act and Regulations and may hinder opportunities for improvement in the 2023-24 External Audit.

CONSULTATION

Internal

- Director Corporate Services
- Manager Financial Services
- Manager Digital Services

External Agencies

- RSM Australia
- Office of the Auditor General

Community

- Nil

LEGISLATION AND POLICY CONSIDERATIONS

- *Local Government Act 1995*
- *Local Government (Audit) Regulations 1996*
- *Local Government (Financial Management) Regulations 1996*

FINANCE AND RESOURCE IMPLICATIONS

There are no additional costs associated with implementing the corrective actions.

STRATEGIC SUSTAINABILITY IMPLICATIONS

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

Our Leadership:

4.2.2 Transparent and regular financial reporting and communication to the community is undertaken.

4.2.3 Transparent and regular governance reporting and communication to the community is undertaken.

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

Access and Inclusion

The following outcome of the Town’s Access and Inclusion Plan 2023-2026 apply in relation to this item:

Nil.

Corporate Business Plan

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

Our Corporate Services:

- Financial Management and Rates - Financial management services compliant with legislation to enable the Town to sustainably provide services to the community.
- Information Communications Technology - To provide a reliable and cost-effective Information Communications Technology (ICT) solution that meets users’ needs.
- Audit and Risk Management - Committed to organisation wide risk management principles, systems and processes that ensure consistent, efficient and effective assessment of risk in all planning, decision making and operational processes.

RISK MANAGEMENT CONSIDERATIONS

| | |
|-----------------------|--|
| Risk Type | Operational |
| Risk Category | Compliance |
| Cause | Non-completion of corrective actions |
| Effect | Non-compliance with the Act and Regulations Delayed opportunity for performance improvement in the 2023-24 External Audit |
| Risk Treatment | Accept |

There is a compliance, risk associated with this item caused by non-completion of agreed upon corrective management actions. This may result in non-compliance with the Act, Regulations or best-practice principles and may delay the opportunity for the Town to improve their performance ahead of the 2023-24 External Audit.

The risk rating is considered to be Medium (8) which is determined by a likelihood of Unlikely (2) and a consequence of Major (4).

This risk will be accepted, noting the following existing controls are in place to manage the risk:

- Periodic reviews between the Town's internal audit function and the Town's financial and digital services business areas to track progress of corrective management actions.
- The Town's financial and digital services business areas continue to work with the ERP team to improve processes.

OPTIONS

Option 1 – Adopt officer's recommendation

Option 2 – Amend officer's recommendation

Option 3 – Do not adopt officer's recommendation

CONCLUSION

In conclusion, the status of management actions from the 2022-23 External Audit reflects progress with several actions completed, in progress, or overdue. Regular monitoring and verification are important to ensure timely completion and compliance with the corrective measures. The ARC Committee's attention to this matter will help mitigate risks and support the Town's commitment to transparent and effective governance.

ATTACHMENTS

1. CONFIDENTIAL - Audit Log Report 2022-23 Annual Financial Statements Audit [12.2.1 - 8 pages]
2. CONFIDENTIAL - Audit Log Report 2022-23 Information Systems Audit [12.2.2 - 9 pages]

| | |
|-------------|---|
| 12.3 | 1/024 Fraud and Corruption Policy Review |
|-------------|---|

Author: Senior Audit, Risk & Insurance Advisor

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.

ARC202425/005 COMMITTEE DECISION

MOVED: Cr Lorraine Butson

SECONDED: Cr Ambika Rebello

That the Audit, Risk & Compliance Committee:

- 1. Receive the reviewed Policy 1.024 Fraud and Corruption as per Attachment 1; and**
- 2. Recommend Council adopt the reviewed Policy 1.024 Fraud and Corruption as per Attachment 1.**

CARRIED BY SIMPLE MAJORITY (3/0)

For: Deputy Mayor Ash Christensen, Cr Ambika Rebello and Cr Lorraine Butson
Against: Nil

PURPOSE

The purpose of this report is for the Audit, Risk, and Compliance Committee (the ARC Committee) to consider the reviewed Policy 1.024 Fraud and Corruption and recommend its adoption by Council.

DETAIL

The Town of Port Hedland's policies are systematically reviewed, updated, and adopted by Council. They establish guidelines and provide direction for the Town's activities and actions. Systematically reviewing and amending policies ensures they remain current.

The Fraud and Corruption Policy, previously known as the Fraud and Corruption Prevention Policy, is due for its scheduled biennial review. The Policy was last reviewed and adopted by Council on 7 September 2022 (CM202223/020).

This review aligns with the recent development of the Fraud Control Plan, as recommended by William Buck Advisors (WA), the Town's internal auditors from FY2020-21 to 2022-23. Significant revisions have been made to the Policy to ensure alignment with the Fraud Control Plan and newly established processes. Key changes include:

1. The term "Prevention" has been removed from the Policy title to reflect a broader scope that includes detection, response, and overall fraud risk management, beyond just prevention.
2. The revised Policy now includes a summary table categorising key controls as preventative, detective, or responsive, with detailed procedures outlined in the supporting Fraud Control Plan and operating procedures.
3. Updates to the roles and responsibilities, including the involvement of the Audit, Risk, and Insurance business unit, which is responsible for developing and maintaining key integrity documents such as:
 - a. Policy 1/024 Fraud and Corruption
 - b. Policy 1/022 Risk Management
 - c. Fraud and Corruption Control Plan
 - d. Risk Management Framework
 - e. Relevant internal operating procedures and templates.
4. The Policy now only includes legislated responsibilities directly related to fraud and corruption, with added references for user convenience.

LEVEL OF SIGNIFICANCE

In accordance with Policy 4/009 'Significant Decision Making', this matter is considered to be of medium significance. Fraud is an emerging issue across all levels of government and should be considered in decision-making and risk assessment processes.

CONSULTATION

Internal

- Director Corporate Services
- Manager Governance

External Agencies

- Nil

Community

- Nil

LEGISLATION AND POLICY CONSIDERATIONS

- *Local Government Act 1995*
- *Local Government (Financial Management) Regulations 1996*
- *Local Government (Audit) Regulations 1996*
- *Public Interest Disclosure Act 2003*

FINANCE AND RESOURCE IMPLICATIONS

Nil.

STRATEGIC SUSTAINABILITY IMPLICATIONS

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

Our Leadership:

4.2.3 Transparent and regular governance reporting and communication to the community is undertaken.

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

Access and Inclusion

The following outcome of the Town’s Access and Inclusion Plan 2023-2026 apply in relation to this item:

Nil.

Corporate Business Plan

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

Our Corporate Services:

Governance and Procurement - Provide high standards of governance and leadership.

Audit and Risk Management - Committed to organisation wide risk management principles, systems and processes that ensure consistent, efficient and effective assessment of risk in all planning, decision making and operational processes.

RISK MANAGEMENT CONSIDERATIONS

| | |
|--|---|
| Risk Type | Operational |
| Risk Category | Compliance |
| Cause | Council do not adopt the Policy prior to September 2024 |
| Effect | Non-compliance with Policy review schedule |
| Risk Treatment | Accept |
| <p>There is an operational risk associated with this item because the Policy may not be adopted by Council before September 2024. This follows its last adoption on 7 September 2022 and the biennial review schedule requirement.</p> | |

The risk rating is assessed as Medium (6), based on a likelihood rating of Unlikely (2) and a consequence rating of Moderate (3).

This risk is considered acceptable due to the following controls in place:

- An existing Policy is currently in effect.
- Appropriate consultation with the ARC Committee and Council will occur prior to the voting on this item.

The risk falls within the Town's acceptable tolerance range.

OPTIONS

Option 1 – Adopt officer's recommendation

Option 2 – Amend officer's recommendation

Option 3 – Do not adopt officer's recommendation

CONCLUSION

The reviewed Policy 1.024 Fraud and Corruption has been thoroughly evaluated and updated to align with current practices and the recently developed Fraud Control Plan. The ARC Committee is advised to consider the reviewed Policy and recommend its adoption by Council, ensuring continued adherence to best practices in fraud risk management.

ATTACHMENTS

1. 20240724 Draft Fraud and Corruption Policy 1.024 Review (Clean copy)
[**12.3.1** - 8 pages]
2. 20240724 Draft Fraud and Corruption Policy 1.024 Review (Track changes)
[**12.3.2** - 13 pages]

12.4 | **1/022 Risk Management Policy Review**

Author: Senior Audit, Risk & Insurance Advisor

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.

ARC202425/006 COMMITTEE DECISION

MOVED: Cr Ambika Rebello

SECONDED: Cr Lorraine Butson

That the Audit, Risk & Compliance Committee:

- 1. Receive the reviewed Policy 1.022 Risk Management as per Attachment 1; and**
- 2. Recommend Council adopt the reviewed Policy 1.022 Risk Management as per Attachment 1.**

CARRIED BY SIMPLE MAJORITY (3/0)

For: Deputy Mayor Ash Christensen, Cr Ambika Rebello and Cr Lorraine Butson
Against: Nil

PURPOSE

The purpose of this report is for the Audit, Risk, and Compliance Committee (the ARC Committee) to consider the reviewed Policy 1.022 Risk Management and recommend its adoption by Council.

DETAIL

The Town of Port Hedland's (the Town) policies are systematically reviewed, updated, and adopted by Council. They establish guidelines and provide direction for the Town's activities and actions. Systematically reviewing and amending policies ensures they remain current.

The Risk Management Policy is due for its scheduled biennial review. The Policy was last reviewed and adopted by Council on 7 September 2022.

There have been no changes to legislation or standards regarding Risk Management since the last Policy review. Minor revisions have been incorporated to ensure alignment with the Town's Risk Management Framework and to address the integration of fraud risk management, which was added to the Framework in 2023.

Given the significant financial, reputational, and human impacts of fraud, it is imperative that this risk is comprehensively managed.

Key revisions to the Policy:

1. The terminology AS/NZS ISO31000:2018 has been updated to AS ISO31000:2018 to reflect the current standard used by the Town for risk management documentation and processes.
2. A new section on fraud risk has been added, outlining the Town's commitment to addressing and managing fraud risk in accordance with the Risk Management Framework and AS 8001:2021 Fraud and Corruption Control.
3. The term "Risk Management Plan" has been revised to "Risk Management Implementation Plan" for consistency within the Risk Management Framework.

LEVEL OF SIGNIFICANCE

In accordance with Policy 4/009 'Significant Decision Making', this matter is considered to be of medium significance, as the updated Policy will act as a tool to inform decision-making by Council and Town's administration.

CONSULTATION

Internal

- Director Corporate Services
- Manager Governance

External Agencies

- Nil

Community

- Nil

LEGISLATION AND POLICY CONSIDERATIONS

- *Local Government (Financial Management) Regulations 1996*
- *Local Government (Audit) Regulations 1996*
- *AS ISO31000:2018 Risk Management*
- *AS 8001:2021 Fraud and Corruption Control*

FINANCE AND RESOURCE IMPLICATIONS

Nil.

STRATEGIC SUSTAINABILITY IMPLICATIONS

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

Our Leadership:

4.2.3 Transparent and regular governance reporting and communication to the community is undertaken.

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

Access and Inclusion

The following outcome of the Town’s Access and Inclusion Plan 2023-2026 apply in relation to this item:

Nil.

Corporate Business Plan

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

Our Corporate Services:

Audit and Risk Management - Committed to organisation wide risk management principles, systems and processes that ensure consistent, efficient and effective assessment of risk in all planning, decision making and operational processes.

RISK MANAGEMENT CONSIDERATIONS

| | |
|---|---|
| Risk Type | Operational |
| Risk Category | Compliance |
| Cause | Council do not adopt the Policy prior to September 2024 |
| Effect | Non-compliance with Policy review schedule |
| Risk Treatment | Accept |
| <p>There is an operational risk associated with this item because the Policy may not be adopted by Council before September 2024. This follows its last adoption on 7 September 2022 and the biennial review schedule requirement.</p> <p>The risk rating is assessed as Medium (6), based on a likelihood rating of Possible (3) and a consequence rating of Minor (2).</p> <p>This risk is considered acceptable due to the following controls in place:</p> <ul style="list-style-type: none"> • An existing Policy is currently in effect. • Appropriate consultation with the ARC Committee and Council will occur before voting on this item. | |

| |
|--|
| The risk falls within the Town's acceptable tolerance range. |
|--|

OPTIONS

- Option 1 – Adopt officer's recommendation
- Option 2 – Amend officer's recommendation
- Option 3 – Do not adopt officer's recommendation

CONCLUSION

The reviewed Policy 1.022 Risk Management has undergone a thorough review to ensure alignment with current standards and the Town's Risk Management Framework. By integrating these updates, the Policy will enhance the Town's ability to mitigate risks effectively and ensure compliance with established frameworks. It is recommended that the ARC Committee receive the reviewed Policy and recommend its adoption by Council to maintain the integrity and effectiveness of the Town's risk management practices.

ATTACHMENTS

1. 20240725 Draft Risk Management Policy 1.022 (Clean copy) [**12.4.1** - 4 pages]
2. 20240725 Draft Risk Management Policy 1.022 (Track changes) [**12.4.2** - 5 pages]

| | |
|-------------|---------------------------|
| 12.5 | Fraud Control Plan |
|-------------|---------------------------|

Author: Senior Audit, Risk & Insurance Advisor
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.

ARC202425/007 COMMITTEE DECISION

MOVED: Deputy Mayor Ash Christensen **SECONDED:** Cr Ambika Rebello

That the Audit, Risk & Compliance Committee:

- 1. Receive the Town of Port Hedland Fraud Control Plan; and**
- 2. Recommend Council note the Town of Port Hedland Fraud Control Plan**

CARRIED BY SIMPLE MAJORITY (3/0)

For: Deputy Mayor Ash Christensen, Cr Ambika Rebello and Cr Lorraine Butson
Against: Nil

PURPOSE

The purpose of this report is for the Audit, Risk and Compliance Committee (the ARC Committee) to note the Fraud Control Plan.

DETAIL

The Town employs a rolling approach to its independent audit reviews, establishing a new three-year internal audit plan to continually assess the integrity of the Town’s governance, financial management, compliance, and operational practices. In accordance with the previous Internal Audit Plan (FY2020-2021 to FY2022-2023), William Buck, the Town’s former internal auditor, conducted an internal audit of the Town’s Fraud Risk Management and Misconduct processes. The primary objective of this audit was to evaluate whether effective controls were in place to identify, prevent, and respond to fraud risks and misconduct, as outlined in the Internal Audit Plan for the 2022/23 Financial Year.

Audit finding and response

Regarding the Fraud Control Plan (Finding 1), William Buck stated: "Although the Town had adopted a Fraud and Corruption Policy in August 2022, our inquiries with the Town’s stakeholders revealed that the Town does not have a fraud and corruption control plan. Additionally, we identified that the Town’s risk register does not currently include a fraud risk category. The absence of a Fraud and Corruption Control Plan may

hinder the Town's ability to effectively plan, manage, respond to, and oversee risks and cases related to fraud, corruption, and misconduct."

To address this finding, the Town has taken the following actions:

- Revised the Risk Management Framework in 2023, including the risk assessment and acceptance criteria, to incorporate a fraud risk category.
- Conducted comprehensive risk assessments across all business areas using the revised Risk Management Framework to produce a customised and dynamic fraud risk assessment.
- Drafted a Fraud Control Plan based on the fraud risk assessment and gathered intelligence, which provides mechanisms to manage, respond to, and oversee risks and cases related to fraud, corruption, and misconduct.

Fraud Control Plan

This high-level Governance, Risk, and Compliance (GRC) document outlines:

- The Town's stance on fraud
- Fraud risk assessment processes
- Countermeasures for preventing, detecting, and responding to fraud
- Reporting mechanisms
- Defined roles and responsibilities – these are evolving and are to be continuously reviewed and updated within operational guidelines.

Supporting operational procedures are currently being developed to facilitate the effective implementation of the Fraud Control Plan, providing operational guidelines for employees.

LEVEL OF SIGNIFICANCE

In accordance with Policy 4/009 'Significant Decision Making', this matter is considered to be of medium significance due to its impact on the Town's ability to effectively manage and mitigate fraud risks. Additionally, considerations for fraud prevention and detection should be inherently integrated into key decision-making processes.

CONSULTATION

Internal

- Executive Leadership Team
- Senior Leadership Team

External Agencies

- Nil

Community

- Nil

LEGISLATION AND POLICY CONSIDERATIONS

- *Local Government (Financial Management) Regulations 1996*
- *Local Government (Audit) Regulations 1996*
- AS ISO31000:2018 Risk Management
- AS 8001:2021 Fraud and Corruption Control

FINANCE AND RESOURCE IMPLICATIONS

Nil.

STRATEGIC SUSTAINABILITY IMPLICATIONS

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

Our Leadership:

4.2.3 Transparent and regular governance reporting and communication to the community is undertaken.

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

Access and Inclusion

The following outcome of the Town’s Access and Inclusion Plan 2023-2026 apply in relation to this item:

Nil.

Corporate Business Plan

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

Our Corporate Services:

Governance and Procurement - Provide high standards of governance and leadership.
 Audit and Risk Management - Committed to organisation wide risk management principles, systems and processes that ensure consistent, efficient and effective assessment of risk in all planning, decision making and operational processes.

RISK MANAGEMENT CONSIDERATIONS

| | |
|----------------------|---------------------|
| Risk Type | Operational |
| Risk Category | Compliance Fraud |

| | |
|---|--|
| Cause | Lack of a comprehensive Fraud Control Plan |
| Effect | Decreased financial integrity Potential misreporting Fraud Non-compliance |
| Risk Treatment | Treated (mitigated) |
| <p>There is a compliance risk associated with this item caused by the lack of a comprehensive Fraud Control Plan. Fraud risk management falls under Regulation 5 of the <i>Local Government (Financial Management) Regulations</i>, which outlines the CEO’s duties regarding financial management. Failure to effectively apply the requirements of Regulation 5 can result in significant financial loss, inefficiency, financial misreporting, fraud, and residual non-compliance.</p> <p>The risk rating is considered to be Medium (9), determined by a likelihood of Possible (3) and a consequence of Moderate (3).</p> <p>This risk will be mitigated by implementing the Fraud Control Plan.</p> | |
| <p>Additionally, there is a fraud risk associated with this item caused by inadequate control planning and oversight mechanisms. This can lead to increased vulnerability to fraudulent activities, compromising the integrity and financial health of the Town. The implementation of the Fraud Control Plan will address these vulnerabilities by establishing robust mechanisms for fraud prevention, detection, and response.</p> <p>The risk rating is considered Medium (9), determined by a likelihood of Possible (3) and a consequence of Moderate (3).</p> <p>This risk will be mitigated by implementing the Fraud Control Plan.</p> | |

OPTIONS

- Option 1 – Adopt officer’s recommendation
- Option 2 – Amend officer’s recommendation
- Option 3 – Do not adopt officer’s recommendation

CONCLUSION

The Fraud Control Plan is necessary for enhancing the Town's ability to manage and mitigating fraud risks effectively. By integrating robust fraud prevention, detection, and response mechanisms, the Town can ensure the integrity of its governance and financial practices. The proposed plan addresses key audit findings and aligns with regulatory requirements, thereby safeguarding the Town against potential fraud and misconduct. Implementing this plan will reinforce the Town’s commitment to maintaining high standards of transparency and accountability.

ATTACHMENTS

1. 44319 TOPH Town of Port Hedland Fraud Control Plan D 2 [**12.5.1** - 24 pages]

| | |
|-------------|---|
| 12.6 | Strategic Internal Audit Plan - 2023-24 Review 2 - Regulation 17 |
|-------------|---|

Author: Senior Audit, Risk & Insurance Advisor
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.

ARC202425/008 COMMITTEE DECISION

MOVED: Cr Ambika Rebello **SECONDED: Deputy Mayor Ash Christensen**

That the Audit, Risk & Compliance Committee receive and note the 2023-24 Financial Year Internal Audit Report on Regulation 17, as per Attachment 1.

CARRIED BY SIMPLE MAJORITY (3/0)

For: Deputy Mayor Ash Christensen, Cr Ambika Rebello and Cr Lorraine Butson
Against: Nil

PURPOSE

This report is to inform the Audit, Risk, and Compliance Committee (ARC Committee) about the findings of the 2023-24 Financial Year Regulation 17 Internal Audit Report. The agreed-upon management actions will be documented in the Audit Log, and the ARC Committee will receive routine progress updates on the Town's implementation of the recommended measures.

DETAIL

Paxon Group were awarded the contract by the Town to deliver the 3-Year Strategic Internal Audit Plan – FY2023-24 to FY2025-26 on 09 May 2023. Following the engagement, Paxon Group prepared a Strategic Three (3) Year Rolling and Annual Internal Audit Plan (Internal Audit Plan) that was considered and adopted by the ARC Committee on 08 August 2023 (Committee Decision: ARC202324/004).

In accordance with the Internal Audit Plan, Paxon Group were tasked to conduct an internal audit of the Town’s compliance with Regulation 17 of the *Local Government (Audit) Regulations 1996*. The objective of the Regulation 17 Review was to provide a report to assist the CEO in reporting to the ARC Committee on the appropriateness

and effectiveness of the Town's systems and procedures in relation to risk management, internal control and legislative compliance.

Summary of findings

The report contained seven findings, with four rated as low risk and three as medium risk.

The Regulation 17 Review identified areas for improvement in risk management, internal control, and legislative compliance. Key findings include the need to finalise the migration to the new risk management system, enhance risk reporting, and complete minor updates to risk management documents. Internal control improvements are necessary for developing an integrity framework and updating mechanisms for reporting fraud and misconduct. Legislative compliance issues include updating the Record Keeping Plan and Freedom of Information procedures.

The Town is aware of these issues and has begun implementing steps to address them in line with the recommendations provided.

LEVEL OF SIGNIFICANCE

In accordance with Policy 4/009 'Significant Decision Making', this matter is of medium significance, due to likely consequences arising from non-compliance, potential to impact the Town's ability to deliver services, impact the Town's reputation and general interest by the community in the compliance capability of the business operations of the Town.

CONSULTATION

Internal

- Executive Leadership Team
- Manager Environmental Services
- Manager Governance
- Manager Digital Services
- Principal HR Operations
- Senior Records Officer

External Agencies

- Paxon Group

Community

- Nil

LEGISLATION AND POLICY CONSIDERATIONS

Local Government (Audit) Regulations 1996

17. CEO to review certain systems and procedures

(1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —

- a) Risk Management
- b) Internal Control; and
- c) Legislative Compliance

(2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.

(3) The CEO is to report to the audit committee the results of that review.

FINANCE AND RESOURCE IMPLICATIONS

The budgeted cost of the review payable to Paxon Group was \$12,320 inclusive of GST.

STRATEGIC SUSTAINABILITY IMPLICATIONS

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

Our Leadership:

4.2.3 Transparent and regular governance reporting and communication to the community is undertaken.

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

Access and Inclusion

The following outcome of the Town's Access and Inclusion Plan 2023-2026 apply in relation to this item:

Nil.

Corporate Business Plan

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

Our Corporate Services:

Audit and Risk Management - Committed to organisation wide risk management principles, systems and processes that ensure consistent, efficient and effective assessment of risk in all planning, decision making and operational processes.

RISK MANAGEMENT CONSIDERATIONS

| | |
|-----------------------|--|
| Risk Type | Operational |
| Risk Category | Compliance |
| Cause | Failure to conduct the review within the required timeframe |
| Effect | Regulatory non-compliance; increased exposure to risk and impairment of the committee’s ability to perform its oversight function effectively. |
| Risk Treatment | Accept |

There is an operational risk associated with the failure to conduct the prescribed review of the local government’s systems and procedures related to risk management, internal control, and legislative compliance within the required three-year timeframe.

This failure could result in:

- Regulatory non-compliance
- Increased vulnerability to risks
- Impairment of the ARC Committee’s ability to perform its oversight function effectively

The risk is rated as Medium (6), determined by a likelihood of Unlikely (2) and a consequence of Moderate (3).

This risk has been accepted due to the presence of appropriate controls, including the inclusion of a Regulation 17 review as a standing audit in each three-year rolling internal audit plan. The residual risk is deemed acceptable according to the Town’s risk acceptance criteria.

OPTIONS

- Option 1 – Adopt officer’s recommendation
- Option 2 – Amend officer’s recommendation
- Option 3 – Do not adopt officer’s recommendation

CONCLUSION

The 2023-24 Financial Year Regulation 17 Internal Audit Report outlines areas for improvement in risk management, internal control, and legislative compliance. The

ARC Committee is advised to receive and note the findings and recommendations, which the Town has already begun to address. By implementing these measures, the Town aims to enhance its governance, mitigate risks, and ensure compliance with regulatory requirements, thereby improving overall operational effectiveness and maintaining public trust.

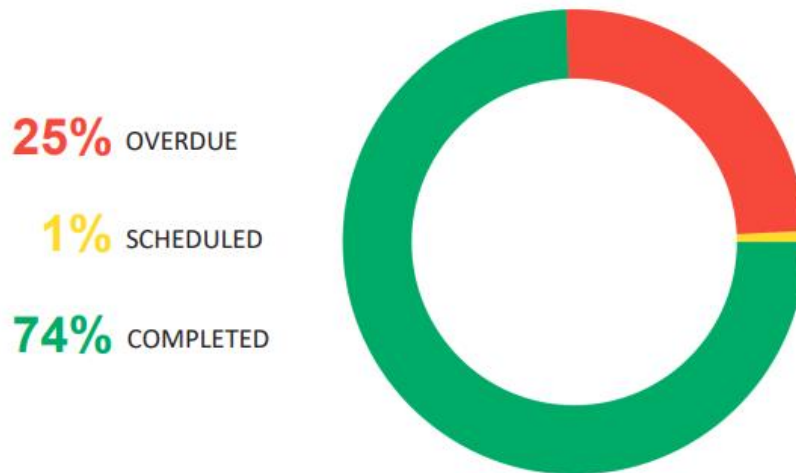
ATTACHMENTS

1. Final Regulation 17 Report [**12.6.1** - 15 pages]

| Completed | In progress | Overdue | Total |
|-----------|-------------|---------|-------|
| 99 | 1 | 33 | 133 |

Audit Management Actions

OVERVIEW



Verification of items marked as complete by management is periodically conducted by the Town’s internal audit function. To provide an additional layer of assurance, Paxon Group has scheduled a review in FY 2024-25 to further verify the completion of these items by auditing the log.

LEVEL OF SIGNIFICANCE

In accordance with Policy 4/009 ‘Significant Decision Making’, this matter is of medium significance, due to likely consequences arising from non-compliance, potential to impact the Town’s ability to deliver services, impact the Town’s reputation and general interest by the community in the compliance capability of the business operations of the Town of Port Hedland.

CONSULTATION

Internal

- Action Owners

External Agencies

- Paxon Group

Community

- Nil

LEGISLATION AND POLICY CONSIDERATIONS

- Regulation 17, *Local Government (Audit) Regulations 1996*

FINANCE AND RESOURCE IMPLICATIONS

There are no financial or resource implications associated with this item.

STRATEGIC SUSTAINABILITY IMPLICATIONS

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

Our Leadership:

4.2.3 Transparent and regular governance reporting and communication to the community is undertaken.

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

Access and Inclusion

The following outcome of the Town’s Access and Inclusion Plan 2023-2026 apply in relation to this item:

Nil.

Corporate Business Plan

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

Our Corporate Services:

Audit and Risk Management - Committed to organisation wide risk management principles, systems and processes that ensure consistent, efficient and effective assessment of risk in all planning, decision making and operational processes.

RISK MANAGEMENT CONSIDERATIONS

| | |
|----------------------|---|
| Risk Type | Operational |
| Risk Category | Compliance |
| Cause | Non-completion of agreed management actions |
| Effect | Non-compliance with best practice principles, industry standards, legal requirements and compliance guidelines. |

| | |
|---|--------|
| Risk Treatment | Accept |
| <p>There is a compliance risk associated with this item caused by potential non-completion of agreed management actions, leading to non-compliance with industry standards and best practice, legal requirements and compliance guidelines.</p> <p>The risk rating is considered medium (9) which is determined by a likelihood of possible (3) and a consequence of moderate (3).</p> <p>This risk has been accepted due to the adequacy of controls in place including periodic tracking of management actions in the system, automated reminders and follow-up mechanisms.</p> | |

OPTIONS

- Option 1 – Adopt officer’s recommendation
- Option 2 – Amend officer’s recommendation
- Option 3 – Do not adopt officer’s recommendation

CONCLUSION

The ARC Committee has reviewed and acknowledged the progress update on the management actions in the Internal Audit Report. This report tracks the status of all internal audit items under both the preceding and current 3-Year Strategic Internal Audit Plans. Regular review and reporting ensure compliance with best practices and legal requirements, enhancing transparency and accountability. The attached progress summary provides further details on the status of the agreed management actions.

ATTACHMENTS

1. CONFIDENTIAL - 20240731 Audit Log Report Internal Audit [**12.7.1** - 27 pages]

| | |
|-------------|-----------------------------|
| 12.8 | Risk Register Review |
|-------------|-----------------------------|

Author: **Senior Audit, Risk & Insurance Advisor**
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.

ARC202425/010 COMMITTEE DECISION

MOVED: Cr Ambika Rebello **SECONDED: Cr Lorraine Butson**

That the Audit, Risk & Compliance Committee receives the Quarterly Operational Risk Report.

CARRIED BY SIMPLE MAJORITY (3/0)

For: Deputy Mayor Ash Christensen, Cr Ambika Rebello and Cr Lorraine Butson
Against: Nil

PURPOSE

This report provides the Audit, Risk and Compliance Committee (ARC Committee) with an update on the progress of the Town’s Risk Management.

DETAIL

The Town’s Risk Management Policy, along with the Risk Management Framework (RMF), outlines the approach for identifying, assessing, managing, and monitoring risks.

Implemented in early 2024, the Town’s risk management system captures a comprehensive register of risks at the strategic, operational, and project levels. Risk owners, responsible for operational-level risks, are expected to update their risks periodically in line with RMF requirements. For example, low risks are monitored annually, medium risks quarterly, high risks monthly, and extreme risks continuously. This proportionate approach ensures risks are managed effectively, monitored according to their significance, and emerging threats are mitigated where possible.

Due to the newness of the system and risk management process, additional consultation with key stakeholders has been necessary to ensure thorough reviews. Over time, this process will become automated as risk owners develop a routine for reviewing risks according to specified timelines and as internal operating procedures are established for additional support.

Overview of Risk Assessment Process

1. Inherent Risk Assessment – This involves evaluating the risk against the Town’s Risk Assessment and Acceptance Criteria, focusing solely on the raw potential impact and likelihood, independent of any existing controls.
2. Residual Risk Assessment – This assessment considers all existing controls and mitigation measures, providing a realistic depiction of the actual risk exposure faced by the Town after controls are implemented.
3. Forecast/Future Risk Assessment – If the residual risk exceeds the acceptable threshold, potential treatment plans are considered to further mitigate the risk. Some risks may remain beyond acceptable levels despite efforts; these require rigorous monitoring and review.

For detailed insight into current risks, see Attachment 1, which includes an excerpt from the operational risk register highlighting high or extreme residual risks that require reporting to the Committee.

The strategic risk register is now functional; however, reviews are pending and will be completed before the next ARC Committee meeting to ensure accurate reporting.

LEVEL OF SIGNIFICANCE

In accordance with Policy 4/009 ‘Significant Decision Making’, this matter is of medium significance. It is likely that the community expects the ARC Committee to be well informed about the significant risks facing the Town. Additionally, there is an implicit expectation that the ARC Committee is knowledgeable about the strategies implemented to mitigate these risks, especially concerning the Town's financial stability, ability to deliver essential services, preservation of its reputation, and other critical aspects affecting the community's well-being.

CONSULTATION

Internal

- Senior Leadership Team

External Agencies

- Nil

Community

- Nil

LEGISLATION AND POLICY CONSIDERATIONS

- AS ISO31000:2018 Risk Management

FINANCE AND RESOURCE IMPLICATIONS

Certain risks outlined in the Risk Register could potentially have financial implications for the Town should they materialise. These specific risks and their corresponding financial implications have been thoroughly documented within the Risk Register.

STRATEGIC SUSTAINABILITY IMPLICATIONS

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

Our Leadership:

4.2.3 Transparent and regular governance reporting and communication to the community is undertaken.

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

Access and Inclusion

The following outcome of the Town’s Access and Inclusion Plan 2023-2026 apply in relation to this item:

Nil.

Corporate Business Plan

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

Our Corporate Services:

Audit and Risk Management - Committed to organisation wide risk management principles, systems and processes that ensure consistent, efficient and effective assessment of risk in all planning, decision making and operational processes.

RISK MANAGEMENT CONSIDERATIONS

| | |
|-----------------------|--|
| Risk Type | Operational |
| Risk Category | Service Interruption |
| Cause | Failure to routinely review and update risk assessments |
| Effect | Implementation of inappropriate or ineffective risk mitigation measures, leaving the organisation vulnerable to potential threats and decreasing responsiveness to emerging risks. |
| Risk Treatment | Accept with existing controls |

There is a service interruption risk associated with this item caused by failure to periodically review and update risk assessments and perpetuation of outdated risks within the register. This could lead to implementation of inappropriate or ineffective risk mitigation measures, leaving the organisation vulnerable to potential threats and decreased responsiveness to emerging risks, hindering the organisation's ability to proactively identify and address emerging risks, increasing the likelihood of unexpected disruptions.

The risk rating is considered Medium (9) determined by a likelihood of Possible (3) and a result of Moderate (3).

This risk will be accepted, considering existing controls are functional, including:

- Training is provided to risk owners.
- Reminders are sent to risk owners who have not completed their risk reviews within the specified timeframe.

OPTIONS

Option 1 – Adopt officer's recommendation

Option 2 – Amend officer's recommendation

Option 3 – Do not adopt officer's recommendation

CONCLUSION

This report provides the ARC Committee with an update on the Town's Risk Management progress. Through the newly introduced standing report, the ARC Committee gains insight into current and emerging risks, guided by the Risk Management Policy and Framework. Efforts are underway to formalise reporting on strategic risks, with the strategic risk register now functional and populated; monitoring and review mechanisms will be formally implemented.

ATTACHMENTS

1. CONFIDENTIAL - 20240730 Operational Risk Register High & Extreme Residual Risks [12.8.1 - 1 page]

| Sr.No | Panel Number | Panel Details | No. of suppliers on the Panel | No. of Works undertaken through |
|-------|--------------|---|-------------------------------|---------------------------------|
| 1 | RFT232401 | Pre-Qualified Construction Panel | 6 | 4 |
| 2 | RFT232405 | Pre-Qualified Panel for Trades People | 11 | 11 |
| 3 | RFT2324-19 | Pre-Qualified Panel for Civil Contractors | 15 | 0 |
| 3 | RFT2021-02 | Panel of Engineering Consultants | 28 | 10 |
| 4 | RFT2021-04 | Waste Management Consulting Panel | 4 | 3 |
| 5 | RFT2122-17 | Panel for Supply of Plant Equipment | 10 | 49 |
| 6 | RFT2122-25 | Report Writing | 3 | 0 |
| 7 | RFT2122-08 | Panel for Project Management Consultants | 5 | 15 |

As per section 2.2 of Policy 2/022 Panels of Pre-Qualified Suppliers, the Town exercises one of the following options for the distribution of work:

- a) The Town will obtain quotations from each pre-qualified supplier on the panel for all purchases.

Or

- b) The Town will purchase goods and services exclusively from any prequalified supplier appointed to that panel.

The quotes obtained are authorised in accordance with the Town’s Delegation Register. In every instance, a contract for an item of work with a prequalified supplier is not to exceed 12 months or include any options to renew or extend.

The Procurement Team diligently collaborated with the ERP team to address gaps discovered in the ERP system, which had hindered the compilation of the last quarter’s report. The process of obtaining the required data proved to be challenging; however, valuable suggestions have been proposed to the ERP Team to streamline the procedure and ensure accurate data compilation in the future.

During this period, Procurement successfully identified the list of projects awarded to Pre-Qualified Panel Suppliers on VendorPanel and TechOne for the duration of 01 April 2024 to 30 June 2024. However, it is essential to acknowledge that the data, though diligently obtained, has been produced through a manual process.

Based on the available data, the Procurement Team reports no instances of non-compliance with the Panels Policy, indicating a satisfactory level of adherence.

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

CONSULTATION*Internal*

Senior Procurement and Contracting Advisor

External Agencies

Nil

Community

Nil

LEGISLATION AND POLICY CONSIDERATIONS

- Policy 2/022 - Panels of Pre-Qualified Suppliers.
- Policy 2/007 - Procurement Policy
- Regulation 24AC of the Local Government (Functions and General) Regulations 1996

FINANCE AND RESOURCE IMPLICATIONS

Nil

STRATEGIC SUSTAINABILITY IMPLICATIONS

The following section of the Town's Strategic Community Plan 2022-2032 is applicable in the consideration of this item:

- 4.2.3 Transparent and regular governance reporting and communication to the community is undertaken

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

Corporate Business Plan

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

- 4.b.3.1 – Ensure Governance information provided to the community is in line with legislated requirements.

RISK MANAGEMENT CONSIDERATIONS

There is a compliance risk associated with this item because failure to implement the right procedure will result in non-compliance with industry best practice. The risk rating is considered to be medium (6), which is determined by a likelihood of possible (3) and a consequence of minor (2).

The risk will be mitigated by ensuring officers follow the procedures as per the procurement requirements in accordance with the Town's Policy documents.

OPTIONS

Option 1 – Adopt officer's recommendation

Option 2 – Amend officer's recommendation

Option 3 – Do not adopt officer's recommendation

CONCLUSION

In accordance with the Panels of Pre-Qualified Suppliers Policy 2/022, Section 3, Compliance and Reporting, this report presents the Audit, Risk and Compliance Committee with an overview of the Procurement findings for non-compliance with the Panels Policy for the quarter 01 April 2024 to 30 June 2024.

ATTACHMENTS

1. CONFIDENTIAL – Purchase Orders Report for Panels from Technology 1 [12.9.1 – 4 pages]

13 Motions of Which Previous Notice have been given

Nil.

14 Matters for Which Meeting May be Closed (Confidential Matters)

ARC202425/012 COMMITTEE DECISION

MOVED: Deputy Mayor Ash Christensen SECONDED: Cr Ambika Rebello

That the Audit, Risk & Compliance Committee close the meeting to members of the public as prescribed in section 5.23(2) of the Local Government Act 1995, to consider item 14.1.

CARRIED BY SIMPLE MAJORITY (3/0)

*For: Deputy Mayor Ash Christensen, Cr Ambika Rebello and Cr Lorraine Butson
Against: Nil*

The Presiding Member declared the meeting closed to the public at 5:55pm

| | |
|-------------|---------------------|
| 14.1 | Town Debtors |
|-------------|---------------------|

ARC202425/013 COMMITTEE DECISION

MOVED: Cr Lorraine Butson SECONDED: Cr Ambika Rebello

That the Audit, Risk & Compliance Committee recommends that Council:

- 1. Receives the report on Town Debt.**
- 2. Write off \$50,540.47 in expired lease rates debtors**

CARRIED BY SIMPLE MAJORITY (3/0)

*For: Deputy Mayor Ash Christensen, Cr Ambika Rebello and Cr Lorraine Butson
Against: Nil*

ARC202425/014 COMMITTEE DECISION**MOVED: Deputy Mayor Ash Christensen****SECONDED: Cr Lorraine Butson****That the Audit, Risk & Compliance Committee open the meeting to members of the public.*****CARRIED BY SIMPLE MAJORITY (3/0)****For: Deputy Mayor Ash Christensen, Cr Ambika Rebello and Cr Lorraine Butson**Against: Nil***The Presiding Member declared the meeting open to the public at 5:57pm.****15 New Business of an Urgent Nature (Late Items)**

Nil.

16 Closure**16.1 Date of Next Meeting**

The next Audit, Risk and Compliance Committee Meeting will be held on Tuesday 26 November 2024 commencing at 5:30pm.

16.2 Closure

There being no further business, the Presiding Member declared the meeting closed at 6:00pm.


DECLARATION OF CONFIRMATION OF MINUTES

I certify that these Minutes were confirmed by the Committee at its Audit, Risk and Compliance (ARC) Committee Meeting held on Tuesday, 26 November 2024.

CONFIRMATION:

Ashleigh Christensen

PRESIDING MEMBER



PRESIDING MEMBER SIGNATURE

26-11-24

DATED

1. Purpose of the Terms of Reference

The purpose of this document is to define the Terms of Reference (TOR) for the Audit, Risk and Compliance Committee (the “ARC Committee” or “Committee”).

These TOR describe the Committee's purpose, authority, membership, functions, reporting requirements and responsibilities.

2. Establishment and Appointment

The ARC Committee is a formally appointed committee of the Council for the Town of Port Hedland (the “Town”) pursuant to section 7.1A of the *Local Government Act 1995* (“the Act”).

3. Role

The ARC Committee is to provide guidance and assistance to Council concerning matters within its Terms of Reference. It assumes a key role in assisting the Town of Port Hedland (the “Town”) in fulfilling its governance and oversight obligations related to financial reporting, internal controls, risk management systems, legislative compliance, ethical accountability, and internal and external audit functions.

4. Objectives

The primary objective of the ARC Committee is to assume responsibility for the annual external audit and establish effective communication with the Town’s external auditor. This ensures that Council can be satisfied with the performance of the local government in managing its financial affairs.

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

- 4.1 The scope of work, objectivity, performance and independence of the external auditor.
- 4.2 The integrity of internal and external financial reporting, including accounting policies.
- 4.3 The establishment, effectiveness and maintenance of controls and systems to safeguard the Town’s financial and physical resources.
- 4.4 The systems or procedures that are designed to ensure that the Town comply with relevant statutory and regulatory requirements.
- 4.5 The process and systems which protect the Council against risk, fraud and irregularities.

- 4.6 Compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance.
- 4.7 Provide guidance and assistance to Council as to the carrying out the functions of the local government in relation to audits.

5. Authority and Independence

The ARC Committee does not have executive powers or authority to implement actions in areas over which the administration (management) has responsibility. Furthermore, the ARC Committee does not have any delegated financial responsibility. This ensures that the Committee is able to fulfill its function as an impartial advisory body separate from the Town's management, thereby ensuring objective assessments and guidance.

Under the Town's Register of Delegated Authority – Statutory, the ARC Committee:

- 5.1 Has the authority to meet with the Town's Auditor at least once every year on behalf of the Council [s.7.12A(2) of the Act].
- 5.2 Has the authority to:
 - i. Examine an audit report received by the local government.
 - ii. determine if any matters raised by the audit report, require action to be taken by the local government; and
 - iii. Ensure that appropriate action is taken in respect of those matters.
- 5.3 Has the authority to review and endorse the Town's report on any actions taken in response to an Auditor's report, prior to it being forwarded to the Minister [s.7.12A(4) of the Act].

6. Membership

Composition

- 6.1 The ARC Committee will comprise of a minimum of three and a maximum of five Elected Members, with one member being an independently appointed member, where possible. All members shall have full voting rights and will be appointed by an absolute majority vote of the Council [s.5.10(1)(a) of the Act].
- 6.2 Council may appoint by an absolute majority up to three (3) Councillors to be Deputy Members of the Committee. Any Deputy Member may perform the functions of any Committee Member when the Member is unable to do so by reason of illness, absence or other cause. A Deputy of a Member of a Committee, while acting as a Member, has all the functions of and all the protection given to a member [s.5.11A(2)(a),(3) and (4) of the Act].
- 6.3 Deputy Members do not operate as substitutes for individual members. In situations where more than one Deputy Member is in attendance at a Committee

meeting, the Committee will conduct a vote to designate which Deputy Member is authorised to perform the duties of the absent member.

Term

- 6.4 In compliance with section 5.11 of the Act, all members will be appointed by Council, and will remain a member until:
- a) the term of the person's appointment as a committee member expires; or
 - b) the local government removes the person from the office of committee member or the office of committee member otherwise becomes vacant; or
 - c) the committee is disbanded; or
 - d) the next ordinary elections day

Appointment

- 6.5 The Presiding Member and Deputy Presiding Member will be appointed by the ARC Committee Members at the Committee's first meeting following an Election.

Skills and Experience

- 6.6 Collectively, the group of Committee members possess a diverse set of skills and expertise encompassing risk management, assurance, business acumen and background in related fields.
- 6.7 Members may seek advice from an external independent advisor. The independent advisor must be able to demonstrate expertise and knowledge in at least one of the disciplines of financial risk management, corporate governance, risk management or auditing. The independent advisor will also have demonstrated understanding and/or experience in:
- Accounting Standards (AASB)
 - *Local Government Act 1995*
 - Local Government experience and/or Band 1 Council
- 6.8 New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

Declaration of an Interest

- 6.9 ARC Committee members are required by the 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.

Resignation from the Committee

- 6.10 In accordance with Part 2, Regulation 4 of the *Local Government (Administration) Regulations 1996*, A Committee member may resign from membership of the Committee by giving the CEO or the Committee's presiding member written

notice of the resignation. It is recommended that ARC Committee members provide a notice period of three (3) months.

Management excluded from membership

6.11 The Chief Executive Officer and Employees are not members of the Committee (Section 7.1A(3)&(4) of the Act).

Management attendance

6.12 The following individuals from the Town's administration will be present at ARC Committee Meetings to offer advice, guidance, and undertake the responsibility of recording minutes:

- Chief Executive Officer
- Director Corporate Services
- Manager Governance
- Manager Financial Services
- Senior Audit, Risk and Insurance Advisor
- Audit, Risk and Insurance Support Officer

7. Meetings

7.1 The Committee shall meet at least quarterly.

7.2 The Presiding Member of the Committee has the authority to convene extra meetings, or such meetings may be convened upon the request of the Chief Executive Officer.

7.3 The 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 Act.

7.4 All Elected Members are invited to attend each Audit, Risk and Compliance Committee meeting, but will not be eligible to vote on any items presented at the meeting.

7.5 Meeting attendance is subject to Electronic Meetings and Electronic Attendance Policy 4/011.

7.6 As prescribed by Section 5.19 of the Act, the quorum for Committee meetings shall be at least 50% of the number of offices of the Committee (whether vacant or not).

7.7 The Chief Executive Officer will facilitate the meetings of the Committee and invite members of management, internal and external auditors or others to attend meetings as observers and to provide pertinent information, as necessary.

- 7.8 The Committee will develop a forward meeting schedule that includes the dates, location, and proposed work plan for each meeting for the forthcoming year, which covers the responsibilities outlined in this terms of reference.
- 7.9 Meeting agendas will be prepared and provided at least 72 hours in advance to members, along with appropriate briefing materials.
- 7.10 Minutes will be taken at each meeting and presented to the subsequent meeting for confirmation.
- 7.11 Pursuant to Regulation 13 of the *Local Government (Administration) Regulations 1996*, the unconfirmed minutes of the Committee meeting will be published within 7 days after the meeting is held.
- 7.12 Voting is in accordance with Section 5.21 of the Act.

8. Responsibilities

The Committee will fulfill the following responsibilities:

Risk Management

- 8.1 Review and suggest improvements to whether management has in place a current and fit-for-purpose risk management framework and associated procedures for effective identification and management of the Town's risks, including fraud.
- 8.2 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.
- 8.3 Assess the impact of the Town's risk management framework on its control environment.
- 8.4 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.
- 8.5 Determine whether the Town has a sound and effective approach for business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically reviewed and tested.

Internal Control and Internal Audit

- 8.6 Ensure adequate systems of internal control are in place to mitigate key business risks and promote the effectiveness and efficiency of operations.

- 8.7 Approve, review and suggest improvements to the Internal Audit Plan and ensure the Internal Audit function is operating effectively, independently and in accordance with the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing.
- 8.8 Receive and review all audit reports and provide advice to the Council on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice.
- 8.9 Monitor management's implementation of internal audit recommendations, processes and practices to ensure that the independence of the audit function is maintained.
- 8.10 Oversee the coordination of planned activities among the four lines of defence, delineating ownership, accountabilities, resources and governance of risk management activities within the Town.

Financial Reporting

- 8.11 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.
- 8.12 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.
- 8.13 Review with management and the external auditors all matters required to be communicated to the Audit, Risk and Compliance Committee under the Australian Auditing Standards, and suggest improvements if required.
- 8.14 Review and suggest improvements (subject to legislation) to the draft Annual Financial Statements (subject to legislation) and recommend the adoption of the Annual Financial Statements to Council.

Compliance

- 8.15 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.
- 8.16 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.
- 8.17 Obtain regular updates from management about compliance matters.

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

External Audit

- 8.19 Meet with the Office of the Auditor General to discuss the audit plan (audit entrance meeting) and the results of the financial audit (audit exit meeting).
- 8.20 Consider the findings and recommendations of relevant Performance Audits undertaken by the external auditor and ensure the Town implements relevant recommendations.
- 8.21 Provide an opportunity for the ARC Committee to meet with the external auditors to discuss any matters that the Committee or the external auditors believe should be discussed privately.
- 8.22 Annually review and suggest improvements to the performance of external audit including the level of satisfaction with the external audit function.
- 8.23 Monitor management's implementation of external audit recommendations.

Reporting

- 8.24 Report regularly to the Council ARC Committee activities, issues, and related recommendations through circulation of minutes.
- 8.25 Monitor that open communication between the internal auditor, the external auditors, and the Town's management occurs.

Other Responsibilities

- 8.26 Perform other activities related to this terms of reference as requested by the Council or through audit recommendations.
- 8.27 Request that the Chief Executive Officer perform a review after an Election, suggest improvements to and assess the adequacy of the Audit, Risk and Compliance Committee terms of reference, request Council approval for proposed changes, and ensure appropriate disclosure as might be required by legislation or regulation.
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9. Definitions

| Term | Definition |
|---------------|--|
| ARC Committee | The Audit, Risk and Compliance Committee |
| CEO | The Chief Executive Officer |
| Committee | The Audit, Risk and Compliance Committee |
| The Act | The <i>Local Government Act 1995</i> |
| The Town | The Town of Port Hedland |
| TOR | The Terms of Reference |

10. Version Control

| Version | Meeting |
|----------------|--|
| V1 | <i>Adopted by Council at its Ordinary Meeting held 16 November 2011.</i> |
| V2 | <i>Amended by Council at its Ordinary Meeting held 23 October 2013.</i> |
| V3 | <i>Amended by Council at its Ordinary Meeting held on 11 December 2013.</i> |
| V4 | <i>Amended by Council at its Ordinary Meeting held on 27 May 2015.</i> |
| V5 | <i>Amended by Council at its Ordinary Meeting held on 28 October 2015.</i> |
| V6 | <i>Amended by Council at its Ordinary Meeting held on 22 June 2016.</i> |
| V7 | <i>Amended by Council at its Ordinary Meeting held on 24 May 2017.</i> |
| V8 | <i>Re-Adopted by Council at its Ordinary Meeting held on 1 November 2017.</i> |
| V9 | <i>Re-Adopted by Council at its Ordinary Meeting held on 19 December 2019.</i> |
| V10 | <i>Amended by Council at its Ordinary Meeting held on 23 September 2020.</i> |
| V11 | <i>Amended by Council at its Ordinary Meeting held on 7 September 2022.</i> |
| V12 | <i>Amended by Council at its Ordinary Meeting held on 29 May 2024.</i> |