



TOWN OF PORT HEDLAND

AUDIT, RISK AND GOVERNANCE COMMITTEE MEETING MINUTES

WEDNESDAY, 15 NOVEMBER 2017 AT
5:30PM

COUNCIL CHAMBERS, MCGREGOR STREET,
PORT HEDLAND

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

*David Pentz
Chief Executive Officer*

Distribution Date: 28 November 2017

TERMS OF REFERENCE

1. Purpose of the Terms of Reference

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

2. Introduction

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

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

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

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

3. Objectives

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

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

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

4. Authority

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

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

5. Composition

- 5.1 The Audit, Risk and Governance Committee will comprise of 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 Chief Executive Officer declared the meeting open at 5:34pm.

Item 2 Acknowledgement of Traditional Owners

The Chief Executive Officer acknowledged the traditional custodians, the Kariyarra people, and recognises the contribution of Kariyarra Elders past, present and future, in working together for the future of Port Hedland.

Item 3 Recording of Attendance

3.1 Attendance

Committee Members:

Mayor Camilo Blanco – Presiding Member

Deputy Mayor Louise Newbery

Councillor Julie Arif

Councillor Richard Whitwell

Councillor Peter Carter

Councillor George Daccache

Councillor Warren McDonogh

Councillor Telona Pitt – Deputy Presiding Member

David Pentz	Chief Executive Officer
Robert Leeds	Director Development, Sustainability and Lifestyle
Gerard Sherlock	Director Infrastructure and Town Services
Jodi Marchant	Manager Financial Services
Tammy Wombwell	Governance Support Officer/ Minute Taker

Public	0
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Media	0
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Officers	0
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3.2 Apologies**3.3 Approved Leave of Absence**

Councillor Tricia Hebbard

3.4 Disclosure of Interests

Nil

3.5 Election of Presiding Member and Deputy Presiding Member

3.5.1 Election of Presiding Member

The Chief Executive Officer called for nominations for Presiding Member of the Audit, Risk and Governance Committee.

The Chief Executive Officer declared the following nominations for Presiding Member were received at 5.38pm:

- Mayor Camilo Blanco
- Councillor Richard Whitwell
- Councillor Peter Carter

The Chief Executive Officer advised all Committee Members of the process to be followed to conduct the election of Presiding Member, which is included under Schedule 2.3, Part 8 of the Local Government Act 1995.

The Chief Executive Officer asked all nominees if they would like to make any statements.

Councillor Whitwell made a statement in support of his nomination.

Mayor Blanco made a statement in support of his nomination.

All eight Committee Members in attendance cast their vote by way of secret ballot

Votes were counted at 5:46pm by the Director Development, Sustainability and Lifestyle.

Outcome of vote count:

- Mayor Camilo Blanco 5 votes
- Councillor Richard Whitwell 3 votes
- Councillor Peter Carter 0 votes

The Chief Executive Officer declared Mayor Blanco as the Presiding Member of the Audit, Risk and Governance Committee.

3.4.2 Election of Deputy Presiding Member

The Chief Executive Officer called for nominations for Deputy Presiding Member of the Audit, Risk and Governance Committee.

The Chief Executive Officer declared the following nominations for Deputy Presiding Member were received at 5.47pm:

- Councillor Telona Pitt
- Councillor Richard Whitwell
- Councillor Peter Carter

Councillor Pitt made a statement in support of her nomination.

All eight Committee Members in attendance cast their vote by way of secret ballot

Votes were counted at 5:50pm by the Director Development, Sustainability and Lifestyle.

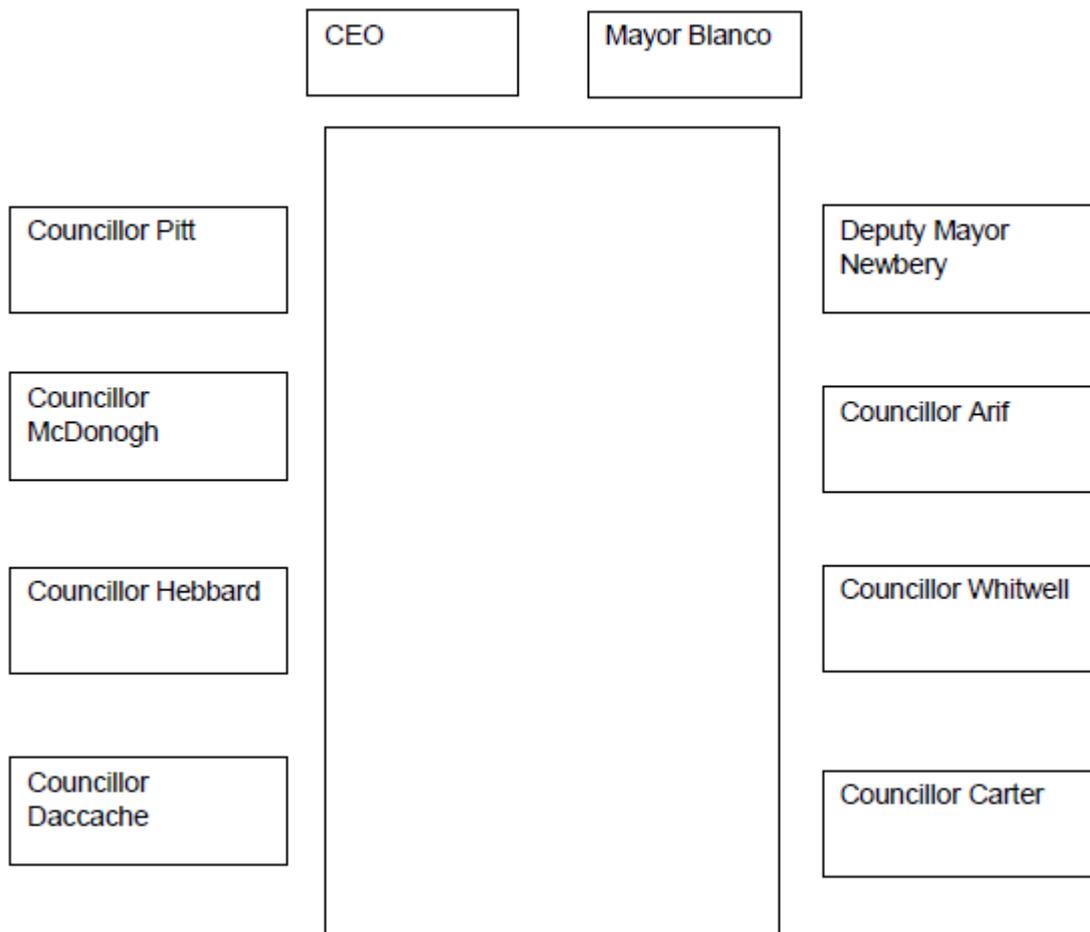
Outcome of vote count:

- Councillor Pitt 4 votes
- Councillor Carter 1 vote
- Councillor Whitwell 3 votes

The Chief Executive Officer declared Councillor Pitt as the Deputy Presiding Member of the Audit, Risk and Governance Committee.

3.4.3 Committee Members Seating Arrangements

The Chief Executive Officer advised that the order of seating for Committee Members will be as indicated below.



Item 4 Response to Previous Questions

4.1 Questions taken on notice from Public at Audit, Risk and Governance Committee Meeting held on Tuesday 5 September 2017

Nil

4.2 Questions taken on notice from Committee Members at Audit, Risk and Governance Committee Meeting held on Tuesday 5 September 2017**4.2.1 Ms Nina Pangahas**

I note that line 200 of attachment 1 to item 12.1.1 was completed on 16 September 2016. Is the IOP on recruitment and selection the version that is currently in place? I assume that this was not the IOP version that was used by the Paxon Group during their audit as their review was undertaken before September 2016. Is that correct?

The Acting Manager Human Resources advised that the current Internal Operating Procedure (IOP) on recruitment is the first version of the document and that previously there was an IOP on Pre-employment checks in place prior to the implementation of the current IOP.

The Paxon Group report noted a number of breaches in relation to redundancy payments, how much did it cost the Town? And does the cost include the payments made to the former CEO, Acting CEO and other members of the senior management? How much money has it cost the Town as a consequence of these breaches?

The Director Development, Sustainability and Lifestyle advises that officers are currently calculating these costs and that the information will be provided in the next agenda of the Audit, Risk and Governance Committee.

4.2.2 Councillor Richard Whitwell

Councillor Whitwell asked a question in relation to a confidential matter. A response to his question is provided to Committee members under confidential cover.

ARG201718/45 OFFICER RECOMMENDATION/ AUDIT, RISK AND GOVERNANCE COMMITTEE DECISION**MOVED: DEPUTY MAYOR NEWBERY****SECONDED: CR WHITWELL****That the Audit, Risk and Governance Committee:**

- 1. Adjourn the meeting to recommence on Tuesday 21 November 2017 at 5:30pm in Council Chambers in accordance with section 13.3 of the Town of Port Hedland Local Law on Standing Orders; and**
- 2. Request that the CEO or his authorised officer advertise the above by way of Local Public Notice and on the Town of Port Hedland website.**

CARRIED 8/0

6:00pm The Presiding Member advised that the meeting is now adjourned.

ARG201718/46 OFFICER RECOMMENDATION/ AUDIT, RISK AND GOVERNANCE COMMITTEE DECISION**MOVED: CR CARTER****SECONDED: CR ARIF****That the Audit, Risk and Governance Committee resume the meeting that was adjourned in accordance with section 13.3 of the Town of Port Hedland Standing Orders Local Law 2014.*****CARRIED 7/0***

5:30pm Tuesday 21 November 2017. The Presiding Member advised that the meeting is now resumed.

The Presiding Member acknowledged 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.

Attendance

Committee Members:

Mayor Camilo Blanco – Presiding Member

Deputy Mayor Louise Newbery

Councillor Julie Arif

Councillor Richard Whitwell

Councillor Peter Carter

Councillor George Daccache

Councillor Warren McDonogh

Councillor Telona Pitt – Deputy Presiding Member (arrived at 5:43pm)

David Pentz	Chief Executive Officer
Robert Leeds	Director Development, Sustainability and Lifestyle
Gerard Sherlock	Director Infrastructure and Town Services
Jodi Marchant	Manager Financial Services
Tammy Wombwell	Governance Support Officer/ Minute Taker

Public	2
Media	0
Officers	5

Apologies

Nil

Approved Leave of Absence

Councillor Tricia Hebbard

Disclosure of Interests

Nil

Item 5 Applications for Leave of Absence

ARG201718/47 AUDIT, RISK AND GOVERNANCE COMMITTEE DECISION**MOVED: CR CARTER****SECONDED: CR ARIF**

That the Audit, Risk and Governance Committee recommend that Council approve the following applications for leave of absence:

- Councillor Arif from 23 to 27 November 2017
- Councillor McDonogh from 1 to 8 December 2017
- Councillor Carter from 29 November to 5 December 2017

CARRIED 7/0

Item 6 Attendance by Telephone/Instantaneous Communications

ARG201718/48 AUDIT, RISK AND GOVERNANCE COMMITTEE DECISION**MOVED: CR CARTER****SECONDED: CR MCDONOGH**

That the Audit, Risk and Governance Committee recommend that Council approve Councillor Whitwell's request to attend the 22 November 2017 Ordinary Council Meeting via telephone whilst he is in Perth, Western Australia.

CARRIED 7/0

Item 7 Public Time

Important note:

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

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

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

7.1 Public Question Time

7.1.1 Ms Nina Pangahas

Can you please confirm that the Committee, at its meeting on 15 November 2017, conducted an election and appointed the Chair [Presiding Member] and Deputy Chair [Deputy Presiding Member] of the Audit, Risk and Governance Committee?

The Presiding Member advised in the affirmative.

I refer to section 5.1 of the Audit, Risk and Governance (ARG) Committee's Terms of Reference, which states that the ARG Committee comprises of eight Elected Members and two community members. If you elected the Chair and Deputy Chair on 15 November, do you think the Committee may have breached the Terms of Reference by excluding the independent members who are yet to be appointed? Will you consider referring the matter to the appropriate person or authority for a thorough investigation?

The Presiding Member advised that Ms Pangahas is entitled to refer the matter if she wished and that the ARG Committee is currently in the process of recruiting the two community members of the Committee. The Presiding Member advised that the process takes some time.

The Chief Executive Officer advised that the positions have been advertised.

The Presiding Member advised that the process is underway and that the community members will be selected when the process is complete.

Do you think you have breached the Terms of Reference by excluding the two community members from the appointment process?

The Chief Executive Officer advised in the negative. The Chief Executive Officer advised that when the election of the Presiding Member and Deputy Presiding Member took place, there was a quorum and that it did not require the two community members who are yet to be appointed to make the selection.

But the Committee consists of eight Elected Members and two community members.

The Presiding Member advised that there is a process that must be followed and that the elections were held and the Presiding Member and Deputy were elected. The Presiding Member advised that it takes time to select the community members.

You could have waited until the Council had appointed the two community members.

The Presiding Member advised that Council has made a decision and that the Committee has elected the Presiding Member and Deputy. The Presiding Member advised Ms Pangahas that she may lodge a complaint to the appropriate authority.

Do you think you might have breached the Terms of Reference of this Committee?

The Presiding Member advised in the negative.

Will you consider the matter to an independent person or authority to look at what you have done?

The Presiding Member advised that he would not personally refer the matter to any authority as he does not think there has been a breach of the *Local Government Act* or the Committee's Terms of Reference and that anybody is entitled to submit a complaint.

I refer to section 4.2.1 of this agenda regarding a response to my question, when do you think the calculations will be made available as they are meant to be presented today? I was advised at that meeting in September that there were two versions of the Internal Operating Procedure on recruitment, can you please clarify the points of difference between these two versions? How have the changes made prevented any breaches of the recruitment process?

The Presiding Member advised that the question would be taken on notice.

I refer to the announcement you made on the Town's website, which states that "At the Audit, Risk and Governance Committee meeting held on 15 November 2017, the Committee adjourned the meeting, and resolved to recommence the meeting at 5:30pm in Council Chambers, on Tuesday, 21 November 2017 for the purpose of endorsing the Audited Annual Financial Statements to Council". You have excluded the two community members from this process, without the participation of the two community members don't you think this is perceived as a conflict of interest as two identical groups being this Committee and Council, are making the same decision. I also note that section 7.4.6 of the Committee's Terms of Reference states "review and suggest improvement to the draft annual financial statements and recommend adoption of the annual financial statements to Council". When did you receive the draft annual financial statements and has this Committee been given adequate time to review and suggest improvements?

The Presiding Member advised that the question would be taken on notice.

Has this Committee been given adequate time to review and suggest improvements of the annual financial statements?

The Presiding Member advised that the Committee will determine if they have had sufficient time to review the item when the item is reached in the agenda. The Presiding Member advised that if Committee members are not satisfied with the time they have had to review the item the Committee may adjourn the meeting or state their case.

Assuming the Committee have had adequate time to review the item, I would like to know what improvements have been recommended by this Committee. Thank you.

Ms Pangahas returned to the Public Gallery.

The Presiding Member closed Public Question Time at 5:41pm

The Presiding Member opened Public Statement Time at 5:41pm

7.2 Public Statement Time

Nil

The Presiding Member closed Public Statement Time at 5:41pm

7.3 Petitions/Deputations/Presentations/Submissions

Nil

Item 8 Questions from Members without Notice

8.1 Deputy Mayor Louise Newbery

I refer to a comment made at a previous Audit, Risk and Governance Committee meeting. Does the Town have a recruitment and retention Policy?

The Chief Executive Officer advised that the Town has an Internal Operating Procedure (IOP).

To confirm, there is an internal procedure and not a policy?

The Chief Executive Officer advised in the affirmative.

A query recently came up regarding the budget allocation of housing funds. During budget discussions the answer that was given to Council was that the allocation was for the purpose of recruiting and retaining Executive staff. Who made this decision when there is no policy? I would like a compiled report to come back to the ARG Committee to advise the Council regarding the matter.

The Chief Executive Officer advised that a report would be provided to the Committee.

5:43pm Councillor Telona Pitt entered the meeting and assumed her chair.

8.2 Councillor Julie Arif

A comment was made by the public gallery earlier in regards to the advertising of the two community members for the Audit, Risk and Governance Committee, and the response was that it had been advertised. Can you tell me when it was advertised and in what paper?

The Presiding Member advised that the advert will be in the 22 November 2017 paper.

The Chief Executive Officer advised that the advertisement was due to go in last week's paper but didn't and that it will be in this week's paper.

Will it be in the North West Telegraph?

The Chief Executive Officer advised in the affirmative and that it will also be advertised on the Town's website.

8.3 Councillor Richard Whitwell

I asked a question at the previous Audit, Risk and Governance Committee meeting and an answer was provided under section 4.2.2, why haven't you answered my question?

The Presiding Member asked Councillor Whitwell to repeat the question he would like an answer for.

Councillor Whitwell did not repeat the question.

The Chief Executive Officer advised that the answer that was previously provided would be reviewed.

8.4 Councillor Warren McDonogh

I have not had enough time to review the item in this agenda and propose a motion to defer item 14.1, can I do that now?

The Presiding Member advised that the motion can be put during the next part of the meeting.

The Director Development, Sustainability and Lifestyle advised that it is possible for the Committee to adjourn this meeting but it is preferable that when the item is reached for the Committee to either lay the item on the table or resolve to deal with the item at the scheduled December ARG Committee meeting.

8.5 Councillor Telona Pitt

I have a question in relation to swimming pools, was the decision based on maintenance or capital?

The Chief Executive Officer advised that it is capital expenditure.

Is the Chief Executive Officer able to approve capital decisions without it coming back to Council?

The Presiding Member advised that the Chief Executive Officer is able to approve capital decisions up to a value of \$350,000 in accordance with his delegated authority.

The Chief Executive Officer clarified that in accordance with this delegated authority he is able to approve tenders up to his delegated authority.

CORRECTION NOTE:

The Chief Executive Officer is able to authorise any expenditure for any goods or services the Town requires, if provision for these goods and services has been included in the Town's Annual Budget. The Chief Executive Officer currently holds delegated authority to call for any tenders subject to Section 3.57(1) of the Local Government Act 1995 and Part 4, Division 2 of the Local Government (Functions and General) Regulations 1996.

The Chief Executive Officer also holds delegated authority to accept tenders when the consideration involved does not exceed \$300,000 excluding GST provided that the appropriate provision is made in Council's Budget and with reference to the Council's Procurement Policy (2/007) and the Council's Tender Policy (2/011) and Part 18(4) and (6) of Local Government (Functions and General) Regulations 1996.

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 Blanco
- Councillor Arif
- Councillor Carter
- Councillor McDonogh
- Councillor Pitt

The following Committee Members declared that they had not given due consideration to all matters contained in the agenda:

- Deputy Mayor Newbery
- Councillor Whitwell
- Councillor Daccache

Item 10 Confirmation of Minutes of Previous Meeting

10.1 Confirmation of Minutes of the Audit, Risk and Governance Committee Meeting held on Tuesday 5 September 2017

ARG201718/49 OFFICER RECOMMENDATION/ AUDIT, RISK AND GOVERNANCE COMMITTEE DECISION

MOVED: CR ARIF

SECONDED: CR WHITWELL

That the Audit, Risk and Governance Committee confirm that the Minutes of the Audit, Risk and Governance Committee Meeting held on Tuesday 5 September 2017 are a true and correct record.

CARRIED 8/0

Item 11 Announcements by Presiding Member without Discussion

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.

Item 12 Reports of Officers

Nil

Item 13 Motions of Which Previous Notice Has Been Given

Nil

Item 14 New Business of an Urgent Nature

14.1 Audited Annual Financial Statements for the period ended 30 June 2017 (File No. 12/14/0001)

Author	Manager Financial Services
Authorising Officer	Director Development, Sustainability & Lifestyle
Disclosure of Interest	The Author and Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

OFFICER RECOMMENDATION

That the Audit, Risk and Governance Committee receive and endorse to Council the Audited Annual Financial Report, Independent Auditor's Report, Closing Report and Management Letter of Audit Findings for the financial year ended 30 June 2017.

ARG201718/50 AUDIT, RISK AND GOVERNANCE COMMITTEE DECISION**MOVED: CR MCDONOGH****SECONDED: CR WHITWELL**

The Audit, Risk and Governance Committee resolve that item 14.1 'Audited Annual Financial Statements for the period ended 30 June 2017' be considered at the 5 December 2017 Audit, Risk and Governance Committee Meeting.

CARRIED 8/0

PURPOSE

The Audit, Risk and Governance (ARG) Committee is to report to Council and provide appropriate advice and recommendations on matters relevant to the Committee's terms of reference. One of the Committee's principal duties is to make recommendations to Council regarding external audit reporting.

This report presents to the Committee the audited Annual Financial Report (AFR), the Independent Auditor's Report, Closing Report and Management Letter of Audit Findings from the Town's Auditors, RSM Bird Cameron, for the year ended 30 June 2017.

An unqualified opinion was issued with respect to the financial statements, meaning that the Town of Port Hedland financial records and statements are fairly and appropriately presented, and in accordance with General Accepted Accounting Principles (GAAP). A qualified opinion was reported in relation to statutory compliance due to the Town not submitting balances 30 June accounts to the auditor by 31 October 2017 as required by section 6.4(3)(a) of the Local Government Act 1995.

There were four significant matters and five moderate matters for consideration to be presented during next year's audit as identified in Annexure A Management Letter.

DETAIL

Each year, the Town is required to prepare general purpose financial reports and refer them to the Auditors as soon as practicable, no later than 30 September following the end of the financial year (Section 6.4 of the *Local Government Act 1995*). On 6 September 2017 the Town requested an extension of time from the Department of Local Government and subsequently obtained an extension to 31 October 2017 for the preparation of the general purpose financial reports. The Audit Report is to be accepted by Council no later than 31 December (Section 5.54 of the *Local Government Act 1995*).

The Annual Financial Report is prepared in accordance with Australian Accounting Standards; the *Local Government (LG) Act 1995*; and the *Local Government (Financial Management) Regulations 1996*. Management's responsibility is to prepare it in accordance with the Standards, Act and Regulations and to ensure that the reports fairly present the financial performance and position of the Town, free from material misstatement, whether due to fraud or error.

The Town's Auditors, RSM Australia, conducted the end of year audit onsite from 30 October to 1 November 2017, with the Annual Financial Report submitted to the Auditors on 31 October 2017. Areas of audit emphasis included the following:

- Payroll
- Cash and Treasury Cycles
- Inventory
- Fixed Assets
- End of Year Accruals
- Restricted Cash Reserves
- Airport Provisions

The role of the Auditor is to provide an opinion based on their audit as to whether Management has fulfilled these obligations. The Auditors also prepare a separate, more detailed report for Management, identifying any issues arising from the conduct of the audit, and recommending any corrective actions. An unqualified opinion was issued with respect to the financial statements, meaning that the Town's financial records and statements are fairly and appropriately presented, and in accordance with General Accepted Accounting Principles (GAAP). A qualified opinion was reported in relation to statutory compliance due to the Town not submitting its balanced accounts as at 30 June 2017 to the Auditors by 31 October 2017 as required by section 6.4(3)(a) of the *Local Government Act 1995*.

Council's ARG Committee has delegated authority to liaise with the Auditor, and receive and examine the Auditor's report and any Management Letters arising from the conduct of the audit. The ARG Committee met with RSM Australia's Auditors on 15 November 2017 to discuss audit procedures and findings.

SUMMARY OF FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

Continuing Operations

A municipal surplus occurs where an opening balance carried forward plus revenue exceeds expenditure in a particular financial year. The Town recognises a closing municipal surplus of \$4,125M from 2016/17 to be carried forward to the 2017/18 financial year. The surplus was realised mainly due to unfinished capital projects which have been re-budgeted in 2017/18

for completion as well as the requirement to recognise Federal Assistance Grants to fund 2017/18 operations received prior to 30 June 2017.

When compared with 2015/16, the Town's operating revenue streams decreased overall by 3.48%, mainly due to rates yield being less than previous years. It is worth noting that interest earned on reserves relating to the Port Hedland International Airport (PHIA) lease proceeds saw a significant increase in interest income, however this income is restricted to the PHIA Lease Proceeds Reserve and is unable to be utilised to fund the Town's operational expenditure.

The Town's operating expenses decreased by 16.87% following structure reviews and reduction of employee costs; a decrease in depreciation relating to revaluations of furniture and equipment and plant; and underspending across materials and contracts.

These operating results have seen the Town realise a net deficit of \$4,540M in the operating result from continuing operations (excludes capital expenditure); and an Operating Surplus Ratio of -0.21%.

The financial sustainability of the Town reflected in the ratios presented in the AFR is a direct result of reduced grant income and other available income sources to use for continuing operations as well as the pressure to continue to reduce rates, fees and charges. It is important to note the impact of reduced and restricted income in relation to the Town's Debt Service Coverage Ratio, calculated at 1.76 which is below the Department target of 2.0. The long term sustainability of the Town will be dependent on reviewing the current debt portfolio and management of debt moving forward.

Throughout the 2016/17 financial year, interest earned on investments was re-invested where possible to continue to maximise revenue generating opportunities. All investment funds are held in various Authorised Deposit Institutions, in line with the *Local Government Financial Management Regulations (1995)* and the Town's Investment Policy. The decline in trade receivables is consistent with the state and nation wide economic downturn, resulting in an increase in the number of defaults and bankruptcies.

The asset sustainability ratio increased from 0.37 in the 2015/16 financial year, to 0.82 in 2016/17. This ratio is an approximation of the extent to which assets managed by the Town are being replaced as these reach the end of their useful lives. While still slightly below the Department target of 0.9, the increase directly reflects on the Town's commitment to continuing to focus on asset renewal.

LEVEL OF SIGNIFICANCE

In accordance with Policy 4/009 'Significant Decision Making', this matter is considered to be of medium significance, because it represents the financial position of the Town at 30 June 2017. Risks associated with the audit findings are set out in this report under the heading 'Risk Management Considerations'.

CONSULTATION

Internal

This report was completed with the input and assistance of the Executive Leadership Team and the Financial Services team.

External Agencies

- The Town's Auditors, RSM Australia
- Moore Stephens

LEGISLATION AND POLICY CONSIDERATIONS

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

The Department of Local Government and Communities has also prepared Operational Guideline Number 9 to provide guidelines for the ARG Committee relating to Audit in Local Government.

Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* details the CEO's duties in regards to financial management.

FINANCIAL AND RESOURCES IMPLICATIONS

The costs associated with conducting the interim audit and end of financial year audit are captured in the 2016/17 budget.

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

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

RISK MANAGEMENT CONSIDERATIONS

Findings were identified during the audit of the Annual Financial Report. These risks will be detailed in the final Closing Report and Management Letter presented by RSM Australia. As per the risk matrix contained in policy 1/022 'Risk Management', the level of risk is considered to be Medium (9).

Please see the attached management letter for detail regarding risks identified by RSM Australia.

OPTIONS

Option 1 - Adopt Officer's Recommendation

Option 2 – Do not adopt Officer's Recommendation

Should the Committee choose not to endorse the attached reports, the Audited Annual Financial Statements will still be presented to Council without the endorsement of the Committee.

CONCLUSION

The Annual Financial Report, Independent Auditor's Report, Closing Report and Management Letter of Audit Findings are attached for the ARG Committee's review. The Town is continuously working towards improvements in the financial management area and there will be a focus on creating stronger internal controls within financial management and processes in accordance with the Town's values and long term sustainability.

ATTACHMENTS

1. Annual Financial Report for the Year Ended 30 June 2017 (Under Separate Cover)
2. Letter of acceptance of extension of time to submit report to Auditors
3. ***Late Attachment** - Independent Auditors Report (report not received from Auditors to be tabled at this meeting)
4. ***Late Attachment** - Closing Report (confidential draft - final documents to be released in the Audit, Risk and Governance Committee agenda for 7 December 2017)
5. ***Late Attachment** - Annexure A Management Letter (confidential draft - final documents to be released in the Audit, Risk and Governance Committee agenda for 7 December 2017)

ATTACHMENT 2 TO ITEM 14.1

Department of
**Local Government, Sport
and Cultural Industries**

Our ref PH3-3#07, E1739252
Enquiries Alan Carmichael
Phone 6552 1430
Email alan.carmichael@dlgsc.wa.gov.au

Mr David Pentz
Chief Executive Officer
Town of Port Hedland
PO Box 41
PORT HEDLAND WA 6721

Dear Mr Pentz

**TOWN OF PORT HEDLAND – REQUEST FOR EXTENTION OF TIME TO
SUBMIT 2016/17 ANNUAL FINANCIAL REPORT**

Thank you for your application of 6 September 2017 seeking an extension of time to complete and submit to your Auditor the Annual Financial Report for the 2016/17 financial year.

I advise that in accordance with the authority delegated by the Minister, the Deputy Director General, Regulation has approved an extension of time to 31 October 2017 to submit to your Auditor, the balanced accounts and Annual Financial Report for 2016/17.

If you wish to discuss this matter, please contact Mr Alan Carmichael, A/Manager Sector Monitoring at the Department of Local Government, Sport and Cultural Industries via the details listed above.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jenni Law'.

Jenni Law
DIRECTOR LOCAL GOVERNMENT REGULATION AND SUPPORT

8 September 2017

Gordon Stephenson House, 140 William Street
PO Box 8349 Perth Business Centre, WA 6349
Telephone (08) 6552 7300
Email info@dlgsc.wa.gov.au
Web www.dlgsc.wa.gov.au

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

Nil

Item 16 Closure

16.1 Date of Next Meeting

The date of the next Audit, Risk and Governance Committee Meeting will be 5 December 2017 at 5:30pm in Council Chambers.

At the Ordinary Council Meeting held on 22 November 2017, Council resolved to change the date of the next Audit, Risk and Governance Committee Meeting to be held on 7 December 2017 at 5:30pm in Council Chambers.

16.2 Closure

There being no further business, the Presiding Member declared the meeting closed at 5:56pm.