



Audit, Risk and Governance Committee Minutes

Tuesday, 4 September 2018 at 5:30pm

Council Chambers, McGregor Street, Port Hedland

Our Vision:

**“To be Australia’s leading Port Town embracing community, culture
and environment”**

David Pentz
Chief Executive Officer

Distribution Date: 7 September 2018

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TERMS OF REFERENCE

1. Purpose of the Terms of Reference

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

2. Introduction

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

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

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

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

3. Objectives

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

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

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

4. Authority

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

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

5. Composition

- 5.1 The Audit, Risk and Governance Committee will comprise of eleven members, nine Elected Members and two independent members.
- 5.2 The Council will appoint Audit, Risk and Governance Committee members.
- 5.3 The Presiding Member and Deputy Presiding Member will be appointed by the Audit, Risk and Governance Committee, biennially by election by all committee members after the Ordinary Local Government Election.
- 5.4 The members, taken collectively, will have a broad range of skills and experience relevant to the operations of the Town. At least one member of the committee will have accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment.
- 5.5 Independent members will be appointed until the next Ordinary Local Government Election.
- 5.6 A quorum will be a minimum of 50% of the membership.
- 5.7 Audit, Risk and Governance Committee members are required by the *Local Government Act 1995* 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 these 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 these terms of reference as requested by the Council.
- 7.9.2 Annually review, suggest improvements to and assess the adequacy of the Audit, Risk and Governance Committee terms of reference, request Council approval for proposed changes, and ensure appropriate disclosure as might be required by legislation or regulation.

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

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

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

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

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

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

Amended by Council at its Ordinary Meeting held on 24 May 2017.

Re-Adopted by Council at its Ordinary Meeting held on 1 November 2017.)

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Item 1 Opening of Meeting

The Presiding Member declared the meeting open at 5:30pm.

Item 2 Acknowledgement of Traditional Owners and Dignitaries

The Presiding Member acknowledged the traditional custodians, the Kariyarra people, and recognised the contribution of Kariyarra Elders past, present and future, in working together for the future of Port Hedland.

Item 3 Recording of Attendance

3.1 Attendance

Mayor Camilo Blanco – Presiding Member
Deputy Mayor Louise Newbery
Councillor Julie Arif
Councillor Richard Whitwell
Councillor George Daccache
Councillor Tricia Hebbard
Councillor Telona Pitt – Deputy Presiding Member
Mr Arnold Carter – Community Member

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

Public	0
Media	0
Officers	2

3.2 Attendance by Telephone / Instantaneous Communications

Nil

3.3 Apologies

Councillor Peter Carter
Councillor Warren McDonogh

3.4 Approved Leave of Absence

Nil

3.5 Disclosure of Interests

Nil

Item 4 Applications for Leave of Absence

Nil

Item 5 Response to Previous Questions

5.1 Response to Questions taken on notice from Public at the Audit, Risk and Governance Committee Meeting held on Tuesday 5 June 2018

Nil

5.2 Response to Questions taken on notice from Elected Members at the Audit, Risk and Governance Committee Meeting held on Tuesday 5 June 2018

5.2.1 Mr Arnold Carter

Can I please receive all the costs associated with the Mia Mia arbitration as noted in item 11.1.4 'Quarterly Status of the ARG Committee's Endorsements to Council and the Council Decision Risk Register'?

The Director Corporate and Performance advises that these costs will be presented to the Audit, Risk and Governance Committee during their briefing session on Tuesday 4 September 2018 at 5:00pm.

Item 6 Public Time

Important note:

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

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

The Presiding Member opened Public Question Time at 5.32pm

6.1 Public Question Time

Nil

The Presiding Member closed Public Question Time at 5.32pm

The Presiding Member opened Public Statement Time at 5.32pm

6.2 Public Statement Time

Nil

The Presiding Member closed Public Statement Time at 5.32pm

6.3 Petitions/Deputations/Presentations/Submissions

Nil

Item 7 Questions from Members without Notice

7.1 Mr Arnold Carter

Since I have been on this Audit Committee, I have not received any correspondence on any subjects being discussed, apart from the agenda. I only get them [by requesting them] and picking them up. Can I please have anything relevant to the Committee forwarded to me for my attention?

The Presiding Member advised that anything relevant to the meetings would be issued to Mr Carter.

I only get the minutes, and nothing else. There are a lot of [documents] that I would like copies of.

The Presiding Member asked Mr Carter if he would like to request any documents in particular.

Mr Carter advised in the negative.

Item 8 Announcements by Presiding Member without Discussion

Nil

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

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

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

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 June 2018

ARG201819/022 OFFICER'S RECOMMENDATION/ ARG COMMITTEE DECISION

MOVED: CR ARIF

SECONDED: MR CARTER

That the Audit, Risk and Governance Committee confirm that the Minutes of the Audit, Risk and Governance Committee Meeting held on Tuesday 5 June 2018 are a true and correct record.

CARRIED 8/0

Disclaimer

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

Item 11 Reports of Officers

11.1 Corporate and Performance**11.1.1 Auditing Reforms (File No. 13/09/0016)**

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

ARG201819/023 OFFICER'S RECOMMENDATION/ ARG COMMITTEE DECISION**MOVED: CR WHITWELL****SECONDED: CR ARIF**

That the Audit, Risk and Governance Committee note the amendments made to the *Local Government (Financial Management) Regulations 1996* and *Local Government (Audit) Regulations 1996* published on 28 June 2018.

CARRIED 8/0

PURPOSE

The purpose of this report is to provide a summary of the amendments made to the *Local Government (Financial Management) Regulations 1996* and *Local Government (Audit) Regulations 1996*, as highlighted in the Guide to Local Government Auditing Reforms issued on 28 June 2018. The report also provides information on the impact of the amendments on the Town of Port Hedland.

DETAIL

On 28 June 2018 the Department of Local Government, Sport and Cultural Industries issued Circular 02-2018 regarding *Guide to Local Government Auditing Reforms - June 2018*. The circular identified four key changes that have been made to the *Local Government (Financial Management) Regulations 1996* and *Local Government (Audit) Regulations 1996*.

The four key changes and impacts on the Town of Port Hedland are outlined below.

1. Assets with value less than \$5,000

This change is outlined in regulation 17A(5) of the *Local Government (Financial Management) Regulations 1996*.

From 1 July 2018, an asset is to be excluded from the asset register if the fair value at date of acquisition is under \$5,000. The Chief Executive Officer (CEO) is required to take all reasonable steps to prevent theft or loss of non-consumable portable and attractive items valued under \$5,000. The minimum value of an asset to be captured on the asset register was not previously stipulated in the regulations.

Based on past expenditure patterns at the Town of Port Hedland, this change will predominantly apply to:

- Computer equipment such as laptop computers and iPads; and
- Mobile equipment such as hand tools and garden equipment.

Financial/accounting impact

This change only applies to newly acquired fixed assets. Our advisors have clarified this position with the Office of the Auditor General (OAG).

The financial impact of this change is that expenditure on these items will now be classified as operational expenditure, not capital. Cash flow will not change.

The budget proposed for adoption by Council on 6 September 2018 does not reflect the change in expenditure categorisation. The change in categorisation will be made as part of the first quarterly review of the FY19 budget.

Protection of assets

The Town already maintains an attractive items register in relation to IT equipment. Mobile equipment utilised by Depot staff is managed through Stores.

An annual verification of minor assets will be introduced to monitor loss and theft.

2. Revaluation of assets

This change is outlined in regulation 17A(4) of the *Local Government (Financial Management) Regulations 1996*.

From 27 June 2018, local governments will be required to revalue an asset whenever the local government is of the opinion that the fair value of the asset is likely to be materially different from its carrying value. In any event, all assets must be revalued at least every 3 years but no more than 5 years after the day on which the asset was last valued or revalued.

Previously, the regulation prescribed specific classes of assets to be revalued by specific dates.

This change to the regulations does not materially change current processes at the Town regarding valuation of assets. Asset classes are currently revalued on a three year rolling programme, with Infrastructure assets revalued for the year-ended 30 June 2018.

3. Internal audit

This change is outlined in regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.

From 27 June 2018, local governments will be required to conduct a review of their audit systems and procedures, and their financial management systems no less than every three years. Previously local governments were required to conduct these reviews no less than every two years and four years respectively.

Financial impact

The Town is proposing to outsource internal audit functions on a structured rolling three-year programme. The programme will be determined in conjunction with the internal auditors and OAG. The cost of implementing an internal audit programme is currently unknown and no provision has been made in the FY19 budget.

It should be noted that the use of internal auditors will assist the ARG Committee with changes outlined in item 4 below.

4. Role of Audit Committee

This change is outlined in regulation 16 of the *Local Government (Audit) Regulations 1996*.

From 27 June 2018, the role of the audit committee has been strengthened to assist the CEO to carry out the reviews of audit systems. The audit committee's responsibilities have also been extended to 'monitor and advise' the CEO in reviews conducted into financial management systems and audit systems and procedures. The audit committee will also support the auditor as required and have functions to oversee the implementation of audit recommendations made by the auditor, which have been accepted by Council, and accepted recommendations arising from reviews of local government systems and procedures.

Previous wording in regulation 16 was that the audit committee "*may provide guidance and assistance*", whereas the new regulation 16 specifies the function of an audit committee "*is to guide and assist*".

The engagement of internal auditors as proposed in item 3 above, will assist the ARG Committee with the discharge of their new responsibilities.

The terms of reference for the ARG Committee terms of reference will be updated to reflect this change.

5. Minor changes

The following minor change also applies from 28 June 2018.

- The CEO is to review the appropriateness and effectiveness of certain systems and procedures (e.g. risk management, internal control, legislative compliance) every three years. This was previously every two years per regulation 17 of the *Local Government (Audit) Regulations 1996*.

All remaining changes are administrative. Please refer to attachment 2 for a full list of all changes.

LEVEL OF SIGNIFICANCE

In accordance with Policy 4/009 'Significant Decision Making', this matter is considered to be of low significance as the changes outlined are predominantly procedural in nature.

CONSULTATION

Internal

- Finance team
- Governance team
- Executive leadership team

External

- Moore Stephens

LEGISLATION AND POLICY CONSIDERATIONS

The terms of reference for the ARG Committee will be reviewed to align with the changes in regulation 16 of the *Local Government (Audit) Regulations 1996*.

FINANCIAL AND RESOURCES IMPLICATIONS

The implementation of a structured internal audit programme will incur new operational expenditure. No provision has been made in the FY19 budget for internal audit costs. External audit expenses may be reduced in the future, subject to OAG's policy of relying on the findings of internal audits.

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

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

RISK MANAGEMENT CONSIDERATIONS

As per the risk matrix contained in policy 1/022 'Risk Management', the level of risk is considered to be Low (4) as the information is primarily for noting.

OPTIONS

Option 1 - Adopt Officers Recommendation

Option 2 – Do not adopt Officers Recommendation

CONCLUSION

Key changes in the *Local Government (Financial Management) Regulations 1996* and *Local Government (Audit) Regulations 1996* have been outlined above, with no major implications for the Town of Port Hedland.

It is recommended that the Town implement a rolling three year internal audit programme to strengthen compliance with both sets of regulations and assist the ARG Committee with execution of their duties.

ATTACHMENTS

1. Circular 02-2018 regarding *Guide to Local Government Auditing Reforms - June 2018* from the Department of Local Government, Sport and Cultural Industries.
2. Government Gazette 26 June 2018 - Local Government Regulations Amendment.
3. A Guide to Local Government Auditing Reforms – June 2018 from the Department of Local Government, Sport and Cultural Industries.

ATTACHMENT 1 TO ITEM 11.1.1

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

Our Ref: E1817068

TO ALL LOCAL GOVERNMENTS

CIRCULAR N^o 02-2018

GUIDE TO LOCAL GOVERNMENT AUDITING REFORMS – JUNE 2018

Following engagement with the sector, the Department has revised the [Guide to Local Government Auditing Reforms](#) which includes a number of amendments that affect local governments.

The amendments result from the transition of responsibility for oversight of local government audits to the Office of the Auditor General.

In September 2017, the Department provided advice in [Circular 16-2017](#) regarding proposed changes to the conduct of local government audits and financial management.

Following consultation with local government in line with the State Local Government Partnership Agreement, the proposed amendments to the *Local Government (Financial Management) Regulations 1996* and *Local Government (Audit Regulations) 1996* were revised and gazetted on Tuesday, 26 June 2018.

The key changes affecting local government are as follows:

- From 1 July 2018, an asset is to be excluded from the assets of a local government if the fair value of the asset as at the date of acquisition is under \$5,000. CEOs must take all reasonable steps to prevent the theft or loss of non-consumable portable and attractive items valued under \$5,000.
- From 27 June 2018, local governments will be required to conduct a review of their audit systems and procedures, and their financial management systems no less than every three years. Previously local governments were required to conduct these reviews no less than every two years and four years respectively.

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- From 27 June 2018 local governments will be required to revalue an asset whenever the local government is of the opinion that the fair value of the asset is likely to be materially different from its carrying amount; and in any event, within a period of at least 3 years but not more than 5 years after the day on which the asset was last valued or revalued.
- From 27 June 2018, the role of the audit committee has been strengthened to assist the CEO to carry out the reviews of audit systems. The Audit Committee's responsibilities have also been extended to 'monitor and advise' the CEO in reviews conducted into financial management systems and audit systems and procedures. The Audit Committee will also support the auditor as required and have functions to oversee the implementation of audit recommendations made by the auditor, which have been accepted by council; and accepted recommendations arising from reviews of local government systems and procedures.

The Guide to Local Government Auditing Reforms – June 2018 replaces the earlier guide released in September 2017 and is available on the department's website at www.dlgsc.wa.gov.au.



Duncan Ord OAM
DIRECTOR GENERAL

28 June 2018

ATTACHMENT 2 TO ITEM 11.1.1

2384

GOVERNMENT GAZETTE, WA

26 June 2018

LOCAL GOVERNMENT

LG301

Local Government Act 1995

**Local Government Regulations Amendment
(Auditing) Regulations 2018**

Made by the Governor in Executive Council.

Part 1 — Preliminary**1. Citation**

These regulations are the *Local Government Regulations Amendment (Auditing) Regulations 2018*.

2. Commencement

These regulations come into operation as follows —

- (a) Part 1 — on the day on which these regulations are published in the *Gazette* (*gazettal day*);
- (b) regulations 13 and 14 — on 1 July 2018;
- (c) the rest of the regulations — on the day after gazettal day.

**Part 2 — Local Government (Audit)
Regulations 1996 amended****3. Regulations amended**

This Part amends the *Local Government (Audit) Regulations 1996*.

4. Regulation 3 amended

In regulation 3 delete the definition of *Australian Accounting Standards*.

5. Regulation 8 amended

In regulation 8(1):

- (a) in paragraph (a) delete “Executive Director —” and insert:

Departmental CEO —

- (b) in paragraph (b) delete “Executive Director” and insert:

Departmental CEO

Note: The heading to amended regulation 8 is to read:

Departmental CEO to be notified of termination of audit agreement

6. Regulation 9 replaced

Delete regulation 9 and insert:

9. Performance of audit

- (1) In this regulation —

Australian Accounting Standards means the standards made and amended from time to time by the Australian Accounting Standards Board continued under the *Australian Securities and Investments Commission Act 2001* (Commonwealth) section 261.

- (2) An auditor must carry out an audit in accordance with the Australian Auditing Standards made or formulated and amended from time to time by the Auditing and Assurance Standards Board established by the *Australian Securities and Investments Commission Act 2001* (Commonwealth) section 227A.
- (3) An auditor must carry out the work necessary to form an opinion whether the annual financial report —
- (a) is based on proper accounts and records; and
 - (b) fairly represents the results of the operations of the local government for the financial year and the financial position of the local government at 30 June in accordance with —
 - (i) the Act; and
 - (ii) the Australian Accounting Standards (to the extent that they are not inconsistent with the Act).

9A. CEO to provide documents to Auditor General carrying out financial audit

- (1) In this regulation —

audit document means —

- (a) the strategic community plan as defined in the *Local Government (Administration) Regulations 1996* regulation 19BA; or
- (b) the corporate business plan as defined in the *Local Government (Administration) Regulations 1996* regulation 19BA; or

- (c) another plan or informing strategy specified by the Auditor General; or
 - (d) another document specified by the Auditor General.
- (2) The CEO must provide a copy of an audit document to the Auditor General within 14 days after the Auditor General requests it for the purposes of a financial audit under Part 7 Division 3A of the Act.

7. Regulation 13 amended

- (1) In regulation 13 in the Table under the heading "*Local Government Act 1995*" after "s. 5.88" insert:

s. 5.89A

- (2) In regulation 13 in the Table under the heading "*Local Government (Administration) Regulations 1996*" after "r. 19" insert:

r. 19C

r. 19DA

8. Regulation 15 amended

In regulation 15(1) delete "Executive Director" and insert:

Departmental CEO

Note: The heading to amended regulation 15 is to read:

Certified copy of compliance audit return and other documents to be given to Departmental CEO

9. Regulation 16 replaced

Delete regulation 16 and insert:

16. Functions of audit committee

An audit committee has the following functions —

- (a) to guide and assist the local government in carrying out —
 - (i) its functions under Part 6 of the Act; and
 - (ii) its functions relating to other audits and other matters related to financial management;

- (b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;
- (c) to review a report given to it by the CEO under regulation 17(3) (the *CEO's report*) and is to —
 - (i) report to the council the results of that review; and
 - (ii) give a copy of the CEO's report to the council;
- (d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —
 - (i) regulation 17(1); and
 - (ii) the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);
- (e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;
- (f) to oversee the implementation of any action that the local government —
 - (i) is required to take by section 7.12A(3); and
 - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and
 - (iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and
 - (iv) has accepted should be taken following receipt of a report of a review conducted under the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);
- (g) to perform any other function conferred on the audit committee by these regulations or another written law.

10. Regulation 17 amended

In regulation 17(2) delete "at least once every 2 calendar years." and insert:

not less than once in every 3 financial years.

**Part 3 — Local Government (Financial Management)
Regulations 1996 amended**

11. Regulations amended

This Part amends the *Local Government (Financial Management) Regulations 1996*.

12. Regulation 5 amended

In regulation 5(2)(c) delete “4” and insert:

3

13. Regulation 17A amended

(1) In regulation 17A(1) insert in alphabetical order:

carrying amount, in relation to an asset, means the carrying amount of the asset determined in accordance with the AAS;

(2) Delete regulation 17A(4) and (5) and insert:

(4) A local government must revalue an asset of the local government —

- (a) whenever the local government is of the opinion that the fair value of the asset is likely to be materially different from its carrying amount; and
- (b) in any event, within a period of at least 3 years but no more than 5 years after the day on which the asset was last valued or revalued.

(5) An asset is to be excluded from the assets of a local government if the fair value of the asset as at the date of acquisition by the local government is under \$5 000.

14. Regulation 17B inserted

After regulation 17A insert:

17B. CEO to take steps to protect excluded portable and attractive assets

A CEO must take all reasonable steps to prevent the theft or loss of—

- (a) a non-consumable asset that is susceptible to theft or loss due to its portable nature and attractiveness for personal use or resale; and
- (b) an asset referred to in regulation 17A(5).

15. Schedule 2 amended

In Schedule 2 Form 1:

- (a) delete “being the annual financial report and supporting notes and other information for the financial year ended 30 June ⁽³⁾ are in my opinion properly drawn up” and insert:

for the financial year ended 30 June ⁽³⁾ is based on proper accounts and records

- (b) delete “the *Australian Accounting Standards* and comply with the provisions of the *Local Government Act 1995* and the regulations under that Act.” and insert:

the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

N. HAGLEY, Clerk of the Executive Council.



Department of
Local Government, Sport
and Cultural Industries

A Guide to Local Government Auditing Reforms - June 2018

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June 2018

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A Guide to Local Government Auditing Reforms – June 2018

Introduction

On 24 August 2017, amendments to the *Local Government Act 1995* were passed by State Parliament that will enable the Auditor General to audit council finances and performance.

The changes to the Act have been supported by amendments to the *Local Government (Financial Management) Regulations 1996* and *Local Government (Audit Regulations)* gazetted on Tuesday, 26 June 2018,

Unless otherwise specified, the changes to the regulations commence on 27 June 2018. Regulations 13 and 14 of the *Local Government (Financial Management) Regulations 1996* commence on 1 July 2018.

This guide has been prepared by the Department of Local Government, Sport and Cultural Industries (the Department) to inform local governments and auditors about the changes and replaces the guide published in September 2017.

Changes to the *Local Government Act 1995* made in 2017

Auditor General will be responsible for financial and supplementary audits

The reforms made in 2017 have expanded the Auditor General's scope of powers to undertake and report on local government financial audits and provide for the independent oversight of the local government sector.

The Auditor General will take over responsibility for financial audits on a transitional basis as existing audit contracts expire. From 2020-21, all local governments will be audited by the Auditor General, regardless of whether their auditing contracts have expired.

The Department has received advice that this termination requirement will not expose the State, the Director General, or local governments to any liability if audit contracts are cancelled as a result of the changes.

A local government may not appoint a person to be its auditor.

The Auditor General will be able to contract out some or all of the financial audits but all audits will be done under the supervision of the Auditor General.

As is currently the case, local governments will be responsible for meeting the costs of financial audits. The Auditor General will determine the fees for a financial audit.

The Department has published the status of each local government's audit arrangements. This will provide transparency so that members of the community are aware of whether or not the Auditor General has responsibility for a local government audit.

Amendments mean that regional subsidiaries and regional councils will be audited by the Auditor General in the same way as local governments. The Auditor General will have the power to dispense with a financial audit of a local government or regional subsidiary where the Auditor General believes this is appropriate.

The Auditor General must consult with the Minister for Local Government before exercising this power. This could be used, for example, if a regional council has ceased to operate but has not yet been wound up. If this power is exercised, the Auditor General must notify the Public Accounts Committee and the Estimates and Financial Operations Committee of Parliament.

The Auditor General must give the report on the financial audit to the Mayor / President of the local government, the CEO of the local government, and the Minister for Local Government.

New category of audits: performance audits

The 2017 reforms introduced a new category of audits: performance audits. These audits examine the economy, efficiency, and effectiveness of programs and organisations, including compliance with legislative provisions and internal policies.

The new legislation gives the Auditor General the power to conduct such audits, which may focus on a particular issue or theme, such as procurement practices, and may include individual or multiple local governments and related bodies. This is in line with the approach adopted in other jurisdictions and with what applies to State Government agencies. Performance audits will be paid for by the State Government.

The Auditor General publishes its audit program on the Auditor General's website.

Performance audit reports are submitted to both Houses of Parliament for the Public Accounts Committee and the Estimates and Financial Operations Committee. The report is also provided to the relevant local governments.

Publication of financial reports

Commencing with their 2017-18 annual report, local governments will be required to publish the annual report, including audit reports on the local government's official website within 14 days after the report has been accepted by the local government.

Local governments will be required to publish their annual report online regardless of who undertakes the audit.

Local government duties with respect to audits

Legislation now requires local governments to examine an audit report it receives and implement appropriate action in respect to the significant matters raised.

Local governments must prepare a report addressing the significant matters identified in the report and state what action the local government has taken or intends to take. This report must be provided to the Minister within three months of receiving the audit report. Within 14 days after the local government gives the report to the Minister, the CEO must publish a copy of the report on its official website.

Amendments to the Local Government (Financial Management) Regulations 1996

The following amendments to the *Local Government (Financial Management) Regulations 1996* have been made.

Timeframe for review of financial management systems

Regulation 5 regarding the CEO's duties as to financial management has been amended to require the CEO to undertake a review of the appropriateness and effectiveness of the financial management systems and procedures from no less than once in every four financial years to no less than three financial years. This change in combination with amendments to the provisions in the Audit Regulations related to reviewing auditing systems, will achieve greater consistency.

Timeframe for local governments to revalue assets

Regulation 17A(4) has been amended to require a local government to revalue an asset:

- whenever the local government is of the opinion that the fair value of the asset is likely to be materially different from its carrying amount; and
- in any event, within a period of at least 3 years but not more than 5 years after the day on which the asset was last valued or revalued.

These changes have been introduced to achieve greater consistency with the Australian Accounting Standards.

Assets values under \$5,000

Amendments to Regulation 17A excludes assets valued under \$5,000. This regulation commences on 1 July 2018.

Regulation 17B requires the CEO to take steps to protect excluded portable and attractive assets. This regulation requires a CEO to take all reasonable steps to prevent the theft or loss of non-consumable assets that are susceptible to theft or loss due to their portable nature and attractiveness for personal use or resale.

The language of this requirement is consistent with State Government requirements contained in Treasurer's Instruction 410 Record of Assets and has been revised following consultation with the local government sector.

A property register for portable and attractive items may be an appropriate means to properly record portable and attractive assets. The steps necessary to protect portable and attractive assets are a decision for each local government CEO.

Terminology

Amendments to the terminology used in the *Local Government (Financial Management) Regulation 1996* have been made to achieve consistency with the Australian Accounting Standards:

1. the statement from the CEO specified in Schedule 2 Form 1 has been modified replacing the part that states that annual financial report is in the opinion of the CEO properly drawn, with a statement that the annual financial report is 'based on proper accounts and records.'
2. clarification that the annual financial report complies with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Amendments to the Local Government (Audit) Regulations 1996

Role of the Audit Committee

With the transfer of auditing to the Auditor General, local government Audit Committees will have a new and important role.

The role of the Audit Committee has been amended so that the Audit Committee has greater involvement in assisting the CEO to carry out the review under Regulation 17 of the Audit Regulations of systems and procedures concerning risk management, internal control, and legislative compliance. The Audit Committee is empowered to 'monitor and advise' the CEO in reviews of certain systems prescribed by the audit and financial management regulations. The terms 'monitor and advise' have been selected following consultation with the sector.

The reforms are intended to help CEOs formulate recommendations to council to address issues identified in the reviews.

The Audit Committee will also support the auditor as required and have functions to oversee:

- the implementation of audit recommendations made by the auditor, which have been accepted by council; and
- accepted recommendations arising from reviews of local government systems and procedures.

These roles reflect the importance of the Audit Committee as a section of council charged with specific responsibilities to scrutinise performance and financial management. The regulations continue to allow for external membership of Audit Committees. Councils are encouraged to consider inviting appropriate people with expertise in financial management and audit to be members of their Audit Committee.

Role of the council assisting the auditor

Local governments are required to provide the auditor with a copy of their Strategic Community Plan, Corporate Business Plan or another plan or informing strategy. The powers to request documentation are consistent with the Auditor General's powers to request information of State Government agencies when conducting audits.

Timeframe for reviewing audit systems and procedures

An amendment to Regulation 17(2) requires the CEO to undertake a review of audit systems and procedures no less than once in every three financial years. This change will introduce consistency in CEO responsibilities to review financial management and audit systems and procedures in a timely manner.

Compliance Audit Return

Questions regarding the adoption of Integrated Planning and Reporting documents have been included as fields in the Compliance Audit Return.

Terminology

The following amendments for the terminology used in the Audit Regulations have been made:

- references to Executive Director have been replaced by Departmental CEO to reflect Machinery of Government changes; and
- references to the conduct of audits in regulation 9 have been updated to reflect language used in the Australian Accounting Standards.

For more information, please contact:

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11.1.2 Town of Port Hedland's Audit Recommendations Reconciliation for the quarter 1 April 2018 to 30 June 2018 (File No. 13/09/0016)

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

ARG201819/024 ARG COMMITTEE DECISION**MOVED: CR ARIF****SECONDED: CR HEBBARD**

That the Audit, Risk and Governance Committee suspend sections 9.4, 9.5 and 9.9 of the Town of Port Hedland Standing Orders Local Law 2014 in accordance with section 18.2 'Suspension for Standing Orders' to discuss item 11.1.2 'Town of Port Hedland's Audit Recommendations Reconciliation for the quarter 1 April 2018 to 30 June 2018'.

CARRIED 8/0

- 5:39pm The Presiding Member advised that sections 9.4, 9.5 and 9.9 of the Town of Port Hedland Standing Orders 2014 have been suspended.
- 5:43pm Deputy Mayor Newbery left the room.
- 5:50pm Deputy Mayor Newbery re-entered the room and resumed her chair.

ARG201819/025 ARG COMMITTEE DECISION**MOVED: CR DACCACHE****SECONDED: CR HEBBARD**

That the Audit, Risk and Governance Committee resume sections 9.4, 9.5 and 9.9 of the Town of Port Hedland Standing Orders Local Law 2014.

CARRIED 8/0

- 5:50pm The Presiding Member advised that sections 9.4, 9.5 and 9.9 of the Town of Port Hedland Standing Orders 2014 are resumed.

ARG201819/026 OFFICER'S RECOMMENDATION/ ARG COMMITTEE DECISION**MOVED: CR PITT****SECONDED: CR ARIF****That the Audit, Risk and Governance Committee:**

- 1. Note that all outcomes of audits and reviews the Town has been involved in since 2015 have been consolidated; and**
- 2. Receive the 2018/19 first quarter progress report on improvements the Town is making in relation to all consolidated audit recommendations.**

CARRIED 8/0**PURPOSE**

The purpose of this report is to present to the Committee the actions and improvements undertaken by the Town's administration to address the consolidated audit recommendations.

DETAIL

As reported to the ARG Committee in March 2018, the Town has been involved in a number of programs and audits that have highlighted areas within which the Town needs to make improvements. Audits have taken place in accordance with:

- Statutory requirements;
- Council requests;
- Town requests; or
- Requests for the Town to participate.

The programs and audits have been presented to elected members and/or to the ARG Committee as they have been released over the years, but have never been addressed as one body of work. For this reason, the recommendations from all the audits conducted have been consolidated into one document and the first progress report is being presented to the Committee.

To ensure that outcomes and recommendations are addressed and/or implemented effectively, the audit recommendations have been split into a priority (legislated) category and a non-priority (non-legislated) category.

The table below highlights the non-priority (non-legislated) category audits. These audit recommendations will be addressed throughout the 2018/19 financial year.

Item description	Company	Date
Review of Selected Procurement Events	Moore Stephens	December 2015
Procurement Probity Review	Peter Keane	February 2016
Review of Selected Procurement Events	Moore Stephens	April 2016
Better Practice Review	Department of Local Government	June 2016
Governance Review	Australian Institute of Company Directors	May 2017
Reviews on Procurement Processes Jan – Aug 2016, Redundancy Payments and Redeployment of Staff Dec 2013 to August 2016, PHIA Long Term Lease and Review of the Appointment of the Executive Officer in 2015	Paxon Group	July 2017
Procurement Improvement Review	WALGA	December 2017

The table below highlights the priority (legislated) category audits. The Town has commenced addressing these priority (legislated) audit recommendations within the fourth quarter of the 2017/18 financial year.

Item description	Company	Date
Audit Regulation 17	UHY Haynes Norton	April 2015
Audit Regulation 17	Moore Stephens	December 2017

Below is a high level summary of the actions that have been implemented and/or work in progress (WIP) in relation to the above legislated audits, focusing on Corporate Planning, Governance and Procurement business units.

Other business units such as IT, Finance and Human Resources are all currently WIP and will be addressed and presented to the Committee throughout 18/19 financial year.

As both the legislated and non-legislated audits have often picked up on the same areas of improvement, as the Town addresses the legislated audit recommendations, it is likely that it will also simultaneously address the non-legislated audit recommendations.

UHY HAYNES NORTON & MOORE STEPHENS AUDITS**Corporate Planning***Strategic Plan*

The new Strategic Community Plan for 2018-2028 was adopted at the Ordinary Council Meeting held on 23 May 2018.

Corporate Business Plan

The Corporate Business Plan (4 years) is currently being developed, with a view of being presented to Council in October 2018 for adoption.

Governance*Policy and IOP Review*

An internal Policy and IOP Review Process was endorsed by Executive Leadership Team (ELT) on 30 July 2018. This process will ensure a complete review of all current policies and IOPs. Policies and IOPs that are no longer current will be rescinded and/or revised. New policies and IOPs will also be developed where gaps are identified within the Towns business processes. Policies will be presented to Council for adoption, whilst IOPs will be approved internally.

Risk Management Plan

The Town is currently developing a Risk Management Plan and is working towards presenting a draft plan to the ARG Committee in December 2018. This Risk Management Plan will define how risks associated to the Town of Port Hedland will be identified, analysed, and managed. It will also outline the Towns Risk Champions (owners) and how risk management activities will be performed, recorded, and monitored across all business units.

Internal Audit Plan

Executive Leadership Team is considering outsourcing internal audit functions with a three-year programme, which will be determined in conjunction with internal auditors and Office of the Auditor General.

The Internal Audit Plan will identify and assess risks for all business units and will also determine which Internal Audits will be performed. This process will identify gaps within business units and the Town will then implement appropriate internal controls to ensure objective goals are achieved efficiently and effectively.

Please refer to agenda item 'Auditing Reforms' for more information.

Procurement

Centralised Procurement Process

The Town's Procurement Team have established a centrally-led procurement framework. As part of this framework, a revised suite of procurement documents have been created, including procurement policies, Internal Operating Procedures (IOP), forms and work flowcharts to clearly determine all relevant processes associated with the various procurement activities.

Training

To support the roll out of the revised suite of procurement documents, procurement training was conducted and facilitated by the Western Australian Local Government Association (WALGA) in May 2018 over three days. This training formed a good foundation for staff to have regardless of their specific involvement in Procurement.

Date	Training
1 May 2018	Introduction to Procurement & Contracting Fundamentals
2 May 2018	Customised Workshop on new & revised Procurement Procedures
3 May 2018	Managing Contracts in Local Government

The procurement team will establish internal training sessions to ensure that all existing staff are periodically kept up to date. New staff will also be trained as required as part of their induction process.

Supplier Engagement

To ensure that local suppliers are kept up to date with the Town of Port Hedland's new procurement practices, a number of sessions have been scheduled from May 2018 as follows:

Date	Events/conferences
22 May 2018	Procurement Meet and Greet
12 June 2018	Port Hedland Chambers of Commerce
4 July 2018	Hedland Economic and Resources Forum
TBC	Procurement Session with Suppliers (as per budget release): <ul style="list-style-type: none"> • 'How To Complete Tenders/Quotes Documents' Training Session with Suppliers • One on One Session with Suppliers regarding Vendor Panel • Meet and Greet with all Contractors (Register)

Procurement will establish a regular framework of engagement sessions for local suppliers.

LEVEL OF SIGNIFICANCE

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

CONSULTATION

- Governance Team
- Procurement Team
- Executive Leadership Team

LEGISLATION AND POLICY CONSIDERATIONS

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

FINANCIAL AND RESOURCES IMPLICATIONS

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

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

This following section of the Council's *Strategic Community Plan 2018-2028* are applicable in the consideration of this item:

- 4.b.2** Transparent and regular financial reporting and communication to the community is undertaken

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

RISK MANAGEMENT CONSIDERATIONS

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

OPTIONS

Option 1 – Adopt Officers Recommendation

CONCLUSION

This report presents the Audit, Risk and Governance Committee with an overview of the reviewing process of all legislative audit recommendations that has taken place since March 2018, and how the Town's administration have and/or will be addressing all recommendations and suggestions for improvement.

ATTACHMENTS

Nil

Note: Confidential attachment 1 to item 11.1.3 'Interim Audit Management Letter' was discussed by the Committee from 5:51pm to 6:02pm, and the audio recording has been amended accordingly.

11.1.3 Interim Audit Management Letter (File No. 20/01/0100)

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

ARG201819/027 OFFICER'S RECOMMENDATION/ ARG COMMITTEE DECISION

MOVED: CR WHITWELL

SECONDED: CR ARIF

That the Audit, Risk and Governance Committee accept the management letter following RSM Australia's completion of the interim audit for the year ended 30 June 2018.

CARRIED 8/0

PURPOSE

The purpose of this report is to provide the Audit, Risk and Governance (ARG) Committee with the management letter provided by RSM Australia following their completion of the interim audit for the year ended 30 June 2018.

DETAIL

On 24 April 2015 the Town of Port Hedland engaged RSM Australia (previously known as RSM Bird Cameron) to provide external audit services for a period of five years. The final year of audit engagement is the year ended 30 June 2019.

Representatives from RSM Australia conducted their fieldwork in Port Hedland from 28 May 2018 to 30 May 2018 in relation to the interim audit for the year ended 30 June 2018.

The management letter attached indicates that no new issues were identified during the interim audit, and a number of previously identified issues have been resolved.

LEVEL OF SIGNIFICANCE

In accordance with Policy 4/009 'Significant Decision Making', this matter is considered to be of low significance. The attached management letter is provided for information only with no decision required by the ARG committee or the Council.

CONSULTATION

Internal

- Finance team
- Governance team including Procurement
- Executive leadership team

External

Not applicable.

LEGISLATION AND POLICY CONSIDERATIONS

There are no legislative requirements in relation to the ARG Committee receiving these reports.

FINANCIAL AND RESOURCES IMPLICATIONS

There are no financial implications associated with the ARG Committee receiving or accepting the interim management letter. The letter is provided for information purposes with no new issues raised by RSM Australia.

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

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

- 4.b.2** Transparent and regular financial reporting and communication to the community is undertaken

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

RISK MANAGEMENT CONSIDERATIONS

The risk rating for this item has been removed as the management letter is provided for information purposes only.

OPTIONS

Option 1 - Adopt Officers Recommendation

Option 2 – Do not adopt Officers Recommendation

CONCLUSION

The attached interim audit management letter for the year ended is provided for information purposes only. The ARG Committee is not required to endorse or action the attached reports.

ATTACHMENTS

1. Management letter following the interim phase of our audit for the year ending 30 June 2018 from RSM Australia (Under confidential cover)

11.2 Development, Sustainability and Lifestyle

11.2.1 Funding and Donations for the quarter 1 April 2018 to 30 June 2018 (File No. 02/05/0001)

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

ARG201819/028 OFFICER'S RECOMMENDATION/ ARG COMMITTEE DECISION

MOVED: CR DACCACHE

SECONDED: CR ARIF

That the Audit, Risk and Governance Committee receive the list of funding and donations made by the Town of Port Hedland for the quarter 1 April 2018 to 30 June 2018 in accordance with the 2017/18 adopted budget.

CARRIED 8/0

PURPOSE

The guidelines of the Town of Port Hedland Funding and Donations Policy 6/003 state the Chief Executive Officer is to submit quarterly reports to the Audit, Risk and Governance Committee detailing all funding and donations that have been made by the Town of Port Hedland since the previous quarter. Attachment 1 lists \$65,765 of funding and donations paid for the quarter 1 April 2018 to 30 June 2018.

DETAIL

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

As per the guidelines of Policy 6/003 Funding and Donations, attachment 1 lists \$65,765 of funding and donations paid from 1 April 2018 to 30 June 2018.

LEVEL OF SIGNIFICANCE

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

CONSULTATION

Internal

- Director Corporate & Performance
- Manager of Financial Services

External Agencies

- Applicants of funding and donations as stated in attachment 1

LEGISLATION AND POLICY CONSIDERATIONS

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

Policy 6/003 Funding and Donations guidelines state that the Chief Executive Officer of the Town of Port Hedland is to submit quarterly reports to the Audit, Risk and Governance Committee detailing all matched funding grants and community donations that have been made since the previous quarter.

Providing attachment 1 ensures compliance with this policy.

FINANCIAL AND RESOURCES IMPLICATIONS

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

\$65,765 was paid to successful and eligible community grant applicants from 1 April 2018 to 30 June 2018, with \$15,691 paid from 1 July 2017 to 31 March, 2018.

This leaves \$88,569.00 remaining uncommitted in the 2017/18 budget as at 30 June 2018.

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

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

- 1.a.1** Stakeholders are engaged to develop a whole of town approach to increase accessibility to quality health and wellbeing services
- 1.a.2** Community needs and gaps in health provision are identified and delivered
- 1.a.4** Partnerships with stakeholders to deliver sport and recreation are enhanced
- 1.a.5** Agencies and the community are fully engaged to reduce anti-social behaviours and improve community safety
- 1.a.6** Town-wide health, safety, recreation and sporting activities and services
- 1.b.5** Opportunities to get involved and results of engagement are regularly promoted
- 1.c.1** The community, industry, arts and cultural organisations are engaged to identify, plan and coordinate events and activities
- 1.c.2** Events and activities to celebrate the Town's cultural heritage, arts and Pilbara lifestyle are consistently programmed and delivered
- 4.b.2** Transparent and regular financial reporting and communication to the community is undertaken

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

RISK MANAGEMENT CONSIDERATIONS

There is a financial risk associated with this item because as the Town of Port Hedland may exceed the budget and/or approve applications that are deemed ineligible as per Policy 6/003. The risk rating is considered to be Low (2) which is determined by a likelihood of 1 and a consequence of 2.

OPTIONS

Option 1 – Adopt officer's recommendation

Option 3 – Do not adopt officer's recommendation

CONCLUSION

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

ATTACHMENTS

1. List of funding and donations made for the quarter 1 April 2018 to 30 June 2018 and the three previous quarters for 2017/18.

ATTACHMENT 1 TO ITEM 11.2.1

SUMMARY OF COMMUNITY FUNDING
& DONATIONS PAID FOR THE
QUARTER 1 APRIL 2018 TO 30
JUNE 2018



17/18 Budget for Community Grants	\$170,025.00
Less Payments:	
Quarter 1	\$9,766.00
Quarter 2	\$1,975.00
Quarter 3	\$3,950.00
Quarter 4	\$65,765.00
Total payments	\$81,456.00
Balance uncommitted as at 30 June 2018	\$88,569.00

Quarter 4						
Applicant	Amount Requested	Amount Granted	Funding Category	Project	Reason for Variation	Previously received funding? If so how much?
V Swans – Swans District Football Club	\$2,000	\$2,000	Community Support Grant	Swans Shooting Goals Program – 14 Year 10 students went to New Zealand to play netball.	N/A	No
Zac Clarke	\$500	\$500	Individual Youth Donation	Support to attend WA's country week in Perth and represent Hedland Senior High School in volleyball	N/A	No

SUMMARY OF COMMUNITY FUNDING
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QUARTER 1 APRIL 2018 TO 30
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North West Muay Thai	\$500	\$500	Community Support Grant	Additional equipment to ensure children attending classes don't require their own equipment to participate.	N/A	No
Hedland Filipino Australian Society Inc	\$3,000	\$3,000	Community Support Grant	Support to organise event to celebrate Port Hedland's multicultural community.	N/A	No
Filipino Australian Friendship Association	\$3,000	\$3,000	Community Support Grant	Funding to support Filipino Australian Friendship Association Independence Day Annual Dinner	N/A	2016/17 \$3,000
Hedland Baptist Church	\$1,764	\$1,764	Community Support Grant	Tough Love Seminar – Speaker and Founder of Shalom House (drug rehabilitation centre) spoke about drug addiction.	N/A	2016/17 \$3,000
Royal Life Saving Society WA	\$15,000	\$15,000	Community Partnership Grant	Access and Equity project	N/A	No
St John Ambulance Western Australia	\$10,721	\$10,721	Community Partnership Grant	Equipment to train St John Ambulance volunteers	N/A	No

**SUMMARY OF COMMUNITY FUNDING
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Sang Rok Hedland Judo Club	\$8,280	\$8,280	Community Partnership Grant	Hosting of North West Championships and run coaching and officials course	N/A	2018/19 \$2,000 2016/17 \$3,000 2015/16 \$806 2015/16 \$2,000 2014/15 \$3,320
Rose Nowers Child Care Centre	\$15,000	\$15,000	Community Partnership Grant	Workshops and training in trauma and trauma-informed care	N/A	2016/17 \$15,000 2015/16 \$2,000 2014/15 \$2,000
RSL Port Hedland Sub Branch	\$6,000	\$6,000	Community Partnership grant	Support for ANZAC Day, Bombing of Port Hedland commemoration, Vietnam Veterans Day and Remembrance Day	N/A	2015/16 \$1,500
Total	\$65,765	\$65,765				

**SUMMARY OF COMMUNITY FUNDING
& DONATIONS PAID FOR THE
QUARTER 1 APRIL 2018 TO 30
JUNE 2018**



Previous Grants

Quarter 3						
Applicant	Amount Requested	Amount Granted	Funding Category	Project	Reason for Variation	Previously received funding? If so how much?
Tyrell Stewart	\$500	\$500	Individual Youth Donation	Support to attend South East Asian Youth Baseball and Softball Tournament in Bangkok	N/A	No
Noongar Kids	\$450	\$450	Community Support Grant	Support for NAIDOC Week School Initiative Competitions	N/A	2015/16 \$450
Sang-rok Hedland Judo Club	\$3,000	\$2,000	Community Support Grant	Support for members to participate in the Judo State Titles in Perth	The maximum number of individuals to be funded from a single organisation attending the same competition or program will be 3. If there are more than 3 participants, the relative organisation will need to apply for a	2016/17 \$3,000 2015/16 \$1,600 2015/16 \$2,000 2014/15 \$3,320

SUMMARY OF COMMUNITY FUNDING
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					Community Support Grant as an Auspice Organisation. The organisation will then distribute the funding to the wider group. The maximum amount to be funded is \$2,000.	
Jacob Croft	\$500	\$500	Individual Youth Donation	Support to attend WA's country week in Perth and represent Hedland Senior High School in volleyball	N/A	No
Jack Bowins	\$500	\$500	Individual Youth Donation	Support to represent WA at National Youth Baseball Championship in Sydney.	N/A	No
Total	\$4,950	\$3,950				

**SUMMARY OF COMMUNITY FUNDING
& DONATIONS PAID FOR THE
QUARTER 1 APRIL 2018 TO 30
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Quarter 2						
Applicant	Amount Requested	Amount Granted	Funding Category	Project	Reason for Variation	Previously received funding? If so how much?
Chloe Glasson	\$500	\$500	Youth Support Grant	Support to attend Under 15 Regional/State Softball Championship in Perth January 2018	N/A	No
Treloar Child Care Centre	\$1,475	\$1475	Community Support Grant	Fee waiver towards Annual Christmas Party to be held on 10 December 2017	N/A	2016/17 \$1,405.10 2015/16 \$300.10 2014/15 \$709.10 2013/14 \$977.50 2012/13 \$2,000
Total	\$1,975	\$1,975				

**SUMMARY OF COMMUNITY FUNDING
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QUARTER 1 APRIL 2018 TO 30
JUNE 2018**



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

SUMMARY OF COMMUNITY FUNDING
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Cassia Primary School P & C Association	\$766	\$766	Community Support Grant	End of Year School Presentation and Concert – cash support to hire Wanangkurra Stadium.	N/A	2015/16 \$617
Total	\$9,766	\$9,766				

Item 12 Motions of Which Previous Notice Has Been Given

Nil

Item 13 New Business of an Urgent Nature

Nil

Item 14 Matters for Which Meeting May Be Closed (Confidential Matters)

Nil

Item 15 Closure

15.1 Date of Next Meeting

The next Audit, Risk and Governance Committee meeting will be held on Tuesday 4 December 2018, commencing at 5:30pm.

15.2 Closure

There being no further business, the Presiding Member declared the meeting closed at 6:05pm.