



**Town of Port Hedland**

**MINUTES**

**OF THE**

**ORDINARY MEETING**

**OF THE**

**AUDIT AND FINANCE COMMITTEE**

**OF THE TOWN OF PORT HEDLAND COUNCIL**

**HELD ON**

**MONDAY, 22 JULY 2013**

**AT 10:30AM**

**IN COUNCIL CHAMBERS**

**McGREGOR STREET, PORT HEDLAND**

*DISCLAIMER*

*No responsibility whatsoever is implied or accepted by the Town of Port Hedland for any act, omission, statement or intimation occurring during Committee Meetings. The Town of Port Hedland disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission, and statement of intimation occurring during Committee Meetings.*

*Any person or legal entity that acts or fails to act in reliance upon any statement, act or omission occurring in a Committee Meeting does so at their own risk. The Town of Port Hedland advises that any person or legal entity should only rely on formal confirmation or notification of Committee resolutions.*

M.J. (Mal) Osborne  
Chief Executive Officer

**Terms of Reference**

The Audit and Finance Committee has been established in accordance with Part 7 of the Local Government Act 1995 to:

1. liaise with the Auditor(s);
2. receive Quarterly Budget Review Reports;
3. recommend Donations as per Council's Policy;
4. periodically consider alternatives for potential staff housing options;
5. receive Quarterly Financial Reports on all of the Town of Port Hedland's Managed Community Facilities; and
6. review and suggest improvements to Risk Management within the organisation.

*Membership:*

The membership of the committee be as follows:

- Mayor Kelly A Howlett;
- Councillor Arnold A Carter (Presiding Member)
- Councillor Michael B Dziombak (Deputy Presiding Member)
- Councillor Gloria A Jacob

*Quorum:*

The quorum for the Committee be a minimum of 50% of its membership.

*Delegation:*

The Town of Port Hedland Council provides delegated authority to the Audit and Finance Committee to meet annually with the Town's auditor(s) as required by Section 7.12A(2) of the Local Government Act 1995.

*Tenure:*

Ongoing

*Responsible Officer:*

Director Corporate Services

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

**OUR COMMITMENT**

*To enhance social, environmental and economic well-being through leadership and working in partnership with the Community.*

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**ITEM 1      OPENING OF MEETING**

**1.1          Opening**

The Presiding Member declared the Meeting of the Audit and Finance Committee open at 10.40 and acknowledged the traditional owners, the Kariyarra people.

**ITEM 2      RECORD OF ATTENDANCE**

**2.1          Attendance**

Committee:

Mayor Kelly A Howlett  
Councillor Arnold A Carter                           (Presiding Member)  
Councillor Michael B Dziombak                   (Deputy Presiding Member)  
Councillor Gloria A Jacob – entered the meeting at 10:43am

*Officers:*

Malcolm Osborne	Chief Executive Officer
Natalie Octoman	Director Corporate Services
Eber Butron	Director Planning & Development
Gordon MacMile	Director Community Development
Kalwant Dhillon	Manager Financial Services
Lorraine Mathieson	Administration Officer Governance

**2.2          Apologies**

Nil.

**2.3          Approved Leave of Absence**

Nil

**ITEM 3      RESPONSE TO PREVIOUS QUESTIONS - ON NOTICE**

Nil

10:41am Presiding Member opened Public Question Time

**ITEM 4 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 also reminded that in accordance with Section 20.3 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.'*

**4.1 Public Question Time**

Nil

10.42am Presiding Member closed Public Question Time.

**4.2 Public Statement Time**

10.42am Presiding Member opened Public Statement Time.

Nil

10.42am Presiding member closed Public Statement Time.

**ITEM 5 QUESTIONS FROM MEMBERS WITHOUT NOTICE**

Nil

**ITEM 6 DECLARATION BY MEMBERS TO HAVE GIVEN DUE CONSIDERATION TO ALL MATTERS CONTAINED IN THE BUSINESS PAPER PRESENTED BEFORE THE MEETING**

Cr Carter	Mayor Howlett
Cr Dziombak	

**ITEM 7 CONFIRMATION OF MINUTES OF PREVIOUS MEETING**

**Confirmation of Minutes of Audit and Finance Committee of Council held on Wednesday, 12 June 2013**

**AFC201314/001 Audit and Finance Committee Decision**

**Moved: Mayor Howlett**

**Seconded: Cr Dziombak**

**That the Minutes of the Audit and Finance Committee Meeting of the Town of Port Hedland Council held on Wednesday, 12 June 2013 be confirmed as a true and correct record of proceedings.**

***CARRIED 3/0***

**ITEM 8 ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT DISCUSSION**

Nil

**ITEM 9 PETITIONS/DEPUTATIONS/PRESENTATIONS/SUBMISSIONS**

**9.1 Presentation by Michael Hillgrove Audit Partner and Simon Franich from Grant Thornton Auditors.**

10.43am Cr Jacob entered the meeting



**2013 Audit Plan for  
Town of Port Hedland**

22 July 2013



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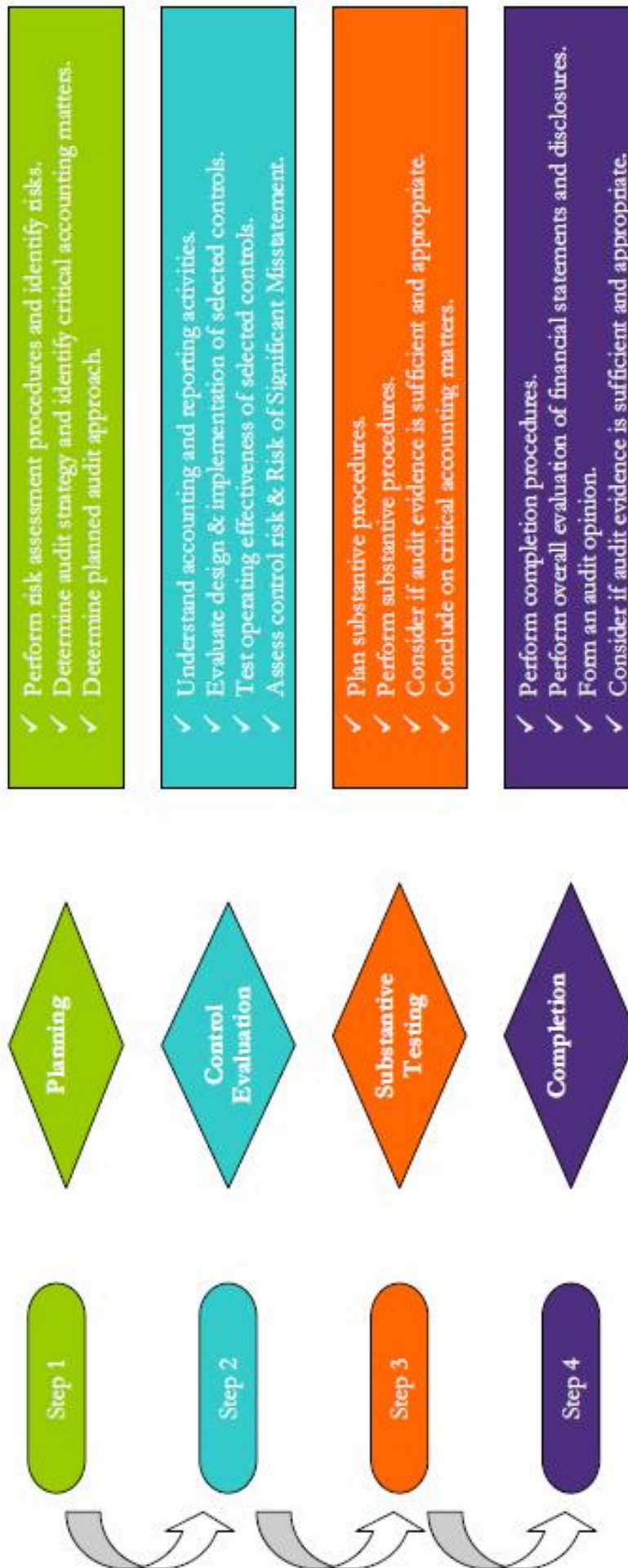


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## Scope

- We conduct an independent audit in order to express an opinion. Our audit is conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial reports are free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, because of the inherent limitations in any audit, our audit can only provide a reasonable, **not absolute**, assurance that the financial report is free from material misstatement.
- We perform procedures and prepare and sign an audit opinion as to whether:
  - a. The financial report gives a fair view of the Town's financial position as at 30 June 2013 and of its performance for the financial year ended 30 June 2013
  - b. The financial statements comply with Australian Accounting Standards; and
  - c. The financial statements are prepared in accordance with the requirements of the Local Government Act 1995 Part 6 (as amended) and Regulations under that Act.
- We form our audit opinion on the basis of these procedures, which include:
  - Examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
  - Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made.
- We will inform the Town of any material errors, instances of fraud or illegal acts and material weaknesses relating to internal control and accounting procedures we identify.

**Audit Approach**



## Preliminary Risk Assessment Conclusion

Financial Statement Level Risks		
Risk	Financial Statement Impact	Planned Audit Approach
Revenues	<ul style="list-style-type: none"> <li>• Occurrence and accuracy of Rate, Grant and Other Revenues</li> </ul>	<ul style="list-style-type: none"> <li>• Test a sample of revenue transactions to supporting documentation</li> <li>• Substantive analytical procedures</li> <li>• Perform cut-off testing</li> </ul>
Accounts Receivable	<ul style="list-style-type: none"> <li>• Existence and valuation of accounts receivable</li> <li>• Adequacy in allowance for doubtful accounts</li> </ul>	<ul style="list-style-type: none"> <li>• Obtain the aged accounts receivable listing</li> <li>• Investigate balances outstanding greater than 90 days and agree significant balances to payments received subsequent to year end to assess the recoverability of those balances</li> <li>• Recalculate the allowance for doubtful accounts and ensure that the allowance is reasonable</li> </ul>
Property, Plant and Equipment	<ul style="list-style-type: none"> <li>• Change from cost to fair value method of accounting for plant and equipment as per AASB 13</li> <li>• Impairment of property, plant and equipment</li> <li>• Appropriateness of useful lives</li> <li>• Accuracy of depreciation charge</li> </ul>	<ul style="list-style-type: none"> <li>• Review the work of a valuations expert from which the fair value of the town's plant, and equipment is determined (it is our understanding that both internal and external valuers will be used)</li> <li>• Assess the qualifications of the valuations expert and consider their independence from the town</li> <li>• Recalculate any gains/losses on the statement of comprehensive</li> </ul>

<b>Financial Statement Level Risks</b>		
<b>Risk</b>	<b>Financial Statement Impact</b>	<b>Planned Audit Approach</b>
	<ul style="list-style-type: none"> <li>• Overhead allocation to capital assets</li> <li>• Appropriateness of asset capitalisation policies.</li> </ul>	<p>income arising from the change from cost to fair value method of accounting and ensure it is also properly classified</p> <ul style="list-style-type: none"> <li>• Ensure the financial statement notes properly discloses the change from cost to fair value method of accounting</li> <li>• Review and assess adequacy of the controls over the asset management and maintenance processes.</li> <li>• Verify reconciliation between the asset register and the general ledger.</li> <li>• Sample testing of fixed asset acquisitions and disposals</li> <li>• Review useful lives of fixed assets for reasonableness</li> <li>• Review of capital expenditure approval processes</li> <li>• Review carrying amounts of PPE, including assessing if assets have been impaired</li> </ul>
Employee Remuneration	<ul style="list-style-type: none"> <li>• Accuracy of accrued employee benefits</li> <li>• Completeness of payroll expenses</li> <li>• Reasonableness of Annual and Long Service Leave Provisions calculations</li> </ul>	<ul style="list-style-type: none"> <li>• Analytically review employee expenditure</li> <li>• Review and assess controls over the payroll process</li> <li>• Review the Annual and Long Service Leave calculation for compliance with the standards</li> </ul>

<b>Financial Statement Level Risks</b>		
<b>Risk</b>	<b>Financial Statement Impact</b>	<b>Planned Audit Approach</b>
Cash	<ul style="list-style-type: none"> <li>Existence and accuracy of cash balances held with banking institutions</li> </ul>	<ul style="list-style-type: none"> <li>Obtain external confirmations for cash amounts held with banking institutions</li> <li>Performance of cut off testings</li> </ul>
Borrowings	<ul style="list-style-type: none"> <li>Classification of borrowings</li> <li>Completeness of borrowings</li> </ul>	<ul style="list-style-type: none"> <li>Obtain confirmation of borrowing balances at year end</li> <li>Obtain supporting documentation for new borrowings entered into during the period</li> <li>Substantively test borrowings repaid during the period.</li> <li>Test borrowings to ensure that the correct classification of borrowings between current and non-current.</li> </ul>
Expenses	<ul style="list-style-type: none"> <li>Completeness and accuracy of purchases and other expenses</li> </ul>	<ul style="list-style-type: none"> <li>Review and assess controls over purchasing and payments</li> <li>Test a sample of material transactions to supporting documentation</li> <li>Analytically review expenditure accounts</li> <li>Perform cut-off testing</li> </ul>
Journal entries	<ul style="list-style-type: none"> <li>Misstatements to accounts that are affected by posting of journal entries</li> </ul>	<ul style="list-style-type: none"> <li>Review and assess the controls that are in place over journal entries</li> <li>Pay particular attention to round number journal entries</li> <li>Test a sample of journal entries to supporting documentation and assess for reasonableness</li> </ul>

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## Materiality and Sample Sizes

- In terms of ASA 320 *Materiality in Planning and Performing an Audit* omissions or misstatements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.
- Materiality depends on the size of the item or error judged in particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful. An item would be considered materially, if through its omission or non-disclosure, the financial report would no longer show a true and fair view.
- Based upon the 30 June 2012 financial report, we have estimated the planning materiality level at \$820,000. Tolerable error (being 60-75% of planning materiality), is used as the basis for determining audit scope, determining sample sizes and performing analytical review work. Upon completion of the planning phase of the 2013 audit (in late July), these materiality levels will be updated with 2013 financial data.
- As identified above, sample sizes for substantive testing is determined through the use of materiality. Grant Thornton uses state of the art sampling software known as IDEA. We utilise IDEA to analyse and extract detailed information utilising your data files. In addition to sample testing, IDEA can be used to analytically look at specific trends, run queries for unusual items, and perform data matching.

## Audit Timeline



### Continuous Feedback / Interaction with Management

Pre-Planning Procedures (in Perth office)	July 2013
Committee Meeting (at Port Hedland Offices)	22 July 2013
Finalise Planning / Interim Audit procedures commence	29 July 2013 (Proposed)
Detailed Requirements List Provided to Management for Year End Audit	9 August 2013
Interim Management Letter	16 August 2013
Town of Port Hedland to submit financial statements to Grant Thornton	30 September 2013
Year End Audit procedures commence	14 – 25 October 2013 (Proposed)
Issue of Audit Opinion and Management Letter	28 October 2013 (Proposed)
Acquittals	To be Confirmed as Required

Audit Team

Grant Thornton Engagement Team		
Name	Position	Contact Details
Michael Hillgrove	Partner	Michael.Hillgrove@au.gt.com
Simon Franich	Manager	Simon.Franich@au.gt.com
Makoto Tanaka	Senior	Makoto.Tanaka@au.gt.com

Town of Port Hedland Team	
Town of Port Hedland representatives	Natalie Octoman Kabwant Dhillon



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## Audit Independence

As the members of the Audit Committee would be aware, our audit services are subject to Grant Thornton's and the accounting profession's strict rules and policies regarding auditor independence, as well as certain statutory requirements. We enforce these rules and policies in order to maintain objectivity and to be free of conflicts of interest when discharging our professional responsibilities.

Grant Thornton understands the importance of our role as auditors in the external reporting framework and we work hard to maintain an extensive system of quality controls over our audit practices.

**AFC201314/002 Audit and Finance Committee Decision**

**Moved: Cr Jacob    Seconded: Mayor Howlett**

**That the auditors report be tabled in the Minutes**

***CARRIED 4/0***

**ITEM 10      REPORTS OF OFFICERS****10.1            Community Development****10.1.1        *Fourth Quarter Reports - YMCA Management Contract –  
Town of Port Hedland Leisure Facilities and Courthouse  
Gallery: (File No.: 26/13/0006) and (File No.: 20/01/0026)***

<b>Officer</b>	<b>Graeme Hall Acting Director Community Development</b>
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<b>Date of Report</b>	<b>11 July 2013</b>
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<b>Disclosure of Interest by Officer</b>	<b>Nil</b>
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**Summary**

The purpose of this report is to update the Audit and Finance Committee regarding the fourth quarter (April to June 2013) reports from the YMCA (for the Town of Port Hedland Leisure Facilities), and FORM (for the Courthouse Gallery).

**Background**

The Town's agreements with the YMCA (for the Town of Port Hedland Leisure Facilities), and FORM (for the Courthouse Gallery) require the contractors to provide reports that can be conveyed to the Audit and Finance Committee.

This report seeks to advise the Audit and Finance Committee that the time line parameters for the July meeting means that it is not possible to provide the required reports.

The YMCA contract with the Town requires that a report be provided on the 15<sup>th</sup> day of each month. The contractor must also provide a comprehensive annual report by 1 October of each year of the contract term summarising the operation of the facilities during the course of the year.

The FORM contract with the Town for the Courthouse Gallery also requires that:

- Quarterly reports be received from the Contractor by the 21<sup>st</sup> of each month following the last quarter of the financial period
- This report is to be submitted to the Audit and Finance Committee of Council
- The Contractor must also provide a comprehensive annual report in each year of the Contract Term.

In order to be included on the Agenda for the July meeting, the items are to be submitted by 13 July 2013. This timeframe has meant that it is not possible to provide the information required for reports to the Audit and Finance Committee.

**Consultation**

Not applicable

**Statutory Implications**

Nil

**Policy Implications**

Nil

**Strategic Planning Implications**

Strategic Community Plan 2012 – 2022

**6.1 Community**

- 6.1.1 Unified – The Town of Port Hedland is an integrated community functionally, physically and culturally.
  - Wider range of community groups using the Town's facilities regularly.
  - Higher utilisation of Port Hedland facilities (sporting ovals and buildings) by community.
- 6.1.2 Vibrant - Provide access to recreational, cultural, entertainment facilities, and opportunities.
  - Higher utilisation of Port Hedland facilities (sporting ovals and buildings) by residents and visitors.
- 6.1.3 Rich in Culture – Increase attendance and participation in arts, culture and heritage exhibits and programs.

**Budget Implications**

Council's 2012/2013 budget contains the following allowances:

- \$380,000 per annum for the contract management of the Courthouse Gallery, payable quarterly.
- \$244,596.00 per annum for the contract management of the Wanangkura Stadium, payable monthly.

- \$708,145.00 per annum for the contract management of the South Hedland Aquatic Centre, payable monthly.
- \$642,336.07 per annum for the contract management of the Gratwick Aquatic Centre, payable monthly.

**Officer's Comment**

Due to the reporting requirements of the Town's arrangements with both FORM (for the Courthouse Gallery) and the YMCA (for the Town of Port Hedland Leisure Facilities), it is not possible to provide a report to the July meeting of the Audit and Finance Committee.

Both FORM and the YMCA will meet their reporting requirements in accordance with their agreements. It will be essential for officers to report on the end of year results of these two contracts at the first quarter (July to September) meeting of the Audit and Finance Committee.

**Attachments**

Nil-due to required reports not being received at the time of writing.

**Officer's Recommendation**

That Council notes that the fourth quarter reports from FORM (for the Courthouse Gallery) and the YMCA (for the Town of Port Hedland Leisure Facilities) will be provided at the first quarter FY 2013/14 meeting of the Audit and Finance Committee.

**AFC2011314/003 Audit and Finance Committee Decision**

**Moved: Mayor Howlett**

**Seconded: Cr Jacob**

**That the Audit and Finance Committee Meeting:**

- 1. Notes that the fourth quarter reports from FORM (for the Courthouse Gallery) and the YMCA (for the Town of Port Hedland Leisure Facilities) will be provided at the first quarter FY 2013/14 meeting of the Audit and Finance Committee.**
- 2. Requests the CEO to provide a report to Council on the opportunity for review of existing contracts with FORM (for the Courthouse Gallery) and the YMCA (for the Town of Port Hedland Leisure Facilities).**

***CARRIED 4/0***

**ITEM 11 LATE ITEMS AS PERMITTED BY PRESIDING MEMBER / COMMITTEE**

Nil

**ITEM 12 MOTIONS OF WHICH PREVIOUS NOTICE HAVE BEEN GIVEN**

Nil

**ITEM 13 CONFIDENTIAL ITEMS**

Nil

**ITEM 14 APPLICATIONS FOR LEAVE OF ABSENCE**

Nil

**ITEM 15 CLOSURE**

**15.1 Date of Next Meeting**

The next Audit and Finance Committee Meeting of Council will be held at a date and time that is to be confirmed by the Presiding Member.

**15.2 Closure**

There being no further business, the Presiding Member declared the meeting closed at 11.05 am.

**Declaration of Confirmation of Minutes**

I certify that these Minutes were confirmed by the Audit and Finance Committee at its Ordinary Meeting held on \_\_\_\_\_.

CONFIRMATION:

\_\_\_\_\_  
CHAIRPERSON

\_\_\_\_\_  
DATE