

A large, gnarled tree with a thick trunk and many thin, spiky branches stands in a grassy field. The sky is filled with soft, grey clouds, and the overall scene is somewhat hazy. The tree is the central focus of the image.

Review of Risk Management, Legislative Compliance and Internal Controls – Recommended Improvements

Town of Port Hedland

December 2017

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1.0 Improvements

1.1 Summary of Improvements – Audit Regulation 17 Review 2017

Suggested improvement opportunities from matters noted during the Audit Regulation 17 Review undertaken in 2017, are provided below to form an Improvement Plan. These matters are discussed in further detail in the Report on the Review of Risk Management, Legislative Compliance and Internal Controls - December 2017 and should be read in conjunction with this Report.

Paragraph	Matter Noted	Improvements
6.1 Strategic Plans	The Corporate Business Plan has not been reviewed annually as required by Local Government (Administration) Regulations 1996 19DA (4).	To help ensure compliance and provide sound planning direction to the organisation the Corporate Business Plan should be updated annually.
6.2 3.6.2 Purchasing Policy	<p>The Policy does not provide purchasing requirements for procurement of goods or services with a contract value exceeding \$150,000 where public tenders are not invited in accordance with the exemptions under Local Government (Functions and General) Regulations 1996 Regulation 11(2).</p> <p>The Policy provides direction in relation to contract variations and extensions for contracts awarded by tender and allows for price changes on extension of the contract in accordance with the authorising officers purchasing authority. No requirements exist for variations or renewals of contracts which arose from procurements other than by tender.</p>	<p>Amend the Policy to provide the following: Purchasing requirements for procurement of goods or services with a contract value exceeding \$150,000 where public tenders are not invited.</p> <p>Provide requirements for authorisation of procurement of goods or services with a contract value exceeding \$150,000 where public tenders are not invited.</p> <p>Prohibit price variations to existing contracts other than those provided within the original contract as required by Local Government (Functions and General) Regulations 1996 Regulation 11(2) (j) (iv).</p> <p>Provide purchasing requirements for the renewal or variation of contracts which did not arise from a public tender.</p>

1.0 Improvements (Continued)

Paragraph	Matter Noted	Improvements
6.2 3.6.2 Purchasing Policy	The Policy provides for the use of sole supplier exemption where the “consultants or a group of consultants have been utilised to provide a range of services initially on a complex project, it may be deemed that it is not be feasible to restart a project under tender circumstances due to the effort and cost associated with gaining the required background knowledge.” This is not considered to be a valid reason for exemption of a purchase from the requirements of Part 4 of the Local Government (Functions and General) Regulations 1996.	Remove exemptions from regulatory requirements which are not provided for within legislation.
6.2 3.6.2 Purchasing Policy	Purchasing limits for various officers are not defined within the Purchasing Policy or any other Policy.	<p>Define purchasing limits for officers who are able to authorise purchase orders or contracts to procure goods or services on behalf of the Town within a Council approved Policy.</p> <p>Further training of officers with purchasing authority to enforce the need to adhere to purchasing procedures is recommended along with the examination of further controls to help ensure compliance with the Policy.</p>
6.2 Internal Control Policy	Currently, no policy on internal controls has been adopted by Council.	Development and adoption of an Internal Control Policy will help formalise Council’s commitment to internal controls, based on risk management principles.
6.2 Legislative Compliance Policy	Currently, no policy on legislative compliance has been adopted by Council.	Development and adoption of a Legislative Compliance Policy will help formalise Council’s commitment to legislative compliance.

1.0 Improvements (Continued)

Paragraph	Matter Noted	Improvements
6.2 Risk Management Policy	Risk assessment and acceptance criteria within the Policy are not dependent on the context of the risk assessment being undertaken.	Modification of the risk assessment and acceptance criteria within the Risk Management Policy will assist in the rating of risks relevant to the context of the assessment. This would involve use percentages rather than absolute values when assessing the potential consequences of identified risks and avoid any need to redefine the risk assessment framework for different risk assessment contexts.
7.1 Asset Management Plan	The Town adopted a formal asset management plan in 2012. The risk assessments within these plans should utilise the matrix of consequences and likelihood detailed in the Risk Management Policy and identify treatment plans to reduce the risk to an acceptable level.	Asset management plans require updating and review, given the changes to the Town's assets and particularly the lease of the airport.
7.1 Business Continuity Plan	The Business Continuity Plan is currently in draft, the Plan states activation of the plan are based on a risk assessment process but does not refer to the Risk Management Policy.	A Business Continuity Plan be finalised and identify and documenting key business continuity risks along with the treatments to reduce the risk to an acceptable level.
7.1 ICT Strategic Plan	An ICT Strategic Plan 2012-2017 was developed in 2012 and is due for review. The Plan does not document key ICT risks.	Review the ICT Strategic Plan identifying and documenting key ICT risks along with the treatments to reduce the risk to an acceptable level.
7.2 Risk Management Framework	Formal risk management procedures and practices are not currently in widespread use.	Risk management procedures and process require further development and application in accordance with the risk management framework to be effective.
7.2 Procedure Changes	Procedures for amending or changing procedures are not formalised. With high staff turnover, this has contributed to unilateral undocumented changes to procedures and a breakdown in key controls.	Establish procedures for the development, review, amendment and authorisation of procedures, checklists and other internal control documentation to assist with managing changes to procedures.

1.0 Improvements (Continued)

Paragraph	Matter Noted	Improvements
7.2 Documented Procedures	Documented procedures currently exist. From staff representations, where procedures exist they are not consistently followed. We noted from staff representations, a number of procedures have recently been amended by new staff or intentions are to amend procedures.	Opportunities exist to improve standard operating procedures and ensure they are documented with key controls clearly identified. Once these procedures are developed and implemented, they require constant monitoring for adherence and to ensure they are effective.
7.2 Procurement	As reported within the 2017 External Audit report evidence of the required number of quotations being received is not always maintained to support compliance with the Procurement Policy.	<p>Copies of quotations, or at least a signed record of quotations received should be maintained with the purchase order as evidence of compliance with the policy.</p> <p>Procedures should be developed to ensure suppliers awarded contracts exceeding \$150,000 on the basis of being a WALGA Approved Supplier are qualified as such for all aspects of the contract awarded.</p> <p>Procedures for the authorisation of contract variations should be developed to ensure the variations do not change the scope of the contract, are minor and are authorised by officers with appropriate authority.</p> <p>Procedures should be developed to ensure the ABN number of the entity responding to a request for quotation or tender, is the same through all contract documents and is the entity raising the tax invoice and receiving payment.</p> <p>Continuing with the centralisation of procurement especially for higher value purchases is essential for the establishment of proper procurement controls given the high turnover of staff in the organisation.</p> <p>Procedures should be developed to ensure appropriate probity and governance around sponsorship monies paid to event organisers and other entities.</p>

1.0 Improvements (Continued)

Paragraph	Matter Noted	Improvements
7.2 Tender Assessment	The Town currently uses a panel of three officers, which may include managers and Directors, to assess the tenders and provide a score against each qualitative criterion. The Procurement Team then facilitate a meeting as non-voting members to discuss the scores and ensure they have been scored fairly. Members of the panel are expected to declare an interest if one exists. No documented procedures are currently in place to formalise this process or require declaration no interest exists.	To help ensure probity and fairness when assessing tenders' procedures for the process to be undertaken when assessing tenders should be documented.
7.2 Procurement assessment	In certain cases, a panel is utilised to assess responses to requests for quotations. No formal requirements are documented when undertaking these assessments.	To help support probity and fairness when assessing responses to requests for quotation the process undertaken should be documented. The process to be followed should require a higher level of probity and due diligence the higher the value or risk associated with the purchase. Purchases over \$150,000 should be subject to the same assessment procedures as those applied Tenders.
7.2 Investments	An investment register is maintained within a spreadsheet reflecting fixed term investments held. The register of investments does not indicate where interest and principal funds are transferred to on maturity. Copies of the register are not maintained in a format which prevents subsequent amendment.	Tracing of funds on maturity of investments is essential and records of where funds are transferred and who authorised the transfer should be maintained within the register.
7.2 Investments (continued)		Maintaining printed copies of the investment register reviewed and authorised by a senior manager independent of the control of the investments prevents subsequent amendment to the register.

1.0 Improvements (Continued)

Paragraph	Matter Noted	Improvements
7.2 Checklists	Checklists of key functions are maintained for selected functions. The checklists were not maintained up to date for all compliance functions.	Creation and maintenance of standard checklists may assist in evidencing key points of control and serve as a reminder. Checklists are of assistance in ensuring compliance with repetitive legislative compliance tasks.
7.2 Workflow Diagrams	Workflow diagrams have not been compiled or maintained up to date for undocumented procedures.	In conjunction with, or as an alternative to, the development of documented procedures and checklists, update and development of workflow process diagrams may assist in clearly identifying controls and processes to be followed.
7.3 Staff Training	Staff training needs are currently identified on an ad-hoc basis. We understand management wishes to establish a more formal staff training structure.	Continuing with the development of a staff training matrix, to identify staff training needs relevant to their role is important to ensuring it is better co-ordinated across the organisation.
7.4 Contractor Insurance	Contractors' insurances are not assessed prior to award of contracts in all cases. General contractors engaged on an ad hoc basis are generally not required to produce details of the level or existence of their insurance coverage or licences to undertake the works.	To help ensure all contractors have the relevant licences and have adequate insurance cover for the works they undertake for the Town, procedures should be developed and records maintained of suppliers who have provided all relevant documentation.
8.1 Council and Audit Risk Committee	Identified risks are included within agenda items for elected member consideration and recorded in a risk register appropriately. The Risk Management Framework requires the evaluation of residual risks in relation to the treated risks. Residual risk is not evaluated following the decision of Council or implementation of the decision of Council.	Residual risks following a Council decision should be evaluated and recorded as required by the risk management framework.

1.0 Improvements (Continued)

Paragraph	Matter Noted	Improvements
8.2 Risk Register	A risk register in relation to Council Decisions was available for inspection. The Risk Management Framework requires the evaluation of residual risks in relation to the treated risks. There is no capacity to record residual risk within the risk register.	Recording of the residual risk for identified significant or high risk after application of the risk treatment is required by the risk management framework, the risk register requires amendment to enable this to occur. Maintaining risk registers for all identified risks is important to help ensure significant or high risks are adequately treated.
8.2 OSH Register	OSH incident forms are completed by staff and lodged with the OSH officers who maintain an incident register within Smartsheet. No reporting of OSH incident numbers to the Audit and Risk Committee is currently occurring.	As Smartsheet has limited controls and officers may accidentally or intentionally delete records, a pdf version of the OSH Register should be routinely saved and reconciled to the original incident forms received. Reporting of OSH Incident numbers to the Audit and Risk Committee will assist them in understanding the risks in relation to OSH.
8.3 Annual Compliance Audit Returns	Returns were not independently prepared or verified. Seven areas of non-compliance were noted in relation to the Annual Compliance Audit Return 2016.	The items identified within the Annual Compliance Audit Return 2016 be addressed.
8.5 Internal Audit	Currently, no internal auditors have been appointed and limited internal audit functions have been undertaken.	To confirm adherence to documented policies and procedures and assist in the identification of internal control weaknesses an internal audit function is required to be established.
8.5 Financial Management Review	Financial Management Review undertaken in June 2016 made eight recommendations to improve the Financial Management of the Town.	The items identified within the Financial Management Review be addressed.

1.0 Improvements (Continued)

Paragraph	Matter Noted	Improvements
8.5 Best Practice Review	<p>The review made a number recommendations in relation to the following areas of operations:</p> <ul style="list-style-type: none"> • Governance – 13 Recommendations; • Planning and Regulatory - 3 Recommendations; • Plan for the Future – 5 Recommendations; • Assets and Finance – 2 Recommendations; • Workforce planning and Human Resources management – 5 Recommendations; • Community and Consultation – 3 Recommendations 	The items identified within the Review be addressed.
8.5 Previous Audit Regulation 17 Reviews	<p>Previous review made a number recommendations in relation to the appropriateness and effectiveness of risk management, internal control and legislative compliance some of these recommendations remain outstanding.</p>	Outstanding items identified within the previous review be addressed.

1.0 Improvements (Continued)

1.2 Summary of Improvements – Regulation 17 Review 2015 Outstanding Items

Matters noted during the Audit Regulation 17 Review undertaken in 2015 and considered outstanding are provided below.

Paragraph	Matter Noted	Improvements
RM 2.2 Insurance Strategy or Policy	No documented policy in existence. No documented approach to insurance as a means to treating risks.	That an Insurance Strategy and Policy be developed to provide clarity on issues such as the level of self-insurance, the adequacy of cover and the basis of the valuation of the insured assets.
RM 2.3 Risk Management Working Group	No working group currently in place with no risk management policy or framework available. Lack of co-ordinated approach to risk management.	That a working group be established and maintained to progress and oversee the implementation of any risk management strategy and framework.
RM 2.9 Records Disaster Management Plan	A Disaster Prevention and Recovery Plan is in place as part of the Record Keeping Plan. Records are not maintained electronically in all cases. Loss of records through physical damage.	That a Plan be developed to: 1) Consider risks in accordance with Risk Management Policy and the associated Strategy and Framework; 2) Provide for the timely electronic storing of all records; 3) Require electronic records to be routinely backed up and stored at sufficiently remote geographic location to reduce the risk of the impact of a common disaster event; and 4) Require routine testing to ensure currency and completeness of restored backups.
RM 2.11 Long Term Financial Plan 2014/15 – 2023/24	The plan does not assess financial risks as recommended by the Department of Local Government and Communities Long Term Financial Planning Guidelines. Long term financial risks not identified or treated	That a Long Term Financial Plan be developed which considers financial risks and conforms with statutory limits set out by Section 6.34 of the Local Government Act 1995 be developed.
RM 2.12 Asset Management Policy 9/010	The Policy commits to the use of risk management to reduce the exposure to injury, liability and asset failure and is considered appropriate.	Review the asset management plans to ensure a risk based approach to asset management in accordance with the Asset Management Policy.

1.0 Improvements (Continued)

Paragraph	Matter Noted	Improvements
RM 2.16 Events risk assessment	The requirement for events to be the subject of a risk assessment prior to approval appears appropriate. Misunderstanding of the risk rating applied to each individual event.	That a standardised risk management plan for completion by event hosts and review by senior officers be developed.
RM 2.17 Asset Management Risk Assessment	Management does not consider the Asset Management Risk assessment to be appropriate and is currently reviewing the Plan.	That the Asset Management Risk assessments be undertaken in accordance with the risk management strategy/framework (to be developed). Treatment plans should be monitored to ensure risks are reduced to a medium level.
RM 2.18 Workforce Risk Assessment	The Workforce Plan does not include any formal assessment of workforce risks.	That future revisions of the Workforce Plan include an assessment of key risks.
RM 2.19 Project Specific Risk Assessments	Project specific risk assessments are not undertaken for all major projects.	That procedures be developed to ensure risk assessments are undertaken in accordance with a risk strategy and framework (to be developed) prior to major project approval.
RM 2.20 Entity Risk Register	No entity wide risk register is currently maintained. Previously identified risks are not treated.	That an entity risk register be outlined in the risk management Strategy and Framework (to be developed) and the register be routinely maintained and monitored.
RM 3.5 Monitoring Compliance	No routine monitoring is currently occurring. Previously identified risks are not treated	That the risk management strategy and framework (to be developed) contain practices requiring the routine monitoring and reporting of risks.
RM 4.1 Ongoing Improvement Program	No improvement plan is currently in place. An improvement plan has been developed as part of this review.	That an improvement plan developed from this report be prepared in support of risk management practices and to guide the process of implementation (to be developed).
LC 1.1 Management Framework - Legislative Compliance in Action	No formal legislative compliance framework exists.	That a Legislative Compliance strategy and framework be developed to support legislative compliance.

1.0 Improvements (Continued)

Paragraph	Matter Noted	Improvements
LC 2.2 Experienced Staff	Current position descriptions for relevant senior roles contain qualification requirements relevant to the role.	That actions continue to address staff recruitment issues with the goal of improving the effectiveness of recruiting appropriately qualified and experienced staff.
LC 2.7 Council Policy - Records Management	The Town has a Records Keeping Plan but a formal Records Management Policy has not been adopted by Council.	That a Records Management Policy be developed to provide clear policy guidelines for the management of the Town's records.
LC 4.1 Ongoing Improvement Program	No improvement plan currently in place.	That an improvement plan developed from this report be prepared in support of the legislative compliance framework (to be developed).
IC 1.1 Management Framework - Legislative Compliance in Action	No policy for internal controls exists.	That a Legislative Compliance strategy and framework be developed to support legislative compliance.
IC 1.4 Communication of modifications	Documented procedures were not available for the authorisation of procedures, retraction of superseded procedures, access to procedures and advising staff of new or changed procedures.	That a documented procedure be developed to advise staff of changes in policies and procedures and ensure the retraction of updated or revised policies or procedures. All current policies and procedures should be in one central location accessible to all relevant staff.
IC 1.10 Complaints against Third Parties Policy 1/002 - Amended January 2006	The policy does not provide for the recording and tracking of complaints or actions to be taken when it is considered no action is required in relation to the complaint.	That a comprehensive complaints policy be developed to ensure all complaints are tracked, investigated and appropriately addressed. Where no action is taken in relation to a complaint the complainant should be notified accordingly.
IC 1.12 Vandalism – Reward for Conviction Policy 1/008 - Amended January 2006	The policy is considered appropriate. Noted the policy was last reviewed in 2006.	That the policy be reviewed to ensure it remains current.

1.0 Improvements (Continued)

Paragraph	Matter Noted	Improvements
IC 1.14 Rating Policy 2/004 - Amended April 2006	The policy is considered generally appropriate. The policy refers to assessment of charitable organisations, rate exemptions however only apply to charitable use of the land. Noted the policy was last reviewed in 2006. The policy specifies debt collection process for rates, different to those specified under Council Policy 2/005 –Debt Management.	That the policy be amended to require annual assessment of the charitable use of properties wishing to maintain an exemption from rates in accordance with Council Policy 2/013 – Rates Exemption Policy (Non Rateable Land), and to provide clarity on the policy for the collection of rates debtors.
IC 1.15 Debt Management Policy 2/005 - Amended November 2014	The policy specifies debt collection process for rates, these are different to those specified under Council Policy 2/004 –Rating.	That Council Policy 2/004 – Rating be amended to ensure clarity on the policy for the collection of rates debtors. That procedures be implemented to ensure the implementation of the Policy and reduce the level of receivables.
IC 1.18 Tender Policy 2/011 - Amended August 2013	Whilst the policy specifies pre and post tender closing actions and who should be on the evaluation panel for various levels of tenders, the policy does not require persons evaluating tenders to be independent of tenderers. WALGA has provided advice to the town that the ‘Awarded Tenders – Period Contracts’ are not provided for by the Act.	That advice be obtained to ensure ‘Awarded Tenders – Period Contracts’ are compliant with the Act. That the policy be reviewed to provide a high level of governance when evaluating tenders and, in particular, for persons to be independent of tenderers.
IC 1.24 Subsidies and Allowances Policy 3/003 - Amended December 2014	The policy relates to employees employed prior to 2 September 1995. Staff have identified this policy is no longer required.	That the policy be rescinded.
IC 1.27 Recreation Reserve and Facilities – Seasonal Hire Policy 6/010 - Amended April 2014	The policy appears appropriate. Bonds are determined by a bond matrix which is not specified within the policy. The circumstances which a bond may be utilised to recover costs are not defined within the policy.	That the policy be amended to define the bond matrix, along with the circumstances under which a bond may be utilised to recover costs.
IC 1.28 Acquisition and Management of Artworks Policy 7/002 - Adopted November 2004	The policy appears appropriate. We note the policy was adopted in 2004 and has not been reviewed.	That the policy be reviewed to ensure it remains current.

1.0 Improvements (Continued)

Paragraph	Matter Noted	Improvements
IC 1.29 Internal Control Procedures	<p>Control procedures were not available for a number of standard procedures. Where documented procedures existed these were not centrally located to enable relevant staff to access the procedures.</p> <p>No procedure exists for the development, review and updating of documented procedures. In certain circumstances different versions of procedures were identified and in use.</p>	<p>That a procedure for the development, review and updating of documented procedures be developed. That the latest version of all documented procedures be centrally located in an electronic format for access by authorised staff. That documented procedures be developed and reviewed based on a risk based prioritisation.</p>
IC 2.4 Monitoring	<p>No routine monitoring of internal controls is currently documented.</p>	<p>That a process for documented routine monitoring of financial and non-financial internal controls be established based on the risk the controls intend to address.</p>

1.0 Improvements (Continued)

1.3 Summary of Improvements – Best Practice Review Outstanding Items

Matters noted during the Department's 2016 Best Practice Review and considered outstanding are provided below.

Paragraph	Matter Noted	Management Comment
2. Elected Member and Staff Interaction	Develop a policy and/or procedure to guide and formalise practices in respect to interactions between elected members and staff.	Complete – IOP distributed to all staff and Elected Members on 16 May 2016.
3. Access to information by Elected Members	Develop a policy and/or procedure to provide a framework in respect to elected members access to information.	Existing process in place (EM to contact CEO or Director), however needs to be documented.
5. Internal Audit	Implement an internal audit functionality (OHS officer, risk mgt officer, EOQ for finance)	Internal audit function endorsed by the Audit, Risk and Governance Committee at its March 2016 meeting. Function to be considered as part of the Town's realignment.
6. Customer service and complaints handling	Review and update the Town's customer service charter and complaints handling processes	Review being progressed with customer service working group.
7. Procurement and Tendering	Review, and update where required, the Procurement Policy 2/007 and Tendering Policy 2/011, in line with recent changes to the Local Government (Functions and General) Regulations.	Reviewed policies to be considered at May OCM for advertising.
8. Legislative Compliance	Develop legislative compliance checklist/calendar	Calendar under development.
9. Policy Manual	Continue to regularly review policies and at the next review, ensure consistency in the format of all the Town's policies.	Policies reviewed on monthly basis.
10. Procedures/internal policy manual	Finalise development of a procedures manual to differentiate Council policies from administrative policies or procedures.	Significant review to consider strategic vs operational policies.

1.0 Improvements (Continued)

Paragraph	Matter Noted	Management Comment
11. Internal Procedures and Policy Manual	Undertake a holistic review of current policies and IOPs, removing or revising those which are no longer current and develop new policies/procedures where there is an identified gap, for inclusion in the manual.	IOPs under review.
12. Agenda Briefing Sessions	Review and update website with notes from briefing sessions.	Format under review.
13. Local Government Meetings	Undertake a review of the processes around the conduct of Council meetings, including the application of Standing Orders, the order of business policy, and relevant legislation, to ensure the efficient and effective use of elected member and administrative time.	Order of business to be considered at May OCM.
14. Development applications (DA) process	Continue to improve the town's processes, procedures and documentation in respect to the DA process, to provide members of the public with high quality information and a high level of customer service.	Reviewed, documented, dedicated resource appointed to implement process improvement.
15. Local Laws	Continue reviewing (and update or repeal, where required) local laws in line with the requirements of the Local Government Act 1995.	Animals Local Law to be considered at May OCM for public comment. Final adoption scheduled for August OCM.
16. Heritage Inventory	Update and review the heritage inventory in line with requirements of the Heritage of WA Act 1990.	Draft review received. Consider launch for Port Hedland 120th Birthday celebration.
17. Strategic Community Plan review	Continue working towards the full review of the plan in line with legislative requirements and best practice recommendations as outlined in the Act, associated regulations, IPR Guidelines and IPR Advisory Standard.	Project plan for SCP review being prepared. Expected review from Oct 2016 – March 2017.

1.0 Improvements (Continued)

Paragraph	Matter Noted	Management Comment
18. Strategic Community Plan - strategic performance indicators	Establish a system/s to measure, and report on, the Town's performance, and progress, in respect to achieving its strategic objectives (and by extension, the community's priorities) as outlined by the Strategic Community Plan's success indicators.	Community survey to be undertaken based on SCP indicators.
19. Corporate Business Plan review	Continue working towards the full review of the plan in line with legislative requirements and best practice recommendations as outlined in the Act, associated regulations, IPR Guidelines and IPR Advisory Standard.	Council endorsed updated CBP at March OCM. Full review to be conducted in line with SCP review.
20. Corporate Business Plan – rolling annual review	When undertaking the next annual review of the plan, ensure the review results in the development of an evolving and rolling four-year plan, with the current financial year as the base year and one which is clearly linked to the current year's annual budget.	Council endorsed updated CBP at March OCM. Full review to be conducted in line with SCP review.
21. Strategic decision making	To ensure elected members make decisions of a strategic nature and are aware of the strategic implications, and reasons for their decisions the Town should consider more clearly outlining these within reports to Council (e.g. separate these from other general statutory and policy implications).	New agenda item template to be implemented for June meeting.
23. Audit Management Report – internal controls	In accordance with the 2014/15 Audit Management Report continue to address identified improvements to internal controls.	Finalised in line with closing management letter 39.
24. Internal Operating Procedures and policies	Continue to develop and finalise the Internal Operating Procedure for Recruitment, Selection and Appointment of staff.	IOPs under development.

1.0 Improvements (Continued)

Paragraph	Matter Noted	Management Comment
25. Internal Operating Procedures and policies	Ensure key workforce and human resource policies and procedures are current and reviewed within the scheduled timeframes.	Reviewed on ongoing basis.
26. Workforce Plan	Continue working towards finalising the Workforce Plan and ensure that the final plan aligns and integrates with the Town's other Plan for the Future documents, i.e. Strategic Community Plan and Corporate Business Plan.	Review pending organisation realignment.
27. Employee Survey	As per the draft Workforce Plan, the Town should aim to undertake an employee engagement survey every 18-24 months.	Initial health check survey conducted May 2016, full survey to be conducted in October 2016.
29. Tourism	Continue working towards developing a Tourism Strategy/Plan to assist in supporting the local tourism industry.	Structure of tourism action group being reviewed with outcomes to influence tourism plan.
30. Economic Development	Continue working towards developing an economic development plan to support the local economy.	Plan being drafted to capture existing Town of Port Hedland projects plus PDC initiatives identified in Regional Blueprint.
31. Website content	Review the community safety and development information on the Town's website, ensuring that current initiatives are promoted through this and other online platforms.	Significant website review underway with initial content to be updated by July 2016.

1.0 Improvements (Continued)

1.4 Summary of Improvements – 2017 Annual Financial Report Audit Outstanding Items

Matters noted during the 2017 Audit of the Annual Financial Report by RSM Bird Cameron and considered outstanding are provided below.

Paragraph	Matter Noted	Improvements	
1.5.3.1	Overhead allocation	Management is currently in the process of preparing an internal operating procedure / policy for the allocation of overheads, which will formalise an overhead allocation methodology. During our 2017 final audit, we noted some anomalies in the overhead allocations at 30 June 2017. These have been raised in the 2017 final audit management letter. Refer annexure A.	
1.5.3.3	Annual Leave Accrual	High annual leave accrual at year end. Management is currently in the process of making arrangements for employees to take regular leave to utilise the leave owing to them. As at 30 June 2017 there was one (1) employee who had more than 300 hours of annual leave accrued to them.	
1.5.5.1	Internal Controls	No evidence on file that each departmental manager performs a regular review of reports detailing all employees listed on payroll master file; all unusual items are investigated. This step could not be performed as there is no policy/procedure in place in order for us to re-perform the step.	Management is currently in the process of preparing an internal operating procedure / policy.
1.5.5.1	Internal Controls	No evidence on file that the payroll deduction table data is periodically reviewed by management for accuracy and ongoing pertinence.	Management is currently in the process of preparing an internal operating procedure / policy.

1.0 Improvements (Continued)

Paragraph	Matter Noted	Improvements
1.5.5.1 Internal Controls	No evidence on file that management reviews a selection of salary sacrifice calculations for accuracy and compliance with statutory requirements; identified errors are promptly corrected.	Management is currently in the process of preparing an internal operating procedure / policy.
1.5.5.1 Internal Controls	No evidence on file that approval in writing is obtained before adding new employees to payroll.	Management is currently in the process of preparing an internal operating procedure / policy.
1.5.5.1 Internal Controls	No evidence on file that automatic or manual checks are performed on serial continuity of invoice documents.	Management is currently in the process of preparing an internal operating procedure / policy.
1.5.5.1 Internal Controls	No evidence on file that procedures exist to ensure receipts are recorded in the correct period.	Management is currently in the process of preparing an internal operating procedure / policy.
1.5.5.1 Internal Controls	No evidence on file that period-end procedures exist to detect and account for unprocessed goods/service receipts.	Management is currently in the process of preparing an internal operating procedure / policy.
1.5.5.1 Internal Controls	No evidence on file that aged report of open orders is reviewed each month and old/unusual items are investigated.	Management is currently in the process of preparing an internal operating procedure / policy.
1.5.5.1 Internal Controls	No evidence on file that suppliers' statements are reconciled to accounts payable monthly and reviewed by management.	Management is currently in the process of preparing an internal operating procedure / policy.
1.5.5.1 Internal Controls	No evidence on file that procedures exist to ensure payments are recorded in the correct period.	Management is currently in the process of preparing an internal operating procedure / policy.
1.5.5.1 Internal Controls	No evidence on file that procedures exist to ensure all bank accounts and signatories are authorised by council.	Management is currently in the process of preparing an internal operating procedure / policy.

1.0 Improvements (Continued)

Paragraph	Matter Noted	Improvements
1.5.5.2 Fixed Asset Register	There is no evidence on file to show that the fixed asset register has been reconciled to the general ledger since July 2015. The first set of draft financial statements submitted to RSM on 31 October 2017 indicated total additions to Property, Plant and Equipment and Infrastructure amounted to \$11,237,000. However, the Assetic fixed asset register indicated additions amounting to 10,672,705. Further enquires by RSM indicated inconsistencies between the Synergy general ledger movements and Assetic Fixed Asset Register additions, specifically with regards to transfers from Work In Progress (WIP) upon project completion.	The Town is currently determining the best approach to manage the risks associated with these issues.
1.5.5.2 Fixed Asset Register	There is no evidence on file to show that activity recorded in fixed asset register is reviewed by management, including comparison to the capital budget.	The Town is currently determining the best approach to manage the risks associated with these issues.
1.5.5.2 Fixed Asset Register	There is no evidence on file to show that management reviews depreciation rates and methodology (at least annually) to ensure that rates and remaining useful lives are reasonable.	The Town is currently determining the best approach to manage the risks associated with these issues.
1.5.5.2 Fixed Asset Register	There is no evidence on file to show that the fixed asset register to the general ledger reconciliation is prepared and reviewed routinely.	The Town is currently determining the best approach to manage the risks associated with these issues.

1.0 Improvements (Continued)

Paragraph	Matter Noted	Improvements	
4	Bank Reconciliations	The 30 June 2017 Bank Reconciliations contained journals to a net value of \$930,566 between the Municipal Account and Investments for Cash Backed Restricted Reserves. These journals were not supported by actual cash transfers to / from reserve bank accounts and were subsequently reversed by the Town in September 2017.	The Town should review its cash management practices, specifically with regards to reserve transfers and the associated use of journal entries.
6	Tenders Register	During our review of the Tenders Register, we noted from our audit sample that the register did not contain the name or amount of the successful tender for tender 2017-05 Landfill Minor Infrastructure Works and Tip Shop Project	The Town should review its policies and procedures to ensure that the Tenders Register is updated in accordance with legislative requirements.
7	Related Party Disclosure	At the time of drafting the Annual Financial Report for the 2016/2017 financial year, the following former members of staff had not submitted 'Related Party Disclosure' Declaration Forms: <ul style="list-style-type: none"> • Christopher Linnell, resigned effective 30 January 2017; and • Peter Keane, resigned effective 16 May 2017. 	The Town should review its human resource policies and procedures to ensure that all employees who leave its service complete the 'Related Party Disclosure' Declaration Form as part of the exit protocol.
9	Overhead Allocation		The Town should review its procedures for the allocation of operating expenses to programmes and ensure procedures are in place to check that such allocations are correct and made in full on a monthly basis.

2.0 Other Matters

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