



# ATTACHMENTS

Under Separate Cover

Audit, Risk and Compliance Committee  
Meeting  
Tuesday, 17 May 2022

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## Project Management Review

Town of Port Hedland

April 2022

This report, including management actions and implementation timeframes, were agreed with and accepted by:

Name:	Carl Askew
Title:	Chief Executive Officer
Date:	5 May 2022
Signature:	

Name:	Karren MacClure
Title:	Director Corporate Services
Date:	 02/05/2022
Signature:	

Name:	Lee Furness
Title:	Director Infrastructure Services
Date:	02/05/2022
Signature:	

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## Background, Scope and Approach

### Background

The Audit and Risk Committee (“the Committee”) have requested that an internal audit of the Town of Port Hedland (“the Town”) (ToPH) Project Management processes be completed during 2021/22. The internal audit will be performed in accordance with the agreed terms and conditions set out in the Services Contract for Internal Audit Program to the Town.

A project is a unique, temporary venture, undertaken to achieve specific, planned objectives. A project could be defined in terms of outputs, outcomes, or benefits. Project management is the application of processes, methods, knowledge, skills, and experience to achieve those objectives.

Infrastructure Services is mainly responsible for managing construction and infrastructure related projects. All non-infrastructure projects are managed by the Corporate Services.

### Objectives

The objective of this audit is to determine whether controls over project management are adequate and effective for ensuring project outcomes are delivered on time and on budget.

### Preliminary Risk Assessment

The following risk is sourced from Internal Audit Plan of the Town

#	Risk Description	Potential causes
14	<b>Inadequate Project / Change Management</b>  Risk <b>High</b> Controls <b>Adequate</b> Residual Risk <b>Moderate</b>	<ul style="list-style-type: none"> <li>— Project management policy and procedures not documented and approved</li> <li>— Absence of project progress monitoring mechanism</li> <li>— Untrained and unaware staff</li> <li>— Absence of skilled project manager</li> <li>— Absence of project steering board/committee</li> <li>— Lack of regular progress reporting to project steering board/committee</li> <li>— Financial, time and resource constraints</li> </ul>

### Review Procedures\*

Consideration of relevant policies, procedures and legislation and discussion with the Town’s management and staff responsible for the relevant scope areas.



Identification of control weaknesses through analysis of processes and checking its compliance with the established policies and procedures.



Analysis of a sample of records/plans and actions covered within the scope of the audit. Identification of any discrepancies or deviations from policy, procedure or legislation.



Discussion on control weaknesses, deviations from policy with relevant Town staff members.



Development of a report identifying any weaknesses or issues and making relevant recommendations on the areas under the scope of our engagement.



\* Refer to Appendix A for detailed audit approach and list of participants

## Scope

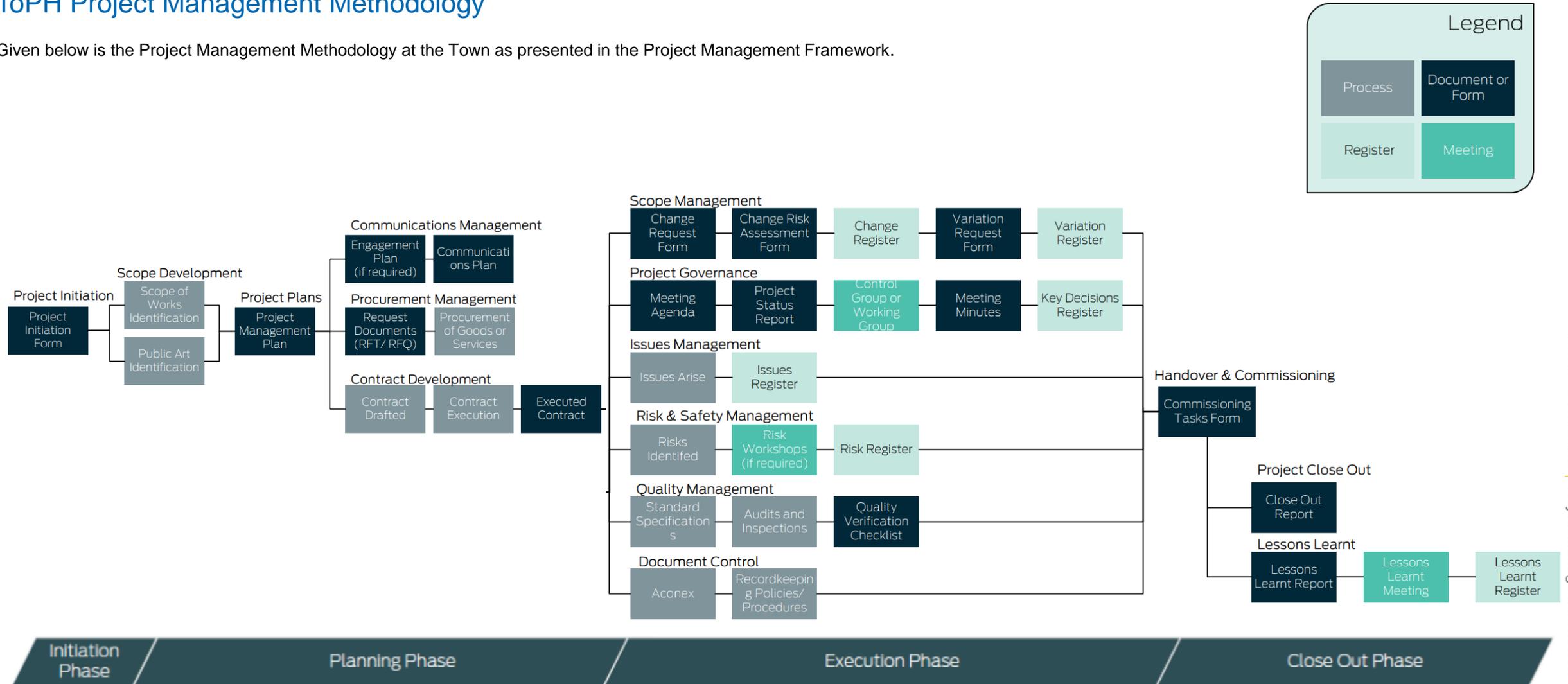
#	Scope
1	<p><b>Project management framework and methodology</b></p> <ul style="list-style-type: none"> <li>— A formal project management framework has been established to define the Town’s standard approach and methodology for project management;</li> <li>— Roles and responsibilities for overseeing the Town’s standard project management methodology are clearly defined;</li> </ul>
2	<p><b>Preparation and approval of business cases</b></p> <ul style="list-style-type: none"> <li>— Comprehensive business cases are prepared to establish the purpose of a particular project and ensure the outcomes are supported and approved by Senior Management or the Council, depending on the value of the project;</li> </ul>
3	<p><b>Project Plans</b></p> <ul style="list-style-type: none"> <li>— A detailed project Plan is prepared for each distinct project, including a detailed project scope, milestones, expected completion timeframes and key performance measures;</li> <li>— Roles and responsibilities for specific projects are formally defined including responsibility for project governance, project ownership and the delivery of individual aspects of the project;</li> </ul>
4	<p><b>Project risk assessments and management</b></p> <ul style="list-style-type: none"> <li>— A project risk assessment is conducted prior to the commencement of each distinct project and all risks identified are recorded in a Project Risk Register which is reviewed and updated throughout the life of the project;</li> </ul>
5	<p><b>Communications plans</b></p> <ul style="list-style-type: none"> <li>— A formal communications plan is in place to define key communication requirements of all project stakeholders including project variations and changes to the scope, objectives, or timeframe for the project;</li> </ul>
6	<p><b>Reporting of progress of projects</b></p> <ul style="list-style-type: none"> <li>— Progress against project objectives, key milestones, key performance measures and budgets is monitored and any variances from the project plan are escalated to the project control group;</li> </ul>
7	<p><b>Project handovers and post-project reviews</b></p> <ul style="list-style-type: none"> <li>— A formal post-project review is conducted, and a report is prepared highlighting the results of the project, including positive outcomes and lessons learned. Project management documentation is maintained and access to key information is restricted to ensure security and confidentiality;</li> <li>— Processes are compliant with the Town’s policies and procedures;</li> </ul>
8	<p><b>End-user acceptance testing</b></p> <ul style="list-style-type: none"> <li>— End-user acceptance testing is completed, and project completion is documented by the Project Owner.</li> </ul>

\* Refer to Appendix A for detailed audit scope, audit approach and list of participants

# Executive Summary

## ToPH Project Management Methodology

Given below is the Project Management Methodology at the Town as presented in the Project Management Framework.



## Key findings and positive insights

### Positive insights of Project Management at ToPH

- The Town's has well documented comprehensive Project Management Framework, Project Management Methodology, Risk Management Policy and other associated policies that compliment and support the Project Management Framework.
- The Town's Project Management Framework is based on the Australian Institute of Management Project Management Guidelines
- The Contract and Contract Management practices are managed through a well documented guidelines including *Capital Works Contract management Guidelines, Writing a Scope Guidelines, Commissioning Guidelines, Contractor Standards for Construction and Refurbishment, Procurement Policy and Internal Operating Procedures.*
- *Oracle Aconex* is used as a primary tool for document management at the Town. The use of this tool is directed through a well documented *Aconex Guidelines.*
- Complex and high-risk projects are monitored by the *Project Control Group*. This group is made up of key stakeholders who can influence the Project performance. The members of this group are carefully selected. There are about 5 PCGs exist in the Town who looks after various projects.
- The project management practices are continuously improving in the Town. The documentation and work practices are continuously reviewed. Management started documenting *Lessons Learned* from each project after the implementation of Project Management Framework. A formal report is prepared, discussed and actions are planned and implemented based on these reports.



### Summary of Key findings

This report documents the findings from the Project Management Review. Through the performance of our procedures, we identified 4 medium, and 1 improvement findings. We have provided 11 recommendations to management to address these observations, which are detailed in Section 2 of this report. The risk ratings assigned are in accordance with the risk rating table provided in Appendix B.

	Extreme	High	Medium	Low	Improvements	Total
# of Findings (F)	-	-	4	-	1	5
# of Recommendations (R)	-	-	10	-	1	11

Overall, based on the work we have performed, the Town has well established Project management controls for its work environment. We have selected 9 projects for our control testing. Two out of nine projects are completed and remaining seven are ongoing.

However, we identified some control weaknesses especially in the Risk and Project management domain. The identified control weaknesses are given below that require management attention:

#	Key Findings	Recommendations	Risk
F1	Risk management	R1, R2, R3	Medium
F2	Project management	R4, R5, R6, R7, R8	Medium
F3	Project Control Group	R9	Medium
F4	Lesson Learnt Report	R10	Medium
F5	Administrative Errors	R11	Improvements

## Summary of Recommendations

Finding #	Risk Rating	Recommendation #	Action Owner(s)	Target Date
F1	Medium	R1	- Manager Governance	31/12/2022
		R2	- Manager Governance - Director Infrastructure Services	31/12/2022
		R3	- Manager Infrastructure Projects & Assets	31/07/2022
F2	Medium	R4	- Director Infrastructure Services - Senior Project Officer – Business	30/09/2022
		R5	- Manager Infrastructure Projects & Assets	31/07/2022
		R6	- Manager Infrastructure Projects & Assets	31/07/2022
		R7	- Senior Project Officer – Business	31/07/2022
F3	Medium	R8	- Manager Infrastructure Projects & Assets	31/07/2022
F3	Medium	R9	- Senior Project Officer – Business	31/05/2022
F4	Medium	R10	- Senior Project Officer – Business	31/05/2022
F5	Improvements	R11	- Manager Infrastructure Projects & Assets - Senior Project Officer – Business	31/12/2022

## Overall management comments

Management has worked hard to put in place appropriate controls for the management of projects and notes the Positive Observations and Recommendations made by the Auditor.

## F1 Risk management

Consequence: *Moderate*  
Likelihood: *Possible*

Medium

Finding	R#	Recommendations	Management action
<p><b>Background</b></p> <p>Risk management is a critical component of Project management. Well established Risk Management Framework provides clear direction and guidance to the management to mitigate project risks that arise at each stage or phase of a project.</p> <p><b>Observations</b></p> <p>During review of overarching Project management documentation, we noted that the:</p> <ol style="list-style-type: none"> <li>1. Town does not have a comprehensive and all-encompassing Risk Management Framework or procedures. Town has a documented <i>Risk Management Policy</i> that defines management role and responsibilities towards risk management. <i>Project Management Framework</i> briefly describes about the requirement of a <i>Risk Register</i>.</li> <li>2. <i>Project Management Framework</i> requires risk assessment should be performed at each stage of the Project. During our sample testing of 9 projects, we noted and further confirmed by the management that Risk Assessment is not performed at each stage of project.</li> <li>3. <i>Project Management Framework</i> requires risk register should be reviewed at each meeting where a project is monitored by a <i>Project Control Group</i> (PCG). Upon enquiry from the management, it was confirmed that <i>Risk Register</i> is not reviewed in each project meeting.</li> <li>4. <i>Risk Management Policy</i> of the town was first adopted on 27 April 2016. Since then, it was not reviewed and updated. Additionally, review frequency requirement is also not specified in the policy.</li> <li>5. Different format of <i>Risk Register</i> templates was used for different projects. There is no standard Risk Register template across all projects.</li> <li>6. <i>Risk Assessment Matrix</i> in the <i>Project Management Plans</i> are not in align with the <i>Risk Management Policy</i> as well as <i>Risk Assessment Matrix</i> given in the Risk Registers.</li> <li>7. <i>Risk Assessment</i> is not performed as required by the <i>Risk Management Framework</i>. Given below is the assessment. From the table below it can be noted that in 5 out of 9 selected projects Risk was not assessed at the Completion of the <i>Project Management Plan</i>. Similarly, <i>Risk Register</i> was not formally presented and reviewed in the PCG meetings as required by the PM Framework. Instead, currently <i>Risk Register</i> is reviewed quarterly.</li> </ol>	<p>R1</p>	<p>We recommend that management develop Risk Management Framework that should describe in detail all risk management procedures, role and responsibilities of project management, method and approach of risk assessments, standard risk matrix criteria, detail and scope of risk related discussions at each PCG meeting, clear documentation requirement for identified risks and their mitigation progress along the timeline of a project. This framework also include requirement for final risk assessment at the end of the project and including this assessment in the Lessons learned report.</p>	<p>The Town is currently developing a Risk Management Framework in line with ISO31000:2018 which will address this recommendation.</p> <p><b>Action Owner:</b> Manager Governance</p> <p><b>Target Date:</b> 31 December 2022</p>
	<p>R2</p>	<p>We recommend that management review and update Risk Management Policy, Risk Register template, Risk Matrix in the Project Management Plans.</p>	<p>The Town is currently reviewing and updating its Risk Management Policy, Risk Registers and Risk Matrix. The updated Risk Matrix will be used in future Project Management Plans, upon development of the Risk Management Framework.</p> <p><b>Action Owner:</b> Manager Governance Director Infrastructure Services</p> <p><b>Target Date:</b> 31 December 2022</p>

As per Project Management Framework, Risk will be assessed at key stages of the project including project initiation, completion of the Project Management Plans and tracked using the risk register during project execution.

	Projects	Seawalls Construction	Depot Masterplan	JD Hardie - Stage 4	JD Hardie - Stage 1	JD Hardie - Stage 2	Staff Housing - Barramine Loop	Finucane Island - Stage 1	Staff Housing - Longtom Loop	Colin Matheson Oval Floodlights And Cricket Pitch
1	Risk assessed at Completion of the Project Management Plans	Y	Y	N	N	N	Y	N	Y	N
2	Risk will be tracked using the risk register during project execution.	Y	Y	Y	Y	Y	Y	Y	Y	Y
3	For projects with a PCG, the risk register is formally reviewed at each meeting.	NA	N	N	N	N	N	NA	N	NA
	Project Control Group Name	NA	Depot Masterplan	Recreation Hub Masterplans	Recreation Hub Masterplans	Recreation Hub Masterplans	Residential Land Development	NA	Residential Land Development	NA

Finding	R#	Recommendations	Management action
<p><b>Business impact</b></p> <p>In the absence of a documented and approved risk management procedures there is increased risk of non-standard work practices across project management and other business units. Risk assessment and management is a continuous process that should be kept along all stages of a project management. Absence of this practice may lead to some risks remain unidentified and timely managed that were visible objectively when assessed at relevant Project stage. Timely review of polices is important to align and update business practices in the guiding documents.</p> <p>Performance measurement can not be performed appropriately when varied practices are adopted by the management. This can also lead to the confusions and lack of clear direction. Standard document-based approach enhance uniformity and management efficiency.</p>	R3	<p>We recommend that management comply with the requirements of Project Management Framework related to the Risk Management for all its ongoing projects whether started before the 30 June 2021<sup>1</sup>.</p> <p><sup>1</sup> Project Management Framework was endorsed by the management on 30 June 2021.</p>	<p>Management agree to comply with the requirements of the Project Management Framework related to Risk Management for all future projects. The risk register will be presented to all future PCG meetings as required in the PMF.</p> <p><b>Action Owner:</b> Manager Infrastructure Projects &amp; Assets</p> <p><b>Target Date:</b> 31 July 2022</p>

Finding	R#	Recommendations	Management action										
<p><b>Background</b> Project management practices at the Town are continuously improving since the implementation of the Project Management Framework in June 2021. This framework is supported by other guidance including <i>Writing Statement of Work Guidelines, Aconex Guidelines, Capital Works Contract Management Guidelines, Contractor Standard, IOP Variation of Contracts with Suppliers.</i></p> <p><b>Observations</b> During the review of Project management documentation of 9 selected projects, we noted some observations as given below.</p> <ol style="list-style-type: none"> <li>Project Management policy is not in place instead <i>Project Management Framework (PMF)</i> is used a base line document for guidance and direction. PMF refers to <i>Planning Policy, Decision Making Policy, Risk Management Policy, Purchasing Policy.</i></li> <li><i>Project Management Plan (PMP)</i> was not prepared for 5 out of 9 selected projects. Upon enquiry management confirmed that these projects were started prior to the implementation of <i>Project Management Framework</i>. Therefore, a formal PMP was not required prior to the Framework.</li> <li><i>Project Management Plan</i> for all the following projects are in draft and not yet endorsed:</li> </ol> <table border="1" data-bbox="107 958 741 1196"> <thead> <tr> <th>Project Name</th> <th>Project Start Date</th> </tr> </thead> <tbody> <tr> <td>Seawalls Construction</td> <td>August 2021</td> </tr> <tr> <td>Depot Masterplan</td> <td>December 2020</td> </tr> <tr> <td>Staff Housing – Barramine Loop</td> <td>November 2020</td> </tr> <tr> <td>Staff Housing – Longtom Loop</td> <td>November 2020</td> </tr> </tbody> </table> <ol style="list-style-type: none"> <li>Roles and responsibilities of Project teams were not documented as a part of <i>Project Management Plan</i>.</li> <li>Project Completion Checklist is not prepared as a part of Project formal sign-off. Management confirmed that this requirement is not given in the <i>Project Management Framework</i> but has been</li> </ol>	Project Name	Project Start Date	Seawalls Construction	August 2021	Depot Masterplan	December 2020	Staff Housing – Barramine Loop	November 2020	Staff Housing – Longtom Loop	November 2020	<p>R4</p> <p>R5</p> <p>R6</p>	<p>We recommend that management consider developing a separate <i>Project Management Policy</i> or incorporate policy statement in the <i>Project Management Framework</i>.</p> <p>We recommend that management develop a <i>Project Management Plan (PMP)</i> for all ongoing projects. All unendorsed PMP should be reviewed, updated and formally endorsed by the management.</p> <p>Role and responsibilities of project team be formally documented as a part of the PMP for each project.</p>	<p>Management agree with the recommendation to incorporate a policy statement within the Project Management Framework. This action is currently underway.</p> <p><b>Action Owner:</b> Director Infrastructure Services Senior Project Officer – Business</p> <p><b>Target Date:</b> 30 September 2022</p> <p>Management agree that a Project Management Plan should be developed. This will occur immediately for all new projects and retrospectively for all ongoing projects with an expected completion date post October 2022.</p> <p><b>Action Owner:</b> Manager Infrastructure Projects &amp; Assets</p> <p><b>Target Date:</b> 31 October 2022</p> <p>Management agree with the recommendation. Future Project Management Plans will capture roles and responsibilities of the projects team.</p> <p><b>Action Owner:</b> Manager Infrastructure Projects &amp; Assets</p> <p><b>Target Date:</b> 31 July 2022</p>
Project Name	Project Start Date												
Seawalls Construction	August 2021												
Depot Masterplan	December 2020												
Staff Housing – Barramine Loop	November 2020												
Staff Housing – Longtom Loop	November 2020												

Finding	R#	Recommendations	Management action
<p>Identified as a priority for a formal process to be developed. Management has plans to develop this process within next few months.</p> <p>6. Communication Plan was prepared only for 2 out of 9 selected projects although <i>Project Management Framework</i> requires development of a <i>Communication Plan</i> for every project.</p> <p><b>Business impact</b> A policy statement provides an overarching direction from the strategic management towards project management. A framework provides operational details and elaborates procedural steps of a project management methodology. A formally documented and approved policy statement from CEO will strengthen the project governance structure.</p> <p>Project management plan is a baseline document to address all requirements, timelines, budget and milestones of a project. Unapproved plans cause confusion, lack of trust and confidence in performing tasks and activities of a project.</p>	R7	Project Completion Checklists prepared as a project formal sign-off for each project. The same requirement should be included in the <i>Project Management Framework</i> .	<p>Management agree with the recommendation. A project completion checklist is currently being prepared to ensure all necessary steps are completed across all business units involved. The checklist will be added to the Project Management Framework.</p> <p><b>Action Owner:</b> Senior Projects Officer – Business</p> <p><b>Target Date:</b> 31 July 2022</p>
<p>Project completion checklists is an important project closure document that is used to review and identify if all project requirements were addressed, all milestones were achieved, all documentation was complete, endorsed and approved, all lessons learned were documented and tracked, all project objectives were achieved.</p> <p>Communication is a key for the project’s team performance and for project efficiency. A communication plan sets internal and external reporting and communication requirements for the project team. In the absence of this plan there is a risk of low performance and inefficiencies. Appropriate communication enables Project monitoring and review capabilities.</p>	R8	Communication plan should be developed for each ongoing project as required by the <i>Project Management Framework</i> .	<p>Management agree with the recommendation. All significant projects carrying over to the next financial year will have a communication plan prepared. Further, all new projects will have a communication plan prepared, where identified as required, per the Project Management Framework.</p> <p><b>Action Owner:</b> Manager Infrastructure Projects &amp; Assets</p> <p><b>Target Date:</b> 31 July 2022</p>

Finding	R#	Recommendations	Management action
<p><b>Background</b></p> <p>Project Control Group (PCG) is a unit to establish project governance. The main objective of a PCG is an oversight function that ensures alignment of Town’s policies and procedures in during project management. It provides a structure, process and required decision-making tools and capability to the project team. Finally, it ensures successful completion and timely delivery of a project milestones. This requirement is defined in a <i>Project Management Framework</i> of Town.</p> <p><b>Observations</b></p> <p>Through the review of project documents and PM Framework, we noted that:</p> <ol style="list-style-type: none"> <li>1. <i>Project Management Framework</i> requires establishment of a PCG for all high risk and complex projects. However, there is no clearly documented criteria to define risk and complexity of a project. This requirement is left for the management judgment.</li> <li>2. Existence of a PCG monitoring impacts project monthly status reporting requirements. Therefore, when a project is without any PCG, monthly status reports are not prepared.</li> </ol> <p><b>Business impact</b></p> <p>Project team’s performance and timely delivery of project objectives directly impacted because of existence and non-existence of a <i>Project Control Group</i>. The absence of a clear guidance around PCG formation criteria may lead to confusions and disagreements among management and this can lead to inappropriate decisions.</p>	<p>R9</p>	<p>We recommend that management clearly define a criteria to determine level of risk and complexity of a project. The explanation should include examples of high risk and complex projects.</p> <p>Document this criteria in the <i>Project Management Framework</i>.</p>	<p>Management agree with the recommendation. Criteria will be added to the Project Assessment Matrix within the Project Management Framework. to determine the level of risk and complexity of a project.</p> <p><b>Action Owner:</b> Senior Project Officer – Business</p> <p><b>Target Date:</b> 30 June 2022</p>

Finding	R#	Recommendations	Management action
<p><b>Background</b> Project management recently started preparing Lessons Learnt Report as required by the <i>Project Management Framework</i>.</p> <p><b>Observations</b> Through the review of a <i>Lessons Learnt Report</i> of 'JD Hardie – Stage 1' we noted management has identified significant number of issues that required improvements. All identified issues were important from the project management perspective. Issues identified were around various functional areas such as project management process, stakeholder engagement, scope, cost, quality, risk, communication, contractor and time management. There were some issues identified regarding timely support and participation from IT department.</p> <p>Upon further enquiry from the management, it was confirmed that issues identified are not logged in any control log. Action follow-up is also not assigned to a particular staff. Since actions are required from various departments other than Project's department, there is no visibility on the progress implementation.</p> <p>We also noted that following actions were either not implemented or there is no visibility to the Project Management about the implementation status of these actions.</p>	R10	<p>We recommend that management assign a responsibility to maintain a central consolidated log of all 'Lessons Learnt' that are identified at the close of all projects.</p> <p>A target date and an action owner should also be assigned to perform follow-up.</p> <p>Periodic follow-up should be performed to determine the implementation progress.</p> <p>All closed and completed issues should not be deleted from the log. The log should be made available to the auditors and management for review when required.</p>	<p>Management agree with the recommendation. A consolidated 'Lessons Learnt' log will be created and maintained.</p> <p><b>Action Owner:</b> Senior Project Officer – Business</p> <p><b>Target Date:</b> 30 June 2022</p>

Action decided based on Lessons Learnt	Implementation status by management
Development of Construction Checklist to be used during site visits so that the defect list is not as large.	This process has not been developed yet.
Train Project Support Staff to be able to undertake spot safety audits.	Process has not been developed yet, as we are awaiting training on the new WHS legislation/ impacts around involuntary manslaughter risks
Risk Register Reviewed quarterly at PCG meetings	To be implemented
Prepare a communications plan in conjunction with Corporate Affairs. Timelines in GANT Chart to include Operational Handover and Opening Event	Corporate Affairs manage this

# Detailed findings

F4 Lesson Learnt Report	Consequence: <i>Possible</i> Likelihood: <i>Moderate</i>	<b>Medium</b>
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Action decided based on Lessons Learnt	Implementation status by management
A new process has been agreed with Finance but it still clumsy. Review governance processes and Council tender recommendations to see if the CEO or delegate can be given responsibility for settling invoices.	The project team are workshopping and researching an easier payment process (including RCTI) with the Finance team. This process is not ours to implement changes to. Managed by Finance
Variation process was updated to be more streamlined.	Not our process to implement changes to. Managed by Procurement. We will work with the Procurement Team to action.
New IOP endorsed by ELT as well as an SOP being developed which has been approved by ELT.	Not our process to implement changes to. Managed by Procurement. We will work with the Procurement Team to action.
IT to develop an IT Specification that can be included in Scope/Tender documentation.	Not our process to develop. We will work with the IT Team to develop a specification.

Finding	R#	Recommendations	Management action
<p><b>Business impact</b></p> <p>The whole effort of identifying lessons learnt will be lost if all issues are not documented in a log and appropriately followed-up by the management.</p>			

Finding	R#	Recommendations	Management action																		
<p><b>Observations</b></p> <p>Through the review of various project documentation, we noted some administrative errors that require management attention. Given below are these issues.</p> <ol style="list-style-type: none"> <li>For <i>Depot Masterplan</i> project the calculation of Project Manager cost was incorrect. The correct figure should be \$10,000.</li> </ol> <table border="1" data-bbox="122 522 1251 611"> <thead> <tr> <th>Category</th> <th>Roles required</th> <th>Hours</th> <th>Rate</th> <th>Cost</th> </tr> </thead> <tbody> <tr> <td>Internal</td> <td>Project Manager</td> <td>200 hours</td> <td>\$50.00</td> <td>\$100,000</td> </tr> </tbody> </table> <ol style="list-style-type: none"> <li>Also, the project milestone dates were not updated in the plan. Project started in December 2020. Plan should be updated.</li> </ol> <table border="1" data-bbox="122 758 588 896"> <tbody> <tr> <td>Delivery</td> <td>15 October 2020</td> </tr> <tr> <td>Close out</td> <td>April 2020</td> </tr> </tbody> </table> <ol style="list-style-type: none"> <li>Date on Project Management Framework is incorrect. The correct date is 30/06/2021.</li> </ol> <table border="1" data-bbox="122 996 1251 1043"> <tbody> <tr> <td>31/06/2021</td> <td>V1.0</td> <td>ELT Adopted Version</td> <td>31/06/2021</td> </tr> </tbody> </table> <ol style="list-style-type: none"> <li>Project Management Guidelines does not exist. This should be removed and updated.</li> </ol> <div data-bbox="122 1136 861 1268" style="border: 1px solid black; padding: 5px;"> <p>The Town's Framework consists of the following key documents:</p> <ul style="list-style-type: none"> <li>Writing a Scope of Works Guideline</li> <li>Aconex Guidelines</li> <li>Project Management Guidelines</li> </ul> </div> <ol style="list-style-type: none"> <li>Change Request Forms are not chronological order of date. For example, CR01 was dated 14/01/21 whereas CR02 was dated 19/01/20.</li> </ol>	Category	Roles required	Hours	Rate	Cost	Internal	Project Manager	200 hours	\$50.00	\$100,000	Delivery	15 October 2020	Close out	April 2020	31/06/2021	V1.0	ELT Adopted Version	31/06/2021	<p>R11</p>	<p>We recommend that management should review all project documentation and correct errors and update templates where needed.</p>	<p>Management agree with the recommendation and will review project documentation as observed under 'Finding 6 Observations' with an objective to correct errors and update templates where needed.</p> <p>Further, the projects team will collaborate with the ERP team to automate tasks where possible to eliminate the risk of human error.</p> <p><b>Action Owner:</b>            Manager Infrastructure Projects &amp; Assets            Senior Project Officer – Business</p> <p><b>Target Date:</b>            31 December 2022</p>
Category	Roles required	Hours	Rate	Cost																	
Internal	Project Manager	200 hours	\$50.00	\$100,000																	
Delivery	15 October 2020																				
Close out	April 2020																				
31/06/2021	V1.0	ELT Adopted Version	31/06/2021																		

## F5 Administrative errors

## Improvement

Finding	R#	Recommendations	Management action
<p>6. Issue Request Form numbers are not in chronological order of dates. For example, Deport Masterplan project IR01 was dated 31/10/2021 whereas IR02 and IR03 was dated 09/02/2021.</p> <p>7. Town maintains two separate registers for each project, first one is <i>Change Register</i> to document scope changes whereas second <i>Variation Register</i> to document variations. During review of these registers related to selected projects we noted in some change cases a Variation Request Form (VR) is also mentioned against a change whereas for other changes there is no variation request. Upon further enquiry from management about difference between a Change and a Variation, management informed: <i>Change and a variation is almost same thing, change means a change to the scope, but may not impact on the contract value, where as variation changes the scope and usually has a cost involved.</i></p> <p>Project Management Framework also does not clearly differentiate between a Change and a Variation.</p> <p>8. Footer of monthly status reports of <i>JD Hardie – Stage 4</i> for the month of September, December, January and February mentions Feb 2021. Upon further enquiry we noted that this was an admin error.</p> <p>9. Project status reports are prepared every month for projects with PCG. This report is presented to the PCG in the monthly meeting. If in a month, there is no meeting, due to any reason, Status report is not prepared.</p> <p>10. A <i>Variation Request Form</i> requires approval of a CEO for each variation if the project cost if more than AU\$ 250,000. During review we noted many variation forms that were not signed by the CEO. Upon further enquiry management confirmed that this is an error and needs correction.</p> <p>11. For <i>Staff Housing – Barramine Loop</i> project, the value of project mentioned in the <i>Change Register</i> is AUD 5,050,000 instead of AUD 5 million. Management confirmed that this is an administrative error.</p> <p>12. For <i>Finucane Island - Stage 1</i> project VR02 was not documented in the <i>Variation Register</i>.</p>			

# Appendix A – Audit approach and participants

## Audit approach

The approach adopted for this internal audit will be as follows:

- Consideration of relevant policies, procedures and legislation and discussion with the Town’s management and staff responsible for the relevant scope areas.
- Identification of control weaknesses through analysis by internal audit.
- Analysis of a sample of records/plans and actions covered within the scope of the audit.
- Identification of any discrepancies or deviations from policy, procedure or legislation.
- Discussion on control weaknesses, deviations from policy with relevant Town staff member.
- Development of a report identifying any weaknesses or issues and making relevant recommendations on the areas under the scope of our engagement.

## Town of Port Hedland Participants

We would like to thank the following management personnel who assisted in the delivery of this engagement:

Name	Position
Stephanie Sikaloski	A/ Senior Risk and Audit Advisor
Tammy Wombwell	Senior Project Officer - Business
Lee Furness	Director Infrastructure Services
Ryan Pickup	Manager Infrastructure Projects and Assets

# Appendix B – Risk rating criteria

Recommendations made in this report have been rated as Extreme, High, or Medium based on an assessment of underlying issues. The assessment was made by Internal Audit using predetermined criteria as outlined below. An issue may display one, all or a combination of the example attributes listed against the relevant rating.

## MEASURES OF LIKELIHOOD

LEVEL	RATING	DESCRIPTION	FREQUENCY	PROBABILITY
5	Almost Certain	The event is expected to occur in most circumstances	More than once per year	Greater than 90% chance of occurrence
4	Likely	The event will probably occur in most circumstances	At least once per year	60% - 90% chance of occurrence
3	Possible	The event should occur at some time	At least once in 3 years	40% - 60% chance of occurrence
2	Unlikely	The event could occur at some time	At least once in 10 years	10% - 40% chance of occurrence
1	Rare	The event may only occur in exceptional circumstances	Less than once in 15 years	Less than 10% chance of occurrence

## MEASURES OF CONSEQUENCE

LEVEL	1	2	3	4	5
RATING	Insignificant	Minor	Moderate	Major	Catastrophic
HEALTH	Negligible injuries	First aid injuries	Medical type injuries or Lost time injury < 5 days	Lost time injury > 5 days	Fatality, permanent disability
FINANCIAL IMPACT	Less than \$3,000	\$3,000 - \$30,000	\$30,001 - \$300,000	\$300,001 - \$3M	More than \$3M
SERVICE INTERRUPTION	No material service interruption	Temporary interruption to an activity – backlog cleared with existing resources	Interruption to Service Unit/(s) deliverables – backlog cleared by additional resources	Prolonged interruption of critical core service deliverables – additional resources; performance affected	Indeterminate prolonged interruption of critical core service deliverables – non-performance
COMPLIANCE	Occasional noticeable temporary non-compliances	Regular noticeable temporary non-compliances	Non-compliance with significant regulatory requirements imposed	Non-compliance results in termination of services or imposed penalties	Non-compliance results in criminal charges or significant damages or penalties
REPUTATION	Unsubstantiated, localised low impact on key stakeholder trust, low profile or no media item	Substantiated, localised impact on key stakeholder trust or low media item	Substantiated, public embarrassment, moderate impact on key stakeholder trust or moderate media profile	Substantiated, public embarrassment, widespread high impact on key stakeholder trust, high media profile, third party actions	Substantiated, public embarrassment, widespread loss of key stakeholder trust, high widespread multiple media profile, third party actions
ENVIRONMENT	Contained, reversible impact managed by on site response	Contained, reversible impact managed by internal response	Contained, reversible impact managed by external agencies	Uncontained, reversible impact managed by a coordinated response from external agencies	Uncontained, irreversible impact

# Appendix B – Risk rating criteria

## Risk Matrix

Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		1	2	3	4	5
Almost Certain	5	Medium or Moderate 5	High or Significant 10	High or Significant 15	Extreme 20	Extreme 25
Likely	4	Low or Minor 4	Medium or Moderate 8	High or Significant 12	High or Significant 16	Extreme 20
Possible	3	Low or Minor 3	Medium or Moderate 6	Medium or Moderate 9	High or Significant 12	High or Significant 15
Unlikely	2	Low or Minor 2	Low or Minor 4	Medium or Moderate 6	Medium or Moderate 8	High or Significant 10
Rare	1	Low or Minor 1	Low or Minor 2	Low or Minor 3	Low or Minor 4	Medium or Moderate 5

## Risk Acceptance Criteria

Risk Rating	Risk Level	Description	Criteria for Risk Acceptance	Authority & Responsibility to Accept
Extreme	17 – 25	Urgent attention required	Risk is only acceptable with excellent controls and treatments plans to be explored and implemented, when possible, managed and continuously monitored by highest level of authority.	DG / MD / CEO / Council
High or Significant	10 – 16	Attention required	Risk is acceptable with excellent controls, managed by senior management/executive and monitored on monthly basis	Respective Department Director / CEO
Medium or Moderate	5 – 9	Monitor and respond when needed	Risk is acceptable with adequate controls, managed by specific procedures and monitored semi-annually	Respective Department Manager
Low or Minor	1 – 4	Can be acceptable	Risk is acceptable with adequate controls, managed by routine procedures and monitored annually	Respective Department Manager

## Inherent Limitations

The nature of our review is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive, rather than conclusive, evidence.

William Buck ensures that reasonable care and competence are displayed during our engagements. As such, we conduct examinations and verifications to a reasonable extent, but we cannot give absolute assurance that noncompliance or irregularities do not exist.

Our review is focused on “Key Controls” as identified and assessed. Inherent audit limitations exist in any internal control structure, and it is possible that errors or irregularities may occur and not be detected.

Our findings expressed in this report have been based on the evaluation of existing processes in the organisation and sample testing performed on the existing controls as designed and implemented by management.

For these reasons, we can only provide reasonable, but not absolute assurance on the status of the internal control environment.

## About William Buck

William Buck is a leading firm of accountants and advisors with offices across Australia and New Zealand. Established in 1895, we have over 100 directors and 900 professional staff, and are wholly owned and operated in Australia and New Zealand.

Throughout our history, we have assisted individuals, progressive businesses and community organisations, with a particular focus on the middle market. Remaining true to our core client base has enabled us to develop a depth of knowledge and expertise specific to our clients’ needs.

William Buck’s strength lies in our unique philosophy summed up by the simple phrase, ‘Changing Lives’.



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# Financial Management Review Report

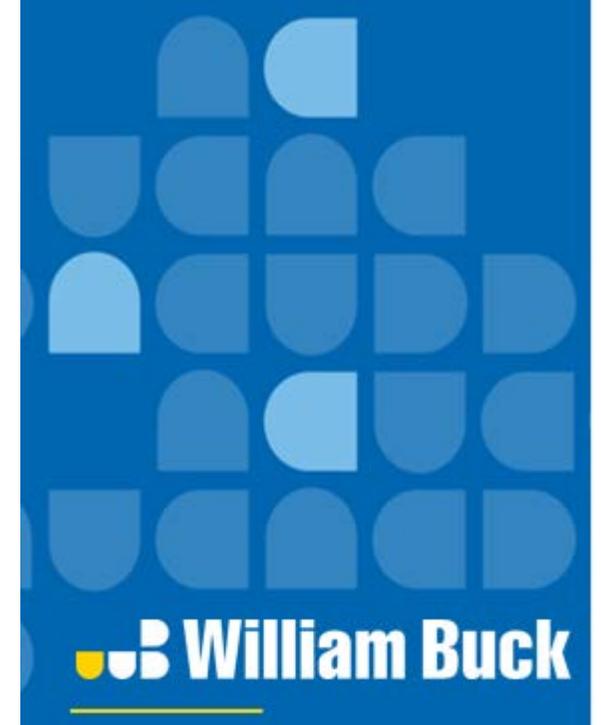
Town of Port Hedland

April 2022

This report, including management actions and implementation timeframes, were agreed with and accepted by:

Name:	Carl Askew
Title:	Chief Executive Officer
Date:	4 May 2022
Signature:	

Name:	Karren MacClure
Title:	Director Corporate Services
Date:	 03/05/2022
Signature:	



<b>Executive Summary</b>	<b>4-6</b>
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## Background, Scope and Approach

### Background

As a part of the annual and 3-year Strategic Rolling Internal Audit Plan, approved by the Audit and Risk Compliance Committee (ARC), an internal audit review of the appropriateness and effectiveness of the Town of Port Hedland's (the Town) Financial Management was conducted during December 2021 to February 2022. The internal audit was performed in accordance with the agreed terms and conditions set out in the Service Contract for Internal Audit Program to the Town.

Operations of the Town is governed by several legislative requirements which includes *Local Government Act 1995* (the Act) and *Local Government (Financial Management) Regulations 1996* (the Regulations).

Regulation 5 (2) requires that the CEO of the local government is to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly and report to the local government the results of those reviews. Such reviews are to be performed at least once in every 3 financial years. The last such report was presented to the ARC on 14 May 2019.

### Objective

The objective of this audit is to determine whether controls are adequate and effective for ensuring the Financial Management processes are appropriately managed and aligned with the Regulation 5 of *Local Government (Financial Management) Regulations 1996* and Local Government Operational Guidelines.

### Scope

The scope of the audit will consider the key controls in place for ensuring the Town achieves the key business objectives in the following areas:

- Revenue & receivables;
- Cash management;
- Accounts payables, commitments and accruals;
- Supplier database maintenance;
- Exception reporting processes within finance;
- Administration and maintenance and acquittals of purchase cards;
- Period end close processes including all reconciliations, journals, analytical review and review and approval of accounts;
- Stock processes for administering, counting, valuing and provisions;
- Segregation of duties within each of the identified processes;
- The accounting aspect of assets including additions, disposals, valuation and depreciation; and
- User access to the accounting systems.

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### Procedures performed\*

Consideration of relevant policies, procedures and legislation and discussion with the Town's management and staff responsible for the relevant scope areas.



Identification of control weaknesses through analysis of processes and checking its compliance with the established policies and procedures.



Analysis of a sample of records/plans and actions covered within the scope of the audit. Identification of any discrepancies or deviations from policy, procedure or legislation.



Discussion on control weaknesses, deviations from policy with relevant Town staff members.



Development of a report identifying any weaknesses or issues and making relevant recommendations on the areas under the scope of our engagement.



\* Refer to Appendix A for detailed audit scope, audit approach and list of participants

## Key findings and positive insights

### Positive insights

- The Town has well trained and experienced staff. The staff is also rotated to perform other roles in case of absence of staff.
- Most of policies and procedures are well documented and complied with.
- Financial reporting is performed under direct professional support from a professional service provider.
- Financial and management reports are prepared regularly on time.
- Management has plans to implement a new Financial system TechOne to improve the performance and controls in financial management.



## Summary of Key findings

This report documents the findings from the Financial Management Review. Through the performance of our procedures, we identified 2 high and 6 medium risk, and 1 improvement rated findings. We have provided 13 recommendations to management to address these observations, which are detailed in Section 2 of this report. The risk ratings assigned are in accordance with the risk rating table provided in Appendix B.

	Extreme	High	Medium	Low	Improvements	Total
<b># of Findings (F)</b>	-	2	6	-	1	9
<b># of Recommendations (R)</b>	-	6	6	-	1	13

Overall, based on the work we have performed, the Town has shortage in staff to perform its various functions in finance. Management has plans in place to improve the internal financial controls.

Given below is the list of findings.

#	Key Findings	Risk
F1	Inappropriate user access rights	High
F2	Key policies and procedures are not documented	High
F3	Policies and procedures need review and improvement	Medium
F4	Reconciliations need improvement	Medium
F5	Signatory register	Medium
F6	Lack of Review Controls	Medium
F7	Credit Note management	Medium
F8	Vehicles classification	Medium
F9	Format of Attractive Asset Register	Improvement

## Summary of Recommendations

Finding #	Risk Rating	Recommendation #	Action Owner	Target Date
F1	High	R1	- Senior Financial Accountant	31/03/2023
		R2	- Senior Financial Accountant	31/03/2023
		R3	- Senior Projects Accountant	30/09/2022
		R4	- Senior Financial Accountant	31/12/2022
		R5	- Manager Financial Services	30/06/2023
F2	High	R6	- Manager Financial Services	30/04/2023 & 31/12/2023
F3	Medium	R7	- Manager Financial Services	30/06/2024
F4	Medium	R8	- Senior Accountant	31/12/2022
F5	Medium	R9	- Manager Financial Services	30/09/2022
F6	Medium	R10	- Senior Accounting Team - Manager Financial Services	30/06/2023
F7	Medium	R11	- Manager Financial Services - Senior Project Accountant	31/12/2022
F8	Medium	R12	- Senior Accountant	31/03/2023
F9	Improvement	R13	- Senior Accountant	30/06/2023

## Overall management comments

Management notes the Positive Observations and Recommendations made by the auditor.

Management agrees to review all existing policies and procedures to identify gaps and develop new policies or procedures, as required. Management also agrees to improve the internal control process to minimise financial risks.

Due to limitations in the current accounting software, it is not feasible to achieve certain recommendations related to the Synergy System. Stage one of the new system, Technology One, is expected to go live in the 2022-23 financial year. This new system will increase the Town's capability to achieve some of the recommendations.



# Detailed findings

<b>F1</b>	Inappropriate user access rights	Consequence: <i>Major</i> Likelihood: <i>Likely</i>	<b>High</b>
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Finding	R#	Recommendations	Management action																														
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #555; color: white;"> <th style="width: 20%;">User</th> <th style="width: 60%;">System / Aspect</th> <th style="width: 20%;">Delete Right</th> </tr> </thead> <tbody> <tr> <td>Senior Records Officer</td> <td>System Files   Internal Correspondents, Names and Addresses, Cemeteries, Central Records</td> <td style="text-align: center; color: red;">Yes</td> </tr> <tr> <td>Rates Officer</td> <td>Report Manager</td> <td style="text-align: center; color: red;">Yes</td> </tr> <tr> <td>Senior Financial Accountant</td> <td>Purchase Order, Report Manager, System Files</td> <td style="text-align: center; color: red;">Yes</td> </tr> <tr> <td>Senior Management Accountant</td> <td>Creditors, POs, Report Manager</td> <td style="text-align: center; color: red;">Yes</td> </tr> <tr> <td>Finance Officer – Creditors</td> <td>Creditors, POs, Report Manager</td> <td style="text-align: center; color: red;">Yes</td> </tr> <tr> <td>Finance Officer – Debtors</td> <td>Debtors, Report Manager</td> <td style="text-align: center; color: red;">Yes</td> </tr> <tr> <td>Assets Accounts Officer</td> <td>General Ledger   Responsible Officer Master File Maint/Enq., Report Manager, GL General Journals Entry &amp; Processing</td> <td style="text-align: center; color: red;">Yes</td> </tr> <tr> <td>Payroll Officer</td> <td>Payroll   Web Portal, Report Manager, Managed Services Payroll</td> <td style="text-align: center; color: red;">Yes</td> </tr> <tr> <td>Revenue and Treasury Officer</td> <td>General Ledger   Responsible officers master file</td> <td style="text-align: center; color: red;">Yes</td> </tr> </tbody> </table> <p>In addition to above, most of the staff has rights to modify data such as POs, Rates, Creditors, Debtors Assets etc. without a review or approval of a manager. Also, inappropriate access to information that the individual otherwise should not have access, i.e., confidentiality!</p> <p>3. Ex. Deputy Chief Executive Officer was removed from System on 09/11/2020 whereas a bank letters were sent on 16/6/2021 to NAB Bank, and on 31/5/2021 Commonwealth Bank and since there is no date on letter sent to ANZ Bank for the removal of her name from the approved signatories list, there is similar discrepancy expected.</p>	User	System / Aspect	Delete Right	Senior Records Officer	System Files   Internal Correspondents, Names and Addresses, Cemeteries, Central Records	Yes	Rates Officer	Report Manager	Yes	Senior Financial Accountant	Purchase Order, Report Manager, System Files	Yes	Senior Management Accountant	Creditors, POs, Report Manager	Yes	Finance Officer – Creditors	Creditors, POs, Report Manager	Yes	Finance Officer – Debtors	Debtors, Report Manager	Yes	Assets Accounts Officer	General Ledger   Responsible Officer Master File Maint/Enq., Report Manager, GL General Journals Entry & Processing	Yes	Payroll Officer	Payroll   Web Portal, Report Manager, Managed Services Payroll	Yes	Revenue and Treasury Officer	General Ledger   Responsible officers master file	Yes			
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F1	Inappropriate user access rights	Consequence: <i>Major</i> Likelihood: <i>Likely</i>	High
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Finding	R#	Recommendations	Management action																																															
<p>4. Similarly, system access of Ex. Manager Governance (LH) revoked on 06/11/2020 whereas bank letter was sent to NAB 16 June 2021.</p> <p>5. Many staff has Payroll addition, modification and deletion rights as given below.</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr style="background-color: #cccccc;"> <th style="width: 70%;">Name</th> <th style="width: 10%;">Add</th> <th style="width: 10%;">Modify</th> <th style="width: 10%;">Delete</th> </tr> </thead> <tbody> <tr><td>Finance Officer</td><td>Y</td><td>Y</td><td>Y</td></tr> <tr><td>Manager Human Resources</td><td>Y</td><td>Y</td><td>Y</td></tr> <tr><td>Senior Fixed Assets Accountant</td><td>Y</td><td>Y</td><td>Y</td></tr> <tr><td>Senior Organisational Development Advisor</td><td>Y</td><td>Y</td><td>Y</td></tr> <tr><td>Director Corporate Services</td><td>Y</td><td>Y</td><td>Y</td></tr> <tr><td>Finance and Payroll Processing Officer</td><td>Y</td><td>Y</td><td>Y</td></tr> <tr><td>Payroll Assistant</td><td>Y</td><td>Y</td><td>Y</td></tr> <tr><td>Senior Management Accountant</td><td>Y</td><td>Y</td><td>Y</td></tr> <tr><td>Records Officer Archives</td><td>Y</td><td>N</td><td>N</td></tr> <tr><td>Human Resources Business Partner</td><td>N</td><td>N</td><td>Y</td></tr> <tr><td>Senior Financial Accountant</td><td>Y</td><td>Y</td><td>Y</td></tr> </tbody> </table> <p>6. There is no difference in access rights of a common user account and an administrator account.</p> <p>7. SynergySoft has a limitation that once a user is created in the system, it cannot be marked as inactive. Human Resources Support Officer (PG) left the ToPH on 29/4/21 but her account still has active access to the Synergy system.</p>	Name	Add	Modify	Delete	Finance Officer	Y	Y	Y	Manager Human Resources	Y	Y	Y	Senior Fixed Assets Accountant	Y	Y	Y	Senior Organisational Development Advisor	Y	Y	Y	Director Corporate Services	Y	Y	Y	Finance and Payroll Processing Officer	Y	Y	Y	Payroll Assistant	Y	Y	Y	Senior Management Accountant	Y	Y	Y	Records Officer Archives	Y	N	N	Human Resources Business Partner	N	N	Y	Senior Financial Accountant	Y	Y	Y	<p><b>R3</b></p> <p>We recommend that management: limit the access of payroll system to the Payroll processing Officer and Human Resource Manager.</p> <p>Remove access of all Accounting and Finance staff except one who is responsible for processing payroll accounting entries.</p>	<p>Management will restrict access to the payroll system to ensure only staff who operationally require access are granted access.</p> <p><b>Action Owner:</b> Senior Projects Accountant</p> <p><b>Target Date:</b> 30 September 2022</p>
Name	Add	Modify	Delete																																															
Finance Officer	Y	Y	Y																																															
Manager Human Resources	Y	Y	Y																																															
Senior Fixed Assets Accountant	Y	Y	Y																																															
Senior Organisational Development Advisor	Y	Y	Y																																															
Director Corporate Services	Y	Y	Y																																															
Finance and Payroll Processing Officer	Y	Y	Y																																															
Payroll Assistant	Y	Y	Y																																															
Senior Management Accountant	Y	Y	Y																																															
Records Officer Archives	Y	N	N																																															
Human Resources Business Partner	N	N	Y																																															
Senior Financial Accountant	Y	Y	Y																																															
	<p><b>R4</b></p> <p>We recommend that a common user level access to the system be less than a system administrator.</p>	<p>Management agree to change common user level access in line with the recommendation. Addition, amendment and deletion rights will be restricted to approved officers only.</p> <p><b>Action Owner:</b> Senior Financial Accountant</p> <p><b>Target Date:</b> 31 December 2022</p>																																																
	<p><b>R5</b></p> <p>We recommend that management consult with the SynergySoft providers to identify possibilities and methods of removing user access from the system.</p>	<p>Management note that SynergySoft will shortly be phased out, with the Payroll capability of TechnologyOne expected to go live in late-2022. The capability for user access management is far superior in the new system.</p> <p><b>Action Owner:</b> Manager Financial Services</p> <p><b>Target Date:</b> 30 June 2023</p>																																																

### Business impact

Risk of human error and intentional modification and deletion of data increases when a normal user has rights to modify and delete data from the system without manager/supervisor review and approval.

Liability limited by a scheme approved under Professional Standards Legislation.

F2	Key Policies and Procedures are not documented	Consequence: <i>Major</i> Likelihood: <i>Likely</i>		High
Finding	R#	Recommendations	Management action	
<p><b>Background</b></p> <p>Documented and approved procedures are at the base of the financial and business process management controls. They provide guidance and direction for newly joined to appropriately execute their duties and fulfill their responsibilities. These documents also serve as a baseline criteria for review and audit purposes and can also be used to enhance standard business practices.</p> <p><b>Observations</b></p> <p>During our review we noted that number of key procedures are not documented. Given below are some of the key identified as missing policies and procedures.</p> <ol style="list-style-type: none"> <li>1. No documented procedures in place around Town’s facilities available for employees at a concessional rate such as gym, parks, aquatic centre.</li> <li>2. No procedures in place to ensure compliance with the Grant Funding policy requirements.</li> <li>3. Bank and other account reconciliation procedures are not in place including requirements of review and formal approval through signatures by the Finance Manager. The procedure requiring need for maintaining an approved copy for audit purposes.</li> <li>4. No procedures in place for Trust fund account management.</li> <li>5. No procedures for preparation, review and approval of monthly cashflow statements.</li> <li>6. No procedures in place around cash recoveries, timely deposit in the bank, requirement of daily or weekly physical cash reconciliations for all locations of cash collection.</li> <li>7. No documented and approved internal control procedures around investment management as required by the Delegation Register, <i>Power to Invest and Manage Investments</i>.</li> <li>8. No procedures in place around Accrual transactions processing.</li> <li>9. No documented procedures are in place for periodic review of active supplier accounts and long outstanding open purchase orders. In March 2021, an internal review was conducted by an intern.</li> </ol>	R6	<p>We recommend that management review all its existing policies and procedures to identify gaps and develop a formal mechanism through which all missing procedures are documented and approved.</p> <p>All procedures can be consolidated into one Financial Management Manual.</p> <p>Also develop a compliance assurance mechanism through periodic review.</p>	<p>Management accepts work is needed in the area of documenting key procedures and agrees to review all existing policies and procedures to identify gaps.</p> <p>Where gaps are identified, management will develop policies and/or procedures, as appropriate.</p> <p>All developed and existing procedures will be consolidated into one Financial Management Manual.</p> <p>Policies and procedures may further change with the rollout of the new system; TechnologyOne.</p> <p><b>Action Owner:</b> Manager Financial Services</p> <p><b>Target Date:</b> Gap Analysis - 30 April 2023 Manual – 31 December 2023</p>	

F2	Key Policies and Procedures are not documented	Consequence: <i>Major</i> Likelihood: <i>Likely</i>		High
Finding	R#	Recommendations	Management action	
<p>that discovered number of issues in the supplier accounts record.</p> <p>10. No documented procedures for month and year end closing of accounts.</p> <p>11. No documented procedures for stock taking, administration, counting, valuation, receipting, recording and issuance, reconciliations after stock counting.</p> <p>12. No documented procedures in place for additions, disposal, review, reconciliation with Geospatial Asset mapping system, and revaluation of infrastructural assets.</p> <p>13. No documented procedures in for asset valuation and revaluation adjustments.</p> <p>14. No documented procedures for providing and revoking user access to various Town’s applications. This includes periodic review of user access, delegations and supervisory checks within the systems, segregation of roles between processor and approver of a transaction.</p> <p><b>Business impact</b></p> <p>In the absence of documented procedures, staff are unable to take right decisions that are aligned with the organisational goals and objectives. There is increased risk of varied practices, disagreements, errors and non-compliances with industry best practices and standards.</p>				

# Detailed findings

F3	Policies and procedures need review and improvement	Consequence: <i>Moderate</i> Likelihood: <i>Possible</i>	Medium
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Finding	R#	Recommendations	Management action
<p><b>Background</b> Internal policies are based on industry better practices and standards. Compliance with documented policies and procedures reflects the accuracy of financial records. Well documented and approved policies set a professional culture in the organisation and represents positive tone at the top.</p> <p><b>Observations</b> During our review of various policies and procedures related to the financial and business management. Through the review we identified many policy and internal operating procedure documents that needs review and improvements. Given below is the list of identified issues that can be reviewed and improved.</p> <p>A. The policy/procedure is in Draft form. B. The policy/procedure documented is not formally signed by approving authority. C. Governance Review table inside the policy/procedure is incomplete. D. Name of process owner is missing from the document. E. SOP/IOP number is not mentioned. F. Intranet link for the location of electronic copy is incorrect.</p>	R7	<p>We recommend that management review all its existing policies and procedure documents and improve the content and format with latest business practices.</p> <p>All Policy and Procedure documents be on a standard format across the Finance and all Business units.</p> <p>Each policy and procedure be formally signed by the approving authority such as CEO.</p> <p>All draft format documents be finalised through formal review and approval.</p> <p>Review frequency be streamlined across all documentation. Electronic copy for public access link should be updated in all documents.</p>	<p>Management accepts work is needed in the area of documenting procedures and agrees to review all existing policies and procedures, to identify gaps.</p> <p>Where gaps are identified, management will develop or update policies and/or procedures, as required.</p> <p>Policies and procedures may further change with the rollout of the new system; TechnologyOne.</p> <p><b>Action Owner</b> Manager Financial Services</p> <p><b>Target Date</b> 30 June 2024</p>

Policy/Procedure	A	B	C	D	E	F	Other issues
SOP - Direct Debit Stadium	Y	Y	Y	Y	Y	Y	Document title mentions it as SOP whereas tile inside the document is IOP 000.
SOP - MDCC & Secure-Pay	Y	Y	Y	Y	Y	Y	Access to SecurePay can be granted by the Revenue & Treasury Officer without any manager approval.
SOP - Receipting Environmental Health Payments	Y	Y	Y	Y	Y	Y	Title of the document is missing.
SOP Accessing PayPal Funds	Y	Y	Y	Y	Y	Y	Username of the application is email address of FM and is mentioned inside the policy. The password is shared with revenue & treasury officer. There is no supervisory control over transfer from PayPal account to NAB CALL account.
SOP BPAY Upload	Y	Y	Y	Y	Y	Y	
SOP BPOINT Revenue Receipting	Y	Y	Y	Y	Y	Y	The user name and direction for the password is given in the document. IOP mentioned in the footer instead of SOP.
2/017 Grant Funding Policy		Y	Y			Y	No record of review on the policy since its adoption on 27/05/2015.

# Detailed findings

F3	Policies and procedures need review and improvement	Consequence: <i>Moderate</i> Likelihood: <i>Possible</i>	Medium
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Policy/Procedure	A	B	C	D	E	F	Other issues noted
SOP General Receipting Guide	Y	Y	Y	Y	Y	Y	
SOP Receipt internal payment to building application number	Y	Y	Y	Y	Y	Y	
Debtor Credit Note – Procedure	Y	Y	Y	Y	Y	Y	The document is not consistent with the format of other SOP documents.
2/005 Debt Management Policy	Y	Y	Y	Y	Y	Y	<p>Document is on the old format, Review frequency not mentioned, Date of adoption mentioned is 26/04/2006 and then an amendment dated 26/11/2014. No further information available about any recent reviews.</p> <p>The <i>Policy Manual 2/005</i> and <i>Delegation Register with Non-Statutory Powers</i> contradicts with the Debt Management Policy as mentioned below.</p> <ul style="list-style-type: none"> <li>The Chief Executive Officer and the Director Corporate and Performance Services have the authority to write-off bad debts up to \$500. (Debt Management Policy).</li> <li>CEO &amp; Director of Corporates Services - Write off amount up to \$5000.00 per debtor excl GST - (TOPH Policy Manual 2/005 and TOPH Delegation Register with Non-Statutory Powers).</li> </ul>
FIN 003 Corporate Credit Card Procedure		Y	Y	Y		Y	The document was last reviewed on 05/08/2016. The format of the document is not consistent with other SOPs.
9/010 Asset Accounting and Capitalisation Policy		Y	Y	Y		Y	<p>The policy states: <i>"The electronic reference copy of this Policy is maintained by the Governance Team. Any printed copy may not be up to date, and you are advised to check the electronic copy at <a href="http://www.porthedland.wa.gov.au/documents/public-documents/policies">http://www.porthedland.wa.gov.au/documents/public-documents/policies</a> to ensure that you have the current version."</i></p> <p>But it is not available in the above location.</p> <p>Also, the policy does not contain following:</p> <ul style="list-style-type: none"> <li>Depreciation calculation method on revaluation</li> <li>Amortisation of intangible assets</li> <li>Useful life of Asphalt surfaces</li> </ul>

Finding	R#	Recommendations	Management action
<p><b>Business impact</b></p> <p>Unapproved, and inappropriately documented policies and procedure documents may lead to non-compliances and varying practices. This may also lead to confusion among staff about implementation of a particular segment of policy and guide.</p>			

F4	Reconciliations need improvement	Consequence: <i>Moderate</i> Likelihood: <i>Possible</i>	Medium
Finding	R#	Recommendations	Management action
<p><b>Background</b> Business and accounting reconciliations are used to ensure the accuracy and completeness of records. This is one of the key review controls through which errors and even fraudulent transactions can be detected.</p> <p><b>Observations</b> During the review of process and finance documents we noted some issues around Bank reconciliation controls.</p> <ul style="list-style-type: none"> <li>• A reviewed and approved copy monthly bank and other account reconciliations is not maintained for the whole audit period for audit purposes.</li> <li>• For fee and charges accurate recording in the system, there is no second review or reconciliation to ensure accuracy of fee and charges.</li> <li>• No documented and approved procedure exists around reconciliations of bank accounts and Asset Register with General Ledger and resolution of long outstanding differences.</li> <li>• Prepare and reviewer does not formally sign the reconciliation. Only names of prepare and approver are mentioned.</li> <li>• Most of the reconciliations provided for the audit period were in excel format and not system based.</li> <li>• Bank reconciliation format changed in February 2021. There is no date of transaction mentioned for unreconciled items.</li> <li>• Un-reconciled items related to previous months August, September, October, November, December 2020 and January 2021 suddenly disappeared from February 2021 reconciliation without any documented explanation.</li> </ul> <p><b>Business impact</b> In absence of appropriately completed and independently reviewed reconciliations the accuracy of financial data can not be ensured. There is increased risk of unidentified and unresolved errors and misstatements.</p>	R8	<p>We recommend that management improve its bank reconciliations process by implementing following:</p> <ul style="list-style-type: none"> <li>• Documented and approved procedure to perform monthly and annual reconciliations.</li> <li>• Maintaining a reviewed and formally signed copy of reconciliations.</li> <li>• Establishing an independent review mechanism for the reconciliations.</li> <li>• Promptly identify and investigate unreconciled and unresolved long outstanding items from the bank and asset ledgers.</li> <li>• All long outstanding and unresolved items be presented to the Director Corporate Services for review and approval.</li> <li>• All exceptions including errors and unknown transactions be formally documented and kept for audit review.</li> </ul>	<ol style="list-style-type: none"> <li>1. A procedure for monthly and annual bank and other account reconciliations will be developed, including review, authorisation and records maintenance.</li> <li>2. Unreconciled and unresolved long outstanding items from the bank and asset ledgers will be identified, investigated and presented to the Director Corporate Services for review and decision on action.</li> <li>3. All exceptions including errors and unknown transactions will be formally documented as part of the reconciliation and kept for audit review.</li> </ol> <p><b>Action Owner:</b> Senior Accountant</p> <p><b>Target Date:</b> 31 December 2022</p>

F5	Signatory register	Consequence: <i>Moderate</i> Likelihood: <i>Possible</i>	Medium
Finding	R#	Recommendations	Management action
<p><b>Background</b> Name and financial authorisation limit of an authorised signatories is informed to the bank and the same information is kept in a register for the internal use of accounting and finance staff. This register needs to be updated immediately when there is change in authorisation limits or change in authorised signatories and their role. This register is a control document that should be reviewed on periodic and regular basis to ensure its accuracy and completeness. The same should be available for audit review.</p> <p><b>Observations</b> During the review of an Excel based signatory register we noted:</p> <ul style="list-style-type: none"> <li>• The current register just reflects a static snapshot of signatories in 2020-2021 and past years. There is no historical record maintained about the name, period and financial authorisation limits, therefore we can not review and ensure the accuracy and effective utilization of this register.</li> <li>• The access of each authorised signatory is not documented with calendar timeline.</li> <li>• The register workbook is not password protected and can be amended without any prior approval by any staff. Similarly, information in cells including authorised financial limit is not locked.</li> </ul> <p><b>Business impact</b> The signatory register is a key control document. Unauthorised modification and changes in the approval limits may lead to processing unauthorised and fraudulent transactions. Timely update of signatory register can not be verified if the signatory period of authorisation is not accurately reflected in the register.</p>	R9	<p>We recommend that management authorise limited number of senior accountants or a finance manager, to make changes to the document. In this regard:</p> <ul style="list-style-type: none"> <li>• For all other staff this workbook kept locked and kept with read-only permission.</li> <li>• The accuracy of data should be reviewed on a monthly basis.</li> <li>• Any changes in authorisation limits and staff roles should be updated and approved as soon as practicable. All documentary proof related to changes should be maintained for auditing purposes.</li> <li>• Each signatory time period should also be included in the register and maintained for review and audit purposes.</li> </ul>	<p>Management note the signatory register is currently excel-based without access permissions. The action owner will implement read-only access to key Financial Services staff and limit editing rights to the Finance Manager, Treasury Officer and Senior Projects Accountant.</p> <p><b>Action Owner:</b> Manager Financial Services</p> <p><b>Target Date:</b> 30 September 2022</p>

F6 Lack of Review Controls		Consequence: <i>Moderate</i> Likelihood: <i>Possible</i>		Medium
Finding	R#	Recommendations	Management action	
<p><b>Background</b> Review is one of the key supervisory control that ensures the accuracy and completeness of financial and non-financial records. Through this control risk of fraud and error is significantly reduced.</p> <p><b>Observations</b> Through the review of financial and management accounting reports and worksheets we noted that review control mechanism has not been implemented in certain key processes. Given below is the list of identified observations.</p> <ul style="list-style-type: none"> <li>Grant funding register is incomplete and no evidence of review and periodic reconciliation of register data with the General Ledger is available.</li> <li>No review controls in place to ensure timely deposit and recording of all cash collections from all locations. As per management daily receipting is performed to match bank statements with the financial statements. However, no evidence provided to confirm that this task is performed and formally reviewed by a supervisor on a regular basis.</li> <li>Currently, no budget monitoring mechanism in place. Management informed that software is being updated to accommodate this requirement.</li> <li>Review of budget reports, that is submitted to the Council for approval, by the Executive Leadership Team (ELT) is not formally documented. Therefore, performance of review can not be validated.</li> <li>No exception reporting mechanism is in place. Management does not prepare and review exception reports on a regular and periodic basis.</li> <li>Management has developed a month end closing task checklist which requires formal review of and signatures along with date of completion of task by the person completing the task and then require a review and signatures from the finance manager. However, we noted that no signatures and task completion date is mentioned, and finance manager does not review and formally sign against each task.</li> </ul> <p><b>Business impact</b> In the absence of formal review there is increased risk of fraud and error.</p>	R10	<p>We recommend that management implement formally documented review mechanism in the following areas of financial management:</p> <ul style="list-style-type: none"> <li>Grant funding register review and its periodic reconciliation.</li> <li>Timely deposit and review of daily reconciliations of cash collected from all locations.</li> <li>Budget review and reporting on a regular monthly basis.</li> <li>Documentation of Budget review by ELT.</li> <li>Implement exception reporting mechanism to generate and review exception reports on monthly basis.</li> <li>Review with formal signatures, maintain a copy of month and year end accounts closing task list with clear timeline and name of the person completing the tasks.</li> </ul> <p>These documentation should be made available for the audit and internal management review.</p>	<ol style="list-style-type: none"> <li>Management agree to delegate the Grant Funding Register Review and its periodic reconciliation to the Treasury Officer upon appointment.</li> <li>A process will be established to ensure timely deposit and recording of all cash collections from all locations. Daily receipting is currently performed to match bank statements and will be reviewed by Management on a regular basis.</li> <li>Due to limitations in the current software, it is not feasible to perform budget reviewing and reporting or exception reporting. Upon onboarding to the new system, TechnologyOne, this recommendation will be achievable.</li> <li>Management agree to review the month end closing task checklist and sign each task in the future</li> </ol> <p><b>Action Owner:</b> Senior Accounting Team Manager Financial Services</p> <p><b>Target Date:</b> 30 June 2023</p>	

F7	Credit Note management	Consequence: <i>Moderate</i> Likelihood: <i>Possible</i>	<b>Medium</b>
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Finding	R#	Recommendations	Management action														
<p><b>Background</b> A Credit Note is issued to correct an accounting transaction record for example when an invoice is issued to an incorrect debtor, or when an incorrect amount is mentioned in a transaction.</p> <p><b>Observations</b> During the review of list of Credit Note during the FY 2020-21 we noted and highlighted below some repeated common issues that needs management attention.</p> <ul style="list-style-type: none"> <li>A list of 106 transactions was provided out of which 33 instances where the invoice was issued either to a wrong debtor or the amount should not have been charged to a Debtor.</li> <li>There were 13 instances where invoice was double charged, or an incorrect amount was charged.</li> <li>There were 6 instances where GST incorrectly included in the charge.</li> </ul> <p>We also noted that request to raise a credit note was approved by following officers who are not authorised as per Delegation Register with Non-Statutory Powers.</p> <table border="1" style="width: 100%; border-collapse: collapse; margin: 10px 0;"> <thead> <tr style="background-color: #d9d9d9;"> <th style="text-align: left;">Approved by officer</th> <th style="text-align: center;">Date</th> <th style="text-align: center;">Amount \$</th> </tr> </thead> <tbody> <tr> <td>Manager Town Planning and Development</td> <td style="text-align: center;">25/11/2020</td> <td style="text-align: center;">19,200</td> </tr> <tr> <td>Manager Town Planning and Development</td> <td style="text-align: center;">24/11/2020</td> <td style="text-align: center;">19,200</td> </tr> <tr> <td>Manager Town Planning and Development</td> <td style="text-align: center;">24/02/2021</td> <td style="text-align: center;">15,000</td> </tr> <tr> <td>Manager Waste Operations</td> <td style="text-align: center;">10/12/2020</td> <td style="text-align: center;">43,683</td> </tr> </tbody> </table> <p>We also reviewed a Credit Note reconciliation for the months ending Sep 20, Dec 20, Mar 21 and Jun 21. In the 730 GL supporting worksheet number of transaction amounts with description '<i>contra postings</i>' have been mentioned. All these amounts are without any Account Code. There is no explanation available around these transactions. In addition, reconciliation is not signed by the prepare and the reviewer.</p> <p><b>Business impact</b> There is a risk that a credit note can be used to cancel a legitimate receivable, if not appropriately reviewed and approved.</p>	Approved by officer	Date	Amount \$	Manager Town Planning and Development	25/11/2020	19,200	Manager Town Planning and Development	24/11/2020	19,200	Manager Town Planning and Development	24/02/2021	15,000	Manager Waste Operations	10/12/2020	43,683	<p><b>R11</b></p> <p>We recommend that management review common type of credit notes and try to reduce frequency of such credit notes through appropriate training of staff and implementation of system based and administrative controls.</p> <p>Credit Note requests be approved by authorised officers as per approved Delegation of Authority.</p>	<p>Management agreed to liaise with departments who require assistance or training in creating and issuing credit notes to help limit errors in the future.</p> <p>Management agree that requests be approved by authorised officers per approved Delegation of Authority and will perform periodic reviews to ensure the correct authorisation process is followed,</p> <p>Finance will also review the Delegations Register to ensure correct authorisation is captured.</p> <p><b>Action Owner:</b> Manager Financial Services Senior Project Accountant</p> <p><b>Target Date:</b> 31 December 2022</p>
Approved by officer	Date	Amount \$															
Manager Town Planning and Development	25/11/2020	19,200															
Manager Town Planning and Development	24/11/2020	19,200															
Manager Town Planning and Development	24/02/2021	15,000															
Manager Waste Operations	10/12/2020	43,683															

F8	Vehicles classification	Consequence: <i>Moderate</i> Likelihood: <i>Possible</i>	<b>Medium</b>
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Finding	R#	Recommendations	Management action
<p><b>Background</b> Assets are recorded, depreciated and revalued according to the <i>Accounting Standards</i> issued by <i>Australian Accounting Standards Board (AASB)</i>. <i>Property, Plant and Equipment AASB 116</i> is applicable for the correct accounting treatment of Assets related to property, plant and equipment.</p> <p><b>Observations</b> During review of Asset ledgers, we noted that vehicles are recorded in 1000012590 – Non-Current Assets PLANT &amp; EQUIPMENT-MUNICIPAL. This is the same account where Vending machine, Coffee machine, RTK Drone, and a Water flow meter are recorded.</p> <p>As per AASB 116.36:</p> <p><i>If an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued.</i></p> <p>As per AASB 116.37:</p> <p><i>A class of property, plant and equipment is a grouping of assets of a similar nature and use in an entity's operations. The following are examples of separate classes: land, land and building, machinery, ships, aircraft, motor vehicles, furniture and fixture, and office equipment.</i></p> <p><b>Business impact</b> Incorrect asset grouping may lead to incorrect application of depreciation and revaluation policy. This will lead to incorrect financial position.</p>	<b>R12</b>	We recommend that management separately classify vehicles in a separate account other than office equipment and apply revaluation and depreciation on vehicles according to the life of vehicles.	<p>Management note further to onboarding to the new TechnologyOne system, there will be a separate classification for motor vehicles. Revaluation and depreciation will be applied on vehicles according to the life of vehicles.</p> <p><b>Action Owner:</b> Senior Accountant</p> <p><b>Target Date:</b> 31 March 2023</p>

Finding	R#	Recommendations	Management action
<p><b>Background</b> Asset register is a comprehensive and complete record of all physical assets. This is used as a base control document for asset counting and physical verification. This can be maintained in an ERP system or in a MS Excel format. This is a separate record than the general ledgers. There is a need to reconcile this data with the general ledgers on a periodic basis.</p> <p><b>Observations</b> During the review of the asset register we noted that management has combined the data of various attractive and minor assets from different locations into one Excel worksheet. Upon review of this worksheet, we noted following issues:</p> <ul style="list-style-type: none"> <li>• No Stock number for 661 out of 833 assets.</li> <li>• 2 assets, Polesaw and a Chainsaw location is marked as 'UNKNOWN – DISPOSE'.</li> <li>• Purchase Order number is not mentioned for 739 items.</li> <li>• Quantity of 487 Assets is not mentioned.</li> <li>• Cost of 485 assets is not mentioned.</li> </ul> <p>We could not find any documented and approved asset reconciliation between this register and the asset general ledgers.</p>	<p>R13</p>	<p>We recommend that management improve the asset register record and complete its data.</p> <p>Also, reconcile and formally review and approve the asset reconciliation with the general ledger records.</p>	<p>Management note that further to onboarding to the new TechnologyOne system, the existing excel-based attractive asset register will be reviewed, and non-verifiable assets will be removed to ensure data is captured as accurately as practicable in TechnologyOne. This will be reflected in the general ledger records upon rollover to TechnologyOne.</p> <p><b>Action Owner:</b> Senior Accountant</p> <p><b>Target Date:</b> 30 June 2023</p>

# Appendix A – Audit approach and participants

## Audit approach

The approach adopted for this internal audit will be as follows:

- Consideration of relevant policies, procedures and legislation and discussion with the Town’s management and staff responsible for the relevant scope areas.
- Identification of control weaknesses through analysis by internal audit.
- Analysis of a sample of records/plans and actions covered within the scope of the audit.
- Identification of any discrepancies or deviations from policy, procedure or legislation.
- Discussion on control weaknesses, deviations from policy with relevant Town staff member.
- Development of a report identifying any weaknesses or issues and making relevant recommendations on the areas under the scope of our engagement.

## Preliminary Risk assessment

### 1. Fail to fulfil Statutory, Regulatory or Compliance Requirements

This Risk Theme is defined as:

Failure to correctly identify, interpret, assess, respond and communicate laws and regulations as a result of an inadequate compliance framework. This could result in fines, penalties, litigation or increase scrutiny from regulators or agencies. This includes, new or proposed regulatory and legislative changes, in addition to the failure to maintain updated legal documentation (internal & public domain) to reflect changes.

### 2. Errors, Omissions, Incorrect Advice and delays

This Risk Theme is defined as:

Errors, omissions or delays in operational activities as a result of unintentional errors or failure to follow due process and incomplete, inadequate or inaccuracies in advisory activities to customers or internal staff. This could be caused by using unqualified, or inexperienced staff, however it does not include instances relating to misconduct. This includes instances of;

- Human errors, incorrect or incomplete processing.
- Inaccurate recording, maintenance, testing and / or reconciliation of data.
- Errors or inadequacies in model methodology, design, calculation or implementation of models.

## Town of Port Hedland Participants

We would like to thank the following management personnel who assisted in the delivery of this engagement:

Name	Position
Stephanie Sikaloski	A/ Senior Risk and Audit Advisor
Harry Timmermans	Senior Project Accountant
Suzanne MacKay	Senior Financial Accountant
Linda Zhai	Manager Financial Services

# Appendix B – Risk rating criteria

Recommendations made in this report have been rated as Extreme, High, or Medium based on an assessment of underlying issues. The assessment was made by Internal Audit using predetermined criteria as outlined below. An issue may display one, all or a combination of the example attributes listed against the relevant rating.

## MEASURES OF LIKELIHOOD

LEVEL	RATING	DESCRIPTION	FREQUENCY	PROBABILITY
5	Almost Certain	The event is expected to occur in most circumstances	More than once per year	Greater than 90% chance of occurrence
4	Likely	The event will probably occur in most circumstances	At least once per year	60% - 90% chance of occurrence
3	Possible	The event should occur at some time	At least once in 3 years	40% - 60% chance of occurrence
2	Unlikely	The event could occur at some time	At least once in 10 years	10% - 40% chance of occurrence
1	Rare	The event may only occur in exceptional circumstances	Less than once in 15 years	Less than 10% chance of occurrence

## MEASURES OF CONSEQUENCE

LEVEL	1	2	3	4	5
RATING	Insignificant	Minor	Moderate	Major	Catastrophic
HEALTH	Negligible injuries	First aid injuries	Medical type injuries or Lost time injury < 5 days	Lost time injury > 5 days	Fatality, permanent disability
FINANCIAL IMPACT	Less than \$3,000	\$3,000 - \$30,000	\$30,001 - \$300,000	\$300,001 - \$3M	More than \$3M
SERVICE INTERRUPTION	No material service interruption	Temporary interruption to an activity – backlog cleared with existing resources	Interruption to Service Unit/(s) deliverables – backlog cleared by additional resources	Prolonged interruption of critical core service deliverables – additional resources; performance affected	Indeterminate prolonged interruption of critical core service deliverables – non-performance
COMPLIANCE	Occasional noticeable temporary non-compliances	Regular noticeable temporary non-compliances	Non-compliance with significant regulatory requirements imposed	Non-compliance results in termination of services or imposed penalties	Non-compliance results in criminal charges or significant damages or penalties
REPUTATION	Unsubstantiated, localised low impact on key stakeholder trust, low profile or no media item	Substantiated, localised impact on key stakeholder trust or low media item	Substantiated, public embarrassment, moderate impact on key stakeholder trust or moderate media profile	Substantiated, public embarrassment, widespread high impact on key stakeholder trust, high media profile, third party actions	Substantiated, public embarrassment, widespread loss of key stakeholder trust, high widespread multiple media profile, third party actions
ENVIRONMENT	Contained, reversible impact managed by on site response	Contained, reversible impact managed by internal response	Contained, reversible impact managed by external agencies	Uncontained, reversible impact managed by a coordinated response from external agencies	Uncontained, irreversible impact

# Appendix B – Risk rating criteria

## Risk Matrix

Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		1	2	3	4	5
Almost Certain	5	Medium or Moderate 5	High or Significant 10	High or Significant 15	Extreme 20	Extreme 25
Likely	4	Low or Minor 4	Medium or Moderate 8	High or Significant 12	High or Significant 16	Extreme 20
Possible	3	Low or Minor 3	Medium or Moderate 6	Medium or Moderate 9	High or Significant 12	High or Significant 15
Unlikely	2	Low or Minor 2	Low or Minor 4	Medium or Moderate 6	Medium or Moderate 8	High or Significant 10
Rare	1	Low or Minor 1	Low or Minor 2	Low or Minor 3	Low or Minor 4	Medium or Moderate 5

## Risk Acceptance Criteria

Risk Rating	Risk Level	Description	Criteria for Risk Acceptance	Authority & Responsibility to Accept
Extreme	17 – 25	Urgent attention required	Risk is only acceptable with excellent controls and treatments plans to be explored and implemented, when possible, managed and continuously monitored by highest level of authority.	DG / MD / CEO / Council
High or Significant	10 – 16	Attention required	Risk is acceptable with excellent controls, managed by senior management/executive and monitored on monthly basis	Respective Department Director / CEO
Medium or Moderate	5 – 9	Monitor and respond when needed	Risk is acceptable with adequate controls, managed by specific procedures and monitored semi-annually	Respective Department Manager
Low or Minor	1 – 4	Can be acceptable	Risk is acceptable with adequate controls, managed by routine procedures and monitored annually	Respective Department Manager

## Inherent Limitations

The nature of our review is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive, rather than conclusive, evidence.

William Buck ensures that reasonable care and competence are displayed during our engagements. As such, we conduct examinations and verifications to a reasonable extent, but we cannot give absolute assurance that noncompliance or irregularities do not exist.

Our review is focused on “Key Controls” as identified and assessed. Inherent audit limitations exist in any internal control structure, and it is possible that errors or irregularities may occur and not be detected.

Our findings expressed in this report have been based on the evaluation of existing processes in the organisation and sample testing performed on the existing controls as designed and implemented by management.

For these reasons, we can only provide reasonable, but not absolute assurance on the status of the internal control environment.

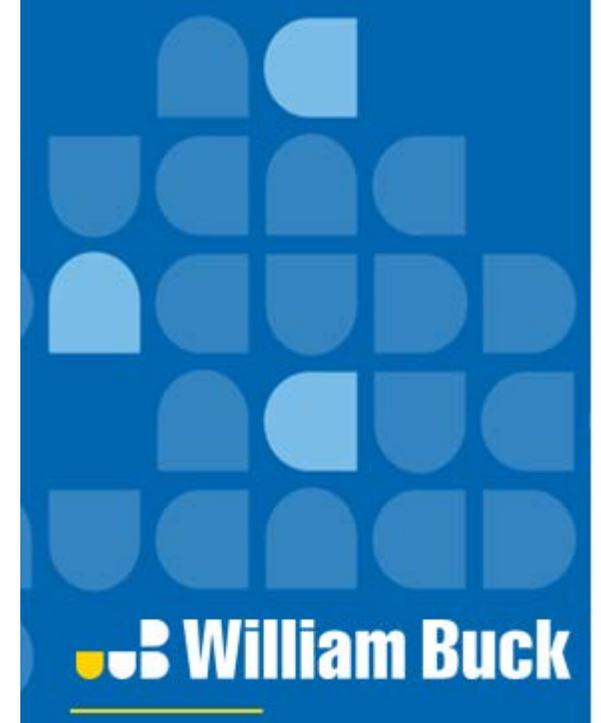
## About William Buck

William Buck is a leading firm of accountants and advisors with offices across Australia and New Zealand. Established in 1895, we have over 100 directors and 900 professional staff, and are wholly owned and operated in Australia and New Zealand.

Throughout our history, we have assisted individuals, progressive businesses and community organisations, with a particular focus on the middle market. Remaining true to our core client base has enabled us to develop a depth of knowledge and expertise specific to our clients’ needs.

William Buck’s strength lies in our unique philosophy summed up by the simple phrase, ‘Changing Lives’.

**Audit & Assurance | Corporate & Business Advisory | Tax Services | Restructuring & Insolvency**



# RISK APPETITE STATEMENT

## 1. Purpose and Intent

- The Risk Appetite Statement describes the Town of Port Hedland’s (“Town”) position of viewing risk and the level of risk the organisation is willing to accept to achieve its strategic, business, and operational objectives.
- The Town is committed to ensuring that effective risk management practices are central to the Town’s activities and is a core competency for staff to undertake their roles safely and effectively.

## 2. Risk Appetite

A clearly articulated statement of risk appetite is fundamental to the Town’s approach to risk management. The Town’s visions and strategic objectives will necessitate that the Town accepts some risks that accompany growth, transformation, innovation and are proportionate with the potential reward.

Overall, the Town has a balanced approach to its risk appetite aligned to its strategic and operational objectives. The Town’s approach to risk appetite is to minimise our exposure of risks to our people and their safety, our reputation and corporate governance whilst accepting and encouraging an increased degree of managed risk in pursuit of our key strategic directives.

The key challenges in achieving this balance are to ensure:

- Ethical and effective governance practices including responsible stewardship of resources
- Realisation of opportunities and allowing growth, transformation and innovation while avoiding unnecessary negative impacts
- Avoidance of a risk culture which stifles growth, transformation, and innovation rather than supports it through the correct assessment and management of risks.

## 3. Risk Appetite Ratings

In developing the Risk Appetite Statement, the interests of the Town’s stakeholders, Councillors, staff, ratepayers, regulators, and key service providers were considered. The risk appetite statement provides these stakeholders with a reference point to benchmark the Town’s risk acceptance and mitigations activities and defines boundaries for risk-based decision-making to occur.

Degree of Appetite	Definition
Zero	Risks should be avoided. Every reasonable practical measure will be taken to prevent the occurrence of an adverse event.
Low	Accepts as little risk as possible and takes a cautious approach towards taking risk.
Moderate	A balanced and informed approach to risk taking.
Elevated	A more aggressive approach to taking risk for potential increased benefit or to achieve strategic, business, and operational objectives.

## 4. Definitions

- **Risk appetite** is the amount of risk the Town is willing to accept and retain to achieve its strategic and organisational objectives.
- **Risk tolerance** is the acceptable level of variation of the Town’s willingness to take on risk.

## 5. Risk Appetite

Table 1 below displays the four different levels of Risk Appetite across key risk categories with each graded on a continuum of the Town’s willingness to accept risk. The table below sets out the Town’s willingness to accept risk for each key risk category.

Table 1. Relationship of Key Risk Categories and the Town’s Risk Appetite

Risk Category	Willingness to accept risk				Appetite Statement
Health and Safety	Zero				The Town has a <b>ZERO</b> risk appetite for any action that may foreseeably cause significant negative consequences, including injury or harm.
Financial		Low			The Town has a <b>LOW</b> risk appetite for financial risks impacting the Town’s long-term financial sustainability.
Business Continuity			Moderate		The Town has a <b>MODERATE</b> risk appetite for business disruption in ensuring that the Town has a robust business continuity framework to perform critical business operations.
Legal, Regulatory and Ethical	Zero				The Town has a <b>ZERO</b> risk appetite for non-compliance with legislation, regulations, and professional standards.
Reputation and External Stakeholders		Low			The Town has a <b>LOW</b> risk appetite for reputational risk. The Town notes at times it is necessary to make the “right” decision and not the “most popular” decision.
Environmental		Low			The Town has a <b>LOW</b> risk appetite for environmental and sustainability risks. It recognises its operations have an environmental impact and seeks to minimise these impacts.
Project			Moderate		The Town has a <b>MODERATE</b> risk appetite for project risks in the town’s pursuit to progress its strategic direction. It recognises trade-offs may be needed to deliver effective project outcomes.

People		Low		The Town is prepared to accept a <b>LOW</b> level of people risk to adequately support the achievement of its strategic objectives. People and recruitment strategies are designed to ensure continuity, flexibility, talent development and the overall return on people investment.
Information Security and Technology			Moderate	The Town has a <b>MODERATE</b> risk appetite for information security and technology risks. This relates to protection of the Town's information assets and the adequacy of the Town's technological resources to effectively deliver on strategic outcomes.
Fraud and Corruption	Zero			The Town has a <b>ZERO</b> risk appetite for fraud and corruption risks.

Table 1 is to be used in everyday business activities and decision making in the organisation. The Town acknowledges the acceptance of some risks in various areas of business operations, and that having a tolerance to some risk is essential for the continuation of business operations and achieving strategic objectives.

## 6. Risk Tolerances

Risk tolerances are the boundaries set for risk taking. The risk appetite statement informs the development of risk tolerances for Council and provides guidance on how the risk appetite statement is to be applied to everyday business actions and decisions.

Risk tolerances operationalise the statement by using quantitative measures (where possible) to better enable monitoring and review.

The risk appetite will set the tone for risk taking in general, while the tolerance informs:

- Expectations for mitigating, accepting, and pursuing certain types of risk
- Boundaries, levels, and thresholds for acceptable risk taking
- Actions to be taken or consequences for acting beyond appropriate tolerances

## 7. Implementation of the Risk Appetite Statement

The Town's appetite for and tolerance of risk as outlined in the risk appetite statement forms the basis of the Town's approach to managing risk in our day-to-day activities. Staff are responsible for managing their risk environment. This includes having appropriate controls in place and monitoring their effectiveness. These risks are identified, assessed, and managed at both enterprise level ('top-down') and at operational level ('bottom-up').

Risk registers are used to document risks.

Risks outside the appetite or agreed tolerance levels should be managed in line with the risk appetite statement and should be reported to the Executive Leadership Team (ELT). ELT is accountable for compliance with the risk appetite statement.

Table 2 – Risk Appetite Statement with Tolerances

This table measures the Town’s Risk Appetite on several risk categories.

Risk Category	Risk Appetite Statement	Risk Appetite Rating	Risk Tolerance Levels	
			The Town will Tolerate	The Town will not Tolerate
Health and Safety	The Town has a <b>ZERO</b> risk appetite for any action that may foreseeably cause significant negative consequences, including injury or harm.	<b>ZERO</b>	<ul style="list-style-type: none"> <li>• Minor unforeseen incidents or injuries that arise from time to time while undertaking normal activities.</li> <li>• Practices that are not in line with best practice if safety and duty of care is not compromised.</li> <li>• Risk assessed practices that mitigate risk as far as is practicable.</li> </ul>	<ul style="list-style-type: none"> <li>• Actions or behaviors that are deliberate and willingly contravene the Code of Conduct and WHS policies and procedures.</li> <li>• Activities that result in reasonably foreseeable and preventable fatalities, harm, serious injuries or illnesses to our Community, Customers, Councillors or Employees.</li> <li>• Events that occur arising from untrained employees or failed internal processes.</li> <li>• Unsafe infrastructure and work environments.</li> </ul>
Financial	The Town has a <b>LOW</b> risk appetite for financial risks impacting the Town’s long-term financial sustainability.	<b>LOW</b>	<ul style="list-style-type: none"> <li>• Minor unforeseen and unavoidable cost variations in capital projects within the established contingency allocated to each project.</li> <li>• Minor losses, or capital outlays, attributable to new processes or innovation to improve services to meet community needs.</li> <li>• Calculated financial risks to deliver infrastructure, improve service delivery or promote ecological</li> </ul>	<ul style="list-style-type: none"> <li>• Financial activities and/or investment practices that contravene legislated or policy requirements.</li> <li>• Failure to maintain or implement effective systems, processes and controls which adequately protect Council from fraudulent activity.</li> <li>• Fraudulent or corrupt financial transactions.</li> <li>• Actions that have a significant</li> </ul>

Risk Category	Risk Appetite Statement	Risk Appetite Rating	Risk Tolerance Levels	
			The Town will Tolerate	The Town will not Tolerate
			sustainability.	negative impact on long term financial sustainability.
Business Continuity	The Town has a <b>MODERATE</b> risk appetite for business disruption in ensuring that the Town has a robust business continuity framework to perform critical business standards.	<b>MODERATE</b>	<ul style="list-style-type: none"> <li>• Unforeseen interruptions of up to 2 days to highly critical business functions from uncontrollable events where Council responds and communicates promptly to impacted stakeholders.</li> <li>• Unforeseen interruptions of up to 7 days to medium critical business functions from uncontrollable events where Council responds and communicates promptly to impacted stakeholders.</li> <li>• Unforeseen interruptions of up to 21 days to less critical business functions from uncontrollable events where Council responds and communicates promptly to impacted stakeholders.</li> <li>• Moderate reputational impact from community complaints relating to service quality or new initiatives to deliver enduring benefits to our community.</li> </ul>	<ul style="list-style-type: none"> <li>• Failure to significantly meet our service commitments and community expectations.</li> <li>• Failure to demonstrate a commitment to delivering quality services to our Community, Councillors, Customers and Employees</li> <li>• Failure to document and follow policies and procedures that impairs the quality-of-service delivery or results in service interruptions.</li> <li>• Failure to develop plans to respond to a disruption and ensure continuity of critical business functions.</li> <li>• Failure to escalate a critical business function outage within 2 hours.</li> </ul>
Legal, Regulatory and Ethical	The Town has a <b>ZERO</b> risk appetite for non-compliance with	<b>ZERO</b>	<ul style="list-style-type: none"> <li>• Decisions made on merit in accordance with Council values that are not in line with professional</li> </ul>	<ul style="list-style-type: none"> <li>• Corrupt or fraudulent conduct by staff, Councillors, or contractors</li> <li>• Unreasonable delays when</li> </ul>

Risk Category	Risk Appetite Statement	Risk Appetite Rating	Risk Tolerance Levels	
			The Town will Tolerate	The Town will not Tolerate
	legislation, regulations, and professional standards.		<p>advice.</p> <ul style="list-style-type: none"> <li>Minor technical breaches that have been considered by Council.</li> <li>Temporary non-compliance due to unrealistic regulatory timeframes.</li> <li>Risks which may give rise to isolated complaints that are incidental to normal business activities despite best efforts to avoid or mitigate.</li> <li>Streamlined governance processes subject to effective controls remaining in place.</li> </ul>	<p>reporting, investigating, or correcting any fraudulent, improper, unethical, or corrupt conduct.</p> <ul style="list-style-type: none"> <li>Any instances where Council Officials knowingly break the law, fail to comply with legal obligations or recklessly breach internal policies.</li> <li>Material breaches of legislation or the Code of Conduct.</li> <li>Failure to consider expert / professional legal advice.</li> <li>Unauthorised release of confidential information.</li> <li>Any behaviour which gives rise to extensive litigation and indictable offences.</li> <li>Failure to comply with Government Directions or orders.</li> </ul>
Reputation and External Stakeholders	The Town has a <b>LOW</b> risk appetite for reputational risk. The Town notes at times it is necessary to make the “right” decision and not the “most popular” decision.	LOW	<ul style="list-style-type: none"> <li>Moderate adverse local media and social media scrutiny or several complaints relating to action which delivers longer term benefits to the community.</li> <li>Isolated minor incidents, concerns and complaints that can be resolved by management.</li> </ul>	<ul style="list-style-type: none"> <li>Failure to act in a fair, honest, transparent, and accountable manner.</li> <li>Decision-making that is not open, honest, and transparent and reflects the long-term interests of the community.</li> <li>Failure to notify ELT of significant incidents that may impact Council reputation in less than 24hrs of the incident occurring.</li> <li>Complaints that are not responded to in a prompt and professional manner within 10 days.</li> </ul>
Environmental	The Town has a <b>LOW</b> risk appetite for environmental and	LOW	<ul style="list-style-type: none"> <li>Environmental impacts offset by other activity resulting in a net</li> </ul>	<ul style="list-style-type: none"> <li>Decisions that do not appropriately consider the principles of ecologically</li> </ul>

Risk Category	Risk Appetite Statement	Risk Appetite Rating	Risk Tolerance Levels	
			The Town will Tolerate	The Town will not Tolerate
	sustainability risks. It recognises its operations have an environmental impact and seeks to minimise these impacts.		<p>environmental benefit.</p> <ul style="list-style-type: none"> <li>• Minor environmental impacts from uncontrollable or unforeseen events or to deliver enduring benefits to our community well into the future.</li> <li>• Changes to procedures and practices to accommodate improved environmental outcomes</li> <li>• Minor cost impacts in the selection of products, services that have a significant positive impact on the environment.</li> </ul>	<p>sustainable development or the Council value of Sustainability.</p> <ul style="list-style-type: none"> <li>• Failure to minimise significant impacts on biodiversity and reduce our ecological footprint.</li> <li>• Decisions, activities, and practices that result in long term or irrevocable environmental damage or negative climate impacts, threatens biodiversity, including extinction of flora and fauna, or is hazardous to human life.</li> <li>• Activities and practices that knowingly compromise the environment, are reasonably foreseeable and preventable.</li> <li>• Failure to meet environmental commitments or legal requirements resulting in EPA fines or penalties.</li> </ul>
Project	The Town has a <b>MODERATE</b> risk appetite for project risks in the town's pursuit to progress its strategic direction. It recognises trade-offs may be needed to deliver effective project outcomes.	<b>MODERATE</b>	<ul style="list-style-type: none"> <li>• Moderate financial and reputational impacts arising from the implementation of new or innovative technologies.</li> <li>• Moderate impacts leading to short term disruption to community due to implementation of construction procedures which provide value for money provided community has been informed</li> <li>• Moderate short-term financial impact on capital costs of projects where there are demonstrated long term sustainable gains.</li> </ul>	<ul style="list-style-type: none"> <li>• Failure of third-party contractors to provide services within budget and agreed timeframes.</li> <li>• Non-completion of a significant portion of new or renewal infrastructure projects beyond financial year (or scheduled completion period if project runs across multiple years).</li> <li>• Significant delays to projects that are considered within Council control.</li> <li>• Asset failure significantly earlier than the projected lifespan of the asset</li> </ul>

Risk Category	Risk Appetite Statement	Risk Appetite Rating	Risk Tolerance Levels	
			The Town will Tolerate	The Town will not Tolerate
				<ul style="list-style-type: none"> <li>Failure to administer and manage contracts appropriately.</li> </ul>
People	The Town is prepared to accept a <b>LOW</b> level of people risk to adequately support the achievement of its strategic objectives. People and recruitment strategies are designed to ensure continuity, flexibility, talent development and the overall return on people investment.	LOW	<ul style="list-style-type: none"> <li>Minor morale issues relating to improving workforce performance.</li> <li>Minor staff grievances that can be dealt with through normal internal mechanisms.</li> <li>Minor morale and staff grievances due change within the organisation due to innovation or change management processes leading to more efficient and effective outcomes.</li> <li>Minor unforeseen incidents or injuries that arise from time to time while undertaking normal activities.</li> </ul>	<ul style="list-style-type: none"> <li>Actions or behaviours that are deliberate and willingly contravene the Code of Conduct and WHS policies and procedures.</li> <li>Actions which do not align to the Town's values of integrity, unity and quality</li> <li>Practices that knowingly compromise staff well- being, workplace or community safety (including discrimination, sexual harassment, harassment, or bullying).</li> </ul>
Information Security and Technology	The Town has a <b>MODERATE</b> risk appetite for information security and technology risks. This relates to protection of the Town's information assets and the adequacy of the Town's technological resources to effectively deliver on strategic outcomes.	MODERATE	<ul style="list-style-type: none"> <li>Some cyber threats which if they were successful would have a minor or limited impact upon Council's business because they do not compromise the integrity, confidentiality or availability Council information or assets</li> <li>Timely remediation of identified cyber security control weaknesses</li> <li>Moderate impacts to service delivery due to implementation of new technology, innovation initiatives or projects.</li> <li>Moderate impacts arising from innovations and ideas that contribute and encourage creating a flexible workforce.</li> </ul>	<ul style="list-style-type: none"> <li>Cybersecurity threats that could have been prevented through judicious application of technical and behavioural controls.</li> <li>An unprepared response in the event of an external cyber attack</li> <li>Significant threats to assets arising from external malicious attacks</li> <li>Misuse, inappropriate distribution, or loss of sensitive or confidential council information due to the actions of staff</li> <li>Prolonged unplanned outages of critical Council systems and services</li> <li>Failure to maintain systems and services which adequately protect</li> </ul>

Risk Category	Risk Appetite Statement	Risk Appetite Rating	Risk Tolerance Levels	
			The Town will Tolerate	The Town will not Tolerate
			<ul style="list-style-type: none"> <li>• Timely remediation of identified cyber security control weaknesses</li> <li>• Scheduled outages that are agreed to by the business owners and are regarded as part of normal business activities</li> <li>• Implementation of new technologies which create new opportunities for business improvement and innovation of systems which also could involve some minor to moderate risk.</li> </ul>	<ul style="list-style-type: none"> <li>• Council's data and information and maintain adequate audit trails</li> <li>• A lack of diligence in relation to information security the procurement and implementation of ICT systems and services</li> <li>• Data loss due to inappropriate data management processes</li> <li>• Poor information governance processes</li> <li>• Failure to maintain recovery plans in place and test plans on a regular basis</li> </ul>
Fraud and Corruption	The Town has a <b>ZERO</b> risk appetite for fraud and corruption risks.	<b>ZERO</b>	<ul style="list-style-type: none"> <li>• Unintentional minor conflicts of interest. For example, unintentionally failing to disclose an indirect financial interest immediately and upon recognition, disclosing the conflict of interest immediately and removing oneself from the situation or conflict.</li> </ul>	<ul style="list-style-type: none"> <li>• Fraudulent or corrupt financial transactions</li> <li>• Improper, unethical, corrupt, unprofessional behaviour or failure to exercise respect and duty of care in accordance with our values and policies.</li> <li>• Material breaches of the Code of Conduct.</li> <li>• Failure to uphold the probity of council decision-making.</li> <li>• Any failure to avoid or appropriately manage conflicts of interest.</li> </ul>