



# AGENDA

## Audit Committee Meeting

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Wednesday, 4 November 2020 at 6.30pm

### **Disclaimer**

The purpose of this Council meeting is to discuss and, where possible, make resolutions about items appearing on the agenda.

Whilst Council has the power to resolve such items and may in fact, appear to have done so at the meeting, no person should rely on or act on the basis of such decision or on any advice or information provided by a member or officer, or on the content of any discussion occurring, during the course of the meeting.

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**NOTICE OF MEETING**

Elected Members

An Ordinary Meeting of the Audit Committee will be held on **Wednesday, 4 November 2020** in the Council Chamber, 135 Canning Highway, East Fremantle commencing at 6.30pm and your attendance is requested.

GARY TUFFIN  
Chief Executive Officer

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**AGENDA**

- 1. DECLARATION OF OPENING OF MEETING/ANNOUNCEMENTS OF VISITORS**
  - 2. ACKNOWLEDGEMENT OF COUNTRY**  
*"On behalf of the Council I would like to acknowledge the Whadjuk Nyoongar people as the traditional custodians of the land on which this meeting is taking place and pay my respects to Elders past, present and emerging."*
  - 3. RECORD OF ATTENDANCE**
    - 3.1 Attendance**
    - 3.2 Apologies**
    - 3.3 Leave of Absence**
  - 4. MEMORANDUM OF OUTSTANDING BUSINESS**
  - 5. DISCLOSURES OF INTEREST**
    - 5.1 Financial**
    - 5.2 Proximity**
    - 5.3 Impartiality**
  - 6. PUBLIC QUESTION TIME**
    - 6.1 Responses to previous questions from members of the public taken on notice**
    - 6.2 Public Question Time**
  - 7. PRESENTATIONS/DEPUTATIONS**
    - 7.1 Presentations**
    - 7.2 Deputations**
-

**8. CONFIRMATION OF MINUTES OF PREVIOUS MEETING**

**8.1 Audit Committee (29 June 2020)**

**8.1 OFFICER RECOMMENDATION**

**That the minutes of the Audit Committee meeting held on Monday 29 June 2020 be confirmed as a true and correct record of proceedings.**

**9. ANNOUNCEMENTS BY THE PRESIDING MEMBER**

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TOWN OF  
EAST FREMANTLE

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# MINUTES

## Audit Committee Meeting

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### Monday, 29 June 2020 at 6.35pm

#### **Disclaimer**

Whilst Council has the power to resolve such items and may in fact, appear to have done so at the meeting, no person should rely on or act on the basis of such decision or on any advice or information provided by a member or officer, or on the content of any discussion occurring, during the course of the meeting.

Persons should be aware that the provisions of the Local Government Act 1995 (section 5.25 I) establish procedures for revocation or rescission of a Council decision. No person should rely on the decisions made by Council until formal advice of the Council decision is received by that person.

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**MINUTES OF THE ORDINARY MEETING OF THE AUDIT COMMITTEE HELD IN THE COUNCIL CHAMBER,  
135 CANNING HIGHWAY EAST FREMANTLE ON MONDAY, 29 JUNE 2020.**

**1. DECLARATION OF OPENING OF MEETING/ANNOUNCEMENTS OF VISITORS**

The Presiding Member opened the meeting at 6.34pm.

**2. ACKNOWLEDGEMENT OF COUNTRY**

*“On behalf of the Council I would like to acknowledge the Whadjuk Nyoongar people as the traditional custodians of the land on which this meeting is taking place and pay my respects to Elders past, present and emerging.*

**3. RECORD OF ATTENDANCE**

**3.1 Attendance**

The following members were in attendance:

Cr A Natale	Presiding Member
Mayor J O’Neill	
Cr J Harrington	
Cr A McPhail	
Cr M McPhail	
Cr A Watkins	

The following staff were in attendance:

Mr G Tuffin	Chief Executive Officer
Mr P Kocian	Executive Manager Corporate Services
Ms Bron Browning	Minute Secretary

**3.2 Apologies**

Nil.

**3.3 Leave of Absence**

Nil.

**4. MEMORANDUM OF OUTSTANDING BUSINESS**

Nil.

**5. DISCLOSURES OF INTEREST**

**5.1 Financial**

Nil.

**5.2 Proximity**

Nil.

**5.3 Impartiality**

Nil.

**6. PUBLIC QUESTION TIME**

**6.1 Responses to previous questions from members of the public taken on notice**

Nil.

**6.2 Public Question Time**

Nil.

**7. PRESENTATIONS/DEPUTATIONS**

Nil.

**8. CONFIRMATION OF MINUTES OF PREVIOUS MEETING**

**8.1 Audit Committee (11 March 2020)**

**8.1 OFFICER RECOMMENDATION**

Moved Cr A McPhail, seconded Cr Watkins

That the minutes of the Audit Committee meeting held on Wednesday, 11 March 2020 be confirmed as a true and correct record of proceedings.

(CARRIED UNANIMOUSLY)

**9. ANNOUNCEMENTS BY THE PRESIDING MEMBER**

Nil.



## 10. REPORTS

### 10.1 Report to the Audit Committee on the Application of New Accounting Standards for the year ended 30<sup>th</sup> June 2020.

<b>File ref</b>	F/AUD1
<b>Prepared by</b>	John Mordini, Manager Finance and Administration
<b>Supervised by</b>	Peter Kocian, Executive Manager Corporate Services
<b>Meeting Date:</b>	29 June 2020
<b>Voting requirements</b>	Simple Majority
<b>Documents tabled</b>	Nil
<b>Attachments</b>	1. Moore Stephens – New Accounting Standards impacting the Town of East Fremantle at 1 July 2019.

#### **Purpose**

The purpose of this report is to advise the Audit Committee on new accounting standards impacting the financial statements for the year ending 30 June 2020.

#### **Executive Summary**

The Town requested Russel Barnes from Moore Stephens to provide general guidance on the application and impact of new accounting standards for the 2020 financial year. There are three accounting standards that are required to be considered. These are as follows:

- AASB 15 Revenue from Contracts with Customers
- AASB 1058 Income of Not for Profit Entities, and
- AASB 16 Leases.

#### **AASB 15 – Revenue from Contracts with Customers**

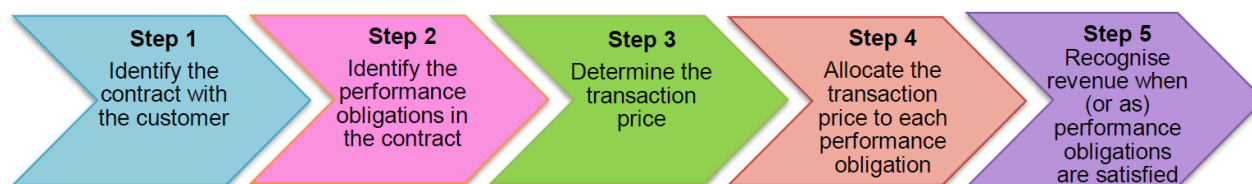
AASB 15 Revenue from Contracts with Customers establishes the accounting principles a local government shall apply in relation to the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

The core principle is that an entity will recognise revenue at an amount that reflects the consideration entitled in exchange for transferring goods or services to a customer.

As at the 31<sup>st</sup> May 2020, the Town had \$84,302 of unspent grant funding on its balance sheet. These funds will be recognised as income when the requirements of the contract are completed. This amount is not considered to have a material impact on the financial statements for the year ending 30<sup>th</sup> June 2020.

AASB 15 provides a comprehensive framework for revenue recognition using the following five-step model:

## Five step revenue recognition model

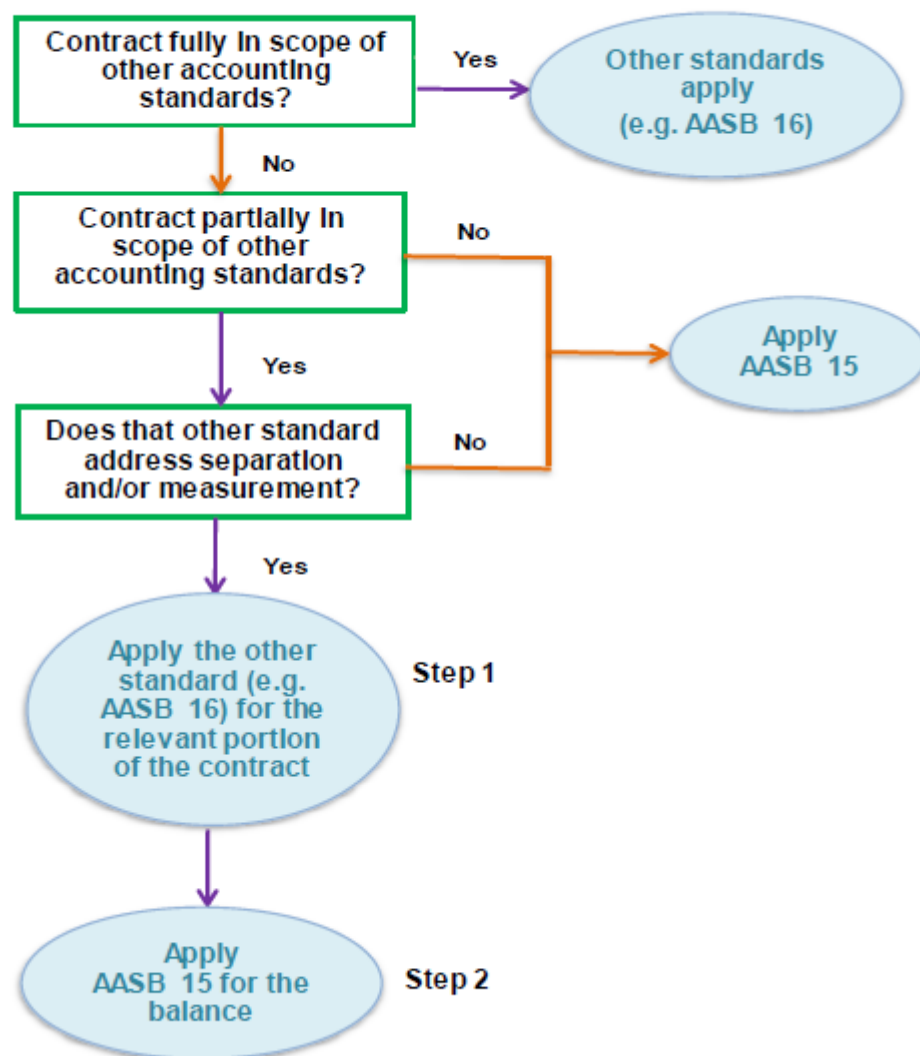


The standard requires a local government to recognise revenue aligned to the transfer of promised goods or services to customers for an amount that reflects the consideration the local government is entitled for those goods or services.

Each contract with a customer needs to be assessed to identify the performance obligations it creates. If there is a mismatch between the timing of performance obligations under a contract and receiving an asset in exchange, for example, cash, or undertaking works and services in advance, then a contract liability or contract asset is created until the performance obligation(s) under the contract are satisfied. Once the performance obligation(s) are satisfied, the associated level of revenue is recognised.

A contract with a customer may partially be in the scope of AASB 15 and partially within the scope of other Standards. In such instances, the Town is required to apply the other standard first, if those standards specify how to separate and/or initially measure one or more parts of the contract. The entity will then apply AASB 15 to the remaining components of the contract.

**Decision tree for the application of AASB 15**



**AASB 1058 – Income of Not for Profit Entities**

AASB 1058 Income of Not for Profit Entities applies to local governments and significantly changes income/revenue recognition for local governments.

The purpose of AASB 1058 is to more closely recognise Not for Profit income transactions that are not contracts with customers in accordance with their economic reality. Therefore, AASB 1058 needs to be recognised in conjunction with AASB 15 Revenue from Contracts with Customers.

The application of AASB 1058 will impact the 2019/2020 annual financial statements of the Town. On 1 July 2019, prepaid rates of \$176,653 will be recognised as a financial asset and a related amount as a financial liability and no income recognised by the Town.

When the taxable event occurs (being when the rate in the dollar is struck), the financial liability will be extinguished, and the Town will recognised income for the prepaid rates of \$176,653 that have not been refunded.

As at 31<sup>st</sup> May, the current balance of the Excess Rates account in the general ledger was \$94,100. This amount will remain in the financial statements as a liability as at 30<sup>th</sup> June 2020.

AASB 1058 applies to:

- (a) transactions where the consideration to acquire an asset is significantly less than its fair value, principally to enable a not-for-profit entity to further its objectives, i.e. a 'donation transaction'; and
- (b) the receipt of volunteer services

A key feature of AASB 1058 is that it is necessary to first determine whether each transaction, or part of a transaction, falls in the scope of AASB 15 Revenue from Contracts with Customers. Only if AASB 15 does not apply then consider the application of AASB 1058.

The main impacts of AASB 1058 are:

- The timing of income recognition will depend on whether there is any performance obligation or other liability. This will result in better matching of income and related expenses.
- Not For Profit lessees will now recognise peppercorn leases as right-of-use assets at fair value.
- All Not For Profit entities can elect to recognise volunteer services if they can be reliably measured.

To determine if AASB 15 or AASB 1058 applies requires a two-step process.

#### Step 1

Not For Profit entities should first determine whether a transaction is a contract with a customer under AASB 15.

To be in scope of AASB 15, there should be:

- an 'enforceable contract' – i.e. the contract between two or more parties must create enforceable rights and obligations
- 'sufficiently specific performance obligations' – i.e. the NFP entity's promise to transfer a good or service must be sufficiently specific
- 'underlying goods or services are not retained by the entity' – i.e. the goods or services will be transferred to the customer or to other parties on behalf of the customer (AASB 1058.IE5) and not retained by the entity for its own use.

If all criteria are met, income is recognised under AASB 15 when (or as) the performance obligations under the contract are satisfied. If any of these criteria are not met, then Step 2 applies.

#### Step 2

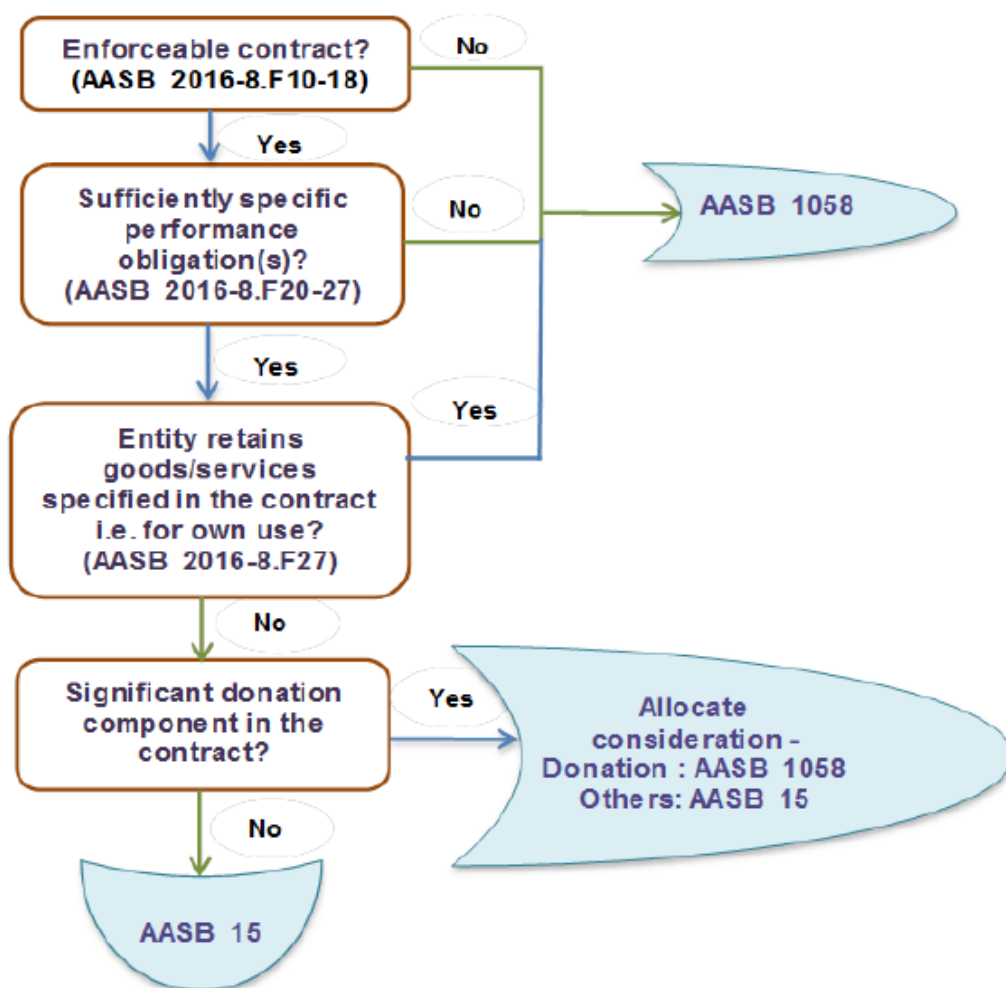
Determine if a volunteer service has been received or there is a significant 'donation' component in the contract. A donation component and thereby a donation transaction exists if:

- the consideration to acquire an asset is significantly less than its fair value; and
- the intent is primarily to enable the NFP entity to further its objectives

AASB 1058 applies if NFP entities enter into 'donation' transactions as above or receive volunteer services.

In circumstances where a contract with a customer contains both a donation and non-donation component, the transaction should be allocated between AASB15 and AASB 1058 to ensure appropriate recognition.

**Decision tree for which standard to apply**



Specific transactions that fall under the scope of AASB 1058 that the Town will need to consider are as follows:

- Assets received below fair value,
- Transfers received to acquire or construct non-financial assets,
- Prepaid rates,
- Leases entered into at below market rates, and
- Volunteer services.

### *Assets received below fair value*

For an asset received below fair value a local government is required to initially measured the asset at its fair value in accordance with its relevant standard. For example, AASB 9 Financial Instruments (e.g. Cash), AASB 16 Leases, and AASB 117 Property, Plant and Equipment.

An increase in the asset will require an increase in either a liability or recognition of revenue, such as revenue or liability from a contract under AASB 15, a lease liability under AASB 16, a financial liability under AASB 9 or a provision in accordance with AASB 137.

### *Transfer received to acquire or construct non-financial assets*

A transfer received to acquire or construct non-financial assets refers to grant funds received to either buy or construct a non-financial asset, such as a building, for the Council's own use.

With these transactions, the Council is not required to transfer the non-financial asset back to the transferor or other parties. The transaction also occurs under an enforceable agreement.

Once the obligations to create the non-financial asset are satisfied, the difference between the amount received to acquire/construct the non-financial asset and the grant amount received is recognised as income in the profit and loss.

If the obligation has not been fulfilled the grant amount remains as a liability until such time as the Town satisfies its obligation under the initial transfer of the financial asset.

### *Prepaid rates*

Prepaid rates are a financial liability and are not recorded as revenue until the associated taxable event occurs. In local government, the taxable event is when Council determines land values are subject to taxation, when the rate in the dollar is struck.

This differs from the previous treatment where, as per AASB 1004, prepaid rates were recorded as revenue when received.

### *Leases entered into below market rates*

Leases entered into at below market rates (peppercorn leases) requires the Town to measure the lease assets as a "right of use asset", with the lease liability measured at the present value of the minimum lease payments. The difference between the lease asset and liability is recorded as income.

### *Volunteer services*

Volunteer services are services received by an entity from individuals or other entities without charge or for consideration significantly less than the fair value of those services.

Local governments are required to recognise volunteer services received as income when such services would be purchased if they had not been donated, and the fair value of those services can be reliably measured.

In many instances, the economic benefits of volunteer services will be consumed as the services are acquired, and will be expensed immediately. In other cases, the volunteer services could contribute to the development of an asset and therefore be included in the carrying amount of that asset.

### **AASB 16 – Leases**

The Town does not currently have any assets that it leases from third parties. Therefore there is no impact on the 2019/2020 financial statements.

The Town as Lessor has a number of leases in place that are mainly for community infrastructure. Assets underlying the leases are recognised within the Town's financial statements and revenue is recognised when it is due to the Town. No change in accounting practices for these leases are currently required.

For future application should the Town enter into a lease agreement, AASB 16 Leases introduces a single lessee accounting model to the extent that there is no longer a distinction between finance and operating leases. Lessees will now recognise a right-to-use asset and a lease liability onto the 'balance sheet' for all leases.

The Standard contains an exemption for short-term leases (less than 12 months) or leases where the underlying asset is of low value (applying the mandatory level of below \$5,000).

Right-to-use assets shall initially be measured at cost. The cost shall comprise:

- Amount of initial measurement of the lease liability,
- Upfront lease payments less any lease incentives received,
- Any initial direct costs incurred, and
- Any "make-good" costs (best estimate).

Generally, local governments in Western Australia have leases that are currently defined as operating leases.

The most common examples include, although are not limited to:

- Vehicles (usually cars),
- Photocopiers,
- Computers,
- Staff Housing, and
- Phones.

AASB 16 very specifically indicates cars do not qualify as low-value assets.

AASB 16 specifically indicates tablet and personal computers, small items of office furniture and telephones qualify as low-value assets.

The implementation guidance is silent with regards to photocopiers. At this stage, and subject to further guidance, corporate photocopiers would not qualify, as they are not considered small items. They will rather need to be assessed based on their materiality to the local governments' financial statements.

### **Consultation**

Chief Executive Officer

### Statutory Environment

Part 6 and Part 7 of the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996* applies to financial reporting and audit in local government.

### Policy Implications

Nil.

### Financial Implications

The adoption of these new accounting standards will have a minimal impact on preparation of the Annual Financial Report for 2019/2020.

Risk	Risk Likelihood (based on history & with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
The application of new accounting standards may impact the net profit or loss of the Town for the year ended 30 <sup>th</sup> June 2020.	Unlikely (2)	Minor (2)	Low (1-4)	FINANCIAL IMPACT \$10,000 - \$50,000	Control through Audit Committee monitoring and OAG financial statement year-end audit.

### Risk Matrix

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

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives; occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating is provided below. Any items with a risk rating over 16 will be added to the Risk Register, and any item with a risk rating over 16 will require a specific risk treatment plan to be developed.

Risk Rating	2
Does this item need to be added to the Town's Risk Register	No
Is a Risk Treatment Plan Required	No

### Strategic Implications

Strategic Priority 5 – Leadership and Governance

5.1 Strengthen organisational accountability and transparency

5.3 Strive for excellence in leadership and governance



**Comment**

The Town has considered the impact that the adoption of new accounting standards will have on the financial report for the 2019/2020 financial year and believe that any impact will be minimal.

**10.1 OFFICER RECOMMENDATION/COMMITTEE RESOLUTION A010620**

**Moved Cr A McPhail, seconded Cr Watkins**

**That the Audit Committee:**

- 1. receive the report for the Application of New Accounting Standards for the year ended 30<sup>th</sup> June 2020.**
- 2. note that any impact on the adoption of these new accounting standards will be minimal.**

(CARRIED UNANIMOUSLY)

## 10.2 Procurement Review – Requisitions/Purchase Orders over \$5k

<b>File ref</b>	F/AUD1
<b>Prepared by</b>	Peter Kocian, Executive Manager Corporate Services
<b>Supervised by</b>	Gary Tuffin, Chief Executive Officer
<b>Meeting Date:</b>	29 June 2020
<b>Voting requirements</b>	Simple Majority
<b>Documents tabled</b>	Nil
<b>Attachments</b>	<ol style="list-style-type: none"> <li>1. Procurement Review (Confidential Attachment)</li> <li>2. Independent Auditors Report 13 December 2019</li> <li>3. Minutes Special Council Meeting 4 February 2020</li> </ol>

### Purpose

The Audit Committee is requested to receive the assessment of all supplier purchases greater than \$5k for the period 1 July 2019 to 22 May 2020, for compliance against Council's Purchasing Policy.

### Executive Summary

Between the period 1 July 2019 and 22 May 2020, the Town released 111 purchase orders over \$5k. Full information is provided as confidential attachment 1, and is summarised as follows:

Amount	Purchasing Requirement	No. Purchase Orders	No. Compliant with Purchasing Policy or Exempt i.e. Sole Supplier	% Compliant
Over \$5,001 and up to \$20,000	Attempt to obtain 2 written quotes	73	63	86%
Over \$20,001 and up to \$50,000	Attempt to obtain 3 written quotes	28	24	86%
Over \$50,001 and up to \$150,000	Attempt obtain 3 written quotes under a Request for Quotation	7	7	100%
Over \$150,000	Request for Tender unless exempt	3	3	100%
<b>Total</b>		<b>111</b>	<b>97</b>	

### Background

The Independent Auditors Report dated 13 December 2019 (attachment 2) included the following significant audit finding:

For 75% of purchases we sampled below the tender threshold, there was inadequate or no evidence that a sufficient number of quotations was obtained to test the market, and no documentation to explain why other quotes were not sought. This practice increases the likelihood of not receiving value for money in procurement. This could also result in favouring certain suppliers, although our audit did not identify any instances.

In response to the above finding, management provided the following comment, extracted from the minutes of the Special Council Meeting dated 4 February 2020 (attachment 3):

*The Town's purchasing policy states that where the value of a purchase is between \$5,001 and \$20,000, efforts should be made to obtain at least two written quotes.*

*During the Auditor's procurement testing, 6 purchases were identified in this range, out of a sample of 8, where there was insufficient documentation to indicate that the requisite number of quotations had been obtained.*

*Extended security permissions, including a purchasing requisition system, were implemented in June 2019. Staff are now required to upload evidence of quotations for purchases in excess of \$5,000 against a requisition request, which is converted into a purchase order only after it has been reviewed and approved by a Manager.*

*The Internal Audit Work Plan for 2020 also proposes that an internal audit of all requisitions over \$5,000 be completed, and presented to the Audit Committee in July 2020. This will ensure a complete sample and identify all instances of non-compliance. Findings will then inform areas for improvement, education, and if deemed appropriate, removal of financial delegation.*

### **Consultation**

Finance team

### **Statutory Environment**

Section 5.41 of the *Local Government Act 1995* details the functions of the CEO.

Regulation of the *Local Government (Financial Management) Regulations 1996* details the CEOs duties as to the financial management of the local government.

Regulation 11A of the *Local Government (Functions and General) Regulations 1996* requires local governments to prepare and adopt a Purchasing Policy.

### **Policy Implications**

Council's Purchasing Policy applies.

The following requirements apply for purchases over \$5,001:

<b>Amount (ex GST)</b>	<b>Purchasing Requirement</b>
Over \$5,001 and up to \$20,000	Attempt to obtain 2 written quotes
Over \$20,001 and up to \$50,000	Attempt to obtain 3 written quotes
Over \$50,001 and up to \$250,000 (previously \$150,000)	Attempt obtain 3 written quotes under a Request for Quotation
Over \$250,000	Request for Tender unless exempt

### **Financial Implications**

There are no financial implications relevant to this item.

### Risk Implications

Risk	Risk Likelihood (based on history & with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
Non-compliance with Purchasing Policy, giving rise to risk of not receiving value for money or favouring certain suppliers.	Possible (3)	Moderate (3)	Moderate (5-9)	Compliance/ Financial	Treat through regular review/audit

### Risk Matrix

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

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives; occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating is provided below. Any items with a risk rating over 16 will be added to the Risk Register, and any item with a risk rating over 16 will require a specific risk treatment plan to be developed.

<b>Risk Rating</b>	9
<b>Does this item need to be added to the Town's Risk Register</b>	No
<b>Is a Risk Treatment Plan Required</b>	No

### Strategic Implications

Strategic Priority 5 – Leadership and Governance

5.1 Strengthen organisational accountability and transparency

5.3 Strive for excellence in leadership and governance

### Comment

An internal audit of all purchases greater than \$5k has been completed. Of 111 purchase orders, 97 or 87% demonstrated compliance with Council's Purchasing Policy by having a copy of the requisite number of quotes uploaded into the financial system or a proper explanation as per the table below.

Of the 14 purchase orders that did not demonstrate compliance with the requisite number of quotes, 10 required 2 quotes and 4 required 3 quotes.

No Purchase Orders	Explanation
64	Compliant
2	Inter-government transaction (i.e. Regional Council)
7	Sole Supplier Exemption
22	Supplier listed on WALGA preferred supplier panel or State Supply Commission Common User Agreement
1	Supplier is sole local provider registered in the Town of East Fremantle
1	Donation/Funding Agreement
14	Non-compliant
<b>111</b>	<b>Total</b>

In order to address the non-compliance, staff education and constructive reinforcement of purchasing requirements will be implemented. The Purchasing Policy may also need to be reviewed to provide greater flexibility to take into account the aforementioned explanations.

#### **10.2 OFFICER RECOMMENDATION/COMMITTEE RESOLUTION A020620**

**Moved Cr Harrington, seconded Cr Watkins**

**That the Audit Committee receive the procurement review of all purchases over \$5k, as detailed in the confidential attachment, for assessment of compliance against Council's Purchasing Policy.**

**(CARRIED UNANIMOUSLY)**

### 10.3 Recurrent Status Report – Risk Management, Internal Controls and Legislative Compliance

<b>File ref</b>	F/AUD1
<b>Prepared by</b>	Peter Kocian, Executive Manager Corporate Services
<b>Supervised by</b>	Gary Tuffin, Chief Executive Officer
<b>Meeting Date:</b>	29 June 2020
<b>Voting requirements</b>	Simple Majority
<b>Documents tabled</b>	Nil
<b>Attachments</b>	1. Status Report

#### Purpose

It is recommended that the Audit Committee receive a status report on all outstanding matters raised in external audit reports, financial management reviews, performance audits, internal audit reports and any other review relevant to the Audit Committee's Terms of Reference.

#### Executive Summary

A status report has been prepared reporting against identified issues with respect to audit, risk management, internal controls, procurement matters and legislative compliance. The status report is not an exhaustive listing and will become a living document and updated as issues are identified. It is presented to the Audit Committee to assist in their role to report to Council and provide advice and recommendations on matters relevant to its terms of reference.

#### Background

The Department of Local Government has published an Operational Guideline on Audit in Local Government. Appendix 3 of this Guideline lists a number of matters that should be presented to an Audit Committee for review and monitoring:

#### Risk Management:

- Reviewing whether the local government has an effective risk management system;
- Reviewing whether the local government has a current and effective business continuity plan;
- Reviewing areas of potential non-compliance with legislation, regulations and standards and local governments policies;
- Reviewing the following; litigation and claims, misconduct, and significant business risks;
- Obtaining regular risk reports, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported;
- Assessing the adequacy of local government processes to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance;
- Reviewing the effectiveness of the local governments internal control system with management and the internal and external auditors;
- Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk;
- Assessing the local government's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied.

#### Internal Control Systems:

- Separation of roles and functions, processing and authorisation;
- Control of approval of documents, letters and financial records;

- Limit of direct physical access to assets and records;
- Control of computer applications and information system standards;
- Regular maintenance and review of financial control accounts and trial balances;
- Comparison and analysis of financial results with budgeted amounts;
- Report, review and approval of financial payments and reconciliations;
- Comparison of the result of physical cash and inventory counts with accounting records.

#### Legislative Compliance:

- Monitoring compliance with legislation and regulations;
- Reviewing the annual Compliance Audit Return and reporting to Council the results of that review;
- Reviewing whether the local government has procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints;
- Obtaining assurance that adverse trends are identified and review managements plans to deal with these;
- Reviewing management disclosures in financial reports of the effect of significant compliance issues;
- Considering the internal auditors role in assessing compliance and ethics risks in their plan;
- Monitoring the local government's compliance frameworks dealing with relevant external legislation and regulatory requirements.

#### **Consultation**

Chief Executive Officer

Manager Finance and Administration

#### **Statutory Environment**

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the CEO to review the appropriateness and effectiveness of a local governments systems and procedures in relation to risk management, internal control and legislative compliance separately or all at the one time, on the provision that each matter is reviewed at least once every three years. The CEO is also required to report the results of that review to Council.

#### **Policy Implications**

There are no Council Policies relevant to this item.

#### **Financial Implications**

There are no financial implications relevant to this item.

### Risk Implications

Risk	Risk Likelihood (based on history & with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
That key findings are not actioned	Possible (3)	Moderate (3)	Moderate (5-9)	Compliance	Control through oversight by the Audit Committee and ensuring adequate budget allocation for resourcing

### Risk Matrix

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

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives; occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating is provided below. Any items with a risk rating over 16 will be added to the Risk Register, and any item with a risk rating over 16 will require a specific risk treatment plan to be developed.

<b>Risk Rating</b>	4
<b>Does this item need to be added to the Town's Risk Register</b>	No
<b>Is a Risk Treatment Plan Required</b>	No

### Strategic Implications

Strategic Priority 5 – Leadership and Governance

5.1 Strengthen organisational accountability and transparency

5.3 Strive for excellence in leadership and governance

### Comment

The status sheet has been updated accordingly.



The following summary of completion is provided:

<b>Risk Category</b>	<b>No. Issues</b>	<b>Completed</b>	<b>Underway</b>	<b>Not Commenced</b>
High	21	11	9	1
Medium	38	10	26	2
Low	11	6	4	1
	<b>70</b>	<b>27</b>	<b>39</b>	<b>4</b>

### **10.3 OFFICER RECOMMENDATION/COMMITTEE RESOLUTION A030620**

**Moved Cr M McPhail, seconded Cr A McPhail**

**That the Audit Committee receives the status report on items relevant to its Terms of Reference.**

(CARRIED UNANIMOUSLY)

NB: The Presiding Member and Cr A McPhail thanked the Town staff for their outstanding efforts in working through a number of outstanding items raised in the Auditor's Report.

#### **11. MATTERS BEHIND CLOSED DOORS**

Nil.

#### **12. CLOSURE OF MEETING**

Meeting closed at 7.10pm.

*I hereby certify that the Minutes of the ordinary meeting of the **Audit Committee** of the Town of East Fremantle, held on **29 June 2020**, Minute Book reference 1. to 12. were confirmed at the meeting of the Committee on*

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*Presiding Member*

## 10. REPORTS

### 10.1 Interim Audit Management Letter

<b>File ref</b>	F/AUD1
<b>Prepared by</b>	Peter Kocian, Executive Manager Corporate Services
<b>Supervised by</b>	Gary Tuffin, Chief Executive Officer
<b>Meeting Date:</b>	4 November 2020
<b>Voting requirements</b>	Simple Majority
<b>Documents tabled</b>	Nil
<b>Attachments</b>	1. Interim Audit Management Letter for Year Ended 30 June 2020

#### **Purpose**

The purpose of this report is for the Audit Committee to receive the Audit Management Letter from the 2020 interim audit.

#### **Executive Summary**

Interim Audit results for the year ended 30 June 2020 are presented to the Audit Committee in the attached management letter. The focus of the interim audit was to evaluate the Town's overall control environment and to obtain an understanding of the key business processes, risks and internal controls relevant to the audit of the annual financial report.

#### **Background**

In accordance with section 7.2 of the *Local Government Act 1995*, the accounts and annual financial report of a local government for each financial year are required to be audited by an Auditor.

Part 7 of the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996* addresses the situation of audit. In relation to the duties of the local government with respect to audits –

- a. *the local government is to do everything in its power to –*
  - i. *assist the auditor to conduct an audit and carry out his or her other duties under the Act; and*
  - ii. *ensure that audits are conducted successfully and expeditiously;*
- b. *a local government is to meet with its auditor at least once in every year;*
- c. *a local government is to examine the report of the auditor and is to –*
  - i. *determine if any matters raised require action to be taken by the local government; and*
  - ii. *ensure that appropriate action is taken in respect of those matters;*
- d. *local government is to –*
  - i. *prepare a report on any actions taken in respect of any matters raised in the report of the auditor; and*
  - ii. *forward a copy of that report to the Minister by the end of the next financial year, or six months after the last report prepared by the auditor is received by the local government, whichever is the latest in time.*

The primary role of the Audit Committee is to support Council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, internal and external audit functions and ethical accountability. The Committee should critically examine the audit and management reports provided by the external auditor and then determine if matters raised in the reports require action to be taken by the local government administration.

### Consultation

Chief Executive Officer

### Statutory Environment

Part 7 of the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996* applies to audit in local government.

### Policy Implications

The Department of Local Government has published Operational Guideline No. 9 Audit in Local Government that covers the appointment, functions and responsibilities of Audit Committees.

### Financial Implications

The annual budget includes an allocation of \$25,000 for internal audit project work. There may be a cost associated with implementing some of the audit findings.

### Risk Implications

Risk	Risk Likelihood (based on history & with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
Key findings from the interim and annual audits are not actioned	Possible (3)	Moderate (3)	Moderate (5-9)	Compliance	Control through Audit Committee monitoring of status report

### Risk Matrix

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

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives; occupational health and safety, financial, service interruption, compliance,

reputation and environment. A risk matrix has been prepared and a risk rating is provided below. Any items with a risk rating over 16 will be added to the Risk Register, and any item with a risk rating over 16 will require a specific risk treatment plan to be developed.

<b>Risk Rating</b>	9
<b>Does this item need to be added to the Town's Risk Register</b>	No
<b>Is a Risk Treatment Plan Required</b>	No

### Strategic Implications

Strategic Priority 5 – Leadership and Governance

- 5.1 Strengthen organisational accountability and transparency
- 5.3 Strive for excellence in leadership and governance

### Comment

All of the key findings from the interim and annual audit will be incorporated into the standing Status Report and will be presented to the Audit Committee for ongoing monitoring.

There are 11 findings contained within the Interim Audit Management Letter – 4 findings were identified in the current audit and 7 findings carried over from prior year audits.

3 of the current audit findings have been reviewed, controls implemented, and can be marked off as complete.

Of the 7 prior year findings, 2 have been completed, and 4 of the findings are considered to be ongoing as they relate to recurrent activities and are not static items.

### 10.1 OFFICER RECOMMENDATION

**That the Audit Committee recommend Council:**

- 1. receive the Audit Management Letter from the Interim Audit for the Year Ended 30 June 2020, as presented as attachment 1 to this report.**
- 2. note that the key audit findings will be incorporated into the standing Status Report and will be presented to the Audit Committee for ongoing monitoring.**

Our Ref: 8302

Mr Gary Tuffin  
Chief Executive Officer  
Town of East Fremantle  
PO Box 1097  
FREMANTLE WA 6959

7th Floor, Albert Facey House  
469 Wellington Street, Perth

**Mail to:** Perth BC  
PO Box 8489  
PERTH WA 6849

**Tel:** 08 6557 7500  
**Fax:** 08 6557 7600  
**Email:** info@audit.wa.gov.au

Dear Mr Tuffin

**ANNUAL FINANCIAL REPORT  
INTERIM AUDIT RESULTS FOR THE YEAR ENDED 30 JUNE 2020**

We have completed the interim audit for the year ended 30 June 2020. We performed this phase of the audit in accordance with our audit plan. The focus of our interim audit was to evaluate your overall control environment, but not for the purpose of expressing an opinion on the effectiveness of internal control, and to obtain an understanding of the key business processes, risks and internal controls relevant to our audit of the annual financial report.

**Management Control Issues**

I would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the course of the interim audit. These matters have been discussed with management and their comments have been included on the attachment. The matters reported are limited to those deficiencies that were identified during the interim audit that we have concluded are of sufficient importance to merit being reported to management. Some of the matters may be included in our auditor's report in accordance with section 7.9(2) of the *Local Government Act 1995* or regulation 10(3)(a) and (b) of the Local Government (Audit) Regulations 1996. If so, we will inform you before we finalise the report.

This letter has been provided for the purposes of your local government and may not be suitable for other purposes.

We have forwarded a copy of this letter to the Mayor. A copy will also be forwarded to the Minister for Local Government when we forward our auditor's report on the annual financial report to the Minister on completion of the audit.

Feel free to contact me on 6557 7674 if you would like to discuss these matters further.

Yours faithfully



ARAM MADNACK  
DIRECTOR  
FINANCIAL AUDIT  
16 October 2020

Attach

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
<b>Findings identified in the current audit</b>			
1. Access levels within SynergySoft	✓		
2. Purchasing approvals exceeding delegations	✓		
3. Purchasing policy contract requirements		✓	
4. Asset stocktake process not formalised		✓	
<b>Issues from prior year audits</b>			
5. Quotations – minimum number not obtained	✓		
6. Information security management		✓	
7. Information risk management		✓	
8. Change management		✓	
9. Management of removable media		✓	
10. Management of technical vulnerabilities		✓	
11. Network device management		✓	

#### KEY TO RATINGS

The ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
- Moderate - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor - Those findings that are not of primary concern but still warrant action being taken.

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## 10.2 Recurrent Status Report – Risk Management, Internal Controls and Legislative Compliance

<b>File ref</b>	F/AUD1
<b>Prepared by</b>	Peter Kocian, Executive Manager Corporate Services
<b>Supervised by</b>	Gary Tuffin, Chief Executive Officer
<b>Meeting Date:</b>	4 November 2020
<b>Voting requirements</b>	Simple Majority
<b>Documents tabled</b>	Nil
<b>Attachments</b>	1. Status Report

### **Purpose**

It is recommended that the Audit Committee receive a status report on all outstanding matters raised in external audit reports, financial management reviews, performance audits, internal audit reports and any other review relevant to the Audit Committee's Terms of Reference.

### **Executive Summary**

A status report has been prepared reporting against identified issues with respect to audit, risk management, internal controls, procurement matters and legislative compliance. The status report is not an exhaustive listing and will become a living document and updated as issues are identified. It is presented to the Audit Committee to assist in their role to report to Council and provide advice and recommendations on matters relevant to its terms of reference.

### **Background**

The Department of Local Government has published an Operational Guideline on Audit in Local Government. Appendix 3 of this Guideline lists a number of matters that should be presented to an Audit Committee for review and monitoring:

#### Risk Management:

- Reviewing whether the local government has an effective risk management system;
- Reviewing whether the local government has a current and effective business continuity plan;
- Reviewing areas of potential non-compliance with legislation, regulations and standards and local governments policies;
- Reviewing the following; litigation and claims, misconduct, and significant business risks;
- Obtaining regular risk reports, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported;
- Assessing the adequacy of local government processes to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance;
- Reviewing the effectiveness of the local governments internal control system with management and the internal and external auditors;
- Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk;
- Assessing the local government's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied.

#### Internal Control Systems:

- Separation of roles and functions, processing and authorisation;
- Control of approval of documents, letters and financial records;

- Limit of direct physical access to assets and records;
- Control of computer applications and information system standards;
- Regular maintenance and review of financial control accounts and trial balances;
- Comparison and analysis of financial results with budgeted amounts;
- Report, review and approval of financial payments and reconciliations;
- Comparison of the result of physical cash and inventory counts with accounting records.

Legislative Compliance:

- Monitoring compliance with legislation and regulations;
- Reviewing the annual Compliance Audit Return and reporting to Council the results of that review;
- Reviewing whether the local government has procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints;
- Obtaining assurance that adverse trends are identified and review managements plans to deal with these;
- Reviewing management disclosures in financial reports of the effect of significant compliance issues;
- Considering the internal auditors role in assessing compliance and ethics risks in their plan;
- Monitoring the local government’s compliance frameworks dealing with relevant external legislation and regulatory requirements.

**Consultation**

Chief Executive Officer  
Manager Finance and Administration

**Statutory Environment**

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the CEO to review the appropriateness and effectiveness of a local governments systems and procedures in relation to risk management, internal control and legislative compliance separately or all at the one time, on the provision that each matter is reviewed at least once every three years. The CEO is also required to report the results of that review to Council.

**Policy Implications**

There are no Council Policies relevant to this item.

**Financial Implications**

There are no financial implications relevant to this item.

**Risk Implications**

Risk	Risk Likelihood (based on history & with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)



That key findings are not actioned within a timely manner	Possible (3)	Moderate (3)	Moderate (5-9)	Compliance	Control through oversight by the Audit Committee and ensuring adequate budget allocation for resourcing
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### Risk Matrix

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

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives; occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating is provided below. Any items with a risk rating over 16 will be added to the Risk Register, and any item with a risk rating over 16 will require a specific risk treatment plan to be developed.

Risk Rating	9
Does this item need to be added to the Town's Risk Register	No
Is a Risk Treatment Plan Required	No

### Strategic Implications

Strategic Priority 5 – Leadership and Governance

5.1 Strengthen organisational accountability and transparency

5.3 Strive for excellence in leadership and governance

### Comment

The status sheet has been updated accordingly.

The following summary of completion is provided:

Risk Category	No. Issues	Completed	Underway	Not Commenced
High	21	15	5	1
Medium	38	24	19	5
Low	11	8	2	1
	<b>70</b>	<b>47</b>	<b>26</b>	<b>7</b>

### 10.2 OFFICER RECOMMENDATION

That the Audit Committee receives the status report on items relevant to its Terms of Reference.

Audit Finding	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Date of initial risk identification	Source of Audit Finding (FMR/Audit Reg 17/GCC Audit/Audit Management Letter/Internal)	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Responsible Officer	Progress Update
1	A Business Continuity Plan was developed in 2017 and updated in May 2019, with an initial test of the plan scheduled to occur shortly after our review.	Failure to adequately manage a business disruption event.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Major	Major	High	Prioritised action required	Ensure results from the testing of the Business Continuity Plan are documented and reported to consider key business continuity risks along with the treatments, to reduce the risk to an acceptable level.	Office of CEO	Business Continuity Plan has been tested in a workshop facilitated by LGIS. BCP has been updated with recommendations from this workshop. Completed.
2	Checklists of key functions are maintained for selected functions. Checklists were not maintained and evidenced for all standard routine functions such as end of month reconciliations and reporting across the organisation. It was noted some staff have commenced with the creation of checklists and procedures.	Compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Major	Moderate	High	Prioritised action required	Creation and maintenance of standard checklists may assist in evidencing key points of control and serve as a reminder. Checklists assist in ensuring compliance with repetitive legislative compliance tasks. Staff are encouraged to continue with the development of checklists and procedures for routine functions, including evidencing independent review.	Corporate Services	An end of month checklist for all financial processes has been implemented. The end of month audit file is prepared by the Manager Finance and Administration and signed off by the Executive Manager Corporate Services. A statutory corporate calendar has also been prepared indicating key compliance dates.
3	Deposits recorded through the Trust Fund are deposited through the municipal bank account and transferred electronically the day after the funds appear in the municipal bank account. Regulations 8 & 10 of the Local Government (Financial Management) Regulations 1996 requires money received to be deposited into the established account where it is required to be held.	Lack of probity. Internal control or compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Minor	Minor	Medium	Planned action required	Deposit funds required to be held in the Trust Fund directly into the Trust bank account established to account those funds.	Corporate Services	Daily receipting and bank deposit procedure to be reviewed. It is not practical to receipt occasional bonds to the trust fund. Periodic transfers are completed to transfer receipts between the municipal fund and the trust fund.
4	Through limited testing of payments, an instance was noted where a purchase order did not pre-date the invoice.	Lack of probity. Fraud risk	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Likely	Moderate	Major	High	Prioritised action required	All procurement of goods or services should be undertaken in accordance with legislative requirements and the Purchasing Policy. Any instances where a purchase pre-dates a purchase order should be documented, reviewed and authorised to demonstrate controls have been developed to comply and ensure the purchasing policy has been adhered to.	Corporate Services	A payment requisition form has been implemented to authorise payments in instances where a purchase order has not been released.
5	Documented procedures are not in place to require declarations of interest and confidentiality to be signed prior to assessments being undertaken for tenders.	Lack of probity. Fraud risk. Internal control or compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Likely	Major	Major	High	Prioritised action required	To help ensure probity and fairness when assessing tenders, procedures for the process to be undertaken in assessing tenders should be followed and documented with at least three persons assessing the tender independently of each other. Persons assessing any significant procurement should be required to declare any matters which may impact or be perceived to impact on their independence.	Office of CEO	Completed. A Declaration of Interest form has been implemented by the Office of CEO. A tender evaluation report is completed for all tenders and provided to the CEO for approval.
6	Documented procedures are not in place to require declarations of interest and confidentiality to be signed prior to assessments being undertaken for high value purchases.	Lack of probity. Fraud risk	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Likely	Major	Major	High	Prioritised action required	Procedures for the declaration of interests prior to procurement assessments being undertaken should also be documented for high value purchases and tenders.	Office of CEO	Completed. A Declaration of Interest form has been implemented by the Office of CEO.
7	Petty cash is kept in a locked box, which is stored in an unlocked cupboard throughout the day when the administration office is open to the public.	Lack of probity. Fraud risk. Breakdown of internal control. Financial loss.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Minor	Minor	High	Prioritised action required	Ensure petty cash is stored in a secure location, such as the strong room or safe.	Corporate Services	Petty cash tin to be relocated to the safe. Completed.
8	We noted an explanation of material variances was not included in the documents supporting the statement of financial activity as required by regulation 34(2)(b) of the Local Government (Financial Management) Regulations 1996. This occurred for the monthly statement of financial activity for the periods ended 31 July 2018, 31 August 2018, 30 September 2018 and 30 June 2019. We observed the monthly statement of financial activity for the period ended 30 June 2019 presented to Council was not in the same format as other monthly statements and did not contain the following items required by regulation 34 (1) & (2) of the Local Government (Financial Management) Regulations 1996: • YTD budget column; • Note explaining the composition of net current assets; and • explanation of material variances.	Compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Major	Moderate	High	Prioritised action required	Ensure the monthly statement of financial activity contains all items required by legislation.	Corporate Services	Completed. Material variances are being reported at Program Level. Variances will also be reported at nature and type level.
9	We did not observe any formal procedures relating to the routine monitoring of and clearance of outstanding purchase orders. Reports are produced during end of month processing, however the reports are for noting only. We observed at one month end, purchase orders to the value of approximately \$1.3m remained outstanding (some of which had been issued nearly twelve months earlier) with limited information available to document their status.	Lack of probity. Fraud risk	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Likely	Major	Major	High	Prioritised action required	Update procedures to include review of the status of outstanding purchase orders as part of end of month processes. Ensure any controls developed are routinely and consistently applied.	Corporate Services	An open purchase report is auto generated and emailed to Responsible Officer's (Ros) monthly. The Senior Finance Officer schedules monthly meetings with RO's to review these reports and close any completed purchase orders. The Open PO Report has been amended to include the amount invoiced. Completed.
10	Limited review of changes made to employee details and parameters is currently undertaken when each payroll is processed.	Lack of probity. Internal control or compliance breach. Financial loss.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Major	Moderate	High	Prioritised action required	Procedures to minimise risk of unauthorised changes to employee details should be implemented. Regular reviews of software audit trails is one form of control and should be undertaken as a minimum. Where possible, segregation of duties should exist where employees responsible for processing payroll transactions are unable to make changes to employee banking details.	Corporate Services	The appointment of a new employee is created through the human resources process. Once appointed the relevant documentation for data entry into the Payroll System is provided by the Human Resources Coordinator to the Finance Officer. The Finance Officer then creates the new employee in the Payroll System. The documentation is then given to the Manager Finance and Administration for review. This is standard practice.  To show evidence in support of our standard practice a "New / Update Employee Details" form has been created, which will be prepared by the Finance Officer and Reviewed by the Manager Finance and Administration. The implementation of this form will provide evidence that changes to the Employee Master File are properly authorised. The form will be filed in the employee's personnel file.
11				FMR/Audit Reg 17 Review - December 2019								A "Bank Audit Update Report" has also been created for Payroll. This report is automatically generated on a fortnightly basis on payroll week. The report is automatically emailed to the Finance Officer, the Manager Finance and Administration, and the Executive Manager Corporate Service. This report is reviewed by the Manager Finance and Administration when reviewing payroll. Going forward we will implement the process of keeping this report with the fortnightly payroll file.

Audit Finding	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Date of initial risk identification	Source of Audit Finding (FMR/Audit Reg 17/GCC Audit/Audit Management Letter/Internal)	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Responsible Officer	Progress Update
12	The officers responsible for processing and reviewing payroll are tasked with review and capture of employee entitlements, allowances, deductions, etc. This is performed through a variance report comparing the payroll being processed to the previous payroll reports with no verification to employee master records. Staff have advised more formal documentation / checklists are intended to be created to assist with payroll processing, review and authorisation.	Lack of probity. Internal control or compliance breach. Financial loss.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Major	Moderate	High	Prioritised action required	A full review of procedures and controls is required to determine practical procedures, documentation and controls for the accurate processing of payroll each fortnight. Details for each employee should be reviewed against individual employment contracts to capture allowances, deductions, entitlements etc, into a master list, with appropriate review and authorisation for accuracy. Payroll exception reporting and review of audit trails should be undertaken to capture anomalies or unauthorised changes.	Corporate Services	The Senior Finance Officer verifies all time sheet details against an employee master list. A payroll exception report is completed as part of a payroll process and is reviewed by the Executive Manager Corporate Services. The employee master list is to be updated to ensure that it captures all allowances and deductions.
13	Review and Implement Disaster Recovery Plan		1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Major	Major	High	Prioritised action required	The 2016 Disaster Recovery Plan has been updated and was provided to the Audit Committee July 2019.	Corporate Services	Completed. OAG have completed a Capability Maturity Assessment and the Town's business continuity and disaster recovery plan achieved the benchmark rating of 3 (being defined).
14	Quotations - minimum number not obtained		1/12/2019	2019 Audit Management Letter	Possible	Major	Major	High	Prioritised action required	We acknowledged that in the procurement testing, evidence of quotations were not able to be located. In order to improve our compliance with our purchasing policy a new purchasing requisition system has been implemented which will allow staff members to attach evidence of quotes. The officer authorising a purchase requisition will need to ensure that evidence of quotations are attached.	Corporate Services	The approved Audit Work Plan includes an audit of all requisitions over \$5k to assess compliance with the minimum number of quotations. This project has been finalised and was presented to the June 20 Audit Committee meeting.
15	Changes to Supplier Master File		1/12/2019	2019 Audit Management Letter	Possible	Significant	Major	High	Prioritised action required	"New/update creditor details form" to be completed by the supplier and entered into the Supplier Master File by the Finance Officer, which is then reviewed by the Manager Finance & Administration, then approved by Exec Manager Corporate & Community Services. Finance Officer also checks the Supplier Details to the ABN lookup to ensure correct ABN provided. Creation of a "Bank Audit Update Report" for suppliers. Automatic report generated fortnightly to verify suppliers who have been paid and their details.	Corporate Services	Ongoing. New/update creditors form has been implemented for all changes to the supplier master file. An ABN and ASIC search is undertaken on all new suppliers.
16	No formal process exists to monitor fuel stock allocated to portable gardening equipment. Fuel is recorded as it is allocated and reviewed for reasonableness by management each month.	Internal control or compliance breach.	1/12/2019	2019 Audit Management Letter	Likely	Minor	Insignificant	Low	Planned action required	Develop and implement procedures for the monitoring of fuel stock on hand in an effort to improve opportunities to detect any issues or potential misuse with fuel allocations.	Corporate Services	This item is considered immaterial given the negligible expenditure on fuel for sundry plant. No further action deemed necessary.
17	One corporate credit card is held in the Petty Cash Box and utilised by multiple staff. Whilst authorisation is required from the card holder prior to use of credit cards, they should only be held by the person named on the card.	Internal control or compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Unlikely	Minor	Minor	Low	Planned action required	Credit cards should physically be maintained by the person in whose name they are issued, and credit card details should not be shared with other staff.	Corporate Services	The Credit Card has been returned to the Executive Manager Corporate Services.
18	Through our limited testing of credit card transactions against documented procedures and controls, we noted an instance where the monthly credit card acquittal form had not been signed by the cardholder.	Internal control or compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Unlikely	Minor	Minor	Low	Planned action required	Ensure processes exist to maintain adherence to and detect any deviation from established documented procedures and controls.	Corporate Services	All statements are signed by the cardholder and witnessed either by the EMCS or MFAS. Completed
19	Archives Records Management		1/12/2019	FMR/Audit Reg 17 Review - December 2019	Rare	Minor	Moderate	Low	Planned action required	A proposal has been received for the archiving of basement records, and a tender prepared for the digitisation of planning/building records.	Corporate Services	All records located in the Town Hall Basement and Old Police Station have been relocated off-site to Grace. An on demand scanning service has been implemented for the digitisation of planning and building records.
20	That Council take necessary actions to improve its financial ratios, namely the Operating Surplus Ratio and Asset Sustainability Ratio		1/12/2019	2019 Audit Management Letter	Unlikely	Minor	Moderate	Low	Planned action required	The Long Term Financial Plan includes ratio projections over 15 years. Depreciation expense will reduce significantly in 19/20 leading to an improvement in ratios.	Corporate Services	Council adopted a 15-year Strategic Resource Plan (combined asset management and long term financial plan) at its ordinary meeting of May 2019. Section 5.11 of this document discusses the forecast operating ratios from 2019-2034. The Operating Surplus Ratio is not projected to meet the Department's standard of 1.00% until the 2028-29 financial year. Council is aware of this, with the following comment provided in the agenda report of May 2019:
21												Council has a legislative requirement to comply with the principles of sound financial management, of which a key component is the preparation of a Long Term Financial Plan. The Office of Auditor General is also required to undertake a performance audit of adverse financial trends in the financial position or the financial management practices of the local government. This will be limited a high level assessment of whether the 7 financial ratios reported in the notes to the financial report achieved the standards set by the Department of Local Government, Sport and Cultural Industries. Council therefore needs to be cognizant of the ratio analysis included in the Forecast Financial Statements as 3 of the ratios are below benchmark.
22												A number of assumptions underpin the Strategic Resource Plan, including a 3% annual rate increase. Every endeavour will be made to ensure operating revenue grows at a faster rate than operating expenditure in order to achieve an improved Operating Surplus Ratio. A review of depreciation expense (and underlying valuation methodology) in 2019/20 may also result in a favourable improvement to this ratio.
23	Cash count - lack of segregation of duties		1/12/2019	2019 Audit Management Letter	Possible	Insignificant	Minor	Low	Planned action required	One of the Customer Service Officers will do an initial cash count at end of day and then a member of the Finance team will re-count the cash takings for the day. Two officers to sign the "Daily Receiving Bank Deposit Listing" and the "Daily Settlement Checklist" reports, one of which will be a member of the Finance team.	Corporate Services	Completed

Audit Finding	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Date of initial risk identification	Source of Audit Finding (FMR/Audit Reg 17/GCO Audit/Audit Management Letter/Internal)	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Responsible Officer	Progress Update
24	Verification of manual signatures		1/12/2019	FMR/Audit Reg 17 Review - December 2019	Unlikely	Minor	Minor	Low	Planned action required	Implement a register of signatures of all employees, showing their position, name and purchasing authority (if applicable.) - Y:\Corporate and Community\Employee Signature Register	Corporate Services	Completed
25	Absence of a risk-based internal audit plan		1/12/2019	FMR/Audit Reg 17 Review - December 2019	Unlikely	Minor	Moderate	Low	Planned action required	We will raise the absence of a risk-based internal audit plan with the Audit Committee and plan to recommend the appointment of Risk Management/Internal Audit Consultant to ensure that there is a risk-based internal audit plan implemented.	Office of CEO	An internal audit charter has been adopted by the Audit Committee. An annual work plan is endorsed by the Audit Committee at the beginning of each calendar year. This register is in fact a risk based internal audit
26	Section 2 Conflicts and Disclosure of Interest and 3.4 Gifts of the current Code of Conduct do not reflect all disclosure requirements under of the Local Government Act 1995 and the Local Government (Administration) Regulations 1996. In its current form, the Code of Conduct could confuse elected members and employees as to their disclosure obligations.	Failure to identify risks or adequately treat identified risks.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Moderate	Moderate	Medium	Planned action required	Review the section of the Code of Conduct relating to disclosure requirements for gifts to highlight these need to be made in accordance with legislation. Suggest the Code of Conduct does not restate legislative requirements. Where legislative requirements are unclear or there is a desire for greater requirements, suggest this be covered by relevant policies, given the complexities involved in re-working the Code of Conduct to maintain currency when changes are made to legislation.	Office of CEO	An attendance at events policy has been adopted by council which refers to gift disclosure requirements. The annual review of Council's Policy Register is scheduled for September 2020. The Code of Conduct will be reviewed prior to that time. Completed
27	Contractors and volunteers are not bound by the Code of Conduct when performing functions on behalf of the Town.	Failure to identify risks or adequately treat identified risks.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Moderate	Moderate	Medium	Planned action required	Expand the scope of the Code of Conduct to include actions by volunteers and contractors. Alternatively, a separate Code of Conduct be developed for volunteers and contractors.	Office of CEO	This finding has been noted and this requirement will be incorporated into the next review of the Code of Conduct (prior to September 2020). Completed.
28	Elected members, committees, contractors and volunteers are not required to sign the Code of Conduct acknowledging they have read and understand the requirements within.	Failure to identify risks or adequately treat identified risks.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Moderate	Moderate	Medium	Planned action required	Update the Code of Conduct as well as induction procedures to ensure elected members, committees, staff, contractors and volunteers sign their acknowledgement that they understand the content of the document.	Office of CEO	This finding has been noted and this requirement will be incorporated into the next review of the Code of Conduct (prior to September 2020). Completed.
29	The Policy provides limited direction in relation to contract variations and extensions of contracts awarded or against a written specification not awarded by tender. Extension of contracts and associated price changes are also not covered by the Policy. For contracts awarded by tender, legislation provides minimum requirements.	Failure to identify risks or adequately treat identified risks.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Moderate	Moderate	Medium	Planned action required	Amend the Policy to provide the following: - Prohibit price variations to existing contracts awarded by tender other than those provided within the original contract, as required by Local Government (Functions and General) Regulations 1996 Regulation 11(2) (j) (iv). - Purchasing requirements for the issuing of contract variations and extensions for contracts not awarded by public tender. Consideration should be given to circumstances where the contract value increase over a policy threshold level, due to the variation or extension.	Office of CEO	The purchasing policy was updated and approved by Council. A delegation was also provided to the CEO and Executive Managers to approve price variations provided that they are within delegation limits, and that the price variation is required to enable goods and services to be provided without changing the scope of the original project. A Contract Variation Policy has also been prepared and adopted. Completed.
30	Purchasing requirements for procurement of goods or services in accordance with the exemptions under Local Government (Functions and General) Regulations 1996 Regulation 11(2), above \$150,000 are not included within the Policy. The CEO is required to ensure controls exist for all purchases including those made using these exemptions. It is noted the practice of testing the market through sourcing multiple quotations when using the exemptions is sometimes occurring, and the policy should be updated to reflect the expectation and requirement.	Failure to identify risks or adequately treat identified risks.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Moderate	Moderate	Medium	Planned action required	Insert purchasing requirements for procurement of goods or services made under the exemptions under Local Government (Functions and General) Regulations 1996 Regulation 11(2).	Office of CEO	Completed. Purchasing Policy has been updated.
31	Risk management activities currently undertaken are not consistently documented, with existing procedures based on a superseded risk management standard.	Lack of strategic direction for risk management procedures.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Minor	Moderate	Medium	Planned action required	Risk management procedures be updated, and a process developed in accordance with any update to the risk management policy.	Corporate Services	Risks are categorised as either operational risk, project risk or strategic risks. The Town has implemented a project plan template which considers project risk. The Town has prepared a Strategic Risk Register which is presented to the Audit Committee on a periodic basis. The Town has adopted a risk assessment tool which is incorporated into all council and committee agenda items.
32	A risk register to reflect identified risks, and if they have been adequately treated exists, however the register is not widely available to staff and has not been regularly updated.	Breakdown of internal controls.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Minor	Moderate	Medium	Planned action required	Maintaining risk registers for all identified risks is important to help ensure appropriate recording and communication of high rated risks, along with providing a record to enable the verification of whether treatment plans have appropriately reduced the risk. Routine (at least quarterly) review of the risk register is required to assist in ensuring identified risks are adequately treated. Presented to July 2019 Audit Committee Meeting	Office of CEO	Completed. The Operational Risk Register is to be presented to the Executive Group on a quarterly basis for review.
33	Inspection of the register noted it was not compliant with some requirements of the Local Government (Functions and General) Regulations 1996. The value of the consideration being sought by tenderers is recorded within the register, contrary to Regulation 16(3)(c) of the Local Government (Functions and General) Regulations 1996.	Internal control or compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Major	Moderate	Medium	Planned action required	Ensure the tender register complies with Regulation 16 & 17 of the Local Government (Functions and General) Regulations 1996 for future tenders called.	Office of CEO	There is no requirement to record the tender prices in the Tender Register at the time of opening. The Tender register has been updated accordingly
34	Several delegations within the register include a delegation to the Principal/Building Surveyor. The individual currently performing these duties is a contractor, and not an employee of Council, therefore cannot be delegated authority under the Building Act 2011.	Internal control or compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Unlikely	Major	Major	Medium	Planned action required	Review and amend delegations relating to the Building Act 2011 to remove sub delegation to contract Principal/Building Surveyor, ensuring delegation remains with appropriately authorised officer of Council.	Regulatory Services	Procedure altered to ensure that Executive Manager of Regulatory Services authorises all approvals under Building Act 2011.
35	We noted the register of gifts contains record of disclosures made under the former provision of the Local Government Act 1995 (sections 5.82 & 5.83) and are published on the Town's website as required. We did not observe a register of gifts in the prescribed form as required.	Lack of probity. Internal control or compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Moderate	Moderate	Medium	Planned action required	Establish a register of gifts in the prescribed form and publish on the Town's official website as required.	Office of CEO	Register of Gifts in prescribed form as required now on website.
36	A notifiable gifts register was not available for our inspection or published on the Town's website as required by regulation 34B(5) of the Local Government (Administration) Regulations 1996.	Breakdown of internal control. Compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Unlikely	Moderate	Moderate	Medium	Planned action required	Maintain a register to record details of notifications given in relation to gifts as required by regulation 34B(5) of the Local Government (Administration) Regulations 1996, and publish on the Town's official website as required.	Office of CEO	Notifiable Gifts Register as required by regulation 34B(5) now on website

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37	The current register of financial interests contains returns for an individual who has ceased to be a relevant person. These returns are required to be removed and retained in a register of non-current returns for a period of five years as required section 5.88(4) of the Local Government Act 1995.	Breakdown of internal control. Compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Unlikely	Moderate	Moderate	Medium	Planned action required	Review filing of returns and disclosures from individuals who have ceased to be relevant persons of the organisation, to ensure records are maintained as required under the provisions of the Local Government Act 1995.	Office of CEO	A process has been put in place to ensure returns for relevant staff who have ceased employment with the Town are removed promptly and placed in a register of non-current returns for a period of five years.
38	Currently, no internal auditors have been appointed, and limited internal audit functions have been undertaken in accordance with policy 2.2.5 Internal Audit Charter.	Internal and compliance risks not identified.	1/12/2019	2019 Audit Management Letter	Possible	Moderate	Moderate	Medium	Planned action required	We suggest as the level of documented procedures increases, an expanded internal audit function to confirm adherence to documented policies and procedures may be required as recommended by the OAG in their report to parliament on the Audit of Local Government.	Corporate Services	The Town does not have available budget to appoint an internal auditor. An annual audit work plan is determined by the Audit Committee and implemented by staff. Council has approved an indicative budget of \$25,000 for internal audit work in the 2020/21 financial year.
39	Develop Annual Playground Inspection Program		1/12/2019	FMR/Audit Reg 17 Review - December 2019	Unlikely	Moderate	Moderate	Medium	Planned action required	Playground Inspection Audit undertaken 8th May 2019, resulting in a 10 year replacement/maintenance program has been developed and incorporated in the long term financial plan	Operations	Completed. The 10 year replacement program has been incorporated into the long-term financial plan.
40	That staff leave accruals be managed to reduce liability		1/12/2019	FMR/Audit Reg 17 Review - December 2019	Unlikely	Moderate	Moderate	Medium	Planned action required	Monthly leave accrual reports are being distributed to Managers. Leave management plans are being developed for staff with excessive leave balances.	Corporate Services	Managers are liaising with those staff that have excessive leave liabilities to schedule leave in the next 12 months. However, as the Town has a relatively small staff profile additional budget is required to fund relief cover.
41	Supplier Master File - redundant records		1/12/2019	2019 Audit Management Letter	Unlikely	Moderate	Moderate	Medium	Planned action required	Engage IT Vision to review the Supplier Master File and categorise all inactive creditors	Corporate Services	Completed. All suppliers with no trading history over the last two years have been flagged as inactive.
42	Policy and procedure manual not reviewed		1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Moderate	Moderate	Medium	Planned action required	We acknowledge that the review of the Policy and Procedures Manual was not completed by 30th June 2019.	Office of CEO	Completed - Business units are consolidating all procedures into a central location (EFFIE)
43	We noted limited controls in relation to the access to IT systems including physical access to hardware. Some levels of permissions have been established to network access to software and data, however the level of documentation to support these restrictions is varied across the organisation.	Loss of IT System. Internal control.	1/12/2019	2019 GCC Audit	Possible	Major	Major	High	Prioritised action required	Undertake a comprehensive IT security review, articulate current practices and implement findings of the review.	Corporate Services	1. A review of user access has been completed and new permissions implemented. Screen shots of all changes have been provided to the Office of Auditor General. 2. New user groups have been established to inform access levels. The 'New User' IT form includes a check box to assign permission levels within Synergy Soft.
44	End of month processes exist in the form of a month end audit file, and from staff representations are routinely performed, however we noted for the months July 2019 to October 2019, evidence of the review of supporting reconciliations by an authorised officer independent of their preparation was not available.	Compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Major	Moderate	High	Prioritised action required	Review of reports prepared each month is a useful mechanism to detect and rectify errors or anomalies which may exist. It also provides an opportunity to ensure staff are performing and reporting duties as required. Management are strongly encouraged to adhere to documented checklists and procedures to demonstrate appropriate controls and reviews are in place with monthly reporting and procedures.	Corporate Services	Completed. Preparation and review completed of all end of month audit files. Rec's to be review for the new financial year.
45	HR Security	Risk that inappropriate individuals may be appointed to privileged and trusted positions	1/12/2019	2019 GCC Audit	Possible	Moderate	Moderate	Medium	Planned action required	All Human Resource Policies and Procedures will be reviewed by early 2020, including pre employment checks as part of the Recruitment procedure. The Town will develop a formal employment exit procedure, which will include IT off boarding.	Office of CEO	Completed
46	Access Management	Increased risk of inappropriate or unauthorised access to the Town's IT systems and information	1/12/2019	2019 GCC Audit	Possible	Moderate	Moderate	Medium	Planned action required	The scope of the existing New User Account form will be expanded to include several new areas: - Account expiry date to allow for automatic account disablement - Date of Birth for account verification during password resets etc - Remove the option to copy existing account details Password controls will be reviewed and audited to ensure the limited use of "Password Never Expires" is reduced to a minimum. The account creation procedure will be modified to ensure generic passwords are not provided during initial logon. In addition, new users will be required to call support in order to set their initial password and login details.	Corporate Services	Completed.
47	Management of Removable Media	Increased risk to the Town's information and IT systems. Information copied to removable media devices may be lost, stolen or inappropriately disclosed.	1/12/2019	2019 GCC Audit	Likely	Moderate	Moderate	Medium	Planned action required	The existing anti-virus platform will be configured to restrict USB mass storage devices to approved devices only. Existing drives currently in use will be removed from use and marked for destruction. New USB mass storage drives which support hardware based encryption will be implemented. Windows Group Policy will be configured to file and folder auditing on HR, Finance and Executive drives. The Town will implement a register of authorised USB devices which can be either permanently assigned to specific users or signed out on an ad-hoc basis.	Corporate Services	The pilot program for USB mass storage device security was successful and the implementation of encrypted USB thumb drives was completed on Friday 18th September. Focus have reviewed DataLocker audit logs and USB enforcement logs to ensure that this is
48	Maintenance of Smoke Alarms	Without adequate servicing and testing of the smoke alarms, there is an increased risk that they may not function appropriately. This may represent a health and safety risk	1/12/2019	2019 GCC Audit	Likely	Moderate	Moderate	Medium	Planned action required	An electrical contractor will be engaged to include this on an annual maintenance schedule along with Emergency Exit lighting and RCD testing	Operations	This has been incorporated into the Annual Town Hall Maintenance Building Program
49	Logging and Monitoring	Increased risk that the Town will not be able to detect any unauthorised access or malicious activity	1/12/2019	2019 GCC Audit	Likely	Moderate	Moderate	Medium	Planned action required		Corporate Services	The off premise retention of Active Director Security Logs has initially been expanded to 30 days whilst a conversation is had with the vendor to determine the impact of long term retention. The option of creating dedicated log volumes on

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50	Management of Technical Vulnerabilities	Without an effective process for identifying, assessing and addressing relevant "known" vulnerabilities within a timely manner, there is an increased risk that IT systems are not adequately protected against potential threats.	1/12/2019	2019 GCC Audit	Possible	Moderate	Moderate	Medium	Planned action required	Additional reporting from the current Remote Monitoring and Management (RMM) tool will be utilised to more effectively review missing and out of date patches / feature releases and vulnerabilities.  Period scans using a third party dedicated auditing tool will be run on a six monthly basis.	Corporate Services	The IT Service Provider initially implemented an alternative vendor solution and has now transitioned to a more feature rich product (Nessus Professional). This is aiding the Service Provider in identifying and resolving existing vulnerabilities and removing End of Life products from the environment.
51	Workflow diagrams have not been compiled for undocumented procedures.	Breakdown of internal controls. Controls reliant on the capability and honesty of staff.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Major	Major	Medium	Planned action required	In conjunction with, or as an alternative to, the development of documented procedures and checklists, update and development of workflow process diagrams may assist in clearly identifying controls and processes to be followed where procedures or checklists do not exist.	Whole Entity	Process mapping has commenced using a 30 day trial of Pro-Mapps. A permanent software solution is to be implemented.
52	The Trust Fund currently includes several bonds and contributions.	Lack of probity. Internal control or compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Major	Major	High	Prioritised action required	Remove all funds which are not required by law to be held in the Trust Fund, and transfer to the Municipal Fund, in line with the Office of the Auditor General (OAG) position paper on Accounting for Work Bonds, Building Bonds and Hire Bonds released in July 2019.	Corporate Services	A review of all trust payees has occurred. A bulk trust refund is being arranged. Working bonds and deposits will be transferred to the balance sheet as discussed and agreed with OAG during the 2019 end of year audit process. Relevant accounting entries will be finalised by the
53	Creditors invoices are processed and entered only at the time where a routine creditors payment run is scheduled resulting in month end creditor balances being nil in certain months.	Lack of probity. Fraud risk. Internal control or compliance breach. Financial loss.	1/12/2019	2019 Audit Management Letter	Possible	Major	Major	High	Prioritised action required	Supplier invoices should be processed in a timely fashion and entered through the Town's ERP system as soon as practicable after receipt to provide a more accurate representation of the Town's liabilities at any given time.	Corporate Services	Invoices are filed according to their payment date being 7 days, 14 days, 28 days or greater. This process is currently under review. The AP process has been mapped and will be converted into a Visio Flowchart.
54	Changes to existing employee bank account details and entry of new employee bank details are not routinely verified against the ABA file to ensure bank account details have not been altered or manipulated without prior verification and authorisation.	Lack of probity. Fraud risk. Internal control or compliance breach. Financial loss.	1/12/2019	2019 Audit Management Letter	Possible	Major	Moderate	High	Prioritised action required	Formal procedures to minimise the risk of employee banking details being fraudulently manipulated should be documented and communicated to staff involved in payroll processes. Controls should exist to include the assessment of requests for changes to employee banking details for genuineness and legitimacy, restricting the ability to make changes to employee details to appropriate staff, and to detect and prevent any unauthorised changes being made.	Corporate Services	A Payroll Master File report is generated each fortnight which lists any changes made to an employee's bank account details. We also have implemented an Payroll Change of Details Form which is signed by both the Senior Finance Officer and the Manager Finance and
55	Contractors' insurances are not always assessed prior to award of contracts in all cases. Reliance is placed on contract managers to ensure copies of insurances are provided.	Lack of probity. Financial loss. Breakdown in internal controls.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Likely	Major	Major	High	Prioritised action required	To help ensure all contractors have the relevant licences and have adequate insurance cover for the works they undertake for the Town, procedures should be developed, and records maintained to ensure copies of contractor's insurances are held on file.	Operations	A Register of Contractor Insurance is to be developed. In progress
56	Develop Contract Register and Contract Management System		1/12/2019	FMR/Audit Reg 17 Review - December 2019	Unlikely	Major	Moderate	High	Prioritised action required	A review of vital records has commenced.	Corporate Services	A contract register has been developed in line with the Treasury's instructions. The Town is required to formalise a performance based ICT contract with Focus Networks and IT Vision.
57	We noted the practice of credit card transactions and acquittals being reviewed by an independent officer, however the policy does not require this practice to occur.	Internal control or compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Unlikely	Minor	Minor	Low	Planned action required	Update the policy to require independent review and authorisation of credit card transactions and acquittals, as well as acknowledging transactions as having been made and authorised by the CEO. The practice of separately highlighting transactions made on the CEO's credit card for presentation to Council should continue.	Corporate Services	Credit Card Policy to be updated. The credit card conditions of use is also being reviewed to ensure that no direct debits are entered into for repeat subscriptions.
58	Update Lease Register		1/12/2019	FMR/Audit Reg 17 Review - December 2019	Unlikely	Minor	Moderate	Low	Planned action required	A number of leases remain outstanding. Draft leases have been provided to the Soccer club, Sea Scouts & Rowing Club.	Corporate Services	The master Lease Register has been updated. Certificates of Title and Management Orders have been placed on file. Deeds of variation to leases have been prepared for Lease Fee waivers and are to be presented to the June Council Meeting.
59	The current Policy is based on a superseded Risk Management Standard.	Lack of strategic direction for risk management procedures.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Minor	Moderate	Medium	Planned action required	When next undertaking a review of the Policy, update the Policy to align to the current Risk Management Standard ISO 31000:2018.	Corporate Services	A draft policy has been prepared and will be presented to the October Council Meeting.
60	The current policy refers to a superseded Risk Management Standard.	Internal and compliance risks not identified.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Moderate	Moderate	Medium	Planned action required	When next undertaking a review of the Policy, update the Policy to refer to and align to the updated Risk Management Policy.	Corporate Services	A draft policy has been prepared and will be presented to the October Council Meeting.
61	Currently, no policy on internal legislative compliance has been adopted by Council.	Lack of strategic direction for strategic compliance.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Moderate	Moderate	Medium	Planned action required	Development and adoption of an internal legislative compliance policy may help formalise Council's commitment to legislative compliance.	Office of CEO	Not commenced.
62	Identified risks are appropriately included within agenda items for elected member consideration but not recorded in an appropriate risk register.	Failure to identify risks or adequately treat identified risks.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Moderate	Moderate	Medium	Planned action required	As well as communicating identified risks relating to a Council decision within the agenda item (to enable elected members to be fully informed of the identified risks when making decisions), risks should also be appropriately recorded in a risk register.	Office of CEO	Operational risk register created. This register will be consolidated with the Strategic Risk Register.
63	Privileged Access Rights	Increased risk of unauthorised access to, or modification of the Town's IT systems and information	1/12/2019	2019 GCC Audit	Possible	Moderate	Moderate	Medium	Planned action required		Corporate Services	The IT Service Provider will no longer utilise a single generic Domain Administrator account and implement individual named accounts. A scheduled call will be created to change the Domain Administrator accounts. Similar options will be explored with IT Vision and the maintenance and administration of SynergySoft.

Audit Finding	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Date of initial risk identification	Source of Audit Finding (FMR/Audit Reg 17/GCC Audit/Audit Management Letter/Internal)	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Responsible Officer	Progress Update
64	Change Management	Increased risk that IT system changes will not be appropriately controlled and managed. The availability and integrity of IT systems could be compromised if a change negatively affects the system.	1/12/2019	2019 GCC Audit	Possible	Moderate	Moderate	Medium	Planned action required	The IT Service Provider will implement an ICT Changes Management system within the current service desk platform to ensure service tickets can be escalated or associated with Change Management Tickets. Changes will be reported within the Quarterly IT Management Meeting. The Town will also review the Change Management Resources available on the Public Sector Commissioner website, and determine whether any of these would be appropriate for customisation and adoption.	Corporate Services	A Change Management service board, Process Map, Change Management form and Change Management training has been implemented by the IT Service Provider through Feb-May 2020. Approximately 10 Change Management forms have been completed between June and September 2020.
65	Unauthorised Network Devices	Without appropriate controls in place to restrict the use of unauthorised devices on the network, there is an increased risk that they could be used to attack internal systems.	1/12/2019	2019 GCC Audit	Possible	Moderate	Moderate	Medium	Planned action required	The recently implement 802.1X / RADIUS authentication for wireless networks at all sites, will be extended to wired / network switches at all sites. Non-Windows devices that do not support this function will be locked down to MAC addresses.	Corporate Services	Partially resolved. The following still require attention: 1. Shared generic account is used to manage the firewall. 2. The Town has commenced regular reviews of firewall rules however this can be further enhanced by including inbound and outbound rules.
66	Network Device Management	Risk that: - Individuals will not be accountable for any unauthorised or unintentional modifications to the system - Unauthorised access to the system could occur - Malicious traffic may not be detected and prevented - Suitable evidence to support any forensic or internal investigations may not be available User credentials may be intercepted and used to gain access to the Town's IT systems and information	1/12/2019	2019 GCC Audit	Possible	Moderate	Moderate	Medium	Planned action required	The current remote management port will be locked down to only allow access to two specified static addresses for improved security.  The current use of Telnet and HTTP to manage network switches will be removed and only HTTPS and SSH will be enabled by default. In addition, network switches will be configured with port security to identify and restrict the use of non-managed switches.  Firewall reporting data retention (Syslog data) will be increased initially to 90 days to increase the ability to investigate and respond to security incidents. The manufacturer (SonicWALL) will be consulted for best practice on additional log retention.  A scheduled call will be created to perform six monthly firewall rules audit with particular attention taken to incoming and outgoing NAT policies and port forwards. A Qualys scan will be performed for each HTTPS port forward as part of this audit and any issues investigated further.	Corporate Services	The IT Service Provider has now improved the scheduled firewall audit to include an additional scope specific to DMZ rules. The IT Service Provider will implement named administrator accounts for Systems Staff only, leaving general support staff with read only access for all network firewalls. The existing administration account will be left in place with a long complex password for emergency use only. This will be completed by December 2020.
67	Process for amending or changing procedures are not formalised. This creates opportunities for unilateral undocumented changes to procedures and a breakdown in key controls.	Failure to identify risks or adequately treat identified risks.	1/12/2019	2019 GCC Audit	Possible	Major	Major	High	Prioritised action required	Establish a process for the development, review, amendment and authorisation of procedures, checklists and other internal control documentation, throughout the organisation to assist with managing changes to procedures.	Corporate Services	Not commenced.
68	Review the Municipal Heritage Inventory		1/12/2019	FMR/Audit Reg 17 Review - December 2019	Rare	Moderate	Minor	Low	Planned action required	Scheduled in the Corporate Business Plan for 2021/22	Regulatory Services	Not Commenced. Project is scheduled in the Corporate Business Plan for 2021/22. Due to Budgetary constraints a full review cannot be undertaken in the 20/21 financial year, however the MHI will be updated as part of any ongoing development assessments. Note the Town in 19/20 also implemented the Heritage Area Precinct for George Street.
69	Planned staff training needs for employees are currently identified and recorded in a training matrix. Further value from this initiative can be added through refining the current matrix toward a more formal required staff training structure, applied throughout the organisation.	Internal control or compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Moderate	Moderate	Medium	Planned action required	Refine the current staff training matrix to identify staff training needs relevant to their role, ensuring it is co-ordinated across the organisation and monitors currency of required licences and qualifications.	Office of CEO	Each business unit is developing a training and development plan which is linked to the staff performance development framework.
70	Through our limited testing, we noted several instances where evidence of correspondence on employee files to support the current rate of pay applied through the payroll varied from the information recorded on employee files.	Failure to identify risks or adequately treat identified risks.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Moderate	Moderate	Medium	Planned action required	Undertake a review of all personnel to reconcile documentation relating to conditions of employment, remuneration, roles and responsibilities.	Office of CEO	The HR Coordinator is to undertake a review of all personnel records to ensure completeness. It appears to be a historical issue. New employee information will be verified by the HR Co-ordinator
71	A register of health inspections undertaken is not routinely maintained.	Breakdown of internal control. Compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Unlikely	Moderate	Moderate	Medium	Planned action required	Maintain a register to record details a central record of health inspections undertaken, registered premises within the district, and to ensure inspections are undertaken within required timeframes.	Regulatory Services	Co-ordinator Reg Services discussed with PEHO and determined that a more accurate register for record keeping of health inspections, incorporating Synergy will be developed.
72	Develop Project Management Framework		1/12/2019	FMR/Audit Reg 17 Review - December 2019	Unlikely	Moderate	Moderate	Medium	Planned action required	A Project Plan template has been implemented.	Office of CEO	A project governance framework and project approval workflow is to be developed.
73	Information Risk	Register to track and record information risk does not exist	1/12/2019	2019 GCC Audit	Possible	Moderate	Moderate	Medium	Planned action required	The Town will create an Information Risk Management Register, which will be presented to the Audit Committee as a standing item. The 12 key findings in the GCC Management Letter will form the basis of this Register, which will be continually updated based on management assessment as well as the key findings from future internal/external audit work.	Corporate Services	All findings from the general computer control audit have been incorporated into this Status Report. The Town does have an integrated electronic document records management system and staff training is soon to commence to ensure compliance with information recording requirements.

### 10.3 Operational and Strategic Risk Registers

<b>File ref</b>	F/AUD1
<b>Prepared by</b>	Peter Kocian, Executive Manager Corporate Services
<b>Supervised by</b>	Gary Tuffin, Chief Executive Officer
<b>Meeting Date:</b>	4 November 2020
<b>Voting requirements</b>	Simple Majority
<b>Documents tabled</b>	Nil
<b>Attachments</b>	1. Operational Risk Register 2. Strategic Risk Register

#### **Purpose**

It is recommended that the Audit Committee receive the attached Operational and Strategic Risk Register.

#### **Executive Summary**

The Town's most recent Financial Management Review identified the requirement for a comprehensive Risk Register to be developed and presented to the Audit Committee as a standing item. This project has now been completed, with an Operational Risk Register and Strategic Risk Register appended to this report.

#### **Background**

##### Operational Risk Register

A report providing background to the Town's Risk Management Governance Framework was considered by the Audit Committee at its meeting of 7 November 2019. A risk assessment tool has since been adopted by Council, and features in all Council agenda items. Any item with a risk rating over 16 is required to be included in the attached Operational Risk Register.

The 2019 General Computer Control (GCC) Audit also included a finding that *"a register to track and record the Town's information risks does not exist"*. An Information Systems risk profile has now been incorporated into the Operational Risk Register and includes all findings from the GCC Audit.

##### Strategic Risk Register

Local Government Insurance Services (Risk Management Team) was engaged to assist the Town to identify potential strategic risks, facilitate the assessment and development of mitigation activities for prioritised strategic risks, and to provide a documented format for the ongoing management and reporting of strategic risks.

The above project work has resulted in the development of a Strategic Risk Dashboard Report (see attached Strategic Risk Register). Five key strategic risks have been identified by the Executive Team:

- Waste Recycling
- Inadequate provision of facilities or services
- East Fremantle Oval Precinct Project
- Strategic Planning
- Stakeholder Engagement

The inherent risk (risk prior to implementation of any controls) is considered to be high or extreme for all of the aforementioned. A number of actions and timeframes have been attached to each of the Strategic Risks, the status of which will be reported to the Audit Committee on a reoccurring basis.



### Consultation

Executive Team

### Statutory Environment

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the CEO to review the appropriateness and effectiveness of a local governments systems and procedures in relation to risk management, internal control and legislative compliance separately or all at the one time, on the provision that each matter is reviewed at least once every three years. The CEO is also required to report the results of that review to Council.

### Policy Implications

Council has adopted Policy 2.2.4 Risk Management.

### Financial Implications

There are no financial implications relevant to this item.

### Strategic Implications

Strategic Priority 5 – Leadership and Governance

5.1 Strengthen organisational accountability and transparency

5.3 Strive for excellence in leadership and governance

### Risk Implications

Risk	Risk Likelihood (based on history & with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Theme	Risk	Risk Action Plan (Controls or Treatment proposed)
A major function of the Audit Committee is to oversee the treatment/management of extreme risks. Failure to do so may result in adverse consequences.	Unlikely (2)	Major (4)	Moderate (5-9)	SERVICE INTERRUPTION	Prolonged interruption of services - additional resources; performance affected < 1 month	Manage actively by monitoring

### Risk Matrix

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

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives; occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating is provided below. Any items with a risk rating over 16 will be added to the Risk Register, and any item with a risk rating over 16 will require a specific risk treatment plan to be developed.

<b>Risk Rating</b>	8
<b>Does this item need to be added to the Town's Risk Register</b>	No
<b>Is a Risk Treatment Plan Required</b>	No

#### Comment

The Dashboard reports from the Risk Registers identify a number of actions to be completed within the next 12-months. The Committees attention is drawn to these items and any queries/concerns/prioritised actions will be documented in the minutes from this meeting and reported against by staff at the next meeting.

#### 10.3 OFFICER RECOMMENDATION

**That the Audit Committee receives the Operational Risk Register and Strategic Risk Register as appended to this report and note that the current actions and timeframes contained within this document will be reviewed by the Committee on a reoccurring basis.**

## Town of East Fremantle Risk Dashboard Report October 2020

**Executive Summary**

**Recommendations**

<b>Providing inaccurate Advice / Information (All Ems)</b>		<b>Risk</b>	<b>Control</b>
		<b>Moderate</b>	<b>Adequate</b>
Current Issues / Actions / Treatments	Due Date	Responsibility	
CSO procedures to be documented	Dec-16	TLCS/HRC	
FAQ - for front line staff	Ongoing	EMCS/TLCS	
Review Customer Service Charter	Completed	CEO	
Develop & Document complaints process	Ongoing	TLCS	
Team Leader Customer Service has initiated a review of the Complaints Handling Process including a Complaints Policy	Completed	HRC	

<b>Asset Sustainability practices (EMTS/EMCS)</b>		<b>Risk</b>	<b>Control</b>
		<b>Moderate</b>	<b>Adequate</b>
Current Issues / Actions / Treatments	Due Date	Responsibility	
Procurement process review	Complete	EMCS/OM	
Develop full set of asset management plans/policies	Ongoing	OM/CEO	
Consultant to undertake ROMANS desk top assessment (Oct ) annually and every 3 years road inspection audit	Ongoing	OM	
Consultant to complete drainage inventory and asset condition assessment	Feb-21	EMTS	

<b>Business &amp; Community disruption (BCP)</b>		<b>Risk</b>	<b>Control</b>
		<b>Low</b>	<b>Effective</b>
Current Issues / Actions / Treatments	Due Date	Responsibility	
Business Continuity Plan - review annually	Annual	CEO	
IT Disaster Recovery Plan - annual testing	Annual	EMCS	
Internal Emergency Management Plan - review annually	Annual	EHO	
Evacuation exercise to be undertaken - annual	Annual	OSH Committee	
Fire alarm/extinguishers/electrical tagging - check status - annual test	Annual	EHO	
Focus to develop a check list for remote working arrangements	Nov	EAEMCS	

<b>Failure to fulfil Compliance requirements (statutory, regulatory) (EAs)</b>		<b>Risk</b>	<b>Control</b>
		<b>Low</b>	<b>Adequate</b>
Current Issues / Actions / Treatments	Due Date	Responsibility	
Compliance calendar	Completed	PC	
Develop standard operating procedures for each position	Ongoing	All staff	
Review procedures manual every 12 months	Jun-21	HR/Exe Managers/CEO	
Review purchasing history (tender compliance)	Completed	EMCS	
Improvement Plan - Aud Reg 17 & FMR	Dec-22	CEO	

<b>Errors, omissions &amp; delays (All staff)</b>		<b>Risk</b>	<b>Control</b>
		<b>Moderate</b>	<b>Adequate</b>
Current Issues / Actions / Treatments	Due Date	Responsibility	
Heritage review and municipal Heritage Inventory Review -	Dec-21	EMRS	
Operational Information Sheets	Jun-21	OM	
Delegation Review and Policies	Annually	CEO	
Review of Complaints Handling process	Dec-20	TLCS	
Monthly Customer Service Reporting	Ongoing	TLCS	

<b>External theft &amp; fraud (inc. Cyber Crime) (EMCS)</b>		<b>Risk</b>	<b>Control</b>
		<b>Moderate</b>	<b>Effective</b>
Current Issues / Actions / Treatments	Due Date	Responsibility	
Admin building security - upgrade	Completed	CEO	
Photographic record - plant register	Dec-20	OM	
Ensure doors are locked at all times for the Computer Server Room and Records Room	Ongoing	EAEMCS	
Implement a Stock take system for mobile and attractive items at the Town Depot and Tricolore	Dec-20	FO	
Online learning fraud and corruption	Ongoing	HR	

<b>Management of Facilities / Venues / Events (All staff)</b>		<b>Risk</b>	<b>Control</b>
		<b>Moderate</b>	<b>Adequate</b>
Current Issues / Actions / Treatments	Due Date	Responsibility	
Staff Training register	Ongoing	HR	
Lease agreements with all tenants	Ongoing	EMCS	
Develop major event evaluation process	Completed	CCE	
Develop annual playground inspection program	Mar-21	OM	
Investigate On-line booking system	Mar-21	TLCS	
Investigate digital access to all community buildings to replace the current key system	Mar-21	EAEMCS	
Playground Condition Assessment - Annual inspection report	Ongoing	OM	

<b>Information Systems (EMCS)</b>		<b>Risk</b>	<b>Control</b>
		<b>Moderate</b>	<b>Effective</b>
Current Issues / Actions / Treatments	Due Date	Responsibility	
The Town to review and update The Information Technology Policy to appropriately address all relevant areas of Information security	Dec-20	EMCS	
The Town to establish an appropriate information security awareness program to make sure individuals are aware of the Town's Information Security Policy, risks and personal requirements for protecting information	Dec-20	EMCS	
The Town to develop and implement an appropriate risk register to track and manage information risks.	Dec-20	EMCS	
The Town to develop, document and implement appropriate ICT change management procedures. This should include the use of a suitable change management system to maintain records of change details and authorisations.	Dec-20	EMCS	
The Town to document and implement an appropriate vulnerability management process. This process should ensure all relevant known software and security vulnerabilities are identified. These vulnerabilities along with remediation to address them should be appropriately assessed and tested. Following successful testing the relevant actions and updates should be applied to the IT Systems within a timely manner.	Dec-20	EMCS	
The Town to implement an appropriate process to securely manage and configure network devices.	Dec-20	EMCS	
Server replacement/cloud assessment	Dec-20	EMCS	

## Town of East Fremantle Risk Dashboard Report October 2020

<b>Document Management processes (RO)</b>		Risk	Control
		Low	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Document Disaster Recovery Plan to be reviewed to ensure digitisation of historic files	Completed	EMCS	
Develop and implement Disaster Recovery Plan	Completed	RO/EMCS	
Document and relocate records stored under the Town Hall to appropriate facility	Completed	RO/EMCS	
Develop a record management Policy & procedure	Completed	RO	
Undertake additional record training for all staff	Ongoing	HRC	
Fully utilise Synergy	Ongoing	RO	
Introduce document control process for all internal documents	Completed	RO	
Establish file sentencing structure for Y Drive, migrate records into EDRMS and disable File Server	Dec-21	RO	
Assess full digitisation of Town Records and Update Record Keeping Plan accordingly	Dec-21	RO	
Prepare a project plan for SharePoint Online with a view of replacing the EDRMS in Synergy Soft	Dec-21	EMCS/EAEMCS	

<b>Employment practices (CEO/HRC)</b>		Risk	Control
		Low	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Appointment of HR officer	Completed	CEO	
Development of Human Resource Policies and Procedures	Completed	HRC	
Develop & introduce Performance Appraisals / Review Process / Training register	Completed	HRC	
Develop Performance Management Processes	Completed	HRC	
Develop Staff induction policy & procedure	Completed	HRC	
Embed Town Values	Ongoing	HRC	
Develop an Organisational Development and Training Plan	Ongoing	HRC	
Introduce new Online Learning & Induction Platform (LEARN RITE)	Ongoing	HRC	
Annual Review of Workforce Plan	Annual	HRC	

<b>Engagement practices (CCE/CMO)</b>		Risk	Control
		Moderate	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Community Consultations Plan and Policies	Commenced	CEO	
Community Engagement Framework	Completed	CCE/CEO	
Customer Service Charter	Completed	CSO/CEO	
Implementation of Community Engagement Calendar	Ongoing	CCE/CMO	
Support staff with the preparation of Community Engagement Plans	Completed	CCE/CMO	

<b>Environment management (SO/EHO)</b>		Risk	Control
		Moderate	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Implementation of Weed Management Plans (Foreshore Management/Neirgarup Track)	Dec-22	OM	
Develop a foreshore/river erosion management plan	Dec-22	EHO	
Annual River Wall inspection program	Dec-21	OM	
Jerrat Drive foreshore - Develop Rehabilitation Plan in conjunction with key stakeholders - Subject to external funding	Dec-22	SO/EHO	
Development of a Climate Action Plan	Ongoing	SO/EHO	
Sustainability Projects	Ongoing	SO/EHO	
Sustainability Policies ie Waterwise, Sustainability Policy, Waste and Verge Guidelines	Dec-20	SO/EHO	

<b>Misconduct (CEO)</b>		Risk	Control
		Low	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Internal Policy & Procedures	Ongoing	HR	
Annual Licence Checks (develop form)	Completed	HRC	
Develop records authority hierarchy	Completed	EMCS/RO	
Develop & Implement induction process	Completed	HRC	
Introduce police clearance checks for all new staff	Completed	HRC	
Develop internal social media policy	Completed	HRC	
Staff to complete Online Learning Module on Public Interest Disclosure and Whistle Blower Policy, Fraud and Corruption Awareness, Accountable and Ethical Decision Making and Discrimination and EEO.	Ongoing	HRC	

<b>Project / Change management (All staff)</b>		Risk	Control
		High	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Project/Change Management Training	Commenced	HRC	
Development of PM Framework	Commenced	CEO	
Financial controls review (External Audit)	Completed	EMCS	
Adopt Community Engagement Plan	Completed	CCE/CMO	

<b>Safety and Security practices (OSH Committee)</b>		Risk	Control
		Moderate	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Updated OHS management framework	Ongoing	OSH Committee	
Staff training register	Ongoing	HRC	
Develop Contractor / Site Inductions	Completed	OM	
Develop Drug and Alcohol Policy	Completed	HRC	
Develop & communicate Emergency Procedures	Completed	OSH Committee	
Fitness for Work Policy	Completed	HRC	
Hazard Register	Completed	OM	
Review of safework method statements and regular staff inductions	Ongoing	HRC	

<b>Supplier / Contract management (All Managers)</b>		Risk	Control
		Moderate	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Prepare RFQ for Bulk Verge & Green Waste verge collection & other suppliers (electrician etc)	Mar-21	OM	
Contract register and contract management system	Completed	OM/EMCS	
Review purchasing/tendering requirements	Completed	EMCS	
Develop procurement handbook including templates for all RFQs/RFTs	Ongoing	EMCS/EAEMCS	
Ensure that Contract and Tender Register is up to date and meets statutory requirement	Ongoing	MFA/RO	

## Providing inaccurate Advice / Information (All Ems)

Oct-20

Incomplete, inadequate or inaccuracies in advisory activities to customers or internal staff.

Examples include;

- Incorrect planning, development or building advice
- Incorrect health or environmental advice
- Inconsistent messages or responses from Customer Service Staff
- Any advice that is not consistent with legislative requirements or local laws.

### Potential causes include;

Lack of qualified or experienced staff	Lack of appropriate technical knowledge relevant to the context
Long lead times for responses	Poor working relationships between internal staff/departments
Increasing workloads	Historic issues
Pressure to respond quickly	Lack of documented procedures & processes
Unrealistic expectations from community or management	Changes to legislation
By-passing established administrative procedures	Misinterpretation of information

Controls	Type	Date Reviewed	Town Rating
<i>Complaints resolution process</i>	<i>Detective/Recovery</i>	<i>Sep-20</i>	<b>Effective</b>
<i>Delegation / Authorisation registers</i>	<i>Detective</i>	<i>Sep-20</i>	<b>Effective</b>
<i>Regular team meetings</i>	<i>Preventative</i>	<i>Sep-20</i>	<b>Effective</b>
<i>Qualified staff</i>	<i>Preventative</i>	<i>Sep-20</i>	<b>Effective</b>
<i>Peer Review process (Inter &amp; Intra team)</i>	<i>Preventative</i>	<i>Sep-20</i>	<b>Adequate</b>
<i>Staff training program</i>	<i>Preventative</i>	<i>Sep-20</i>	<b>Effective</b>
<i>Staff inductions</i>	<i>Preventative</i>	<i>Sep-20</i>	<b>Effective</b>
<i>Information sheets / FAQ's</i>	<i>Preventative</i>	<i>Sep-20</i>	<b>Adequate</b>
<i>External consultants such as legal</i>	<i>Preventative</i>	<i>Sep-20</i>	<b>Effective</b>
<i>External communications (website, news articles)</i>	<i>Preventative</i>	<i>Sep-20</i>	<b>Effective</b>
<i>Duty statements (position descriptions)</i>	<i>Preventative</i>	<i>Sep-20</i>	<b>Effective</b>
<i>Comply with Customer Services Charter &amp; policy &amp; procedures</i>	<i>Preventative</i>	<i>Sep-20</i>	<b>Effective</b>
<i>Good internal communication</i>	<i>Detective/Preventative</i>	<i>Sep-20</i>	<b>Adequate</b>
<i>External site inspections / visits when necessary</i>	<i>Detective/Preventative</i>	<i>Sep-20</i>	<b>Effective</b>
<i>File Note/Documentation</i>	<i>Preventative</i>	<i>Sep-20</i>	<b>Adequate</b>
<i>Lunch time learnings</i>	<i>Preventative</i>	<i>Sep-20</i>	<b>Effective</b>
<b>Overall Control Ratings:</b>			<b>Adequate</b>

Consequence Category	Risk Ratings		Town Rating
<b>Reputation</b>		<b>Consequence:</b>	<i>Minor</i>
		<b>Likelihood:</b>	<i>Possible</i>
<b>Overall Risk Ratings:</b>			<b>Moderate</b>

Indicators	Type	Tolerance	Overall Town Result
<i>Number of complaints / issues regarding inaccurate advice / information</i>			
<i>Litigation losses</i>			
<i>Service satisfaction surveys</i>			
<i>Compensation payouts</i>			

### Comments

As rated by Andrew M, Gary, Peter, Janine and Bron on 22 September 2020

Current Issues / Actions / Treatments	Due Date	Responsibility
CSO procedures to be documented	Completed	TLCS/HRC
Review of Online Services	Ongoing	TLCS
FAQ - for front line staff	Ongoing	EMCS/TLCS
Communication review - Policy & Procedures	Completed	CEO
Review Customer Service Charter	Ongoing	TLCS
Develop & Document complaints process	Completed	HRC
Develop Annual Staff training program as part of performance review process	Completed	HRC
Team Leader Customer Service has initiated a review of the Complaints Handling Process including a Complaints Policy	Dec-20	TLCS

## Asset Sustainability practices (EMTS/EMCS)

## Oct-20

Failure or reduction in service of infrastructure assets, plant, equipment or machinery.  
 These include fleet, buildings, roads, playgrounds, boat ramps and all other assets during their lifecycle from procurement to disposal.  
 Areas included in the scope are;  
 -Inadequate design (not fit for purpose)  
 -Ineffective usage (down time)  
 -Outputs not meeting expectations  
 -Inadequate maintenance activities.  
 -Inadequate financial management and planning (capital renewal plan).  
 It does not include issues with the inappropriate use of the Plant, Equipment or Machinery. Refer Misconduct.

### Potential causes include:

Skill level & behaviour of operators	Unavailability of parts
Lack of trained staff	Lack of formal or appropriate scheduling (maintenance / inspections)
Outdated equipment	Unexpected breakdowns
Lack of Asset Management Planning	

Controls	Type	Date Reviewed	Town Rating
Asbestos Management Program (Register & Plan)	Preventative	Sep-20	Effective
Asset Management System	Preventative	Sep-20	Adequate
Asset Register (roads, buildings, playgrounds, etc)	Detective	Sep-20	Effective
Building maintenance program	Preventative / Detective	Sep-20	Adequate
Infrastructure maintenance Program (Play equipment)	Preventative/Detective	Sep-20	Adequate
Infrastructure Maintenance Program (Hard Infrastructure)	Preventative / Detective	Sep-20	Adequate
Infrastructure Maintenance Program (Parks, reserves )	Preventative / Detective	Sep-20	Adequate
Long Term Financial Plan (SRP)	Preventative	Sep-20	Effective
Planned asset replacement program - Plant and Infrastructure	Preventative	Sep-20	Adequate
Review of procurement process	Preventative	Sep-20	Effective
Plant Maintenance Schedules	Preventative	Sep-20	Adequate

**Overall Control Ratings:** Adequate

Consequence Category	Risk Ratings	Town Rating
Service interruption, Financial	Consequence:	Moderate
	Likelihood:	Possible
<b>Overall Risk Ratings:</b>		<b>Moderate</b>

Indicators	Type	Tolerance	Overall Town Result
Asset Sustainability Ratio (Measures the extent to which assets are replaced as they reach the end of their useful lives)			
Asset Consumption Ratio (The ratio highlights the aged condition of ToC's stock of physical assets)			
Asset Renewal Funding Ratio (The financial capacity to fund asset renewal as required, and continue to provide existing levels of services)			
Fleet utilisation			
Major breakdowns			
Notifications from members of the public			
Accidents and/or damage to property			

### Comments

As rated by Andrew M, Gary, Peter, Janine and Bron, September 2020. Reviewed by Simon Oct 2020

Current Issues / Actions / Treatments	Due Date	Responsibility
Procurement process review	Complete	EMCS/OM
Develop full set of asset management plans/policies	Ongoing	OM/CEO
Consultant to undertake ROMANS desk top assessment (Oct ) annually and every 3 years road inspection audit	Ongoing	OM
Consultant to complete drainage inventory and asset condition assessment	Feb-21	EMTS

**Business & Community disruption (BCP)****Oct-20**

Failure to adequately prepare and respond to events that cause disruption to the local community and / or normal Town business activities. This could be a natural disaster, weather event, or an act carried out by an external party (e.g. sabotage / terrorism).

This includes;

- Lack of (or inadequate) emergency response / business continuity plans.
- Lack of training for specific individuals or availability of appropriate emergency response.
- Failure in command and control functions as a result of incorrect initial assessment or untimely awareness of incident.
- Inadequacies in environmental awareness and monitoring of fuel loads, curing rates etc

*This does not include disruptions due to IT Systems or infrastructure related failures - refer "Failure of IT & communication systems and infrastructure".*

**Potential causes include;**

Cyclone, storm, fire, earthquake	Extended utility outage
Terrorism / sabotage / criminal behaviour	Economic Factors
Epidemic / Pandemic	Loss of Key Staff
Loss of suppliers	Loss of key infrastructure

Controls	Type	Date Reviewed	Town Rating
<i>Business Continuity Plan Exercises</i>	<i>Detective</i>	<i>Sep-20</i>	<b>Effective</b>
<i>Business Continuity Framework (Policy &amp; Procedures)</i>	<i>Preventative</i>	<i>Sep-20</i>	<b>Adequate</b>
<i>Business Continuity Plans</i>	<i>Recovery</i>	<i>Sep-20</i>	<b>Adequate</b>
<i>Current Emergency Management Plan</i>	<i>Preventative</i>	<i>Sep-20</i>	<b>Effective</b>
<i>Current LEMA &amp; Recovery Plans</i>	<i>Recovery</i>	<i>Sep-20</i>	<b>Effective</b>
<i>Fire Break Inspections and Enforcement</i>	<i>Detective</i>	<i>Sep-20</i>	<b>Effective</b>
<i>Functional LEMC</i>	<i>Preventative</i>	<i>Sep-20</i>	<b>Effective</b>
<i>I.T. Disaster Recovery Plan</i>	<i>Recovery</i>	<i>Sep-20</i>	<b>Effective</b>
<i>LEM Exercises</i>	<i>Detective</i>	<i>Sep-20</i>	<b>Effective</b>
<i>Ranger Fire Break Spot Checks</i>	<i>Preventative</i>	<i>Sep-20</i>	<b>Effective</b>
<i>Risk Register (Fuel Loads)</i>	<i>Preventative / Detective</i>	<i>Sep-20</i>	<b>Effective</b>
<i>Fire Wardens (Internal)</i>	<i>Preventative</i>	<i>Sep-20</i>	<b>Effective</b>

**Overall Control Ratings:** **Effective**

Consequence Category	Risk Ratings	Town Rating
<b>Service Interruption / Reputation</b>	<b>Consequence:</b>	<i>Major</i>
	<b>Likelihood:</b>	<i>Rare</i>
<b>Overall Risk Ratings:</b>		<b>Low</b>

Indicators	Type	Tolerance	Overall Town Result
<i>Resignations / terminations of key personnel</i>			
<i>Frequency of natural disasters</i>			
<i>Damage to buildings, property, plant &amp; equipment</i>			
<i>Number of core service interruptions &gt;1week</i>			
<i>Non-compliance with Emergency Management Legislation</i>			

**Comments**

**As rated by Andrew M, Gary, Peter, Janine and Bron, September 2020**

Current Issues / Actions / Treatments	Due Date	Responsibility
Business Continuity Plan - review annually	Annual	CEO
IT Disaster Recovery Plan - annual testing	Annual	EMCS
Internal Emergency Management Plan - review annually	Annual	EHO
Evacuation exercise to be undertaken - annual	Annual	OSH Committee
Fire alarm/extinguishers/electrical tagging - check status - annual test	Annual	EHO
Focus to develop a check list for remote working arrangements	Nov	EAEMCS

**Failure to fulfil Compliance requirements (statutory, regulatory) (EAs) Oct-20**

Failure to correctly identify, interpret, assess, respond and communicate laws and regulations as a result of an inadequate compliance framework. This includes, new or proposed regulatory and legislative changes, in addition to the failure to maintain updated internal & public domain legal documentation. It includes (amongst others) the Local Government Act, Planning & Development Act, Health Act, Building Act, Privacy Act and all other legislative based obligations for Local Government.

*It does not include Occupational Safety & Health Act (refer "Inadequate safety and security practices") or any Employment Practices based legislation (refer "Ineffective Employment practices").*

**Potential causes include:**

Lack of training, awareness and knowledge	Lack of Legal Expertise
Staff Turnover	No Compliance Officer or person responsible for Compliance oversight and enforcement
Inadequate record keeping	Breakdowns in the tender or procurement process
Ineffective policies & processes	Ineffective monitoring of changes to legislation
Councillor turnover	

Controls	Type	Date Reviewed	Town Rating
Agenda Items - Statutory Obligations	Preventative	Sep-20	Effective
Annual and Primary Returns	Preventative	Sep-20	Effective
Compliance Calendar	Preventative	Sep-20	Effective
Governance framework	Preventative	Sep-20	Adequate
Compliance Return (DLGC)	Detective	Sep-20	Effective
Councillor / Staff training	Preventative	Sep-20	Adequate
Disability inclusion plan	Detective	Sep-20	Effective
Documented procedures	Preventative	Sep-20	Adequate
External Auditor reviews (compliance)	Detective	Sep-20	Effective
Financial Management reviews	Detective	Sep-20	Effective
Induction Process - Councillors / Staff/ Contractors	Preventative	Sep-20	Adequate
Industry groups (LISWA, PIA, AIBS, LGMA, PRIA, AICD, CPA,EIPWA, AIEH, ) - membership	Preventative	Sep-20	Effective
Qualified key staff	Preventative	Sep-20	Effective
Subscriptions (WALGA / DLGC / LGMA and other peak bodies)	Preventative	Sep-20	Adequate
Tender Process (including eQuotes)	Preventative	Sep-20	Adequate
Use of Consultants / Contractors for Legal interpretation	Preventative	Sep-20	Effective

<b>Overall Control Ratings:</b>	<b>Adequate</b>
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Consequence Category	Risk Ratings	Town Rating
<b>Reputation, Financial</b>	<b>Consequence:</b>	<i>Insignificant</i>
	<b>Likelihood:</b>	<i>Rare</i>

<b>Overall Risk Ratings:</b>	<b>Low</b>
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Indicators	Type	Tolerance	Overall Town Result
Litigation, fines or penalties			
Audit notification/qualifications			
3rd party Investigations			
% of FOI's actioned within timeframes			
Negative response in Compliance Return			
Increased scrutiny from regulators or agencies			

**Comments**  
  
As rated by Andrew M, Gary, Peter, Janine, and Bron September 2020

Current Issues / Actions / Treatments	Due Date	Responsibility
Compliance calendar	Completed	PC
Develop standard operating procedures for each position	Ongoing	All staff
Review procedures manual every 12 months	Jun-21	HR/Exe Managers/CEO
Review purchasing history (tender compliance)	Completed	EMCS
Disability Access & inclusion plan	Jun-25	PEHO
Develop Fraud & Corruption Control Plan & Policy	Completed	CEO
Develop Governance Framework	Jun-21	CEO
Improvement Plan - Aud Reg 17 & FMR	Dec-22	CEO



## Document Management processes (RO)

## Oct-20

Failure to adequately capture, store, archive, retrieve, provide or dispose of documentation. This includes:

- Contact lists.
- Procedural documents, personnel files, complaints.
- Applications, proposals or documents.
- Contracts.
- Forms or requests.

### Potential causes include;

Spreadsheet/database/document corruption or loss	Outdated record keeping practices
Inadequate access and / or security levels	Lack of system/application knowledge
Inadequate Storage facilities (including climate control)	High workloads and time pressures
High Staff turnover	Standard Operating Policies not followed
Incompatible systems	Incomplete Authorisation Trails
Historical legacies	

Controls	Type	Date Reviewed	Town Rating
<i>All hard copy documents are scanned and registered</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Effective</b>
<i>Archival Process</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Effective</b>
<i>Archive room</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Adequate</b>
<i>Document disaster recovery plan</i>	<i>Recovery</i>	<i>Oct-20</i>	<b>Effective</b>
<i>Document / Correspondence receipt &amp; action process</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Adequate</b>
<i>Document storage facility</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Effective</b>
<i>Electronic records back up</i>	<i>Responsive</i>	<i>Oct-20</i>	<b>Effective</b>
<i>E-mail archiving</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Adequate</b>
<i>File Management System</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Adequate</b>
<i>Overdue / outstanding correspondence (To-do-list Reminders) process</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Adequate</b>
<i>Record Keeping Plan</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Effective</b>
<i>Records Management Policy</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Adequate</b>
<i>Records Management Processes</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Adequate</b>
<i>Staff Training</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Adequate</b>
<i>Synergy System</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Adequate</b>
<i>Version control processes for all documentation</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Adequate</b>

### Overall Control Ratings:

**Adequate**

Consequence Category	Risk Ratings	Town Rating
<b>Compliance / Reputation</b>	<b>Consequence:</b>	<i>Minor</i>
	<b>Likelihood:</b>	<i>Unlikely</i>

### Overall Risk Ratings:

**Low**

Indicators	Type	Tolerance	Overall Town Result
<i>Number of outstanding records year to date</i>			
<i>% of records not actioned within timeframes</i>			
<i>Time lost searching for documentation</i>			
<i>Complaints relating to documentation</i>			
<i>Number of documents not stored electronically or archived off-site</i>			

### Comments

**As rated by Andrew M, Gary, Peter, Janine and Bron September 2020**

Current Issues / Actions / Treatments	Due Date	Responsibility
Document Disaster Recovery Plan to be reviewed to ensure digitisation of historic files	Completed	EMCS
Develop and implement Disaster Recovery Plan	Completed	RO/EMCS
Document and relocate records stored under the Town Hall to appropriate facility	Completed	RO/EMCS
Develop a record management Policy & procedure	Completed	RO
Undertake additional record training for all staff	Ongoing	HRC
Fully utilise Synergy	Ongoing	RO
Introduce document control process for all internal documents	Completed	RO
Establish file sentencing structure for Y Drive, migrate records into EDRMS and disable File Server	Dec-21	RO
Assess full digitisation of Town Records and Update Record Keeping Plan accordingly	Dec-21	RO
Prepare a project plan for SharePoint Online with a view of replacing the EDRMS in Synergy Soft	Dec-21	EMCS/EAEMCS

## Employment practices (CEO/HRC)

Oct-20

Failure to effectively recruit, manage and lead human resources (full-time, part-time, casuals, temporary and volunteers).

This includes:

- Not having appropriately qualified or experienced people in the right roles.
- Insufficient staff numbers to achieve objectives.
- Breaching employee regulations.
- Discrimination, harassment & bullying in the workplace.
- Poor employee wellbeing (causing stress).
- Key person dependencies without effective succession planning in place.
- Industrial activity.

### Potential causes include:

Leadership failures	Ineffective performance management programs or procedures.
Available staff / volunteers are generally highly transient.	Ineffective training programs or procedures.
Key / single-person dependencies	Limited staff availability - mining / private sectors (pay & conditions).
Poor internal communications / relationships	Inadequate induction practices.
Ineffective Human Resources framework	

Controls	Type	Date Reviewed	Town Rating
CEO Directorate / Team Meetings	Preventative	Sep-20	Effective
Encourage Staff Social Activities	Preventative	Sep-20	Adequate
Health and Wellbeing Incentives	Preventative	Sep-20	Adequate
Human Resource Policies and Procedures	Preventative	Sep-20	Effective
Internal communication / engagement programs	Preventative	Sep-20	Adequate
Internal relief capacity	Recovery	Sep-20	Adequate
Performance Appraisals / Review Process	Detective	Sep-20	Effective
Performance Management Processes	Detective	Sep-20	Adequate
Recruitment Processes	Preventative	Sep-20	Effective
Staff Induction	Detective	Sep-20	Effective
Staff Training and Education	Preventative	Sep-20	Effective
Workforce Plan	Preventative	Sep-20	Effective
on-boarding & Exit processes	Preventative	Sep-20	Effective

**Overall Control Ratings:** Adequate

Consequence Category	Risk Ratings	Town Rating
Compliance, Health, Reputational	Consequence:	Minor
	Likelihood:	Rare
<b>Overall Risk Ratings:</b>		Low

Indicators	Type	Tolerance	Overall Town Result
Average absenteeism			
Employee Satisfaction (% of employees satisfied working in the Town)			
Employee Turnover (% Staff turnover rate)			
Successful unfair-dismissal claims			
Suitable budget for training			
Workers Compensation claims (stress claims)			

### Comments

As rated by Andrew M, Gary, Peter, Janine and Bron September 2020

Current Issues / Actions / Treatments	Due Date	Responsibility
Appointment of HR officer	Completed	CEO
Development of Human Resource Policies and Procedures	Completed	HRC
Develop & introduce Performance Appraisals / Review Process / Training register	Completed	HRC
Develop Performance Management Processes	Completed	HRC
Develop Staff induction policy & procedure	Completed	HRC
Embed Town Values	Ongoing	HRC
Develop an Organisational Development and Training Plan	Ongoing	HRC
Introduce new Online Learning & Induction Platform (LEARN RITE)	Ongoing	HRC
Annual Review of Workforce Plan	Annual	HRC

# Engagement practices (CCE/CMO)

Oct-20

Failure to maintain effective working relationships with the Community (including local Media), Stakeholders, Key Private Sector Companies, Government Agencies and / or Elected Members. This includes activities where communication, feedback or consultation is required and where it is in the best interests to do so. For example;

- Following up on any access & inclusion issues.
- Infrastructure Projects.-
- Local planning initiatives.
- Strategic planning initiatives

*This does not include instances whereby Community expectations have not been met for standard service provisions such as Community Events*

**Potential causes include;**

Relationship breakdowns with community groups	Short lead times
Leadership inattention to current issues	Miscommunication / poor communication
Inadequate documentation or procedures	Inadequate Regional or District Committee attendance.
Budget / funding issues	Inadequate involvement with, or support of community groups
	Media attention

Controls	Type	Date Reviewed	Town Rating
<i>Advisory committees / groups</i>	<i>Detective</i>	<i>Sep-20</i>	<b>Effective</b>
<i>Annual Community meetings</i>	<i>Detective</i>	<i>Sep-20</i>	<b>Adequate</b>
<i>Community Based Committees</i>	<i>Preventative</i>	<i>Sep-20</i>	<b>Adequate</b>
<i>Community consultation Plan and Policies</i>	<i>Preventative</i>	<i>Sep-20</i>	<b>Effective</b>
<i>Community Engagement Framework</i>	<i>Preventative</i>	<i>Sep-20</i>	<b>Adequate</b>
<i>Customer Service charter</i>	<i>Detective</i>	<i>Sep-20</i>	<b>Effective</b>
<i>Media Protocols</i>	<i>Preventative</i>	<i>Sep-20</i>	<b>Effective</b>
<i>Community Engagement Officer and Communications Marketing Officer</i>	<i>Preventative</i>	<i>Sep-20</i>	<b>Effective</b>

**Overall Control Ratings:** **Adequate**

Consequence Category	Risk Ratings	Town Rating
<b>Reputation</b>	<b>Consequence:</b>	<i>Minor</i>
	<b>Likelihood:</b>	<i>Likely</i>

**Overall Risk Ratings:** **Moderate**

Indicators	Type	Tolerance	Overall Town Result
<i>% community satisfaction with the Town's representation</i>			
<i>Number of complaints referring to poor engagement</i>			
<i>Lost funding due to poor or inadequate submissions</i>			
<i>Surprise issues being raised in Council, community or Committee meetings</i>			
<i>Number of engagements</i>			

**Comments**

**As rated by Andrew M, Gary, Peter, Janine and Bron September 2020**

Current Issues / Actions / Treatments	Due Date	Responsibility
Community Consultations Plan and Policies	Commenced	CEO
Community Engagement Framework	Completed	CCE/CEO
Customer Service Charter	Completed	CSO/CEO
Develop Project Engagement Plan template	Completed	CCE
Employment of Community Engagement Officer	Completed	CEO
Implementation of Community Engagement Calendar	Ongoing	CCE/CMO
Support staff with the preparation of Community Engagement Plans	Ongoing	CCE/CMO

## Environment management (SO/EHO)

Oct-20

Inadequate prevention, identification, enforcement and management of environmental issues.

The scope includes;

- Lack of adequate planning and management of foreshore erosion issues.
- Failure to identify and effectively manage contaminated sites (including groundwater usage).
- Waste facilities (landfill / transfer stations)- former sites
- Weed & mosquito / Vector control.
- Removal, damage to trees in the public domain
- Illegal dumping.
- Microbiological water quality

### Potential causes include:

Lack of understanding / knowledge	Inadequate reporting / oversight frameworks
Inadequate local laws / planning schemes	Community apathy
Increase traffic/population	Staff apathy
Lack of qualified staff	lack of financial resources
Climate change	Inadequate testing and site inspections
Weed and pest management difficulties	

Controls	Type	Date Reviewed	Town Rating
All DER classifications (contaminated sites) are placed on file	Preventative	Oct-20	Adequate
Bore monitoring & volume control	Detective	Oct-20	Adequate
Conducting environmental health inspections	Preventative	Oct-20	Effective
Controlling land use through the Local Planning Scheme	Preventative	Oct-20	Effective
Encourage recycling efforts (& oil, batteries, etc)	Recovery	Oct-20	Effective
Enforcing existing heritage provisions in planning scheme	Preventative	Oct-20	Effective
Environmental Health Officer	Preventative	Oct-20	Effective
Strategic Waste Management Plans	Detective	Oct-20	Effective
Litter collection schedule	Preventative	Oct-20	Effective
Monitoring water erosion	Detective	Oct-20	Adequate
Environmental Management Plan River Reserve lease	Preventative	Oct-20	Adequate
Revegetating remnant bushland areas	Recovery	Oct-20	Adequate
Soil sampling of ovals/reserves	Detective	Oct-20	Adequate
Street Sweeping	Preventative	Oct-20	Effective
Supervision at Transfer Station - Tricolore	Preventative	Oct-20	Adequate
Pest Control Programmes	Preventative	Oct-20	Adequate
Weed control safe work procedure and guideline	Preventative	Oct-20	Adequate
Work with and support environmental groups	Preventative	Oct-20	Effective
Waste and Sustainability Officer	Preventative	Oct-20	Effective
Community Climate Action Group	Preventative	Oct-20	Adequate

**Overall Control Ratings:** Adequate

Consequence Category	Risk Ratings	Town Rating
Environment, Reputation, Financial	<b>Consequence:</b>	Moderate
	<b>Likelihood:</b>	Unlikely

**Overall Risk Ratings:** Moderate

Indicators	Type	Tolerance	Overall Town Result
Number of Health risk assessments / inspections completed			
Environmental sampling undertaken in accordance with legislation			
No. of environmental complaints			
Recycling contamination rate			
Tonnes per capita recyclable generation			

### Comments

As rated by Andrew M, Gary, Peter, Steve, Wendy, Shelley and Linda on December 2019. Reviewed by Simon Oct 2020

Current Issues / Actions / Treatments	Due Date	Responsibility
Implementation of Weed Management Plans (Foreshore Management/Neirgarup Track)	Dec-22	OM
Develop a foreshore/river erosion management plan	Dec-22	EHO
Annual River Wall inspection program	Dec-21	OM
Jerrat Drive foreshore - Develop Rehabilitation Plan in conjunction with key stakeholders - Subject to external funding	Dec-22	SO/EHO
Development of a Climate Action Plan	Ongoing	SO/EHO
Sustainability Projects	Ongoing	SO/EHO
Sustainability Policies ie Waterwise, Sustainability Policy, Waste and Verge Guidelines	Dec-20	SO/EHO

## Errors, omissions & delays (All staff)

## Oct-20

Errors, omissions or delays in operational activities as a result of unintentional errors or failure to follow due process. This includes instances of;

- Human error
- Inaccurate recording, maintenance, testing or reconciliation of data.
- Inaccurate data being used for management decision-making and reporting.
- Delays in service to customers
- Inaccurate data provided to customers

*This excludes process failures caused by inadequate / incomplete procedural documentation - refer "Inadequate Document Management Processes".*

### Potential causes include:

Human error	Incorrect information
Inadequate formal procedures or training	Poor time management
Lack of trained staff	Work pressure / stress
Poor use of check sheets / FAQ's	Lack of understanding
Under resourcing	Health issues
Fitness for work	Poor working relationships and communication between internal teams

Controls	Type	Date Reviewed	Town Rating
Membership of professional associations	Detective	Sep-20	<b>Adequate</b>
Documented information sheets / website information / FAQ's to assist in providing advice to customers	Preventative	Sep-20	<b>Adequate</b>
External consultants such as legal	Preventative	Sep-20	<b>Effective</b>
External stakeholder communications (website, news articles)	Preventative	Sep-20	<b>Effective</b>
Formal staff training program (mentoring, formal & on-the-job)	Preventative	Sep-20	<b>Adequate</b>
Peer Review process	Preventative	Sep-20	<b>Adequate</b>
Staff inductions (including Code of Conduct)	Preventative	Sep-20	<b>Adequate</b>
Attending seminars and conferences	Detective	Sep-20	<b>Adequate</b>
Complaints Register	Detective	Sep-20	<b>Adequate</b>
Customer Service Charter	Preventative	Sep-20	<b>Adequate</b>
Delegation register / delegated authority	Preventative	Sep-20	<b>Adequate</b>

**Overall Control Ratings:** **Adequate**

Consequence Category	Risk Ratings	Town Rating
Reputation / Compliance	<b>Consequence:</b>	<i>Minor</i>
	<b>Likelihood:</b>	<i>Possible</i>
<b>Overall Risk Ratings:</b>		<b>Moderate</b>

Indicators	Type	Tolerance	Overall Town Result
Referral to the Ombudsman/Department			
Substantiated complaints regarding errors, omissions, delays or inaccurate advice / information			
Service satisfaction surveys			
Referrals to CEO and Council			

### Comments

**As rated by Andrew M, Gary, Peter, Janine and Bron September 2020. Reviewed Simon Oct 2020**

Current Issues / Actions / Treatments	Due Date	Responsibility
Heritage review and Municipal Heritage Inventory Review - updated and published to Web	Dec-21	EMRS
Operational Information Sheets	Jun-21	OM
Delegation Review and Policies	Annually	CEO
Review of Complaints Handling process	Dec-20	TLCS
Monthly Customer Service Reporting	Ongoing	TLCS

## External theft & fraud (inc. Cyber Crime) (EMCS)

## Oct-20

Loss of funds, assets, data or unauthorised access, (whether attempted or successful) by external parties, through any means (including electronic), for the purposes of;

- Fraud: benefit or gain by deceit
- Malicious Damage: hacking, deleting, breaking or reducing the integrity or performance of systems
- Theft: stealing of data, assets or information

### Potential causes include;

Inadequate security of equipment / supplies / cash	Inadequate provision for patrons belongings
Robbery	Lack of Supervision
Scam Invoices	Collusion with internal staff
Cyber crime	

Controls	Type	Date Reviewed	Town Rating
Admin Building Security	Preventative	Sep-20	Effective
Cash handling processes	Preventative	Sep-20	Effective
Stringent IT security systems (contracted)	Preventative	Sep-20	Effective
Insurance for loss	Recovery	Sep-20	Effective
Photographic record of assets	Recovery	Sep-20	Adequate
Key register	Detective	Sep-20	Effective
Depot security access controls (CCTV at Gate, locked after hours)	Preventative	Sep-20	Effective
Equipment storage security access controls (locked after hours and when unstaffed)	Preventative	Sep-20	Effective
Processes for IT passwords	Preventative	Sep-20	Effective
Spare keys in strong room / key cabinet	Preventative	Sep-20	Effective
Visitor sign In	Preventative	Sep-20	Effective
Completion of Annual Fraud Assessment	Preventative	Oct-20	Effective
Audit Status Report	Preventative	Oct-20	Effective

**Overall Control Ratings:** Effective

Consequence Category	Risk Ratings	Town Rating
Financial / Property	Consequence:	Minor
	Likelihood:	Possible

**Overall Risk Ratings:** Moderate

Indicators	Type	Tolerance	Overall Town Result
Cyber breaches	Lagging	Zero	
Insurance claims			
Number of incidents of theft or fraud			

### Comments

As rated by Andrew M, Gary, Peter, Janine and Bron September 2020. Reviewed by Simon Oct 2020

Current Issues / Actions / Treatments	Due Date	Responsibility
Admin building security - upgrade	Completed	CEO
Photographic record - plant register	Dec-20	OM
Ensure doors are locked at all times for the Computer Server Room and Records Room	Ongoing	EAEMCS
Implement a Stock take system for mobile and attractive items at the Town Depot and Tricolore	Dec-20	FO
Online learning fraud and corruption	Ongoing	HR

**Management of Facilities / Venues / Events (All staff)**

**Oct-20**

Failure to effectively manage the day to day operations of facilities, venues and / or events. This includes;  
 -Inadequate procedures in place to manage quality or availability.  
 -Poor crowd control  
 -Ineffective signage  
 -Booking issues  
 -Stressful interactions with hirers / users (financial issues or not adhering to rules of use of facility)  
 Inadequate oversight or provision of peripheral services (eg. cleaning / maintenance)

**Potential causes include:**

Double bookings	Traffic congestion or vehicles blocking entry or exit
Illegal / excessive alcohol consumption	Insufficient time between bookings for cleaning or maintenance
Bond payments poorly managed	Difficulty accessing facilities / venues.
Inadequate oversight or provision of peripheral services (eg. cleaning / maintenance)	Poor service from contractors (such as catering or cleaning)
Falsifying hiring agreements (alcohol on site / lower deposit)	Renovations
Unaccompanied minors/children	Animal Contamination
Failed chemical / health requirements	

Controls	Type	Date Reviewed	Town Rating
All parties are kept informed (road works, retic, catering, maintenance, traffic management, works orders etc.) about activities taking place at venues	Preventative	Sep-20	Adequate
Booking system (LLC electronic, hard copy -other, Police informed)	Preventative	Sep-20	Effective
Council approval for significant events	Preventative	Sep-20	Adequate
Event management process (monitoring)	Detective	Sep-20	Adequate
Event Risk Management Plan templates for event hosts (checklists applications, cert of currency etc)	Preventative	Sep-20	Effective
Key return / bond system (check of facility)	Recovery	Sep-20	Adequate
Lease Agreements with lessees	Preventative	Sep-20	Effective
Cleaning schedule	Detective	Sep-20	Effective
Major event evaluation	Detective	Sep-20	Effective
Monitor staff mandatory qualification requirements	Preventative	Sep-20	Effective
Playground Inspections	Detective	Sep-20	Adequate
Rangers monitor local law enforcement	Preventative	Sep-20	Effective

**Overall Control Ratings:** Adequate

Consequence Category	Risk Ratings	Town Rating
Reputation	Consequence:	Moderate
	Likelihood:	Unlikely

**Overall Risk Ratings:** Moderate

Indicators	Type	Tolerance	Overall Town Result
Complaints			
Injuries / incidents			
% Community Satisfaction with Venues, Events and Facilities			
Attendance at events and activities - local residents			
Attendance at events and activities - outsiders			

**Comments**

As rated by Andrew M, Gary, Peter, Janine and Bron September 2020. Reviewed by Simon Oct 2020

Current Issues / Actions / Treatments	Due Date	Responsibility
Staff Training register	Ongoing	HR
Lease agreements with all tenants	Ongoing	EMCS
Develop major event evaluation process	Completed	CCE
Develop annual playground inspection program	Mar-21	OM
Investigate On-line booking system	Mar-21	TLCS
Investigate digital access to all community buildings to replace the current key system	Mar-21	EAEMCS
Playground Condition Assessment - Annual Inspection report	Ongoing	OM

**Information Systems (EMCS) Oct-20**

Instability, degradation of performance, or other failure of IT or communication system or infrastructure causing the inability to continue business activities and provide services to the community. This may or may not result in IT Disaster Recovery Plans being invoked. Examples include failures or disruptions caused by:

- Hardware or software
- Networks
- Failures of IT Vendors

This also includes where poor governance results in the breakdown of IT maintenance such as:

- Configuration management
- Performance monitoring

The Office of the Auditor General recently performed a General Computer Control Audit of the Town of East Fremantle (July 2019). The following is a summary of the audit methodology:

Scope: the audit focused on:

- Policies and procedures – The entity should ensure that they have appropriate policies and procedures in place for key areas such as IT risk management, information security, business continuity and change control.
- Management of IT risks - The entity need to ensure that IT risks are identified, assessed and treated within appropriate timeframes and that these practices become a core part of business activities.
- Information security - The entity should ensure good security practices are implemented, up-to-date and regularly tested and enforced for key computer systems. Agencies must conduct ongoing reviews for user access to systems to ensure they are appropriate at all times.
- Business continuity - The entity should have a business continuity plan, a disaster recovery plan and an incident response plan. These plans should be tested on a periodic basis.
- Change control - change control processes should be well developed and consistently followed for changes to computer systems. All changes should be subject to thorough planning and impact assessment to minimise the likelihood of problems. Change control documentation should be current, and approved changes formally tracked.
- Physical security – The entity should develop and implement physical and environmental control mechanisms to prevent unauthorised access or accidental damage to computing infrastructure and systems.

Potential causes include:	
Weather impacts	Non-renewal of licences
Power outage on site or at service provider	Inadequate IT incident, problem management & Disaster Recovery Processes
Out-dated, inefficient or unsupported hardware or software	Lack of process and training
Incompatibility between operating systems	Vulnerability to user error
Cyber crime and viruses	Failure of vendor
Turnover of Help-Desk support	Equipment purchases without input from IT department
Software vulnerability (e.g. Interplan)	Disgruntled employees

Controls	Type	Date Reviewed	Town Rating
Annual Upgrade of Virus Protection	Preventative	Oct-20	Effective
Data Back up Systems	Recovery	Oct-20	Effective
Disaster Recovery Plan	Detective	Oct-20	Effective
Help Desk - normal business hours	Recovery	Oct-20	Effective
Formal IT Infrastructure replacement / refresh program	Preventative	Oct-20	Effective
IT Security Access and Firewalls	Preventative	Oct-20	Effective
Maintenance program (e.g. software patches) Synergy	Preventative	Oct-20	Effective
Mobile Devices	Recovery	Oct-20	Effective
External IT Reviews of Backups	Detective	Oct-20	Adequate
Multiple Data Back Up Systems	Recovery	Oct-20	Effective
Outside Business IT Support	Recovery	Oct-20	Effective
Software Vendor Support	Preventative	Oct-20	Effective
Telephone System	Preventative	Oct-20	Effective
UPS	Preventative / Recovery	Oct-20	Adequate
Virtualised infrastructure	Preventative / Recovery	Oct-20	Effective
Bi-annual GCC Audit by OAG	Detective	Oct-20	Adequate

**Overall Control Ratings: Effective**

Consequence Category	Risk Ratings	Town Rating
Service disruption	Consequence:	Moderate
	Likelihood:	Unlikely
<b>Overall Risk Ratings:</b>		<b>Moderate</b>

Indicators	Type	Tolerance	Overall Town Result
System downtime			
Non-availability of network infrastructure during business hours			
Average outstanding Help Desk support requests			
Cyber breaches			

**Comments**

As rated by Peter and OAG Report

Current Issues / Actions / Treatments	Due Date	Responsibility
<b>Implement Computer control audit findings:</b>	Dec-20	EMCS
The Town to review and update The Information Technology Policy to appropriately address all relevant areas of Information security		
The Town to establish an appropriate information security awareness program to make sure individuals are aware of the Town's Information Security Policy, risks and personal requirements for protecting information		
The Town to develop and implement an appropriate risk register to track and manage information risks.		
The Town to develop, document and implement appropriate ICT change management procedures. This should include the use of a suitable change management system to maintain records of change details and authorisations.		
The Town to document and implement an appropriate vulnerability management process. This process should ensure all relevant known software and security vulnerabilities are identified. These vulnerabilities along with remediation to address them should be appropriately assessed and tested. Following successful testing the relevant actions and updates should be applied to the IT Systems within a timely manner.		
The Town to implement an appropriate process to securely manage and configure network devices. Server replacement/cloud assessment		



<b>Misconduct (CEO)</b>	<b>Oct-20</b>
Intentional activities in excess of authority granted to an employee, which circumvent endorsed policies, procedures or delegated authority. This would include instances of: -Relevant authorisations not obtained. -Distributing confidential information. -Accessing systems and / or applications without correct authority to do so. -Misrepresenting data in reports. -Theft by an employee -Inappropriate use of plant, equipment or machinery -Inappropriate use of social media. -Inappropriate behaviour at work. -Purposeful sabotage This does not include instances where it was not an intentional breach - refer Errors, Omissions or Delays, or Inaccurate Advice / Information.	

<b>Potential causes include:</b>	
Inadequate training of code of conduct \ induction	Greed, gambling or sense of entitlement
Changing of job roles and functions/authorities	Collusion between internal & external parties
Delegated authority process inadequately implemented	Password sharing
Disgruntled employees	Sharing of confidential information
Lack of internal checks	Low level of Supervisor or Management oversight
Covering up poor work performance	Believe they'll get away with it
Poor enforcement of policies and procedures	Undue influence from Manager / Councillor
Insubordination	Poor work culture

Controls	Type	Date Reviewed	Town Rating
Annual drivers licence checks	Preventative	Oct-20	Effective
Asset stocktakes - HACCC	Detective	Oct-20	Effective
Cash Handling Policy and Procedures	Preventative	Oct-20	Adequate
Credit/Store/Fuel Card Policies	Preventative	Oct-20	Effective
Delegated Authority for Procurement	Preventative	Oct-20	Effective
Records authority controls - Synergy	Detective	Oct-20	Effective
Delegation Register - Framework	Detective	Oct-20	Effective
Elected Member Training	Preventative	Oct-20	Adequate
External/Internal Audits	Detective	Oct-20	Effective
Financial Interests Returns Declarations	Detective	Oct-20	Effective
Governance framework (Audit & Risk Committee)	Preventative	Oct-20	Adequate
Induction Process (Code of Conduct)	Preventative	Oct-20	Adequate
Insurance for loss	Recovery	Oct-20	Effective
IT security access framework (Profiles & Passwords)	Preventative	Oct-20	Effective
Police Clearances	Detective	Oct-20	Effective
Primary and annual returns	Detective	Oct-20	Effective
Procurement delegation control - Synergy	Detective	Oct-20	Effective
Purchasing Procurement Process (Purchase Order Process)	Preventative	Oct-20	Effective
Segregation of duties (Financial)	Preventative	Oct-20	Effective
Social Media Policy	Preventative	Oct-20	Effective
Strong management culture (low tolerance for misconduct)	Preventative	Oct-20	Adequate

<b>Overall Control Ratings:</b>	<b>Adequate</b>
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Consequence Category	Risk Ratings	Town Rating
<b>Reputation / Finance</b>	<b>Consequence:</b>	<i>Minor</i>
	<b>Likelihood:</b>	<i>Unlikely</i>
<b>Overall Risk Ratings:</b>		<b>Low</b>

Indicators	Type	Tolerance	Overall Town Result
Failed Audits			
SOP breaches			
Staff feedback - whistleblower			
Budget variances			
Suppliers not being paid or complaints from suppliers (not involved in collusion or bribery with staff)			

**Comments**

As rated by Andrew M, Gary, Peter, Bron and Linda October 2020

Current Issues / Actions / Treatments	Due Date	Responsibility
Internal Policy & Procedures	Ongoing	HR
Annual Licence Checks (develop form)	Completed	HRC
Develop records authority hierarchy	Completed	EMCS/RO
Develop & Implement induction process	Completed	HRC
Introduce police clearance checks for all new staff	Completed	HRC
Develop internal social media policy	Completed	HRC
Staff to complete Online Learning Module on Public Interest Disclosure and Whistle Blower Policy.	Ongoing	HRC

## Project / Change management (All staff)

## Oct-20

Inadequate analysis, design, delivery and / or status reporting of change initiatives, resulting in additional expenses, time delays or scope changes. This includes:

- Inadequate change management framework to manage and monitor change activities.
- Inadequate understanding of the impact of project change on the business.
- Failures in the transition of projects into standard operations.
- Failure to implement new systems
- Inadequate handover process

*This does not include new plant & equipment purchases. Refer "Inadequate Asset Sustainability Practices"*

### Potential causes include:

Lack of communication and consultation	Excessive growth (too many projects)
Lack of investment	Inadequate monitoring and review
Ineffective management of expectations (scope creep)	Project risks not managed effectively
Inadequate project planning (resources/budget)	Lack of project methodology knowledge and reporting requirements
Failures of project Vendors/Contractors	
External consultants underquoting on costs	

Controls	Type	Date Reviewed	Town Rating
<i>Executive Meetings and department meetings</i>	<i>Detective</i>	<i>Oct-20</i>	<b>Effective</b>
<i>Good internal communication between departments</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Effective</b>
<i>Targeted Project Management</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Adequate</b>
<i>Project Brief</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Adequate</b>
<i>Project Management Framework (Methodology)</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Adequate</b>
<i>Financial controls/project budget monitoring</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Adequate</b>
<i>Regional group meetings with other LG's (e.g. SMRC &amp; SWG)</i>	<i>Detective</i>	<i>Oct-20</i>	<b>Adequate</b>
<i>Project /Change Management Training</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Adequate</b>
<i>Staff communication and consultation</i>	<i>Detective</i>	<i>Oct-20</i>	<b>Adequate</b>
<i>Stakeholder Meetings and Consultation</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Adequate</b>
<b>Overall Control Ratings:</b>			<b>Adequate</b>

Consequence Category	Risk Ratings	Town Rating
<b>Financial / Reputational / Health</b>	<b>Consequence:</b>	<i>Moderate</i>
	<b>Likelihood:</b>	<i>Likely</i>

<b>Overall Risk Ratings:</b>	<b>High</b>
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Indicators	Type	Tolerance	Overall Town Result
<i>Missed deadlines / milestones</i>			
<i>Budget overruns/blowouts</i>			
<i>Failed objectives</i>			
<i>Deviations from the project scope</i>			

### Comments

**As rated by Andrew M, Gary, Peter, Janine and Bron September 2020**

Current Issues / Actions / Treatments	Due Date	Responsibility
Project/Change Management Training	Commenced	HRC
Development of PM Framework	Commenced	CEO
Financial controls review (External Audit)	Completed	EMCS
Adopt Community Engagement Plan	Completed	CCE/CMO

<b>Safety and Security practices (OSH Committee)</b>	<b>Oct-20</b>
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Non-compliance with the Occupation Safety & Health Act, associated regulations and standards.  
 It is also the inability to ensure the physical security requirements of staff, contractors and visitors. Other considerations are: negligence or carelessness.

<b>Potential causes include:</b>	
Lack of appropriate PPE/equipment	Inadequate signage, barriers or other exclusion techniques
Inadequate first aid supplies or trained first aiders	Poor storage and use of dangerous goods
Inadequate security protection measures in place for buildings, depots and other places of work	Ineffective / inadequate testing, sampling or other health-related requirements
Inadequate or unsafe modifications to plant & equipment	Lack of mandate and commitment from senior management
Inadequate policy, frameworks, systems and structure to prevent the injury of visitors, staff, contractors and/or tenants.	Inadequate organisational Emergency Management requirements (evacuation diagrams, drills, wardens etc).
Inadequate supervision or training of staff	Slow or inadequate response to notifications from public

Controls	Type	Date Reviewed	Town Rating
<i>Asbestos Management Program (Register &amp; Plan)</i>	<i>Detective</i>	<i>Oct-20</i>	<b>Effective</b>
<i>CCTV at selected sites (depot and boat ramp at Leeuwin car park)</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Effective</b>
<i>Contractor / Site Inductions</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Adequate</b>
<i>Drug and Alcohol Policy</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Adequate</b>
<i>Emergency Procedures</i>	<i>Recovery</i>	<i>Oct-20</i>	<b>Adequate</b>
<i>Ensuring Council buildings meet Town and State mandated standards particularly where public safety is concerned</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Adequate</b>
<i>Fitness for Work Policy</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Effective</b>
<i>Hazard Register</i>	<i>Detective</i>	<i>Oct-20</i>	<b>Effective</b>
<i>Hazardous Substance and Dangerous Goods Registers</i>	<i>Detective</i>	<i>Oct-20</i>	<b>Effective</b>
<i>Health and Wellbeing Programs</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Adequate</b>
<i>Incident Register</i>	<i>Detective</i>	<i>Oct-20</i>	<b>Adequate</b>
<i>Isolated Worker Management</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Effective</b>
<i>LGIS OSH/Safety Audit</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Effective</b>
<i>OHS Committee</i>	<i>Detective</i>	<i>Oct-20</i>	<b>Effective</b>
<i>Organisational Emergency Management Plan and Evacuation Diagrams</i>	<i>Recovery</i>	<i>Oct-20</i>	<b>Adequate</b>
<i>Prestart Vehicle Inspections (operations &amp; HACCC)</i>	<i>Detective</i>	<i>Oct-20</i>	<b>Effective</b>
<i>Provision of PPE</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Effective</b>
<i>Report on incidents &amp; near misses</i>	<i>Detective</i>	<i>Oct-20</i>	<b>Adequate</b>
<i>Safe work practices (Safe Work Method Statements)</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Effective</b>
<i>Town Hall precinct Security</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Effective</b>
<i>Take 5s</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Effective</b>
<i>Toolbox Meetings</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Effective</b>
<i>Workplace Inspections</i>	<i>Preventative</i>	<i>Oct-20</i>	<b>Effective</b>

<b>Overall Control Ratings:</b>	<b>Adequate</b>
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Consequence Category	Risk Ratings	Town Rating
<b>Health</b>	<b>Consequence:</b>	<i>Moderate</i>
	<b>Likelihood:</b>	<i>Possible</i>

<b>Overall Risk Ratings:</b>	<b>Moderate</b>
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Indicators	Type	Tolerance	Overall Town Result
<i>4801 Audit Results</i>			
<i>All Injury Frequency Rate (AIFR)</i>			
<i>Feedback from toolbox and staff meetings</i>			
<i>Inspections, OSH Committee feedback</i>			
<i>Lost Time Injuries</i>			
<i>Frequency of management Safety Observations</i>			
<i>Near misses</i>			
<i>OSH Legislative Compliance</i>			
<i>Workers Compensation Claims</i>			

**Comments**

**As rated by Andrew M, Gary, Peter, Steve, Shelley and Linda on October 2020**

Current Issues / Actions / Treatments	Due Date	Responsibility
Updated OHS management framework	Ongoing	OSH Committee
Develop Annual OSH Action Plan		OSH Committee
Staff training register	Ongoing	HRC
Develop Contractor / Site Inductions	Completed	OM
Develop Drug and Alcohol Policy	Completed	HRC
Develop & communicate Emergency Procedures	Completed	OSH Committee
Fitness for Work Policy	Completed	HRC
Hazard Register	Completed	OM
Review of safework method statements and regular staff inductions	Ongoing	HRC

## Supplier / Contract management (All Managers)

## Oct-20

Inadequate management of external Suppliers, Contractors, IT Vendors or Consultants engaged for core operations. This includes issues that arise from the ongoing supply of services or failures in contract management & monitoring processes. This also includes:

- Concentration issues (contracts awarded to one supplier)
- Vendor sustainability

### Potential causes include:

Insufficient funding	Inadequate contract management practices
Complexity and quantity of work (incompetent)	Ineffective monitoring of deliverables
Inadequate tendering process	Lack of planning and clarity of requirements
Contracts not renewed on time	Historical contracts remaining
Suppliers not willing to provide quotes	Limited availability of suppliers

Controls	Type	Date Reviewed	Town Rating
Access / feedback from other LGs; staff;WALGA	Recovery	Oct-20	Adequate
Contract register	Preventative	Oct-20	Adequate
Contractor Assessment and Induction	Preventative	Oct-20	Adequate
Contractor's insurance	Recovery	Oct-20	Adequate
Contracts in Records System	Preventative	Oct-20	Adequate
WALGA Purchasing & E-quotes	Preventative	Oct-20	Effective
Management of contract	Preventative	Oct-20	Adequate
Payment on Works Performance	Detective	Oct-20	Effective
Regular inspections of sites to monitor delivery of contracts	Detective	Oct-20	Adequate
Supervision of Contractors		Oct-20	Adequate
Supplier / contractor review meetings (long-term contracts)	Detective	Oct-20	Effective
Tender / procurement management system	Preventative	Oct-20	Effective
<b>Overall Control Ratings:</b>			<b>Adequate</b>

Consequence Category	Risk Ratings		Town Rating
Financial	<b>Consequence:</b>		Moderate
	<b>Likelihood:</b>		Unlikely
<b>Overall Risk Ratings:</b>			<b>Moderate</b>

Indicators	Type	Tolerance	Overall Town Result
Number of expired contracts not yet renewed			
Customer complaints			
Quality of services provided			
Staff feedback			

### Comments

As rated by Andrew M, Gary, Peter, Steve, Hayley, John and Linda on October 2020. Reviewed by Simon Oct 2020

Current Issues / Actions / Treatments	Due Date	Responsibility
Prepare RFQ for Bulk Verge & Green Waste verge collection & other suppliers (electrician etc)	Mar-21	OM
Contract register and contract management system	Completed	OM/EMCS
Review purchasing/tendering requirements	Completed	EMCS
Review existing purchasing practices - ie No contracts	Jun-21	EMTS/EMCS
Develop procurement handbook including templates for all RFQs/RFTs	Ongoing	EMCS/EAEMCS
Ensure that Contract and Tender Register is up to date and meets statutory requirement	Ongoing	MFA/RO

Town of East Fremantle Measures of Consequence							
Rating	Health	Financial Impact	Service Interruption	Compliance	Reputational	Property	Environment
Insignificant 1	Near miss / minor first aid injuries	Less than \$10,000	No material service interruption	Minor regulatory or statutory impact	Unsubstantiated, localised low impact on community / stakeholder trust, low profile or no media item	Inconsequential damage	Contained, reversible impact managed by on site response
Minor 2	Medical type injuries / Lost time injury <30 Days	\$10,001 - \$50,000	Short term temporary interruption – backlog cleared < 1 day	Some temporary non compliances	Substantiated, localised impact on community / stakeholder trust or low media item	Localised damage rectified by routine internal procedures	Contained, reversible impact managed by internal response
Moderate 3	Medical type injuries/ Lost time injury >30 Days	\$50,001 - \$250,000	Medium term temporary interruption – backlog cleared by additional resources < 1 week	Short term non-compliance but with significant regulatory requirements imposed	Substantiated, public embarrassment, moderate impact on community/stakeholder trust or moderate media profile	Localised damage requiring external resources to rectify	Contained, reversible impact managed by external agencies
Major 4	Long-term disability / multiple injuries	\$250,001 - \$1,000,000	Prolonged interruption of services – additional resources; performance affected < 1 month	Non-compliance results in termination of services or imposed penalties	Substantiated, public embarrassment, widespread high impact on community / stakeholder trust, high media profile, third party actions	Significant damage requiring internal & external resources to rectify	Uncontained, reversible impact managed by a coordinated response from external agencies
Extreme 5	Fatality, permanent disability	More than \$1,000,000	Indeterminate prolonged interruption of services – non-performance > 1 month	Non-compliance results in litigation, criminal charges or significant damages or penalties	Substantiated, public embarrassment, widespread loss of community/stakeholder trust, high widespread multiple media profile, third party actions	Extensive damage requiring prolonged period of restitution	Uncontained, irreversible impact

Measures of Consequence							
Type	Health	Financial Impact	Service Interruptions	Compliance	Reputation	Property	Environmental
Insignificant (1)	Near miss / minor first aid injuries	Less than \$10,000	No material service interruption	No noticeable regulatory or statutory impact. Threat of litigation. No effect on contract performance.	Unsubstantiated, low impact, no media involvement <b>Example</b> Gossip, Facebook item seen by limited persons	Inconsequential or no damage.	Contained, reversible impact managed by on site response
Minor (2)	Medical type injuries / Lost time injury <30 Days	\$10,000 - \$50,000	Short term temporary interruption – backlog cleared (< 1 day)	Some temporary non compliances. Single minor litigation. Requires formal meeting with contracted party where concern is raised.	Substantiated, low impact, low news profile <b>Example</b> Local paper / Industry news article, Facebook item seen by multiple groups	Localised damage rectified by routine internal procedures	Contained, reversible impact managed by internal response
Moderate (3)	Medical type injuries / Lost time injury >30 Days	\$50,001 to \$250,000	Medium term temporary interruption – backlog cleared by additional resources (< 1 week)	Short term non-compliance but with no significant regulatory requirements imposed. Single moderate litigation or numerous minor litigations.	Substantiated, public embarrassment, moderate impact, moderate news profile. <b>Example</b> State-wide paper, TV News story.	Localised damage requiring external resources to rectify	Contained, reversible impact managed by external agencies
Major (4)	Long-term disability / multiple injuries	\$250,001 to \$1,000,000	Prolonged interruption of services – additional resources; performance affected (< 1 month)	Non-compliance results in termination of service or imposed penalties. Single major litigation.	Substantiated, public embarrassment, high impact, high news profile, Third Party actions <b>Example</b> Australia wide news stories. Regulatory / Political commentary involvement	Significant damage requiring internal & external resources to rectify	Uncontained, reversible impact managed by a coordinated response from external agencies
Catastrophic (5)	Fatality, permanent disability	>\$1,000,000	Indeterminate prolonged interruption of services – non-performance (> 1 month)	Non-compliance results in litigation, criminal charges or significant damages or penalties. Numerous major litigations / class action.	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, Third Party actions <b>Example</b> World wide news, Focused articles (e.g. 60 minutes). Regulatory / Political oversight and involvement.	Extensive damage requiring prolonged period of restitution Complete loss of plant, equipment & building	Uncontained, irreversible impact

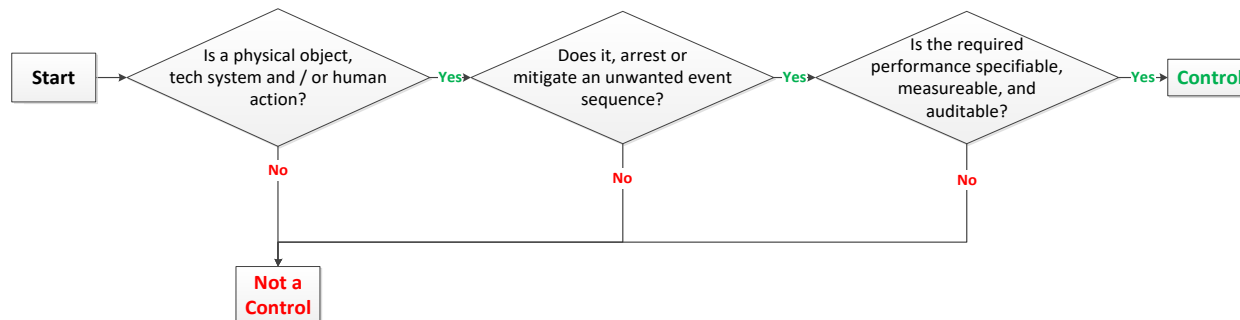
Measures of Likelihood		
Rating	Descriptor	Frequency
Almost Certain (5)	Expected to occur in most circumstances	More than once per year or incident is clearly imminent.
Likely (4)	Probably occur in most circumstances	At least once per year
Possible (3)	Should occur at some time	At least once in three years
Unlikely (2)	Could occur at some time	At least once in 10 years
Rare (1)	Only occur in exceptional circumstances	Less than once in 15 years

Risk Matrix					
	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost Certain (5)	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely (4)	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible (3)	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely (2)	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare (1)	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

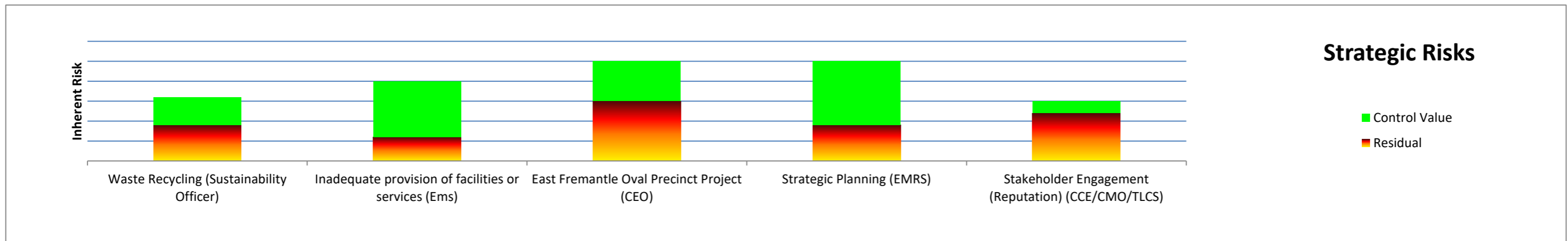
Risk Acceptance Criteria			
Risk Rank	Description	Criteria	Responsibility
LOW	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring	Operational Manager
MODERATE	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring	Operational Manager

HIGH	Urgent Attention Required	Risk acceptable with effective controls, managed by senior management and subject to monthly monitoring	Executive Manager / CEO
EXTREME	Unacceptable	Risk only acceptable with effective controls, additional treatment plans in place, managed by CEO and subject to continuous council oversight.	CEO / Council

Existing Controls Ratings			
Rating	Foreseeable	Description	
Effective	There is <u>little</u> scope for improvement.	Documentation	Processes (Controls) fully documented, with accountable 'Control Owner'.
		Operating Effectiveness	Subject to ongoing monitoring and compliance to process is assured.
		Design Effectiveness	Reviewed and tested regularly.
Adequate	There is <u>some</u> scope for improvement.	Documentation	Processes (Controls) partially documented, with a clear 'Control Owner'.
		Operating Effectiveness	Limited monitoring, ad-hoc approach and compliance to process is generally in place.
		Design Effectiveness	Reviewed and tested, but not regularly.
Inadequate	There is a <u>need</u> for improvement or action.	Documentation	Processes (Controls) not documented or no clear 'Control Owner'.
		Operating Effectiveness	No monitoring or compliance to process is not assured.
		Design Effectiveness	Have not been reviewed or tested for some time.



## Town of East Fremantle Strategic Risk Dashboard



East Fremantle Oval Precinct Project (CEO)	Risk Ratings		Risk Factors	
	Inherent	Extreme	Influence	High
	Residual	High	Controls	Adequate
Inability to deliver the redevelopment of East Fremantle Oval Precinct project within an acceptable timeframe, within budget and meeting community expectations.				
Current Actions		Due Date	Responsibility	
Finalise community consultation process & plan endorsement		May-19	CEO	
Develop an overarching business plan		Complete	Exec Managers	
Start lobbying for potential funding options - Check point		Dec-20	CEO	
Department Approval		Jun-21	CEO	

Waste Recycling (Sustainability Officer)	Risk Ratings		Risk Factors	
	Inherent	High	Influence	High
	Residual	Moderate	Controls	Adequate
Inability to meet State Government recycling rates.				
Current Actions		Due Date	Responsibility	
Prepare FOGO Project Plan		Complete	Project Officer	
Ensure SMRC are meeting residual targets ie State Waste Strategy		Ongoing	Sustainability Officer	
Council to resolve on Waste Energy Contract ie SMRC Melville		Dec-20	CEO	

Inadequate provision of facilities or services (Ems)	Risk Ratings		Risk Factors	
	Inherent	Extreme	Influence	High
	Residual	Moderate	Controls	Adequate
Inability to continually provide and adapt services to meet community needs				
Current Actions		Due Date	Responsibility	
Completion of Local Planning Strategy review		Jul-19	EMRS	
Develop an overarching business plan (EFOP)		Jun-20	Exec Managers	
Strategic Community Plan/Strategic Resource Plan		Dec-20	CCE	

Strategic Planning (EMRS)	Risk Ratings		Risk Factors	
	Inherent	Extreme	Influence	High
	Residual	Moderate	Controls	Adequate
Inadequate or failed strategic development activity.				
Current Actions		Due Date	Responsibility	
Finalise Local Planning Strategy		Mar-21	EMRS	
Review Local Planning Scheme		Jul-21	EMRS	
Public Engagement		Ongoing	EMRS	
Leeuwin Barracks		Feb-March-21	EMRS	

Stakeholder Engagement (Reputation) (CCE/CMO/TLCS)	Risk Ratings		Risk Factors	
	Inherent	High	Influence	High
	Residual	High	Controls	Inadequate
Loss of the Town's reputation due to the inability to manage stakeholders' perception. This focusses on residential and commercial stakeholders who either live in, operate a business or use the Town's facilities.				
Current Actions		Due Date	Responsibility	
Adopt a Communication Plan		Completed	CEO	
Refresh staff awareness of Community Engagement Plan & Corporate Branding Framework		Ongoing	PC	
Investigate the facilitation of community information sessions		Ongoing	Exec Managers	
Review and implement appropriate outcomes from the Technical Levels of Service Review		Jun-21	Operations Manager	
Configure service types within the Customer Service Module		Ongoing	TLCS	



Waste Recycling (Sustainability Officer)			Oct-20
<b>Risk Description</b>			
Inability to meet State Government recycling rates.			
<b>Causal Factors</b>		<b>Potential Outcomes</b>	
<ul style="list-style-type: none"> <li>Reduced member Councils involved in SMRC</li> <li>Lifecycle of SMRC – status quo</li> <li>Effects on contractor due to China's change in recyclables acceptance criteria</li> <li>Economic conditions</li> <li>Political influences from partnering councils</li> <li>Divestment of SMRC site</li> <li></li> </ul>		<ul style="list-style-type: none"> <li>Increased costs / liability (SMRC liability)</li> <li>Requirement to change contracts</li> <li>Opportunities to create regional / state approaches</li> <li>Inadequate time to develop and implement appropriate solution.</li> <li>Increase to landfill</li> <li></li> </ul>	
<b>Inherent Risk</b>	<b>Consequence</b> Major	<b>Likelihood</b> Likely	<b>High</b>
<b>Time Factor</b>		<b>&lt; 3 yrs</b>	
<b>Ability to Influence</b>		<b>High</b>	
<b>Key Controls</b>	<b>Type</b>	<b>Date</b>	<b>Control Operating Effectiveness</b>
Regional Waste Strategy	Preventative	Apr-19	Adequate
SMRC Establishment Agreement & PPA's	Prevent / Detect	Apr-19	Effective
Suez Waste Collection Contract	Prevent / Detect	Apr-19	Effective
SMRC Transition Plan	Preventative	Apr-19	Adequate
<b>Overall Control Effectiveness</b>			<b>Adequate</b>
<b>Residual Risk</b>	<b>Consequence</b> Moderate	<b>Likelihood</b> Possible	<b>Moderate</b>
<b>Actions / Treatments</b>		<b>Due Date</b>	<b>Responsibility</b>
Prepare FOGO Project Plan		Complete	Project Officer
Ensure SMRC are meeting residual targets ie State Waste Strategy 67% by 2025		Ongoing	Sustainability Officer
Council to resolve on Waste Energy Contract ie SMRC Melville		Dec-20	CEO
<b>Comments / Justifications</b>			
<b>Inherent Risk</b>			
The major consequence relates to Council's views and approach to recycling in general; any move away from being able to fulfil these targets would be considered a major impact on the Council's reputation. With no controls in place it would be likely to occur. Whilst the Town considered it has high confidence in being able to mitigate this risk, the effects would be felt - or the risk would materialise - within a 3 year period even with controls in place.			
<b>Controls</b>			
These consist of existing contractual arrangements with the SMRC and Suez (Collection) in addition to forward-looking strategies designed to ensure sustainable recycling and other waste management activities into the future. Contractual agreements are considered effective due to historical conduct and ongoing management oversight. The other controls are rated adequate due to their aspirational nature.			
<b>Residual Risk</b>			
The current controls have the effect of reducing both the consequence and likelihood resulting in a Moderate risk to the Town			
<b>Sign-Off</b>			
Executive Managers 15th April 2019			

East Fremantle Oval Precinct Project (CEO)			Oct-20
<b>Risk Description</b>			
Inability to deliver the redevelopment of East Fremantle Oval Precinct project within an acceptable timeframe, within budget and meeting community expectations.			
<b>Causal Factors</b>		<b>Potential Outcomes</b>	
<ul style="list-style-type: none"> <li>Inability to understand community expectations</li> <li>Diversity of community views</li> <li>Financial constraints (funding options)</li> <li>Lack of cooperation from the EFFC (e.g. lease arrangements)</li> <li>EFFC inability to obtain share of funding</li> <li>Non identification of environmental considerations (e.g. contaminations)</li> <li>Demolition phase not managed appropriately</li> <li>Noise / Dust management</li> <li>Failure of traffic control</li> <li>Poor project management</li> <li>Poor design specifications</li> <li>Disruption from other existing clubs</li> <li>Council pressures to expedite process</li> <li>Lack of community support for residential development as a funding option</li> <li>State Government agreement</li> </ul>		<ul style="list-style-type: none"> <li>Existing infrastructure fails prior to redevelopment</li> <li>Close down oval prior to redevelopment</li> <li>Failure of budget management</li> <li>Potential for legal challenge for damage to residential areas / contamination</li> <li>Community dissatisfaction</li> <li>Cost blowouts</li> <li>Increase in rates / borrowings</li> </ul>	
<b>Inherent Risk</b>		<b>Consequence</b> Catastrophic	<b>Likelihood</b> Almost Certain
		<b>Time Factor</b>	< 5 yrs
		<b>Ability to Influence</b>	High
<b>Key Controls</b>		<b>Type</b>	<b>Date</b>
Community Consultation Process		Preventative	
Long Term Financial Planning		Preventative	
Council support through SCP		Preventative	
Contract Management (development clauses in existing leases)		Preventative	
		<b>Overall Control Effectiveness</b>	Adequate
<b>Residual Risk</b>		<b>Consequence</b> Catastrophic	<b>Likelihood</b> Possible
			High
<b>Actions / Treatments</b>		<b>Due Date</b>	<b>Responsibility</b>
Finalise community consultation process & plan endorsement		May-19	CEO
Develop an overarching business plan		Complete	Exec Managers
Start lobbying for potential funding options - Check point		Dec-20	CEO
Finalise schematic design and cost estimate within Project budget		Nov-20	CEO
Department Approval		Jun-21	CEO
<b>Comments / Justifications</b>			
<b>Inherent Risk</b>			
At this stage this risk is classed as strategic due to the project being in the early concept stages. It is also considered a strategic project due to the opportunities it provides and the potential impacts if it fails. The rating is based on the Almost Certain consequences of an Extreme rating for Financial and Service Interruption impacts. Reputation was considered as Major, with the potential to move into Extreme. This is a long term project, expected to take circa 15+ years. In addition, based on the time factor, the Town has a High ability to influence this risk.			
<b>Controls</b>			
As the project is still in the early stages, the current controls are considered preventative in nature and revolve around consultation and longer term financial planning. Council support is in place for this project and it was noted that the existing lease arrangements for current tenants have either expired or contain redevelopment clauses.			
These controls will change as the project progresses, and are expected to include detective controls.			
At this stage, the controls are deemed adequate for risk.			
<b>Residual Risk</b>			
The controls have the effect of reducing the likelihood only. Foreseeable consequences remain the same due to the size and impact of the potential project.			
Whilst this is still a high risk, it is acceptable due to the time frames involved and the current status of the project.			
<b>Sign-Off</b>			
Executive Managers 5th February 2019.			

Strategic Planning (EMRS)			Oct-20
<b>Risk Description</b>			
Inadequate or failed strategic development activity.			
<b>Causal Factors</b>		<b>Potential Outcomes</b>	
<ul style="list-style-type: none"> <li>Community reaction to development activity</li> <li>Elected members differing interests</li> <li>State Gov't views differ from Towns (MRS)</li> <li>State Gov't doesn't accept Local Planning Scheme</li> <li>Lack of Capital Funds</li> <li>Inaccurate cost benefit analysis</li> <li>Regulatory burdens on business operations</li> <li></li> </ul>		<ul style="list-style-type: none"> <li>Development activity stalled, delayed or ceases</li> <li>WAPC / Minister force unwanted planning schemes</li> <li>Inability to realise upon benefits from projects (e.g.. Leeuwin Barracks)</li> <li>Community dissatisfaction</li> <li>Loss of potential income</li> <li>Failure to meet population density targets</li> <li>Lack of business development (retail, commercial)</li> <li>Specific communities not provided with adequate infrastructure</li> <li>Litigation</li> <li></li> </ul>	
<b>Inherent Risk</b>	<b>Consequence</b>	<b>Likelihood</b>	<b>Extreme</b>
	Catastrophic	Almost Certain	
<b>Time Factor</b>		< 3 yrs	
<b>Ability to Influence</b>		High	
<b>Key Controls</b>	<b>Type</b>	<b>Date</b>	<b>Control Operating Effectiveness</b>
Town Planning Scheme #3	Preventative	Apr-19	Adequate
Leeuwin Barracks Vision Plan	Preventative	Apr-19	Adequate
Local Planning Policies	Preventative	Apr-19	Adequate
Integrated Planning Framework	Prevent / Detect	Apr-19	Adequate
<b>Overall Control Effectiveness</b>			<b>Adequate</b>
<b>Residual Risk</b>	<b>Consequence</b>	<b>Likelihood</b>	<b>Moderate</b>
	Moderate	Possible	
<b>Actions / Treatments</b>		<b>Due Date</b>	<b>Responsibility</b>
Finalise Local Planning Strategy		Mar-21	EMRS
Review Local Planning Scheme		Jul-21	EMRS
Public Engagement		Ongoing	EMRS
Leeuwin Barracks		Feb-March-21	EMRS
<b>Comments / Justifications</b>			
<p><b>Inherent Risk</b> Consequential impacts include:</p> <ol style="list-style-type: none"> <li>Financial / Compliance - potential for legal costs or loss of income where potential growth opportunities become lost.</li> <li>Reputation - Division with Council or contrary views with State Gov't / Developers could see wide-spread negative media.</li> </ol> <p>As 'planning issues' appear to be more prevalent, the likelihood is considered almost certain without the benefit of controls. Timing factors were rated as within 3 years although this factor would be outside the control of the Town as it would be externally driven. The Town does however have high confidence in its ability to mitigate these risks through their Local Planning Framework.</p>			
<p><b>Controls</b> All controls are considered adequate, with the 'working' components of the Local Planning Scheme currently under review. The Town is also proactive in this area working with specific groups to ensure that potential developments (e.g. Leeuwin Barracks) will be accommodated within the planning framework to the benefit of the Town as the opportunity arises. This is supported through the integrated planning framework and specifically the stakeholder / community engagement components.</p>			
<p><b>Residual Risk</b> Both the consequence and likelihood have been reduced through the effectiveness of the current controls to provide a residual risk rating of Moderate.</p>			
<p><b>Sign-Off</b> Executive Managers 15th April 2019</p>			

Inadequate provision of facilities or services (Ems)			Oct-20
<b>Risk Description</b>			
Inability to continually provide and adapt services to meet community needs			
<b>Causal Factors</b>		<b>Potential Outcomes</b>	
<ul style="list-style-type: none"> <li>• Aging population</li> <li>• Changing demographics</li> <li>• Population infill</li> <li>• Inadequate strategic planning</li> <li>• Inadequate consultation</li> <li>• Financial conditions</li> <li>• Diversity of community requirements</li> <li>• Cost shifting</li> <li>• Loss of funding opportunities (timeframes)</li> <li>•</li> </ul>		<ul style="list-style-type: none"> <li>• Underutilised facilities or services</li> <li>• Overwhelmed facilities or services</li> <li>• Increased costs</li> <li>• Community dissatisfaction</li> <li>• Degradation of assets</li> <li>• Duplication of facilities / services</li> <li>•</li> </ul>	
<b>Inherent Risk</b>	<b>Consequence</b> Catastrophic	<b>Likelihood</b> Likely	<b>Extreme</b>
<b>Time Factor</b>		< 3 yrs	
<b>Ability to Influence</b>		High	
<b>Key Controls</b>	<b>Type</b>	<b>Date</b>	<b>Control Operating Effectiveness</b>
Integrated Planning Framework	Prevent / Detect	Apr-19	Adequate
Community Perceptions Survey Process	Detective	Apr-19	Adequate
Local Planning Strategy	Preventative	Apr-19	Adequate
<b>Overall Control Effectiveness</b>			<b>Adequate</b>
<b>Residual Risk</b>	<b>Consequence</b> Moderate	<b>Likelihood</b> Unlikely	<b>Moderate</b>
<b>Actions / Treatments</b>		<b>Due Date</b>	<b>Responsibility</b>
Completion of Local Planning Strategy review		Jul-19	EMRS
Develop an overarching business plan (EFOP)		Jun-20	Exec Managers
Strategic Community Plan/Strategic Resource Plan		Dec-20	CCE
<b>Comments / Justifications</b>			
<p><b>Inherent Risk</b> Without controlling this risk, catastrophic consequences across financial and reputational areas would likely occur within a 3 year period. The Town does however, have a high ability to mitigate this risk through operational and strategic based activities.</p>			
<p><b>Controls</b> All controls were considered adequate. As this risk is being considered from a more strategic perspective, the operational controls such as asset maintenance programs were not considered / included. The strategic-based controls are to ensure that future needs are being captured, understood and implemented into longer- term planning. These are also being supported through the regular perception surveys being undertaken with relevant feedback incorporated into the integrated planning framework.</p>			
<p><b>Residual Risk</b> Both the consequence and likelihood have been reduced through the effectiveness of the current controls to provide a residual risk rating of Moderate.</p>			
<p><b>Sign-Off</b> Executive Managers 15th April 2019</p>			

Stakeholder Engagement (Reputation) (CCE/CMO/TLCS)			Oct-20
<b>Risk Description</b>			
Loss of the Town's reputation due to the inability to manage stakeholders' perception. This focusses on residential and commercial stakeholders who either live in, operate a business or use the Town's facilities.			
<b>Causal Factors</b>		<b>Potential Outcomes</b>	
<ul style="list-style-type: none"> <li>Inadequate consultation processes</li> <li>Delays in operational delivery</li> <li>Over engagement</li> <li>Not meeting community expectations</li> <li>Poor customer service</li> <li>Mismanagement of large projects (excluding EFOP)</li> </ul>		<ul style="list-style-type: none"> <li>Social media "outrage"</li> <li>Councillor involvement in administration</li> <li>Poor planning outcomes</li> <li>Asset serviceability</li> <li>Single issue councillors for next election</li> </ul>	
<b>Inherent Risk</b>		<b>Consequence</b> Moderate	<b>Likelihood</b> Almost Certain
		<b>Time Factor</b>	< 1 yr
		<b>Ability to Influence</b>	High
<b>Key Controls</b>		<b>Type</b>	<b>Date</b>
Community Engagement Plan		Preventative	Feb-19
Community Perceptions Survey Process		Detective	Feb-19
Business Networking Sessions		Prevent / Detective	Feb-19
Council Briefing Sessions		Prevent / Detective	Feb-19
Community Development Function		Prevent / Detective	Feb-19
Corporate / Brand Framework		Preventative	Feb-19
CSR Monitoring & Reporting		Prevent / Detective	Feb-19
		<b>Control Operating Effectiveness</b>	Inadequate
<b>Residual Risk</b>		<b>Consequence</b> Moderate	<b>Likelihood</b> Likely
			High
<b>Actions / Treatments</b>		<b>Due Date</b>	<b>Responsibility</b>
Adopt a Communication Plan		Completed	CEO
Refresh staff awareness of Community Engagement Plan & Corporate Branding Framework		Ongoing	PC
Investigate the facilitation of community information sessions		Ongoing	Exec Managers
Review and implement appropriate outcomes from the Technical Levels of Service Review		Jun-21	Operations Manager
Configure service types within the Customer Service Module		Ongoing	TLCS
<b>Comments / Justifications</b>			
<b>Inherent Risk</b>			
The consequence of this risk focusses on reputation; without the benefit of controls the likelihood would be Almost Certain however the impact was considered restricted to the local community or a Moderate news item. Whilst the potential for increased consequences exist, there would need to be a subsequent reduction in likelihood. From a time perspective, the risk is ever-present, however would be more likely to manifest through Council elections. There is however a high ability to influence this risk through proactive approaches.			
<b>Controls</b>			
A good combination of preventative and detective controls exist. The issue was more in the application of processes or frameworks as opposed to their specific design. This has resulted in the overall 'Inadequate rating'. These are being addressed through specific actions to reinforce existing processes and to consider alternative / additional actions through recent reviews.			
<b>Residual Risk</b>			
Whilst the current controls are rated inadequate, they have limited effect on the residual risk rating. The consequence level remains, however the likelihood has reduced. The risk has reduced, although due to the limited change, it still remains within the High rating band.			
<b>Sign-Off</b>			
Executive Managers 5th February 2019.			

Spare Profile		Jan-19	
<b>Risk Description</b>			
<i>Causal Factors</i>	<i>Potential Outcomes</i>		
<ul style="list-style-type: none"> <li></li> <li></li> <li></li> <li></li> <li></li> <li></li> <li></li> <li></li> <li></li> <li></li> <li></li> <li></li> <li></li> </ul>	<ul style="list-style-type: none"> <li></li> <li></li> <li></li> <li></li> <li></li> <li></li> <li></li> <li></li> <li></li> <li></li> <li></li> <li></li> <li></li> </ul>		
Inherent Risk	Consequence	Likelihood	#N/A
<i>Time Factor</i>			
<i>Ability to Influence</i>			
Key Controls	Type	Date	Control Operating Effectiveness
<i>Overall Control Effectiveness</i>			
Residual Risk	Consequence	Likelihood	#N/A
Actions / Treatments	Due Date	Responsibility	
<b>Comments / Justifications</b>			
<u>Inherent Risk</u>			
<u>Controls</u>			
<u>Residual Risk</u>			
<u>Sign-Off</u>			

#### 10.4 Annual Financial Report Audit – Planning Summary

<b>File ref</b>	F/AUD1
<b>Prepared by</b>	Peter Kocian, Executive Manager Corporate Services
<b>Supervised by</b>	Gary Tuffin, Chief Executive Officer
<b>Meeting Date:</b>	4 November 2020
<b>Voting requirements</b>	Simple Majority
<b>Documents tabled</b>	Nil
<b>Attachments</b>	1. Annual Financial Report Audit – Planning Summary

#### Purpose

The purpose of this report is for the Audit Committee to receive the Annual Financial Report Audit – Planning Summary.

#### Executive Summary

Pursuant to the Local Government (Audit) Regulations 1996, the Auditors Report is to be forwarded within 30 days of completing the audit, and under section 7.9 (1) of the *Local Government Act 1995* the audit report is to be provided by the 31 December.

As per the proposed audit schedule contained on page 11 of the attached Annual Financial Report Audit – Planning Summary, the Auditors Report is intended to be issued the 11 December.

#### Background

Section 6.4 of the *Local Government Act 1995* requires local governments to prepare an annual financial report for the preceding financial year. The financial report is to be prepared and presented in the manner and form prescribed in the *Local Government (Financial Management) Regulations 1996*. Local Governments are required to submit the annual financial report to its auditor by the 30 September.

The following table outlines the proposed audit planning schedule for the Annual Financial Report:

Final Trial Balance	12 October
Receipt of Annual Financial Report	12 October
Final Audit	26 October – 20 November
Exit Meeting (week ending)	4 December
Receipt of Signed Financial Statements and Management Representation Letter	7 December
Issue of Auditor's Report	By 11 December

#### Consultation

Chief Executive Officer

#### Statutory Environment

Part 7 of the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996* applies to audit in local government.

### Policy Implications

The Department of Local Government has published Operational Guideline No. 9 Audit in Local Government that covers the appointment, functions and responsibilities of Audit Committees.

### Financial Implications

There are no financial implications associated with this item.

### Risk Implications

Risk	Risk Likelihood (based on history & with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
That the Auditor's Report is not received by the 31 December.	Possible (3)	Moderate (3)	Moderate (5-9)	Compliance	Control through Audit Committee monitoring of audit plan

### Risk Matrix

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

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives; occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating is provided below. Any items with a risk rating over 16 will be added to the Risk Register, and any item with a risk rating over 16 will require a specific risk treatment plan to be developed.

<b>Risk Rating</b>	9
<b>Does this item need to be added to the Town's Risk Register</b>	No
<b>Is a Risk Treatment Plan Required</b>	No

### Strategic Implications

Strategic Priority 5 – Leadership and Governance

5.1 Strengthen organisational accountability and transparency

5.3 Strive for excellence in leadership and governance



### Comment

The final audit field work has commenced. Given that the Auditors Report is planned to be issued on the 11 December, a Special Meeting of the Audit Committee will be required in January 2021 to receive the audited Annual Financial Report for the year ended 30 June 2020. This will then enable the preparation of the 2019/20 Annual Report which will be submitted to the February 2021 Ordinary Meeting of Council.

There are also some foreshadowed changes to the *Local Government (Financial Management) Regulations 1996* which may impinge audit timelines, as they are to be applied retrospectively to the accounts as at 30 June 2020. The *Local Government (Financial Management) Amendment Regulations 2020* was going to be tabled at the Executive Council on 20 October 2020 with the aim for it be gazetted on 23 October 2020. This did not occur. Local Government Professionals has advised that the next Executive Council meeting is 3 November 2020. The Parliamentary Counsel's Office now handles publishing in the Government Gazette; therefore, it is expected publication in the Gazette to be Friday 6 November 2020 or Tuesday 10 November 2020, assuming it is approved at the Executive Council Meeting. It is our understanding that the Office of Auditor General is not signing off audits until the amendments are gazetted.

#### 10.4 OFFICER RECOMMENDATION

That the Audit Committee recommend that Council:

1. Receive the Annual Financial Report Audit – Planning Summary.
2. Note that Auditors Report is planned to be issued on the 11 December 2020, meaning that a special meeting of the Audit Committee/Council may be required in January 2021 to receive the Annual Financial Report inclusive of the Auditor's report, and to meet with the Auditor to discuss audit findings.

Office of the Auditor General  
Western Australia

# Annual Financial Report Audit - Planning Summary

Town of East Fremantle

Year ending 30 June 2020

22 June 2020



# 1. The Planning Summary

This Summary of our Audit Plan explains our approach to the audit of the annual financial report.

In particular, this Summary includes:

- Introduction
- Our Audit Approach
- Significant Risks and Other Audit Issues
- Audit Emphasis and Significant Account Balances
- Internal Audit
- Management Representation Letter
- Related Entities
- Reporting Protocols
- Proposed Audit Schedule
- Audit Evidence – Specific Audit Requirements
- Audit Fee
- Your Audit Team
- Other Audit Activities

If there are any matters in the Summary that you would like clarified, please do not hesitate to contact us.

There may be areas where you would like us to increase the audit focus. We would be pleased to discuss these to determine the most efficient and effective approach to performing this work.

## 2. Introduction

The annual financial statement audit of your local government is one of 132 that the Auditor General will perform for 2019-20.

Our audit approach is designed to specifically focus audit attention on the key areas of risk you face in reporting on your finances and performance.

It is important to note that:

- Under the *Local Government Act 1995* and associated regulations, the Council and the CEO are responsible for keeping proper accounts and records, maintaining effective internal controls, preparing the annual financial report, and complying with the Local Government Act and Regulations, and other legislative requirements.
- An audit does not guarantee that every amount and disclosure in the annual financial report is error free. Also, an audit does not examine all evidence and every transaction. However, our audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the annual financial report.
- The Council and CEO are responsible for ensuring the accuracy and fair presentation of all information in its annual report, and that it is consistent with the audited annual financial report. We do not provide assurance over your annual report.
- Under the *Local Government Act 1995* and associated regulations, the Council and the CEO have responsibility for maintaining internal controls that prevent or detect fraud or error and to ensure regulatory compliance. The Audit Committee and the Auditor General should be informed by management of any fraud or material errors. During the audit we will make inquiries with management about their process for identifying and responding to the risks of fraud, including management override. It should be noted that our audit is not designed to detect fraud, however should instances of fraud come to our attention, we will report them to you.

Our audit is conducted in accordance with Australian Auditing Standards. Our aim is to provide reasonable assurance whether the annual financial report is free of material misstatement, whether due to fraud or error. We perform audit procedures to assess whether, in all material respects, the annual financial report is presented fairly in accordance with the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996* and Australian Accounting Standards.

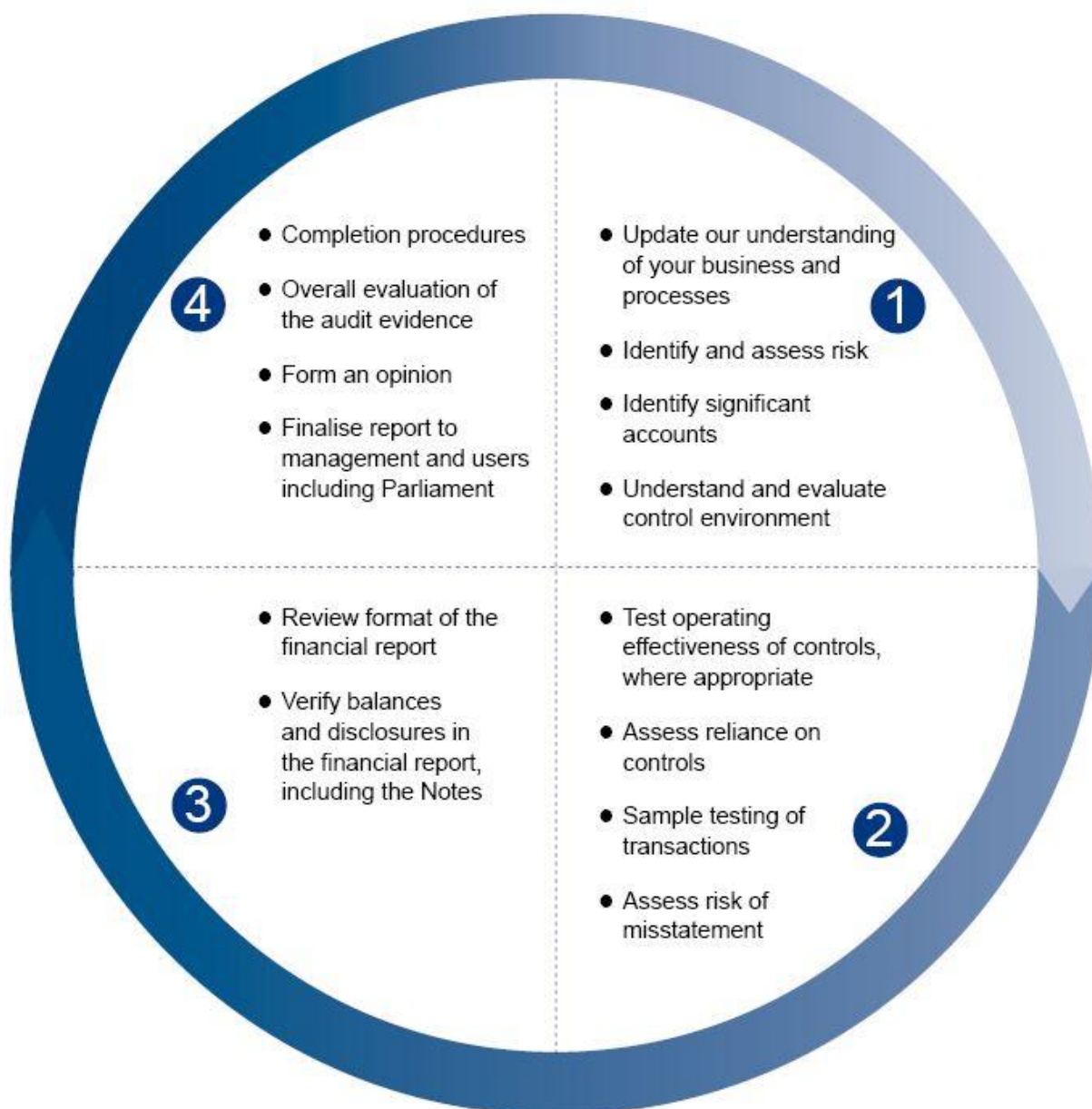
The nature of the audit is influenced by factors such as:

- the use of professional judgement
- selective testing
- the inherent limitations of internal controls
- the availability of persuasive rather than conclusive evidence.

As a result, an audit cannot guarantee that all material misstatements will be detected. We examine, on a test basis, information to provide evidence supporting the amounts and disclosures in the annual financial report, and assess the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by management.

### 3. Our Audit Approach

Our audit approach comprises four steps:



## 4. Significant Risks and Other Audit Issues

Through discussions with your staff and our prior knowledge of your operations, we have identified the following issues and key areas of risk affecting the audit.

Details of Risk / Issue	Audit Approach
COVID-19	<p>We will work with your management to minimise the risk for your staff and councillors, our staff, and to your operations, while completing audits in the best timeframe possible under the circumstances.</p> <p>This will likely involve more audit work being performed remotely rather than at your premises, and/or delaying audit work as and when unforeseen circumstances arise.</p> <p>We have existing processes for auditing remotely, and consider these adequate for the COVID-19 circumstances. However we are ready to discuss your needs, provided they do not restrict the scope of our audit.</p> <p>In this online working environment, we take the following precautions:</p> <ul style="list-style-type: none"> <li>• our portal through which entities transfer audit related information, has separate secure folders accessible only by the relevant entity.</li> <li>• As always, information from entities is stored and reviewed in our secure IPSAM audit software.</li> <li>• Our laptops are password protected at the BIOS, hardware and Operating System level, and the hard drives are encrypted and cannot be accessed if removed.</li> <li>• We have commenced using Microsoft Teams for meetings and for some audit discussions.</li> <li>• We take precautions to ensure that entity staff and our staff are not deceived by outside parties into divulging information. We welcome discussion of any specific requirements you may have in this regard.</li> </ul>
<p>Audit findings reported in the previous audit</p> <ul style="list-style-type: none"> <li>• <b>Financial:</b> <ul style="list-style-type: none"> <li>- 3 significant</li> <li>- 1 moderate</li> <li>- 4 minor</li> </ul> </li> <li>• <b>Information Systems:</b></li> </ul>	<p>We will follow up these issues to assess the extent of action taken.</p>

Details of Risk / Issue	Audit Approach
<p>- 12 moderate</p> <p>Key changes to accounting standards that impact your entity for the first time this year:</p> <ul style="list-style-type: none"> <li>• <u>AASB 15 Revenue from Contracts with Customers</u> New requirements for recognising revenue i.e. when performance obligations are satisfied. Critical elements that need to be satisfied: <ul style="list-style-type: none"> <li>- Agreement between parties must create 'enforceable' rights and obligations</li> <li>- Entity's promise to transfer goods or services needs to be 'sufficiently specific' to be able to determine when the obligation is satisfied.</li> </ul> </li> <li>• <u>AASB 1058 Income of Not-for-Profit Entities</u> Applies to transactions of not-for-profit entities where the consideration to acquire an asset is significantly less than fair value principally to enable the entity to further its objectives. Whether income is recognised and its timing will depend on whether a transaction gives rise to a performance obligation, liability or contribution by owners. Transactions include those where an entity acquires or receives an asset in exchange for no consideration (i.e. cash grants, taxes and rates).</li> <li>• <u>AASB 16 Leases</u> For lessees the distinction between operating leases and finance leases has been removed and requires all leases (except short term leases and leases of low-value) to be recognised as lease assets and lease liabilities on the balance sheet. This will result in the grossing up of the balance sheet and higher expenses in the early years of the lease term. Lessor accounting remains similar to current practice (i.e. lessors continue to distinguish between operating leases and finance leases).</li> </ul>	<p>We will review management's assessment of the impact of the new standards, determine whether, to the extent necessary, your entity has applied the standards correctly, and ensure the annual financial report complies with the revised requirements of each standard.</p>
<p>New payroll system (AITUS) implemented that impacts for the first time this year</p>	<p>We will review data and other evidence to confirm that balances have been completely and accurately transferred from the old to the new system and that the CEO has formally accepted the data conversion and approved "go-live" for the new system.</p> <p>We will also audit the controls relating to the new system to determine the extent to which audit reliance can be placed on those new controls.</p>
<p>The following annual financial report items are derived from accounting estimates and hence will receive specific audit attention:</p> <ul style="list-style-type: none"> <li>• Provision for annual and long service leave</li> <li>• Useful life of property, plant and equipment and infrastructure</li> </ul>	<p>We will review the method and underlying data that management and where applicable third parties use when determining critical accounting estimates. This will include considering the reasonableness of assumptions and corroborating representations.</p>

Details of Risk / Issue	Audit Approach
<ul style="list-style-type: none"> <li>• Fair value of assets</li> <li>• Impairment of assets</li> </ul>	
Regulation amendments to funding, procurement and long service leave as a result of the <i>Local Government Amendment (COVID-19 Response) Act 2020</i>	We will review any relevant changes to the Town's policies and procedures to verify if the required process was followed prior to these amendments being implemented.
Important changes in management or the control environment	We will review any relevant changes to management roles and related delegations, to confirm that no temporary or ongoing control gaps have occurred.

## 5. Audit Emphasis and Significant Account Balances

Our audit approach involves an assessment of your overall control environment and internal financial controls over individual key business cycles.

We have initially assessed the controls as conducive to reliable processing of financial and performance information and effective internal control.

Our audit methodology provides for business cycle controls to be tested on a rotation basis over a period of three years.

The extent of our reliance on controls, together with the materiality level, determines the nature and extent of our audit procedures to verify individual account balances.

This year, we will test controls on the following business cycle:

- Payroll
- Expenditure
- General ledger

The controls for the following business cycles will be reconfirmed, as we understand that there have been no significant changes since they were last tested:

- Revenue
- Cash and Financing
- Property, Plant, Equipment and Infrastructure

Our audit will be split into two components, the interim audit and the final audit.

The interim audit includes:

- understanding your current business practices
- understanding the control environment and evaluating the design and implementation of key controls and, where appropriate, whether they are operating effectively



- testing transactions to confirm the accuracy and completeness of processing accounting transactions
- clarifying significant accounting issues before the annual financial report is prepared for audit.

The final audit focuses on verifying the annual financial report and associated notes, and includes:

- verifying material account balances using a combination of substantive analytical procedures, tests of details, substantiation to subsidiary records and confirmation with external parties
- reviewing the annual financial report and notes for compliance with the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996* and Australian Accounting Standards.

The table below lists those items in the Statement of Financial Position and the Statement of Comprehensive Income that are significant account balances and transactions, and our planned audit approach for these balances. When selecting significant account balances, we consider materiality, the nature of the balance, inherent risk and the sensitivity of disclosures.

Significant Account	Audit Approach
Statement of Financial Position	
Cash and cash equivalents	<ul style="list-style-type: none"> <li>• Review of key processes/controls</li> <li>• Test reconciliations</li> <li>• Verify year-end balance through bank confirmations</li> <li>• Substantive analytical review</li> </ul>
Trade and other receivables	<ul style="list-style-type: none"> <li>• Review of key processes/controls</li> <li>• Review subsequent receipts</li> <li>• Review allowance for impairment</li> <li>• Substantive analytical review</li> </ul>
Property, plant and equipment and infrastructure	<ul style="list-style-type: none"> <li>• Review of key processes/controls</li> <li>• Test reconciliations</li> <li>• Verify asset additions and disposals</li> <li>• Assess recoverable amount for impairment</li> <li>• Test items posted to work in progress to assess appropriateness of expenses being capitalised</li> <li>• Where relevant, confirm balances to independent valuation reports</li> <li>• Review of management's assessment of useful lives and assess reasonableness</li> </ul>
Trade and other payables	<ul style="list-style-type: none"> <li>• Review of key processes/controls</li> <li>• Test for unrecorded liabilities</li> <li>• Substantive analytical review</li> </ul>
Borrowings	<ul style="list-style-type: none"> <li>• Agree amounts to WATC confirmation</li> </ul>
Employee related provisions	<ul style="list-style-type: none"> <li>• Review of key processes/controls</li> <li>• Review employee benefits calculation</li> </ul>

Significant Account	Audit Approach
	<ul style="list-style-type: none"> <li>Assess actuary's/management's assumptions</li> <li>Substantive analytical review</li> </ul>
Statement of Comprehensive Income	
Rates	<ul style="list-style-type: none"> <li>Review of key processes/controls</li> <li>Sample testing of transactions</li> <li>Year-end cut off testing</li> <li>Substantive analytical review</li> </ul>
Fees and charges	<ul style="list-style-type: none"> <li>Review of key processes/controls</li> <li>Sample testing of transactions</li> <li>Year-end cut off testing</li> <li>Substantive analytical review</li> </ul>
Grants, subsidies and contributions	<ul style="list-style-type: none"> <li>Review of key processes/controls</li> <li>Sample testing of transactions</li> <li>Agree amounts to confirmations</li> <li>Substantive analytical review</li> </ul>
Employee costs	<ul style="list-style-type: none"> <li>Review and assess the operating effectiveness of controls</li> <li>Sample testing of transactions</li> <li>Substantive analytical review</li> </ul>
Materials and contracts	<ul style="list-style-type: none"> <li>Review and assess the operating effectiveness of controls</li> <li>Sample testing of transactions</li> <li>Substantive analytical review</li> </ul>
Depreciation	<ul style="list-style-type: none"> <li>Review of management's assessment of the useful lives of assets and assess reasonableness</li> <li>Substantive analytical review</li> </ul>
Utility charges Other expenditure Insurance expenses	<ul style="list-style-type: none"> <li>Review and assess the operating effectiveness of controls</li> <li>Sample testing of transactions</li> <li>Substantive analytical review</li> </ul>

## 6. Internal Audit

We seek to rely on internal audit work to reduce our own audit work wherever possible. This avoids duplication of audit effort and the associated workload on your operational and administrative staff.

The amount of reliance we place on internal audit depends on the period covered by the internal audit work, and the degree of alignment between our planned controls testing and the testing carried out by internal audit. It is also dependent on the quality of the internal audit function.

## 7. Management Representation Letter

The above audit procedures assume that management expects to be in a position to sign a management representation letter. The proposed letter for this purpose is attached. This letter should be reviewed and tailored to meet your local government's particular circumstances, and be signed and dated by the CEO and Director Corporate Services as close as practicable to the date of the proposed auditor's report. Ordinarily, this would be no longer than five working days prior to the issue of the auditor's report.

Please bring to the attention of the Mayor that we will also be relying on the signed Statement by CEO in the annual financial report as evidence that they confirm:

- they have fulfilled their responsibility for the preparation of the annual financial report in accordance with the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996* and Australian Accounting Standards
- they have provided us with all relevant information necessary or requested for the purpose of the audit
- all transactions have been recorded and are reflected in the annual financial report.

## 8. Related Entities

Section 7.12AL of the *Local Government Act 1995* applies section 17 of the *Auditor General Act 2006* to a local government. Section 17 requires a local government to advise the Auditor General in writing of details of all related entities that are in existence.

## 9. Reporting Protocols

Significant issues identified during the course of the audit will be discussed with relevant staff and management as soon as possible after being identified. Draft management letters will be provided to your Director Corporate Services (or other nominated representative) for coordination of comments from appropriate members of your management. We request that these be returned quickly, preferably within 10 working days.

At the conclusion of the audit, the abovementioned management letter will accompany the auditor's report and the audited annual financial report forwarded to the Mayor, the CEO and the Minister for Local Government. The management letter is intended to communicate issues arising from the audit that may impact on internal control, compliance, and financial reporting.

Where considered appropriate, and to ensure timely reporting of audit findings and action by management, interim management letters may be issued to the CEO.

On conclusion of the audit we propose to discuss the audit outcomes with the audit committee, CEO and Councillors.

Thereafter, as required by section 7.12AD(2) of the *Local Government Amendment (Auditing) Act 2017* we will give our auditor's report to the CEO, the Mayor and Minister. We will also give them any management letter issues, including interim management letters.

Specific matters resulting from issues identified during the audit may be reported in an Auditor General's Report to Parliament. Should this occur, you will be consulted in advance to assure the context and facts of the issue are adequately represented.

## 10. Proposed Audit Schedule

	Date
Planning	June
Receipt of Pro-forma Annual Financial Report	By 13 July
Interim Audit	29 June – 10 July
Interim Management Letter	By 3 August
Final Trial Balance	12 October
Receipt of Annual Financial Report	12 October
Final Audit	26 October – 20 November
Exit Meeting (week ending)	4 December
Receipt of Signed Financial Statements and Management Representation Letter	7 December
Issue of Auditor's Report	By 11 December

## 11. Audit Evidence – Specific Audit Requirements

We will discuss our requirements with your staff to facilitate a timely, efficient and effective audit. We will formally agree our information requirements and timeframes for the final audit with your Executive Manager Corporate and Community Service using our Prepared by Client Listing. This Listing is intended to help your staff to have various documents readily available when we perform our audit. Please note however that in several instances, particularly during our audit sampling at the interim visits, audit staff will need to retrieve some evidence themselves, rather than being given the evidence by your staff. This is essential for an independent audit.

## 12. Audit Fee

Our indicative audit fee for this year's audit will be maintained at the same level we set last year. The indicative fee will be re-evaluated in September 2020.

We are constantly searching for ways to improve efficiency and reduce audit costs within the constraints of legislative requirements and auditing standards. However, your entity can also contribute to reducing the cost of your audit. A well prepared financial report, working papers, and internal audit programs that dovetail well with the work we are required to perform are some ways that costs can be contained.

Additional costs requiring a supplementary fee can arise from such things as significant accounting issues, errors in the financial report, breakdowns in internal controls, delays in providing information to audit staff, or your staff being unavailable to discuss issues with the audit team. Where circumstances arise that impact on our audit costs we may need to revise the indicative fee at the completion of the audit.

## 13. Your Audit Team

	Name	Contact
Assistant Auditor General	Don Cunninghame	6557 7526
Director	Aram Madnack	6557 7674 <a href="mailto:Aram.Madnack@audit.wa.gov.au">Aram.Madnack@audit.wa.gov.au</a>
Team Leader	Jeff Sweetman	6557 7500 <a href="mailto:Jeff.Sweetman@audit.wa.gov.au">Jeff.Sweetman@audit.wa.gov.au</a>
Other Audit Staff	Huei Chie Soh Lisa Lilley Georgia West Mitch Irwin Cindy Angelova	6557 7500

Aram Madnack is responsible for the overall quality of the audit. As your primary contact, Aram will communicate progress and any emerging issues to you.

## 14. Other Audit Activities

We are currently performing an audit of:

Audit Program	Proposed Tabling Date
DLGSC's regulation and support of local government (State Government Entities)	Second quarter of 2020
Local government waste management	Second quarter of 2020
Managing unauthorised discharge of minor pollutants (Joint)	Second quarter of 2020
Regulation of consumer food safety (Joint)	Second quarter of 2020
Information Systems Audits – ISO Gap Analysis in Local Government and General Computer Controls	Second quarter of 2020
Better Practice Guide – Public Sector Audit Committees (Joint)	Second quarter of 2020
Grant Administration (State Government Entities)	Third quarter of 2020
Information Systems Audit – Application Reviews (State Government Entities)	Third quarter of 2020
Contracted-out Maintenance (State Government Entities)	Fourth quarter of 2020
Major Projects – Status Reports (State Government Entities)	On hold

The OAG has recently tabled the following reports in Parliament, which are available at [www.audit.wa.gov.au](http://www.audit.wa.gov.au) along with details of other audits we are currently performing. In reporting, we aim to identify good practice and opportunities for improvement. You may therefore wish to review these reports as the recommendations may have relevance to your local government:

Report	Date Tabled
Audit Results Report – Annual 2019 Financial Audits	12 May 2020
Local Government Contract Extensions and Variations, and Ministerial Notice Not Required	4 May 2020
Control of Monies Held for Specific Purposes (State Government Entities)	30 April 2020
Information Systems Audit Report 2020 – State Government Entities	6 April 2020
Controls Over Purchasing Cards	25 March 2020
Audit Results Report – Annual 2018-19 Financial Audits of Local Government Entities	11 March 2020
Fee-setting by the Department of Primary Industries and Regional Development and Western Australia Police Force	4 December 2019
Audit Results Report – Annual 2018-19 Financial Audits of State Government Entities	14 November 2019
Fraud Prevention in Local Government	15 August 2019

Local Government Building Approvals	26 June 2019
Verifying Employee Identity and Credentials	19 June 2019
Engaging Consultants to Provide Strategic Advice	5 June 2019
Information Systems Audit Report	15 May 2019

- 11. MATTERS BEHIND CLOSED DOORS**
- 12. CLOSURE OF MEETING**