



City of Nedlands

# ***Minutes***

## ***Audit and Risk Committee Meeting***

***8 September 2016***

### **ATTENTION**

**These Minutes are subject to confirmation**

This is a committee which has only made recommendations to Council. No action should be taken on any recommendation contained in these Minutes. The council resolution pertaining to an item will be made at the Ordinary Council Meeting next following this meeting.



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**City of Nedlands**

**Minutes of a meeting of the Audit and Risk Committee held in the Council Meeting Room at 71 Stirling Hwy, Nedlands on 8 September 2016 at 5.30pm.**

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**Declaration of Opening**

The Presiding Member declared the meeting open at 5.39pm and drew attention to the disclaimer below.

**Present and Apologies and Leave Of Absence (Previously Approved)**

**Committee Members**

Councillor I S Argyle	(Presiding Member/Dalkeith Ward)
Councillor L McManus	Costal Ward
Mr R Senathirajah	Community Member
Mr P Setchell	Community Member

<b>Staff</b>	Mr G K Trevaskis	Chief Executive Officer
	Mrs L M Driscoll	Director Corporate & Strategy
	Mrs V Jayaraman	Acting Manager Finance
	Mrs S Gibson	Corporate & Strategy Administration Officer

<b>Invited</b>	Mr A Hillbeck	BDO
	Mr R Bronkhorst	BDO

**Public** There were no members of the public present.

**Press** Nil.

<b>Leave of Absence (Previously Approved)</b>	His Worship the Mayor,	R M C Hipkins
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<b>Apologies</b>	Councillor G A R Hay	Melvista Ward
	Mr A Melville	Manager Health & Compliance
	Mr K Eastwood	Community Member

<b>Absent</b>	Councillor B Hodsdon	Hollywood Ward
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## **Disclaimer**

Members of the public who attend Council meetings should not act immediately on anything they hear at the meetings, without first seeking clarification of Council's position. For example by reference to the confirmed Minutes of Council meeting. Members of the public are also advised to wait for written advice from the Council prior to taking action on any matter that they may have before Council.

Any plans or documents in agendas and minutes may be subject to copyright. The express permission of the copyright owner must be obtained before copying any copyright material.

### **1. Public Question Time**

Nil.

### **2. Addresses by Members of the Public (only for items listed on the agenda)**

Nil.

### **3. Disclosures of Financial Interest**

The Presiding Member reminded Councillors and Staff of the requirements of Section 5.65 of the *Local Government Act* to disclose any interest during the meeting when the matter was discussed.

There were no disclosures of financial Interest.

### **4. Disclosures of Interests Affecting Impartiality**

The Presiding Member reminded Councillors and Staff of the requirements of Council's Code of Conduct in accordance with Section 5.103 of the *Local Government Act*.

There were no disclosures affecting impartiality.

### **5. Declarations by Members That They Have Not Given Due Consideration to Papers**

Nil.

**6. Confirmation of Minutes**

**6.1 Audit and Risk Committee Meeting 3 March 2016**

Moved – Councillor McManus  
Seconded – Mr Setchell

**That the minutes of the Audit and Risk Committee held 3 March 2016 be confirmed.**

**CARRIED UNANIMOUSLY 4/-**

**7. Items for Discussion**

Note: Regulation 11(da) of the *Local Government (Administration) Regulations 1996* requires written reasons for each decision made at the meeting that is significantly different from the relevant written recommendation of a committee or an employee as defined in section 5.70, but not a decision to only note the matter or to return the recommendation for further consideration.





## 7.1 BDO – Internal Audit – Purchasing Card and Credit Card Control Self-Assessment

Moved – Councillor McManus  
Seconded – Mr R Senathirajah

### **Audit & Risk Committee Recommendation / Recommendation to Audit & Risk Committee**

**The Audit and Risk Committee receives the Purchasing Card and Credit Card Control Self-Assessment, notes the findings and recommendation of the review and the actions proposed by Administration.**

**CARRIED UNANIMOUSLY 4/-**

### **Background**

BDO Audit (WA) Pty Ltd are the City's appointed internal Auditors.

BDO Audit (WA) Pty Ltd conducted a Purchasing Card and Credit Card Control Self-Assessment.

The following areas were covered as part of the review:

1. Use of Corporate Purchasing Cards and;
2. Use of Corporate Business Cards.

The report identified a number of findings and for each finding a recommendation and management comment is provided.

The Purchasing Card and Credit Card Control Self-Assessment is presented to the Audit and Risk Committee for their information.

### **Attachments**

1. BDO Audit (WA) Pty Ltd – Purchasing Card and Credit Card Control Self-Assessment.



16 August 2016

Mr Greg Trevaskis  
Chief Executive Officer  
City of Nedlands  
71 Stirling Highway  
Nedlands WA 6009

Dear Greg,

**Purchasing Card and Credit Card Control Self-Assessment**

We write to advise you of the completion of our facilitated Control Self-Assessment (CSA) for the City of Nedlands' ("the City") Purchasing Card and Credit Card processes. This review has been conducted in accordance with our agreed Terms of Reference and annual audit plan 2016 / 17. We now enclose our final report which details the findings arising from the CSA.

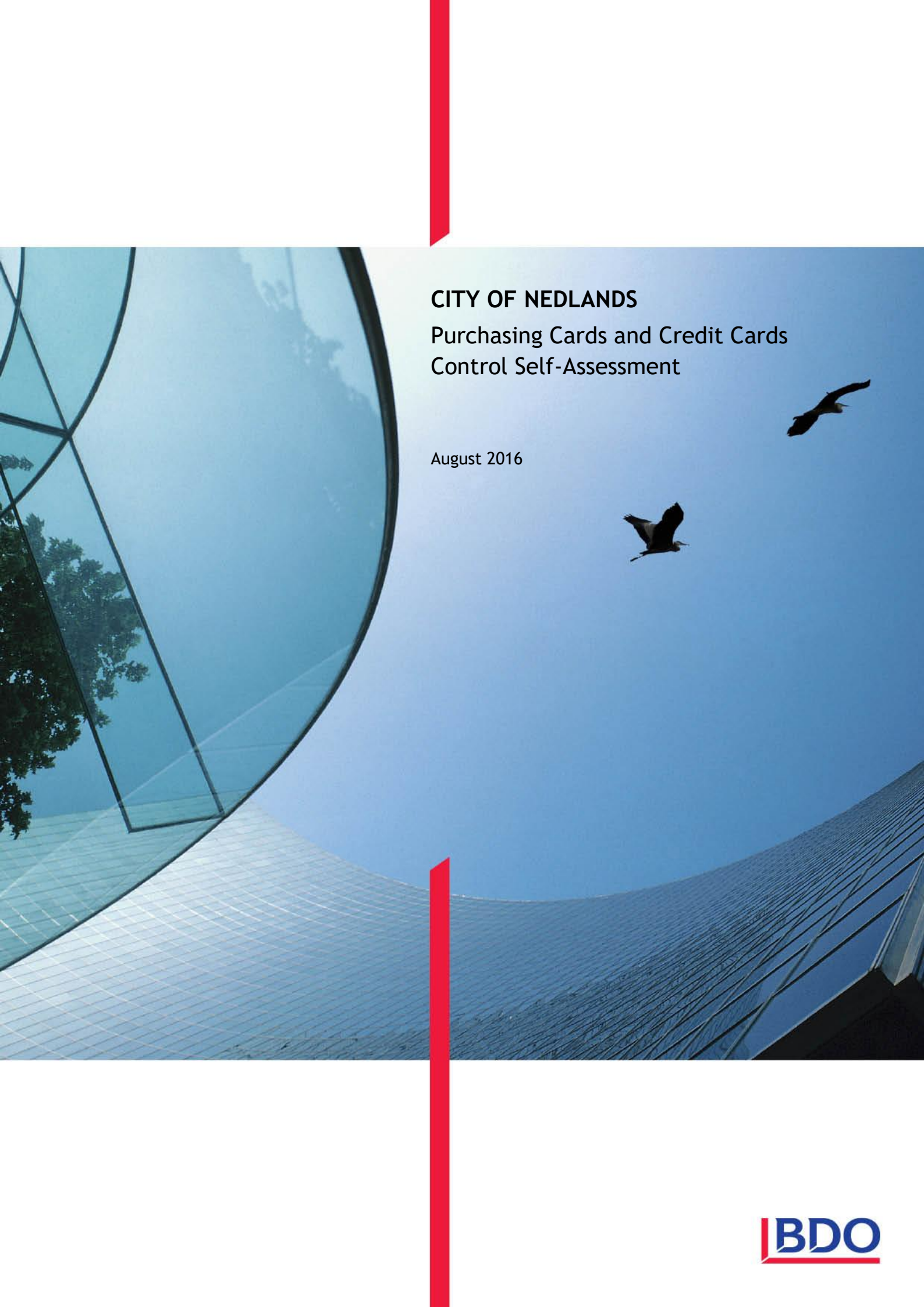
Should you have any queries in relation to this report please do not hesitate to contact either myself on (08) 6382 4750 or Riaan Bronkhorst on (08) 6382 4704.

Yours faithfully,



**Andrew Hillbeck**  
Principal

Encl.



**CITY OF NEDLANDS**  
Purchasing Cards and Credit Cards  
Control Self-Assessment

August 2016



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## 1. EXECUTIVE SUMMARY

### 1.1 Objective

In accordance with the 2016/17 Internal Audit Annual Plan, we have facilitated a Control Self-Assessment (CSA) of the Purchasing Card and Credit Card processes for the City of Nedlands (the City) with selected City personnel. A CSA is a process through which internal control effectiveness is examined and assessed. The objective is to provide reasonable assurance that all business objectives will be met. The “self” refers to the involvement and input provided by City personnel to perform the assessment that was facilitated by the BDO internal audit team.

### 1.2 Scope

On 26 July 2016, we facilitated a CSA at the City’s offices with personnel identified by the City to review the risk management and control processes with respect to the City’s following documented processes:

- Use of Corporate Purchasing Cards
- Use of Corporate Credit Cards.

The following City personnel participated in the CSA:

Defined Role per Procedure	Title of Participant	Name of Participant
<b>Purchasing Cards</b>		
Purchasing Card Holder	Administration Assistant	Stacey Gibson
Manager	Manager Health and Compliance	Andrew Melville
Card Administrator	Coordinator Financial Accounting	Vanaja Jayaraman
Finance Officer Accounts Payable	Finance Officer Accounts Payable	Quarban
Coordinator Financial Accounting	Coordinator Financial Accounting	Vanaja Jayaraman
Manager Finance	See 1.3 below	See 1.3 below
<b>Credit Cards</b>		
Credit Card Holder	Director Planning and Development	Peter Mickleson
Finance Officer Accounts Payable	Finance Officer Accounts Payable	Quarban
Manager Finance	See 1.3 below	See 1.3 below
-	Executive Assistant to the CEO	Nicole Ceric

### 1.3 Scope Limitation

The Manager Finance did not attend the CSA at the agreed scheduled date and time. A subsequent telephone conference was held on 3 August 2016 to obtain input from the Manager Finance relating to their role in the Purchasing Card and Credit Card processes.

### 1.4 Approach

In performing this CSA, we:

- Obtained and reviewed the purchasing and credit card procedures to understand them and understand the roles and responsibilities of personnel performing them
- Agreed a date for the CSA with City personnel and requested City personnel arrange for personnel attendance and participation
- Facilitated the CSA with nominated City personnel
- Summarised recommendations for improvement in a draft report and provided it to City personnel for management comments
- Upon receipt of management comments, finalised the report and issued to the CEO.

### 1.5 Conclusion

As this review was a facilitated CSA, we have not provided a rating. A summary of improvement opportunities identified during the CSA is provided at 1.6 below.

### 1.6 Summary of Improvement Opportunities

During the facilitated CSA, six improvement opportunities were identified. A summary is provided in Table 1 below and are further detailed in Section 3 of this report.

Reference	Improvement Opportunity
<b>Purchasing Cards</b>	
1	<b>Enhance Awareness of Purchasing Card Obligations and responsibilities</b> Purchase card process owner to circulate the approved process to all Purchasing Card holders annually reminding them of their obligations and responsibilities.
2	<b>Review preferred payment methods to increase card security</b> The preferred payment methods include email, post or facsimile. Using these methods increases the risk of card details being misused / stolen as the details are communicated through unsecure channels.
<b>Credit Cards</b>	
3	<b>Improve governance of Credit Card transactions</b> Governance over credit card transactions can be improved by implementing independent review and authorisation of credit card transactions in addition to the current review by Finance personnel for invoice accuracy.
4	<b>Formalise credit card financial delegations and update procedure</b> To meet operational requirements transactions are incurred using credit cards, under

	instruction from the credit card holder, by personnel who are not the credit card holder. Controls can be improved by formally delegating authority to appropriate personnel to meet operational requirements.
5	<p><b>Include card cancellation process in the procedure</b></p> <p>Update procedure to include and document a credit card cancellation procedure.</p>
6	<p><b>Opportunity to improve process efficiency</b></p> <p>The current process requires credit card holders to complete a credit card purchase record form for each credit card transaction to facilitate authorisation. This could be made more efficient by requiring one summary form to be prepared for each card holder per month.</p>

### 1.7 Acknowledgement

We thank the staff at the City of Nedlands for their support and assistance to us in performing this CSA.

### 1.8 Acceptance of Report

On behalf of City of Nedlands	
Signature:	
Name:	Greg Trevaskis
Title:	Chief Executive Officer
Date:	



## 2. DETAILED IMPROVEMENT OPPORTUNITIES

Purchasing Cards	Management Comments
<p><b>1 - Enhance Awareness of Purchasing Card Obligations and Responsibilities</b></p> <p>Section 1.3 of the purchasing card process states:</p> <p>“These procedures apply to designated employees who have been issued with purchasing cards (card holders), the managers approving the expenses incurred by the card holders and the card administrator”.</p> <p>In addition, the procedure also defines the role and responsibilities of the following position titles: Director of Corporate Services, Manager Finance, Human Resources (HR), Finance Officer Accounts Payable and Coordinator Financial accounting.</p> <p>To reinforce the obligations, roles and responsibilities under the procedure, we recommend that the purchase card process owner circulates the approved process (or link to) to all positions referenced in the purchasing card process on an annual basis.</p>	<p>Agreed</p> <p>Completion Date: 30 September 2016</p>
<p><b>2 - Review preferred payment methods to increase card security</b></p> <p>Section 4 of the purchasing card process states that:</p> <p>“Payments in person, by email, post or facsimile are preferable methods as they provide an auditable paper trail”.</p> <p>Using email, post or facsimile increases the risk of card details being misused / stolen as the purchasing card details are communicated through unsecure channels.</p> <p>We recommend that preferred payments methods should be in person or via secured websites (websites where the URL begins with “https” rather than “http” as the “s” means is it secure and is using a Secure Sockets Layer (SSL) connection). We recommend guidance is developed for inclusion in the procedure.</p>	<p>Agreed, process and documents to be reviewed</p> <p>Completion Date: 31 December 2016</p>

Credit Cards	Management Comments
<p><b>3 - Improve governance of credit card transactions</b></p> <p>Section 5 of the Credit Card process requires finance personnel to review the credit card purchase record forms and attached receipts for accuracy only. Currently, there is no independent review of the transactions to authorise the transaction’s validity and/or appropriateness.</p> <p>Governance of credit card transactions can be improved by implementing an independent review and authorisation procedure of credit card transactions. This is in addition to the current review by Finance personnel for invoice accuracy</p>	<p>Agreed, process and documents to be reviewed.</p> <p>Completion Date: 31 December 2016</p>
<p><b>4 - Formalise credit card financial delegations and update procedure</b></p> <p>Section 2 of the Credit Card process states that:</p> <p>“The following officers are authorised to hold and use Corporate Credit Cards for Council business with respective credit limits:</p> <ul style="list-style-type: none"> <li>• Chief Executive Officer - \$15,000</li> <li>• Directors - \$5,000</li> <li>• Any other officer at a determined limit as approved by the Chief Executive Officer”</li> </ul> <p>To meet operational requirements transactions are incurred using credit cards, under instruction from the credit card holder, by personnel who are not the credit card holder. We recommend that Controls can be improved by the CEO formally delegating authority to approved and appropriate personnel to ensure operational requirements can be met.</p>	<p>A delegation process for use of Credit cards belonging to a different card holder to be investigated and implemented.</p> <p>Completion Date: 31 December 2016</p>
<p><b>5 - Include card cancellation process in the procedure</b></p> <p>The current Credit Card process does not refer to a card cancellation process.</p> <p>We recommend that a card cancellation process is drafted and included in the Credit Card process.</p>	<p>Agreed, process and documents to be reviewed (to follow same process as detailed in the Purchasing Card Procedure).</p> <p>Completion Date: 31 December 2016</p>

Credit Cards	Management Comments
<p><b>6 - Opportunity to improve process efficiency</b></p> <p>Section 5 of the Credit Card process requires that:</p> <p>“A credit card purchase record form must be completed for each transaction, giving details of the account numbers for costing purposes, the invoice and receipt attached thereto, and submitted to the Finance Officer Accounts Payable”.</p> <p>We recommend creating and implementing a credit card purchase record form that captures ALL monthly transactions and required details that are incurred by the credit card holder for submission to the Finance Office Accounts Payable.</p>	<p>The Purchasing Card and Credit Card policy is being reviewed and will take into account all of the findings from this audit.</p> <p>Completion Date: 31 December 2016</p>

### 3. KEY ENGAGEMENT DETAILS & TIMING

Engagement Detail	
Date Final Report Issued	16 August 2016
Review Period Covered	CSA performed on 26 July 2016
BDO Engagement Principal	Andrew Hillbeck
Client Sponsor	Greg Trevaskis

CSA Timing	Planned Date	Actual Date	Comments on Variations
Planning Meeting	9 June 2016	15 June 2016	
CSA Commencement	26 July 2016	26 July 2016	
CSA Completion	26 July 2016	3 August 2016	Delayed due Manager Finance not participating in the CSA on 26 July.
Draft report sent	27 July 2016	4 August 2016	Delayed due Manager Finance not participating in the CSA on 26 July.
Management Comments Received	12 August 2016	15 August 2016	
Final report issued	20 August 2016	16 August 2016	

#### **4. INHERENT LIMITATIONS**

Because of the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure within which the control procedures that are subject to internal audit operate is not reviewed in its entirety and, therefore, no opinion or view is expressed as to the effectiveness of the greater internal control structure. An internal audit is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are done on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this internal audit report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, client management and personnel. We have indicated within this internal audit report the sources of the information provided. We have not sought to verify those sources independently unless otherwise noted within the internal audit report. We are under no obligation in any circumstance to update this internal audit report, in either oral or written form, for events occurring after the internal audit report has been issued in final form unless specifically agreed with management.

#### **5. RESTRICTION OF USE**

This report is intended solely for the use of management, the City of Nedlands Council, the external auditors, regulatory agencies or the City's legal counsel and cannot be used by, circulated, quoted, disclosed, or distributed to third parties without BDO's prior written consent.



## 7.2 BDO – Internal Audit Plan 2016/17

Moved – Councillor McManus  
Seconded – Mr Setchell

### **Audit & Risk Committee Recommendation / Recommendation to Audit & Risk Committee**

**The Audit and Risk Committee receives the Internal Audit Plan 2016/17.**

**CARRIED UNANIMOUSLY 4/-**

### **Background**

BDO Audit (WA) Pty Ltd are the City's appointed internal Auditors.

BDO Audit (WA) Pty Ltd have been engaged to undertake the internal audit process for the City.

The plan attached has been developed in accordance with the three year strategic plan and in conjunction with; BDO, the CEO, the Internal Audit Manager & the Director Corporate & Strategy.

All parties involved are satisfied that the internal audit programme will assist the City to mitigate risk.

The next audit to commence is; as part of the review:

1. Fraud Management;

This audit will focus on Fraud Management Policies and related documentation.

The terms of reference of the Fraud Management Audit is presented to the Audit and Risk Committee for their information.

### **Attachments**

1. Annual Internal Audit Plan 2016/17
2. Fraud Management – Terms of Reference







# CITY OF NEDLANDS

Annual Internal Audit Plan 2016 / 17

6 May 2016

6 May 2016

Greg Trevaskis  
Chief Executive Officer  
City of Nedlands  
71 Stirling Highway  
Nedlands WA 6009

Dear Greg

**Internal Audit Plan - 2016 / 17**

As part of the regular process to develop the annual internal audit plan for 2016 / 17 we have reviewed the proposed audits contained in the three year strategic plan. The purpose of the review was to determine an appropriate annual internal audit programme to assist the City mitigate current risks. Factors considered when reviewing the strategic plan included:

- Results of internal audits performed in in 2014 / 15 and 2015 / 16
- Evolving maturity of the control environment
- Consideration of emerging risks relevant to the City of Nedlands
- Discussions with and feedback from senior City of Nedlands personnel
- Level of assurance that the City is willing to accept.

From this review we have provided the 2016 / 17 audit plan on the following pages. We have developed scope and objectives to be in line with our understanding of the City's budget expectations and note that audit assurance will not be provided. When a detailed Terms of Reference is developed prior to each audit, the scope may change as a result of the detailed audit planning and input from the City's personnel.

We now seek your written approval of the 2016/17 audit plan.

Yours sincerely



**Andrew Hillbeck**  
Principal Risk Advisory

# REVISED 3RD YEAR STRATEGIC PLAN

## NO ASSURANCE PROVIDED



Audit area	Budgeted Hours	Budgeted Cost	Audit Objective and Scope	Lead	Commencement Date
Expenses, Credit Cards and Payments	23	\$2,683	Control Self Assessment (no Assurance) - Obtain existing Expenses, Credit Cards and Payments process documentation and facilitate one collective interview with Manager Finance and identified personnel seeking verbal confirmation that process has been complied with.	Manager Finance	June 2016
Fraud Management	14	\$1,610	Control Self Assessment (no Assurance) - Obtain existing Fraud Management policies and related documentation and facilitate separate interviews with the CEO and the Director of Corporate Strategy to seek verbal confirmation that policy and process has been complied with.	CEO	July 2016
Financial Process - Accounts Receivable	23	\$2,683	Control Self Assessment (no Assurance) - Obtain existing Accounts Receivable process documentation and facilitate one collective interview with Manager Finance and identified personnel seeking verbal confirmation that process has been complied with.	Manager Finance	August 2016
HR	35	\$4,025	Policy and Procedure Review (no Assurance) - Leave Management <ul style="list-style-type: none"> <li>Facilitate one collective interview with Manager HR and identified personnel seeking verbal confirmation that procedures have been complied with</li> <li>Perform a control design gap analysis on existing procedures</li> </ul>	Manager HR	September 2016
Financial Process - Capital Expenditure	23	\$2,683	Control Self Assessment (no Assurance) - Obtain existing Capital Expenditure process documentation and facilitate one collective interview with Manager Finance and identified personnel seeking verbal confirmation that process has been complied with.	Manager Finance	October 2016
Authority System application and manual controls - Payables	23	\$2,683	Control Self Assessment (no Assurance) - Obtain existing application and manual control process documentation and facilitate for payable one collective interview with personnel nominated by the Director of Corporate Strategy to seek verbal confirmation that process has been complied with.	Manager Finance / Manager of Corporate Strategy and Systems	November 2016
Financial Process - Income	23	\$2,683	Control Self Assessment (no Assurance) - Obtain existing Income process documentation and facilitate one collective interview with personnel nominated by the Director of Corporate Strategy to seek verbal confirmation that process has been complied with.	Manager Finance	February 2017

# REVISED 3RD YEAR STRATEGIC PLAN

## NO ASSURANCE PROVIDED



Audit area	Budgeted Hours	Budgeted Cost	Audit Objective and Scope	Lead	Commencement Date
Investment Management	35	\$4,025	Policy and Procedure Review (no Assurance) - Obtain existing Investment Management Procedures: <ul style="list-style-type: none"> <li>Facilitate one collective interview with Manager Finance and nominated personnel seeking verbal confirmation that procedures have been complied with</li> <li>Perform a control design gap analysis on existing procedures</li> </ul>	Manager Finance	March 2017
Follow Up and Review	14	\$1,610	Control Self Assessment (no Assurance) - for action items not completed as at 10 February 2016, seek verbal confirmation from action owners to confirm action item as closed, in progress or no action.	Director of Corporate & Strategy	April 2017
Preparation and Attendance at Audit and Risk Committee (2)	-	-		CEO	
Preparation of Annual Plan	-	-		CEO	
Total	213	\$24,685			

# ABOUT BDO

## LOCAL KNOWLEDGE, GLOBAL REACH

BDO Australia is one of the nation's largest associations of independently owned full-service audit, tax and advisory practices, with offices in Adelaide, Brisbane, Cairns, Darwin, Hobart, Melbourne, Perth, Sunshine Coast and Sydney.

In Australia, BDO has over **1,278 staff**, including **166 partners** working in all states and territories, offering audit, taxation and advisory services to thousands of clients nation-wide.

Our deep expertise spans multiple specialist services including:

- Strategic and Management Consulting
- Corporate Finance
- Fraud and Forensic Services
- Corporate & International Tax
- Indirect Tax
- Private Client Services
- Risk Advisory and Internal Audit
- External Audit

Our Advisory division has five Partners and is one of the largest in Perth providing expert insight on a range of services across Corporate Finance, Management Consulting, Risk Advisory and Forensics.

**1,278**  
**STAFF**  
**10** OFFICES  
**166** PARTNERS  
AS AT JULY 2015 NATIONAL TOTAL 1,444



## BDO INTERNATIONAL

BDO is one of the largest full service accounting and advisory firms in the world. We have over **59,428 people** from over **1,328 offices** in **152 territories**.

All BDO firms offer comprehensive knowledge and experience within an international context. No matter where they are based, clients can draw on the skills of BDO member firms anywhere in the world.

We can confirm that our BDO member firms have a very strong and well regarded market presence worldwide.



## RELATIONSHIP FOCUS

We enjoy outstanding relationships with our clients by focusing on what is important to them, adopting a partnership-style approach, being responsible and reliable, keeping our promises and maintaining open and frank communication. Our approach to relationships allows us to partner with you and really get to know you and your organisation. Using this insight, we look for innovative ways to help you maximise growth opportunities, improve processes and avoid pitfalls.

## OUR SERVICE STYLE AND KEY DIFFERENTIATORS

We believe that providing a quality service is a given, but it is our approach to client service that ensures we build an effective working relationship, develop a strong understanding of your business and provide a level of attention and care that makes us easy to work with. It is this culture that attracts quality people and clients to our firm.

BDO is uniquely positioned in the market by bringing significant service breadth and capability while maintaining the service ethic of a more relationship-driven firm. We work with small, medium and large organisations and understand that they expect:

- Timely responses
- High level of partner contact time
- Hands on operating style and a practical approach
- Deep understanding of their industry
- People who understand their culture and how they operate.

## DELIVERING A VALUE DRIVEN SERVICE

At BDO, we focus on delivering a value-driven service that is based on long term relationships. We constantly strive to demonstrate this in everything we do with the ultimate outcome of this approach being solid growth and benefit to all stakeholders.



# CITY OF NEDLANDS

INTERNAL AUDIT TERMS OF REFERENCE - DRAFT

Fraud Management

August 2016



# CITY OF NEDLANDS: FRAUD MANAGEMENT

## BACKGROUND

In accordance with the City of Nedland's ('the City') 2016/17 Internal Audit annual Plan, a Control Self Assessment(CSA) of the City's fraud management policies and procedures has been scheduled to take place.

## PURPOSE OF REVIEW

The purpose of this review is to perform a CSA :

- To assess the existing fraud management policies and procedures for detecting and preventing the presence of fraudulent activity within the organisation
- To report our findings, observations, and recommendations based on our evaluation of the systems used for the above purposes.

In particular through the CSA, we will evaluate compliance with the City's established fraud management policies and its related processes and procedures.

## KEY RISKS

Through discussions with management and our collective audit knowledge and understanding, the key risks associated with the area under review are:

- Accountability and adherence to the established policies and procedures
- Outdated policies and procedures that don't take into account the current needs and purposes of the organisation
- Segregation of duties and authority limits within the organisation
- Fraud awareness among employees
- Undetected fraudulent activities due to inadequate fraud management procedures such as:
  - Fraudulent financial reporting
  - Misappropriation of assets
  - Expenditures for improper purpose
  - Corruption.



# CITY OF NEDLANDS: FRAUD MANAGEMENT

## SCOPE OF REVIEW



The following areas will be covered as part of this review:

- Completeness and suitability of the City of Nedlands policies concerning Fraud Management
- Compliance with Fraud Management policies authorised by the City of Nedlands

The CSA will be performed on {Date}

The scope will be limited to one workshop with the CEO and the Director of Corporate Strategy of the City conducted by BDO.

## APPROACH



We will seek to gain evidence of the satisfactory operation of the controls to verify the effectiveness of each control.

Our approach will involve: -

- Meet with the CEO to agree the Terms of Reference
- Obtaining copies of all relevant, authorised policies and procedures, and reviewing these
- Conducting one interview with the CEO and the Director of Corporate Strategy to determine and document the system's functions and controls
- Evaluating the adequacy of the controls as described and documented
- Preparing and issuing our report, first in draft for management comments, then in final report.

## MANAGEMENT COMMENTS



[ ]

# CITY OF NEDLANDS: FRAUD MANAGEMENT

## LOCATIONS



Fieldwork will be performed at 71 Stirling Highway, Nedlands, WA 6009

## DOCUMENTATION REQUEST



Where available, please ensure that electronic copies of the following documents have been forwarded to us in advance of the review Fraud Management Policy and procedures. This will assist the timely completion of our fieldwork. However, this list may not necessarily constitute a complete list of all documentation and evidence that we may need as part of our review. We will advise you if we require any additional information.

## KEY CONTACTS



### BDO

Riaan Bronkhorst	Manager	t: +61 8 6382 4704 e: Riaan.Bronkhorst@bdo.com.au
Jessica Chiang	Consultant	t: +61 8 6382 4769 e: Jessica.Chiang@bdo.com.au

### City of Nedlands

Greg Trevaskis	CEO	t: 9273 3502 e: gtrevaskis@nedlands.wa.gov.au
Lorraine Driscoll	Director Corporate and Strategy	t: 9273 3510 e: ldriscoll@nedlands.wa.gov.au

# CITY OF NEDLANDS: FRAUD MANAGEMENT

## PROPOSED TIMETABLE



Audit Stage	Date
Commence fieldwork	[ ] August 2016
Number of audit days planned	14 hours
Date of CSA	[ ] August 2016
Planned date for issue of the draft report	[ ] September 2016
Planned date for receipt of management responses	[ ] September 2016
Planned date for issue of proposed final report	[ ] September 2016

## SIGN OFF



On behalf of BDO :	On behalf of City of Nedlands:
Signature: 	Signature: 
Title: Principal	Title: CEO
Date: 17 AUGUST 2016	Date: 16 August 2016.

#### Inherent Limitations

Because of the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that are subjected to an internal audit operate, is not reviewed in its entirety and, therefore, no opinion or view is expressed as to the effectiveness of the greater internal control structure. An internal audit is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

#### Restriction of Use

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### 7.3 Risk Profiles

Moved – Councillor McManus  
Seconded – Mr Setchell

#### **Recommendation to the Audit and Risk Committee**

**The Audit and Risk Committee receives the Risk Profile CEO report on internal controls – Risk Management.**

**CARRIED UNANIMOUSLY 4/-**

#### **Background**

The City of Nedlands' risk management framework is in accordance with the ISO 31000 Risk Management Principles and Guidelines standard.

The Risk Profile, which represents the strategic risk register for the City, has been created using LGIS templates.

The Committee Members requested that the Risk Profile be presented in an "easy to read/follow" format. The Director Corporate and Strategy will action this.

The Risk Profile is presented to the Audit and Risk Committee.

#### **Attachments**

1. Risk Profiles – Strategic Risk Register





City of Nedlands

nedlands.wa.gov.au

# *Risk Profile*

## Strategic Risk Register

As at 14 April 2015









City of Nedlands Measures of Consequence							
Rating (Level)	Health	Financial Impact	Service Interruption	Regulatory Compliance	Reputational	Infrastructure, Assets & Systems	Environment
Insignificant (1)	First aid injuries	Less than \$10,000	Short term temporary interruption. < 1 Day	Breach of policy protocol or process requiring a response. No impact on other criteria	Unsubstantiated, low impact, low profile or 'no news' item	Negligible damage or loss	Contained, reversible impact managed by on-site response
Minor (2)	Medical type injuries	\$10,001 - \$50,000	Inconvenient delays managed with internal resources. 1 day – 1 week	Breach of policy protocol or process requiring additional work or minor damage control	Substantiated, low impact, low news item, minor complaint	Localised damage or loss rectified using internal resources	Contained, reversible impact managed by internal response
Medium (3)	Lost time injury <30 Days	\$50,001 - \$500,000	Significant delays to some major deliverables requiring additional resources to rectify. 1 - 2 weeks	Breach requiring internal investigation, mediation or restitution and / or regulatory requirements imposed	Substantiated, public embarrassment, moderate impact, moderate news profile. Short-term loss of community Support	Localised damage or loss requiring internal and external resources to rectify	Contained, reversible impact managed by external agencies
Major (4)	Lost time injury >30 Days	\$500,001 - \$2,000,000	Prolonged interruption to major deliverables. Extensive use of additional resources; performance affected < 1 month	Breach investigated by external party and results in termination of services, 3rd party actions or imposed penalties	Substantiated, public embarrassment, high impact, high news profile, 3rd party actions. Long-term loss of community support	Significant damage or loss to multiple assets requiring significant resources to rectify	Uncontained, reversible impact managed by a coordinated response from external agencies
Severe (5)	Fatality, permanent disability	More than \$2,000,000	Indeterminate prolonged interruption. Non-achievement of key objectives. > 1 month	Breach results in litigation, criminal charges or significant damages or penalties	Substantiated, public embarrassment, multiple high impacts, news profile, 3rd party actions. Permanent loss of community support	Extensive damage requiring prolonged period of restitution	Uncontained, irreversible impact

City of Nedlands Measures of Likelihood			
Level	Rating	Description	Frequency
5	Almost Certain	The event is expected to occur in most circumstances	More than once per year
4	Likely	The event will probably occur in most circumstances	At least once per year
3	Possible	The event should occur at some time	At least once in 3 years
2	Unlikely	The event could occur at some time	At least once in 10 years
1	Rare	The event may only occur in exceptional circumstances	Less than once in 15 years

City of Nedlands Risk Matrix						
Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		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)

City of Nedlands Risk Acceptance Criteria			
Risk Rank	Description	Criteria	Responsibility
LOW (1-4)	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring	Staff member/ Operational Manager
MODERATE (5-9)	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring	Operational Manager
HIGH (10-16)	Urgent Attention Required	Risk acceptable with excellent controls, managed by senior management / executive and subject to monthly monitoring	Director / CEO
EXTREME (20-25)	Unacceptable	Risk only acceptable with excellent controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring	CEO / Council

City of Nedlands Existing Controls Ratings		
Rating	Foreseeable	Description
Effective	There is little scope for improvement.	Processes (Controls) operating as intended and / or aligned to Policies & Procedures; are subject to ongoing maintenance and monitoring and are being continuously reviewed and tested.
Adequate	There is some scope for improvement.	Whilst some inadequacies have been identified; Processes (Controls) are in place, are being addressed / complied with and are subject to periodic review and testing.
Inadequate	A need for corrective and / or improvement actions exist.	Processes (Controls) not operating as intended, do not exist, or are not being addressed / complied with, or have not been reviewed or tested for some time.



## City of Nedlands Risk Report - December 2016

Executive Summary					
Recommendations					
<b>Asset Sustainability Practices</b>		Risk Moderate	Control Adequate		
Current Issues / Actions / Treatments	Due Date	Responsibility			
Address building maintenance program	Jun-16	Director Technical Services			
<b>Damage to Physical Assets</b>		Risk Moderate	Control Adequate		
Current Issues / Actions / Treatments	Due Date	Responsibility			
<b>Providing Advice / Information</b>		Risk High	Control Adequate		
Current Issues / Actions / Treatments	Due Date	Responsibility			
Review induction program	Jun-16	S. Mettam			
<b>Business Disruption</b>		Risk Low	Control Effective		
Current Issues / Actions / Treatments	Due Date	Responsibility			
Follow-up BCP exercise	Mar-16	Mike Fletcher			
<b>Inadequate Data / Document Management Processes</b>		Risk Low	Control Effective		
Current Issues / Actions / Treatments	Due Date	Responsibility			
Create records and information management policies and procedures (Record Keeping Plan)	Dec-17	Records Coordinator			
Cleanout of strong room (also forms part of Customer Service & Cash Management reviews currently being undertaken)	Dec-16	Nicole Ceric			
<b>Community Expectations</b>		Risk Moderate	Control Effective		
Current Issues / Actions / Treatments	Due Date	Responsibility			
Investigate CRM (Mar 16 - being addressed with Sharepoint Upgrades. Updated due date and action owner)	Jun-16	Lisa Oliver			
<b>Engagement with Community, Stakeholders &amp; Elected Members</b>		Risk Moderate	Control Effective		
Current Issues / Actions / Treatments	Due Date	Responsibility			
Review Community Engagement process and policy in line with strategy review.	Dec-16	Caroline Walker			
<b>Inadequate Environmental Management</b>		Risk Low	Control Effective		
Current Issues / Actions / Treatments	Due Date	Responsibility			
Creation of new waste local law	Dec-17	Pollyanne Fisher			
Review of Health local law* Dependant on Health Bill	Dec-17	Pollyanne Fisher			
<b>Errors, Omissions &amp; Delays</b>		Risk Moderate	Control Inadequate		
Current Issues / Actions / Treatments	Due Date	Responsibility			
Reviewing procedures for Administration Officers (Mar 16 - Proposed that the procedure manuals for each department should be continuously updated as things change and improve, but admin meetings to resume and ensure these manuals are complete for 'key' tasks for each area July 16.)	Jul-16	Nicole Ceric			
Develop corporate training calendar	Jun-16	Shelley Mettam			
HR to collate training feedback from Performance Reviews for training needs analysis	Dec-16	Shelley Mettam			
<b>External Theft &amp; Fraud</b>		Risk Moderate	Control Effective		
Current Issues / Actions / Treatments	Due Date	Responsibility			
Finalise asset register	Dec-16	Steve Crossman			
Investigate GPS for vehicles	Dec-16	Pollyanne Fisher			
<b>Facilities, Venues and Events Management</b>		Risk Moderate	Control Adequate		
Current Issues / Actions / Treatments	Due Date	Responsibility			
Implement recommendations from Core report - In progress, partly completed	Jul-16	Director Technical Services			
<b>I.T. and Communications Systems and Infrastructure</b>		Risk Moderate	Control Effective		
Current Issues / Actions / Treatments	Due Date	Responsibility			
Review ICT Disaster Recovery Plan	Mar-16	Mike Fletcher			
<b>Organisation and Community Emergency Management</b>		Risk Moderate	Control Inadequate		
Current Issues / Actions / Treatments	Due Date	Responsibility			
No outstanding actions					
<b>People Management / Employment Practices</b>		Risk Moderate	Control Effective		
Current Issues / Actions / Treatments	Due Date	Responsibility			
Review performance review form (Jan 16 - New system being implemented shortly to replace forms)	Jun-16	Shelley Mettam			
Collate performance review data for planning training, upskilling (Jan 16 - New system being implemented shortly to replace forms)	Jun-16	Shelley Mettam			
<b>Project / Change Management</b>		Risk High	Control Adequate		
Current Issues / Actions / Treatments	Due Date	Responsibility			
Project management framework	Jun-16	Pollyanne Fisher			
PID/Project Plan review & awareness	Jun-16	Pollyanne Fisher			
<b>Safety and Security Practices</b>		Risk Moderate	Control Inadequate		
Current Issues / Actions / Treatments	Due Date	Responsibility			
OSH management system implementation	Apr-15	Shelley Mettam			
Action issues identified in OSH inspections	Apr-15	S Mettam			
<b>Stock Management</b>		Risk Low	Control Effective		
Current Issues / Actions / Treatments	Due Date	Responsibility			
No outstanding actions					
<b>Statutory, Regulatory and Compliance Requirements</b>		Risk Low	Control Effective		
Current Issues / Actions / Treatments	Due Date	Responsibility			
No outstanding actions					
<b>Supplier / Contract Management</b>		Risk High	Control Adequate		
Current Issues / Actions / Treatments	Due Date	Responsibility			
#REF!	#REF!	#REF!			
#REF!	#REF!	#REF!			
Standardised contract documents to be reviewed, inc OSH actions and liability	Dec-16	Nathan Brewer			
<b>Financial, Accounting and Business Acumen</b>		Risk Moderate	Control Adequate		
Current Issues / Actions / Treatments	Due Date	Responsibility			
No outstanding actions					
<b>Corporate Business Plan</b>		Risk Moderate	Control Effective		
Current Issues / Actions / Treatments	Due Date	Responsibility			
Review of SCP/CBP/Long Term Financial Plan	End 2015	Director Corporate Strategy			
<b>Political</b>		Risk Moderate	Control Adequate		
Current Issues / Actions / Treatments	Due Date	Responsibility			
No outstanding actions					



# Inadequate Asset Sustainability Practices

Jan-16

**This Risk Theme is defined as:**

Failure or reduction in service of infrastructure assets, plant, equipment or machinery. These include fleet assets in addition to community use based assets including playgrounds, boat ramps and other maintenance based assets. Areas included in the scope are:

- Inadequate design (not fit for purpose).
- Ineffective usage (down time)
- Outputs not meeting expectations
- Inadequate maintenance activities.
- Inadequate or unsafe modifications.

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
- Lack of trained staff or contractors
- Lack of planning
- Outdated equipment
- Unavailability of parts
- Lack of formal or appropriate scheduling (maintenance / Inadequate funding
- Unexpected breakdowns

Controls	Type	Date	City Rating
Asset Management System	Preventative	Sep-14	Adequate
Asset Management Framework	Preventative	Sep-14	Adequate
Planned parks and bush maintenance	Preventative	Sep-14	Adequate
Planned infrastructure maintenance	Preventative	Sep-14	Adequate
Planned Building Maintenance	Preventative	Sep-14	Inadequate
Planned Replacement Program (Fleet, other)	Preventative	Sep-14	Adequate
Road Asset Management System	Preventative	Sep-14	Adequate
Taking a "whole of life cycle" approach to the management of assets	Preventative	Sep-14	Adequate
Managing risks associated with asset failures	Preventative	Sep-14	Adequate
Continuous review of asset management practices	Preventative	Sep-14	Effective
Asset management program implementation	Preventative	Sep-14	Effective

<b>Overall Control Ratings:</b>	<b>Adequate</b>
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Consequence Category	Risk Ratings	City Rating
Service interruption	<b>Consequence:</b>	Moderate
	<b>Likelihood:</b>	Possible
<b>Overall Risk Ratings:</b>		<b>Moderate</b>

Indicators	Tolerance	Date	Overall City Result
<b>Asset Consumption Ratio</b> The ratio highlights the aged condition of CoN's stock of physical assets	50%-75%	2013/14	50.20%
<b>Asset Sustainability Ratio</b> This measures the extent to which assets managed by CoN are being replaced as they reach the end of their useful lives.	90%-100%	2013/14	176.40%
<b>Asset Renewal Funding Ratio</b> This indicates whether CoN has the financial capacity to fund asset renewal as required, and can continue to provide existing levels of services in future, without: additional operating income; reductions in operating expenses; or an increase in net financial liabilities above that currently projected.	95%-105%	2013/14	100%
Fleet utilisation			
Major breakdowns	2 at any one time		
Notifications from members of the public	1		
Accidents and/or damage to property	1		
% implementation of the Asset Management Plan/Framework	100%		
<b>Comments</b> As rated by Workshop Attendees -			

Current Issues / Actions / Treatments	Due Date	Responsibility
Address building maintenance program	Jun-16	Director Technical Services

Incident Management Tracking		
Related Incident Details	Date	Impact
None		





# Damage to Physical Assets

Jun-16

**This Risk Theme is defined as:**

Damage to buildings, property, plant & equipment (all assets) that does not result in a disruption to business objectives (refer Business Disruption). This could be a result of a natural disaster or other events, or an act carried out by an external party (inc. graffiti and / or vandalism).

**Potential causes include:**

- Cyclone, Storms, Fire, Earthquake
- Vandalism
- Graffiti
- Inappropriate Use

Controls	Type	Date	City Rating
CCTV at Depot/Tresillian	Detective/Recovery	Sep-14	Adequate
After Hours answering service	Recovery	Sep-14	Effective
After Hours response	Recovery	Sep-14	Adequate
Emergency Response Plan	Recovery	Sep-14	Effective
Insurance	Recovery	Sep-14	Effective
Design	Preventative	Sep-14	Effective
Graffiti removal contractor	Recovery	Sep-14	Effective
In-house personnel and equipment	Recovery	Sep-14	Effective
Training	Preventative		Adequate
Regular maintenance and inspections/audits	Detective		Adequate
Community ownership/engagement	Preventative		Adequate
Team briefing meetings	Preventative		Effective
Protocols & procedures	Preventative		Adequate
Inductions	Preventative		Adequate
People management	Preventative		Effective

<b>Overall Control Ratings:</b>	<b>Adequate</b>
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Consequence Category	Risk Ratings	City Rating
Interruption to service provision	<b>Consequence:</b>	Minor
	<b>Likelihood:</b>	Possible

<b>Overall Risk Ratings:</b>	<b>Moderate</b>
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Indicators	Tolerance	Date	Overall City Result
Number of incidents reported	1		
Number of insurance claims	1		

**Comments**

As rated by Workshop Attendees - Inductions are required to be equipment-specific rather than job-specific. When a staff member is asked to do a job outside of their usual job, they are not always trained/inducted for that once-off event.  
 Discussion at Managers Meeting October 2015 - Inductions have been reviewed - induction rating updated from inadequate to adequate.

Current Issues / Actions / Treatments	Due Date	Responsibility

Incident Management Tracking		
Related Incident Details	Date	Impact
None		



## Providing inaccurate advice / information

Jan-16

### This Risk Theme is defined as:

Incomplete, inadequate or inaccuracies in advisory activities to customers or internal staff. This could be caused by using unqualified, or inexperienced staff, however it does not include instances relating to Misconduct.

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, local laws or policies.

### Potential causes include:

Lack of qualified staff	Lack of appropriate technical and regulatory knowledge relevant to the context
Inadequate communication skills	Poor working relationships between internal staff/departments
Increasing workloads	Lack of training

Controls	Type	Date	City Rating
Staff Training	Preventative	Sep-14	Effective
Inductions	Preventative	Sep-14	Adequate
Information sheets / FAQ's	Preventative	Sep-14	Adequate
External consultants such as legal	Preventative	Sep-14	Adequate
Regular meetings	Preventative	Sep-14	Adequate
Delegation / Authorisation registers	Preventative	Sep-14	Effective
Organisation-wide protocol and procedure manuals	Preventative	Sep-14	Adequate
Community engagement framework	Preventative	Sep-14	Adequate
Customer service charter	Preventative	Sep-14	Adequate
External communications (web, Nedlands news, newsletters)	Preventative	Sep-14	Effective
Communications systems (intranet, staff newsletter etc)	Preventative	Sep-14	Effective
Recruitment	Preventative	Jul-14	Effective

Overall Control Ratings: Adequate

Consequence Category	Risk Ratings	City Rating
Reputational	Consequence:	Major
	Likelihood:	Possible
Overall Risk Ratings:		High

Indicators	Tolerance	Date	Overall City Result
% residents satisfied with our open and transparent Council's processes are ( from Community Perceptions survey)	50%	Apr-14	52%
Litigation losses	10		
% residents satisfied that the City clearly explains reasons for its decisions and how residents' views have been taken into account ( from Community Perceptions survey)	50%	Apr-14	44%
Compensation payouts	\$100,000		
% residents satisfied with how the community is consulted about local issues ( from Community Perceptions survey)	50%	Apr-14	58%
% residents satisfied with how the community is informed about local issues ( from Community Perceptions survey)	50%	Apr-14	64%
% residents satisfied with level of customer service ( from Community Perceptions survey)	50%	Apr-14	81%
% residents satisfied with the Council's newsletter - the Nedlands News ( from Community Perceptions survey)	50%	Apr-14	67%
% residents satisfied with City's website (from Community Perceptions survey)	50%	Apr-14	72%
% residents satisfied with City's website (from Community Perceptions survey)	150%	May-14	172%
Accurate orders & requisitions registers	100%		

### Comments

As rated by Workshop Attendees -

Current Issues / Actions / Treatments	Due Date	Responsibility
Review induction program	Jun-16	S. Mettam

### Incident Management Tracking

Related Incident Details	Date	Impact
None		



# Business Disruption

Jun-16

## This Risk Theme is defined as:

A local physical event causing the inability to continue business activities and provide services to the community. This may or may not result in Business Continuity Plans being invoked. This does not include disruptions due to:

- IT Systems or infrastructure related failures should be captured under "Failure of IT Systems and Infrastructure".
- Contractor / Supplier issues should be captured under "Inadequate Supplier / Contract Management".
- People issues should be captured under "Inappropriate People Management".

## Potential causes include:

- Cyclone, Storm, Fire, Earthquake
- Terrorism / Sabotage / Criminal Behaviour
- Epidemic / Pandemic
- Extended power outage
- Economic Factors
- Loss of Key Staff

Controls	Type	Date	City Rating
<i>Business Continuity Framework (Policy &amp; Procedures)</i>	<i>Preventative</i>	<i>Sep-14</i>	<b>Effective</b>
<i>Business Continuity Plans</i>	<i>Recovery</i>	<i>Sep-14</i>	<b>Adequate</b>
<i>BCP Exercises</i>	<i>Detective</i>	<i>Sep-14</i>	<b>Effective</b>

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

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

Indicators	Tolerance	Date	Overall City Result
<i>Resignations/terminations of EMT members</i>	<i>2 p/annuam</i>	<i>Nov-14</i>	<i>Nil</i>
<i>Frequency of natural disasters</i>	<i>zero</i>	<i>Nov-14</i>	<i>Nil</i>
<i>Extended power outage</i>	<i>2 days</i>	<i>Nov-14</i>	<i>Nil</i>

## Comments

*As rated by Workshop Attendees -*

Current Issues / Actions / Treatments	Due Date	Responsibility
<i>Follow-up BCP exercise</i>	<i>Mar-16</i>	<i>Mike Fletcher</i>

## Incident Management Tracking

Related Incident Details	Date	Impact
<i>None</i>		



# Not meeting Community expectations

Mar-16

**This Risk Theme is defined as:**

Failure to provide expected levels of service, events and benefit to the community. This includes where precedents have set Community perceptions or where services are generally expected. This will normally result in reputational impacts, however may have financial considerations with re-work, compensations or refunds. Examples include:

- Service level failure.
- Exceeding expected timeframes.
- Loss of new or ongoing funding requirements for projects, events and other initiatives.
- Lack of communication/information
- Inability to influence Council decision making

**Potential causes include:**

- External funding
- Ineffective complaints management
- Inadequate signage and / or amenities
- Equipment breakdown
- Contractor non-performance
- Poor community engagement

Controls	Type	Date	City Rating
Communications team	Preventative	Mar-15	Effective
User Satisfaction Survey - event specific	Detective	Mar-15	Effective
Integrated Planning Framework	Preventative	Mar-15	Effective
Word of mouth feedback at progress and community meetings	Detective	Mar-15	Effective
Contract management	Preventative	Mar-15	Effective
Asset management	Preventative	Mar-15	Adequate
Councillor briefings	Preventative	Mar-15	Effective
CEO update	Preventative	Mar-15	Effective
Council and Committee meetings	Preventative	Mar-15	Effective
User Satisfaction Survey - biennial survey	Detective	Mar-16	Effective

**Overall Control Ratings:** Effective

Consequence Category	Risk Ratings	City Rating
Reputational	<b>Consequence:</b>	Moderate
	<b>Likelihood:</b>	Possible
<b>Overall Risk Ratings:</b>		Moderate

Indicators	Tolerance	Date	Overall City Result
Bi-Annual Community Engagement Survey	60%	Jun-14	70%
% community satisfaction with City performance			
Substantiated complaint about expectations not being met	1		
Media coverage	1 significant article; few letters to the editor	Oct/Nov 15	1
<b>Comments</b>			
As rated by Workshop Attendees -			

Current Issues / Actions / Treatments	Due Date	Responsibility
Investigate CRM (Mar 16 - being addressed with Sharepoint Upgrades. Updated due date and	Jun-16	Lisa Oliver

Incident Management Tracking		
Related Incident Details	Date	Impact
None		





# Inadequate Data / Document Management Processes

Aug-16

**This Risk Theme is defined as:**

Failure to adequately capture, store, archive, retrieve, provision and / or disposal of documentation. This includes:

- Contact lists.
- Procedural documents.
- 'Application' proposals/documents.
- Contracts.
- Forms, requests or other documents.

**Potential causes include:**

- Spreadsheet/Database/Document corruption or loss
- Inadequate access and / or security levels
- Inadequate Storage facilities (including climate control)
- High Staff turnover
- Outdated record keeping practices / incompatible systems
- Lack of system/application knowledge
- High workloads and time pressures
- Incomplete authorisation trails

Key Controls	Type	Date	City Rating
<i>Policy &amp; Procedural Review Process</i>	<i>Detective</i>	<i>Nov-14</i>	<b>Adequate</b>
<i>Daily back-up</i>	<i>Recovery</i>	<i>Nov-14</i>	<b>Effective</b>
<i>Sharepoint</i>	<i>Preventative</i>	<i>Nov-14</i>	<b>Adequate</b>
<i>TRIM</i>	<i>Preventative</i>	<i>Nov-14</i>	<b>Adequate</b>
<i>Offsite storage facility</i>	<i>Recovery</i>	<i>Nov-14</i>	<b>Effective</b>
<i>Cloud</i>	<i>Recovery</i>	<i>Nov-14</i>	<b>Effective</b>
<i>Strongroom</i>	<i>Preventative</i>	<i>Nov-14</i>	<b>Adequate</b>

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

Consequence Category	Risk Ratings	City Rating
<b>Service Interruption/Regulatory Compliance</b>	<b>Consequence:</b>	<i>Minor</i>
	<b>Likelihood:</b>	<i>Unlikely</i>
<b>Overall Risk Ratings:</b>		<b>Low</b>

Key Indicators	Tolerance	Date	Overall City Result
<i>% Documents not stored electronically or archived off-site</i>			
<i># out of date Council policies</i>	2	Oct-14	4
<i># out of date Administration protocols</i>	2	Oct-14	4
<i># out of date Procedures</i>	2	Oct-14	9

**Comments**

*As rated by Workshop Attendees -*

Current Issues / Actions / Treatments	Due Date	Responsibility
<i>Create records and information management policies and procedures (Record Keeping Plan)</i>	<i>Dec-17</i>	<i>Records Coordinator</i>
<i>Cleanout of strong room (also forms part of Customer Service &amp; Cash Management reviews)</i>	<i>Dec-16</i>	<i>Nicole Ceric</i>

**Incident Management Tracking**

Related Incident Details	Date	Impact
<i>None</i>		



## Inadequate engagement with Community / Stakeholders / Elected Members

Mar-16

### This Risk Theme is defined as:

Failure to maintain effective working relationships with the Community (including Local Media), Stakeholders, Key Private Sector Companies, Government Agencies and / or Elected Members. This invariably includes activities where communication, feedback and / 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.
- Regional or District Committee attendance.
- 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, Library Services and / or Bus/Transport services.

### Potential causes include:

- Budget / funding issues
- Media attention
- Inadequate documentation or procedures
- Short lead times
- Miscommunication / Poor communication
- Relationship breakdowns with community groups

Controls	Type	Date	City Rating
<i>Community Engagement Framework (Organisational Based)</i>	<i>Preventative</i>	<i>Mar-15</i>	<b>Effective</b>
<i>Consultative culture</i>	<i>Preventative</i>	<i>Mar-15</i>	<b>Effective</b>
<i>Biennial Customer Satisfaction &amp; Community Needs Survey</i>	<i>Detective</i>	<i>Mar-15</i>	<b>Effective</b>
<i>Communications Department</i>	<i>Preventative</i>	<i>Mar-15</i>	<b>Effective</b>
<i>Community Engagement Coordinator/Protocol/Procedure</i>	<i>Preventative</i>	<i>Mar-15</i>	<b>Effective</b>
<i>Prior notification of works</i>	<i>Preventative</i>	<i>Mar-15</i>	<b>Effective</b>
<i>Community Engagement Coordinator liaising with other departments, training staff in community engagement</i>	<i>Preventative</i>	<i>Mar-15</i>	<b>Effective</b>

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

Consequence Category	Risk Ratings	City Rating
<b>Reputation</b>	<b>Consequence:</b>	<i>Moderate</i>
	<b>Likelihood:</b>	<i>Unlikely</i>
<b>Overall Risk Ratings:</b>		<b>Moderate</b>

Indicators	Tolerance	Date	Overall City Result
<i>% residents satisfied that the City clearly explains reasons for its decisions and how residents' views have been taken into account ( from Community Perceptions survey)</i>	<i>50%</i>	<i>Apr-14</i>	<i>44%</i>
<i>% residents satisfied with how the community is consulted about local issues ( from Community Perceptions survey)</i>	<i>50%</i>	<i>Apr-14</i>	<i>58%</i>
<i>% residents satisfied with how the community is informed about local issues ( from Community Perceptions survey)</i>	<i>50%</i>	<i>Apr-14</i>	<i>64%</i>

### Comments

*As rated by Workshop Attendees -*

Current Issues / Actions / Treatments	Due Date	Responsibility
<i>Review Community Engagement process and policy in line with strategy review.</i>	<i>Dec-16</i>	<i>Caroline Walker</i>

### Incident Management Tracking

Related Incident Details	Date	Impact
<i>Related Incident Details</i>		



# Inadequate Environmental Management

Aug-16

**This Risk Theme is defined as:**

Inadequate prevention, identification, enforcement and management of environmental issues. The scope includes;

- Contaminated sites. / Coastal issues
- Waste facilities (landfill / transfer stations) / Groundwater
- Weed control. / Water Quality
- Illegal dumping.
- Illegal clearing / land use.
- Environmental protection
- Waste disposal laws
- Energy consumption
- Popular attitude towards the environment

**Potential causes include:**

- Inadequate management of landfill monitoring program
- lack of understanding / knowledge
- Inadequate local laws / planning schemes
- Inadequate reporting / oversight frameworks
- Community apathy.
- Lack of compliance

Controls	Type	Date	City Rating
Landfill Waste Monitoring Plan	Detective	Sep-14	Effective
Natural Area Management Plans	Preventative	Sep-14	Effective
Support Environmental Groups	Preventative / Detective	Sep-14	Adequate
Controlling land use through the Local Planning Scheme	Preventative	Sep-14	Adequate
Strategic Land Use planning investigations and feasibility studies	Detective	Sep-14	Effective
Applying statutory planning processes and framework	Preventative	Sep-14	Effective
Frequent reviews of Sustainable Environment functions	Detective	Sep-14	Effective
Conducting environmental health inspections	Detective	Sep-14	Effective
Encourage recycling efforts	Preventative	Sep-14	Effective
Enforcing existing heritage provisions in planning scheme	Preventative	Sep-14	Effective
Restoring of coastal and estuarine areas	Preventative	Sep-14	Effective
Revegetating remnant bushland areas	Preventative	Sep-14	Effective
Tender and contract documents	Preventative	Nov-14	Effective
Administration protocols/procedures	Preventative	Nov-14	Effective
Training - Expansion and align with scope of role	Preventative	Nov-14	Effective
Accreditation requirement for contractors	Preventative	Nov-14	Effective
Monitoring (eg. Groundwater testing) within scope	Detective	Nov-14	Effective
Local Laws	Preventative	Nov-14	Effective
Friends Groups	Preventative	Nov-14	Effective

**Overall Control Ratings:** Effective

Consequence Category	Risk Ratings	City Rating
Environmental	<b>Consequence:</b>	Moderate
	<b>Likelihood:</b>	Rare

**Overall Risk Ratings:** Low

Indicators	Tolerance	Date	Overall City Result
Number of Health risk assessments / inspections completed	100%		
Environmental sampling undertaken in accordance with legislation	100%		

**Comments**

As rated by Workshop Attendees

Current Issues / Actions / Treatments	Due Date	Responsibility
Creation of new waste local law	Dec-17	Pollyanne Fisher
Review of Health local law* Dependant on Health Bill	Dec-17	Pollyanne Fisher

**Incident Management Tracking**

Related Incident Details	Date	Impact



# Errors, Omissions & Delays

Mar-16

**This Risk Theme is defined as:**

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

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

This may result in incomplete or inaccurate information. Consequences include;

- 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
- Inadequate procedures or training
- Lack of Staff (or trained staff)
- Incorrect information
- Miscommunication

Controls	Type	Date	City Rating
Staff training	Preventative	Mar-15	Inadequate
Management oversight	Preventative	Mar-15	Effective
Documented Procedures / Checklists	Preventative	Mar-15	Adequate
Monitor complaints	Detective	Mar-15	Adequate
End of Month procedures	Preventative	Mar-15	Effective
Performance reviews biannually	Preventative	Mar-15	Effective
Corporate calendar	Preventative	Mar-15	Adequate
			Adequate
Employee awareness of policies and procedures	Preventative	Mar-15	
Councillor Briefings	Preventative	Mar-16	Effective

**Overall Control Ratings:** Inadequate

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

Indicators	Tolerance	Date	Overall City Result
Number of substantiated complaints relating to errors, omissions or delays	1		
Upheld Litigation	1		
Referral to the Ombudsman/Department/Council	1		

**Comments**

As rated by Workshop Attendees -

Current Issues / Actions / Treatments	Due Date	Responsibility
Reviewing procedures for Administration Officers (Mar 16 - Proposed that the procedure manuals for each department should be continuously updated as things change and improve, but admin meetings to resume and ensure these manuals are complete for 'key' tasks for each area July 16.)	Jul-16	Nicole Ceric
Develop corporate training calendar	Jun-16	Shelley Mettam
HR to collate training feedback from Performance Reviews for training needs analysis	Dec-16	Shelley Mettam

**Incident Management Tracking**

Related Incident Details	Date	Impact
None		





# External Theft & Fraud

Aug-16

**This Risk Theme is defined as:**

Loss of funds, assets, data or unauthorised access, (whether attempts 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 (no deceit)

**Potential causes include:**

- Inadequate security of equipment / supplies / cash
- Robbery
- Scam Invoices
- Inadequate provision for patrons belongings
- Lack of Supervision

Controls	Type	Date	City Rating
Security Access controls at all buildings (eg. Admin / Depot)	Preventative	Sep-14	Effective
Security access for all buildings	Preventative	Sep-14	Effective
Security Monitoring controls	Detective	Sep-14	Adequate
IT Firewall Systems	Preventative	Sep-14	Effective
Photographic record of major assets	Recovery	Sep-14	Adequate
Asset register	Recovery	Sep-14	Adequate
Annual stocktake	Detective	Sep-14	Effective
Internal audit	Detective	Sep-14	Effective
Internal audit working group - action management	Preventative	Aug-16	Effective
<b>Overall Control Ratings:</b>			<b>Effective</b>

Consequence Category	Risk Ratings	City Rating
Financial/Property	<b>Consequence:</b>	Moderate
	<b>Likelihood:</b>	Possible
<b>Overall Risk Ratings:</b>		<b>Moderate</b>

Indicators	Tolerance	Date	Overall City Result
Number of incidents	1		

**Comments**

As rated by Workshop Attendees -

Current Issues / Actions / Treatments	Due Date	Responsibility
Finalise asset register	Dec-16	Steve Crossman
Investigate GPS for vehicles	Dec-16	Pollyanne Fisher

Incident Management Tracking		
Related Incident Details	Date	Impact
None		



# Ineffective Management of Facilities / Venues / Events

May-16

**This Risk Theme is defined as:**

Failure to effectively manage the day to day operations of facilities, venues and / or events. This includes;

- Inadequate procedures in place to manage the quality or availability.
- Ineffective signage
- Booking issues
- Financial interactions with hirers / users
- Oversight / provision of peripheral services (eg. cleaning / maintenance)

**Potential causes include:**

- Double bookings
- Illegal alcohol consumption
- Managing bond payments
- Animal contamination.
- Failed chemical / health requirements.
- Access to facilities / venues.

Controls	Type	Date	City Rating
Event Notification Process	Preventative	Jun-15	Effective
Event Evaluation / Approval Process (Internal)	Detective	Jun-15	Effective
Event Management Process (Monitoring)	Detective	Jun-15	Adequate
Booking System (Outlook / MRM)	Preventative	Jun-15	Adequate
Events Policy & Procedure process	Preventative	Jun-15	Effective
Maintenance Schedules (buildings / venues)	Detective	Jun-15	Adequate
Building Assessment Condition report	Preventative	Jun-15	Effective
ECU (Event Coordination Unit) Meetings	Preventative	Jun-15	Effective
Contractor Performance Reviews	Detective	Jun-15	Effective

**Overall Control Ratings:** Adequate

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

Indicators	Tolerance	Date	Overall City Result
Attendance at City organised events			
Complaints			
% satisfied with the City's sport and recreation facilities (from Community Perceptions survey)	75%	Apr-14	84%
% satisfied with access to services and facilities for people with disabilities (from Community Perceptions survey)	75%	Apr-14	75%
% satisfied with the City's festivals, events and cultural activities (from Community Perceptions survey)	75%	Apr-14	77%
% satisfied with the City's Facilities (Hall User usery)	75%	Jun-15	77%

**Comments**

As rated by Workshop Attendees -

Current Issues / Actions / Treatments	Due Date	Responsibility
Implement recomendations from Core report - In progress, partly completed	Jul-16	Director Technical Services

**Incident Management Tracking**

Related Incident Details	Date	Impact
None		



# Failure of IT &/or Communications Systems and Infrastructure

Nov-15

**This Risk Theme is defined as:**

Instability, degradation of performance, or other failure of IT Systems, Infrastructure, Communication or Utility 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
- IT Network
- Failures of IT Vendors

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

- Configuration management
- Performance Monitoring
- IT Incident, Problem Management & Disaster Recovery Processes

This **does not** include new system implementations - refer "Inadequate Project / Change Management".

**Potential causes include:**

- Weather impacts
- Power outage at service provider
- Out dated / inefficient hardware
- Incompatibility between operating system and Microsoft
- Power failure on site
- Infrastructure breakdown such as landlines, radio communications.
- Lack of training
- Software vulnerability (e.g. MS Access)

Controls	Type	Date	City Rating
Data Back up Systems	Recovery	Nov-14	Effective
Performance Monitoring	Detective	Nov-14	Effective
Vendor Support (IT Vision)	Recovery	Nov-14	Adequate
PABX System (Commander)	Detective	Nov-14	Effective
UPS	Recovery	Nov-14	Effective
Maintenance and replacement program	Preventative	Nov-14	Effective
Cloud solution for IT and communications systems	Preventative	Nov-14	Effective
DR Site	Recovery	Nov-14	Adequate

**Overall Control Ratings:** Effective

Consequence Category	Risk Ratings	City Rating
Service Interruption	Consequence:	Major
	Likelihood:	Unlikely
<b>Overall Risk Ratings:</b>		Moderate

Indicators	Tolerance	Date	Overall City Result
System downtime			
Availability of network infrastructure during business hours	100%		
Average outstanding Help Desk support requests	10		

**Comments**

As rated by Workshop Attendees -

Current Issues / Actions / Treatments	Due Date	Responsibility
Review ICT Disaster Recovery Plan	Mar-16	Mike Fletcher

**Incident Management Tracking**

Related Incident Details	Date	Impact
None		



# Misconduct

May-16

**This Risk Theme is defined as:**

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
- Use of systems and resources with criminal intent
- Collusion between Internal & External parties

This **does not** include instances where it was not an intentional breach - refer Errors, Omissions or delays in transaction processing, or Inaccurate Advice.

**Potential causes include:**

- Inadequate induction process
- Changing of job titles
- Delegated authority process inadequately implemented
- Disgruntled employees
- Lack of understanding
- Poor internal checks (PO's and delegated authority)
- Password sharing

Controls	Type	Date	City Rating
<i>Delegations Register</i>	<i>Preventative</i>	<i>Jun-15</i>	<i>Effective</i>
<i>Internal audit</i>	<i>Preventative/Detective</i>	<i>Jun-15</i>	<i>Effective</i>
<i>Public Interest Disclosure awareness and training</i>	<i>Detective</i>	<i>Jun-15</i>	<i>Adequate</i>
<i>Segregation of Duties (Financial)</i>	<i>Preventative</i>	<i>Jun-15</i>	<i>Effective</i>
<i>IT Security Access Framework (Profiles and passwords)</i>	<i>Preventative</i>	<i>Jun-15</i>	<i>Effective</i>
<i>Induction Process (Code of Conduct)</i>	<i>Preventative</i>	<i>Jun-15</i>	<i>Adequate</i>
<i>Procurement Process (Purchase Order Process)</i>	<i>Preventative</i>	<i>Jun-15</i>	<i>Effective</i>
<i>Financial Interest Return</i>	<i>Recovery</i>	<i>Jun-15</i>	<i>Adequate</i>
<i>External audit</i>	<i>Detective</i>	<i>Jun-15</i>	<i>Effective</i>
<i>Finance induction</i>	<i>Preventative</i>	<i>Jun-15</i>	<i>Adequate</i>
<i>Employee exit procedure</i>	<i>Preventative</i>	<i>Jun-15</i>	<i>Adequate</i>
<i>Policies and procedures</i>	<i>Preventative</i>	<i>Jun-15</i>	<i>Effective</i>
<i>People management</i>	<i>Preventative</i>	<i>Jun-15</i>	<i>Adequate</i>

**Overall Control Ratings:** *Effective*

Consequence Category	Risk Ratings	City Rating
<b>Financial and Reputational</b>	<b>Consequence:</b>	<i>Minor</i>
	<b>Likelihood:</b>	<i>Rare</i>
<b>Overall Risk Ratings:</b>		<i>Low</i>

Indicators	Tolerance	Date	Overall City Result
<i>Failed Audits</i>	<i>1</i>		
<i>Standard operating procedure breaches</i>	<i>2</i>		
<i>Complaints from suppliers</i>	<i>1</i>		
<i>Stock anomalies</i>	<i>2</i>		
<i>People taking excess leave</i>	<i>1</i>		
<i>Missing money</i>	<i>1</i>		

**Comments**

*As rated by Workshop Attendees -*

Current Issues / Actions / Treatments	Due Date	Responsibility
<i>No current actions required</i>		

**Incident Management Tracking**

Related Incident Details	Date	Impact
<i>None</i>		





# Inadequate Organisation and Community Emergency Management

Nov-15

**This Risk Theme is defined as:**

Failure to adequately conduct Prevention, Preparation, Response and Recovery (PPRR) in the organisation structure and community elements, inclusive of the management of all emergencies. This includes;

- Lack of (or inadequate) emergency response plans.
- Lack of training to 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

(References: AS 3745; AS 1851; AIIMS 4 Management Principles)

**Potential causes include:**

- Inadequate Communication
- Unplanned human behavioural response
- Inadequate internal emergency management structure
- Inadequate Bushfire Management Plans
- Isolation in workplace
- Lack of Community Participation
- Lack of relevant skill and knowledge

Controls	Type	Date	City Rating
<i>Established and Trained Emergency Planning Committee</i>	<i>Preventative</i>	<i>Sep-14</i>	<b>Effective</b>
<i>Organisation Emergency Evacuation Management Plan</i>	<i>Preventative</i>	<i>Sep-14</i>	<b>Adequate</b>
<i>Established and Trained ECO (Fire Wardens / First Aiders)</i>	<i>Preventative</i>	<i>Sep-14</i>	<b>Adequate</b>
<i>Functional LEMC</i>	<i>Preventative</i>	<i>Sep-14</i>	<b>Effective</b>
<i>Current LEMA &amp; Recovery Plan</i>	<i>Preventative</i>	<i>Sep-14</i>	<b>Adequate</b>
<i>LEM exercises</i>	<i>Detective</i>	<i>Sep-14</i>	<b>Inadequate</b>
<i>Current Bushfire Risk Management Plan</i>	<i>Preventative</i>	<i>Sep-14</i>	<b>Adequate</b>
<i>Risk register (fuel loads)</i>	<i>Preventative</i>	<i>Sep-14</i>	<b>Adequate</b>

**Overall Control Ratings:** **Inadequate**

Consequence Category	Risk Ratings	City Rating
<b>Health / Property</b>	<b>Consequence:</b>	<i>Major</i>
	<b>Likelihood:</b>	<i>Unlikely</i>
<b>Overall Risk Ratings:</b>		<b>Moderate</b>

Indicators	Tolerance	Date	Overall City Result
<i>Missed LEMC Meetings</i>	<i>1</i>		
<i>Exercises Recorded</i>	<i>1</i>		
<i>Plans out of date by more than 12 months</i>	<i>1</i>		
<i>Number of internal evacuation exercises</i>	<i>1</i>	2013/2014	on target

**Comments**

*As rated by Workshop Attendees -*

Current Issues / Actions / Treatments	Due Date	Responsibility
<i>No outstanding actions</i>		

**Incident Management Tracking**

Related Incident Details	Date	Impact
<i>None</i>		



# Ineffective People Management / Employment Practices

Jan-16

**This Risk Theme is defined as:**

Failure to effectively manage and lead human resources (full/part time, casuals, temporary and volunteers). This includes not having an effective Human Resources Framework in addition to not having appropriately qualified or experienced people in the right roles or not having sufficient staff numbers to achieve objectives. Other areas in this risk theme to consider are;

- Breaching employee regulations (excluding OH&S).
- Discrimination, Harassment & Bullying in the workplace.
- Poor employee wellbeing
- Key person dependencies without effective succession planning in place.
- Induction issues.
- Terminations (including any tribunal issues).
- Industrial activity.

Care should be taken when considering insufficient staff numbers as the underlying issue could be a process inefficiency.

**Potential causes include:**

Leadership failures	Ineffective performance management programs or procedures.
Available staff / volunteers are generally highly transient.	Ineffective training programs or procedures.
Single Person Dependencies	Limited staff availability - mining / private sectors (pay & conditions).
Lack of available skilled contractors	Lack of volunteers for key service delivery
Poor recruitment	CEO/Elected Member relationship
Poor internal communications / relationships	Inadequate Induction practices.

Key Controls	Type	Date	City Rating
HR Policies & Procedures	Preventative	Nov-14	Effective
Training Needs Analysis	Preventative	Nov-14	Adequate
Corporate training calendar	Preventative & recovery	Nov-14	Effective
Upskilling/multiskilling/succession planning	Preventative	Nov-14	Adequate
Retention of corporate knowledge	Preventative	Nov-14	Adequate
Staff Inductions	Preventative	Nov-14	Effective
Performance Review & Development Process	Detective	Nov-14	Adequate
Volunteer support and recognition	Preventative	Nov-14	Effective
Training of Managers	Preventative	Nov-14	Effective
Code of conduct	Preventative	Nov-14	Effective
Reference checking	Preventative	Nov-14	Effective
Interview process	Preventative	Nov-14	Effective
Substandard Performance management	Recovery	Nov-14	Adequate
Employee Assistance Program	Preventative & Recovery	Nov-14	Effective
Staff wellbeing program	Preventative	Nov-14	Effective
Culture and values promotion	Preventative	Nov-14	Effective
Documented processes (position specific)	Preventative	Nov-14	Adequate
Pre-employment medicals	Preventative	Nov-14	Effective
Vacancy advertising	Preventative	Nov-14	Effective
Remuneration review to align with industry averages (Mercer)	Detective	Nov-14	Effective
Grievance management	Recovery	Nov-14	Effective

**Overall Control Ratings:** Effective

Consequence Category	Risk Ratings	City Rating
Reputational	<b>Consequence:</b>	Moderate
	<b>Likelihood:</b>	Unlikely
<b>Overall Risk Ratings:</b>		Moderate

Key Indicators	Tolerance	Date	Overall City Result
<b>Employee Turnover</b> % Staff turnover rate	<17% or <LG average		Reduced from 36% to 20%
<b>Employee Satisfaction</b> % of employees satisfied with working at the City of Nedlands	66%		Satisfaction surveys carried out every 2 years. Last indicated 86% satisfied.
Average Absenteeism	<5 days PA		
Successful unfair dismissal claims	1		0
Legal claims	1		0
<b>Comments</b> As rated by Workshop Attendees -			

Current Issues / Actions / Treatments	Due Date	Responsibility
Review performance review form (Jan 16 - New system being implemented shortly to replace	Jun-16	Shelley Mettam
Collate performance review data for planning training, upskilling (Jan 16 - New system being	Jun-16	Shelley Mettam

Incident Management Tracking		
Related Incident Details	Date	Impact
None		



# Inadequate Procurement, Disposal or Tender Practices.

Dec-15

**This Risk Theme is defined as:**

Failures in the procurement, acquisition, acceptance or disposal process for assets as governed by the Local Government Act. This risk theme also relates to and includes;

- Lack of formalised process to identify specific requirements prior to procurement.
- Acceptance of assets without reference to a formalised process to ensure correct receipt and / or notification of receipt (transfer of ownership).
- Disposing of plant and equipment (either through sale or decommissioning) that did not meet expectations from either a time or financial perspective.
- Failures in the Tender process from RTF preparation, advertising, due diligence and awarding.

**Potential causes include:**

- Fluctuating local market
- Fraud
- Lack of procedural process / short cutting
- Upselling issues
- Biased view of requirement / specifications
- Lack of liaison with operators

Controls	Type	Date	City Rating
<i>Policy &amp; Procedures</i>	<i>Preventative</i>	<i>Nov-15</i>	<b>Effective</b>
<i>Delegation Register</i>	<i>Preventative</i>	<i>Nov-15</i>	<b>Effective</b>
<i>Purchase Order Review Process</i>	<i>Detective</i>	<i>Nov-15</i>	<b>Effective</b>
<i>Internal audit</i>	<i>Detective</i>	<i>Nov-15</i>	<b>Effective</b>
<i>Declarartions of interest</i>	<i>Preventative</i>	<i>Nov-15</i>	<b>Adequate</b>
<i>Management oversight</i>	<i>Preventative</i>	<i>Nov-15</i>	<b>Effective</b>
<i>Asset disposal register</i>	<i>Preventative</i>	<i>Nov-15</i>	<b>Adequate</b>
<i>Authority approval hierarchy</i>	<i>Preventative</i>	<i>Nov-15</i>	<b>Effective</b>
<i>Asset finda</i>	<i>Preventative</i>	<i>Nov-15</i>	<b>Effective</b>

<b>Overall Control Ratings:</b>	<b>Effective</b>
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Consequence Category	Risk Ratings	City Rating
<b>Financial/Regulatory/Reputation</b>	<b>Consequence:</b>	<i>Moderate</i>
	<b>Likelihood:</b>	<i>Unlikely</i>
<b>Overall Risk Ratings:</b>		<b>Moderate</b>

Indicators	Tolerance	Date	Overall City Result
<i>Audits completed as per schedule</i>			
<i>Delegations reviewed annually</i>			
<i>Purchase orders issued for all procurement</i>			
<i>Annual stock take of plant and equipment</i>			

**Comments**

*As rated by Workshop Attendees -*

Current Issues / Actions / Treatments	Due Date	Responsibility
<i>No outstanding actions</i>		

Incident Management Tracking		
Related Incident Details	Date	Impact
<i>None</i>		



# Inadequate Project / Change Management

Jan-16

**This Risk Theme is defined as:**

Inadequate analysis, design, delivery and / or status reporting of change initiatives, resulting in additional expenses, time requirements 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
- Failures of IT Project Vendors/Contractors

This includes Directorate or Service Unit driven change initiatives except new Plant & Equipment purchases. Refer "Inadequate Asset Management"

**Potential causes include:**

- Lack of communication and consultation
- Lack of investment
- Ineffective management of expectations (scope creep)
- Inadequate skills/knowledge/qualifications of project manager
- Inadequate project planning (resources/budget)
- City growth (too many projects)
- Inadequate monitoring and review
- Project risks not managed effectively
- Lack of Project methodology knowledge and reporting requirements

Key Controls	Type	Date	City Rating
Project Management Framework (Methodology)	Preventative	Sep-14	Inadequate
Project Status Reporting	Detective	Sep-14	Adequate
Risk assessments	Preventative	Sep-14	Adequate
Project Initiation Documents/Project Plans	Preventative/Monitor	Sep-14	Inadequate
Correct authorisations	Preventative	Sep-14	Adequate
Budget management system	Monitor/Detective	Sep-14	Adequate
Time management	Monitor/Detective	Sep-14	Adequate
Project management training	Preventative	Sep-14	Adequate

<b>Overall Control Ratings:</b>	<b>Adequate</b>
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Consequence Category	Risk Ratings	City Rating
Financial	<b>Consequence:</b>	Major
	<b>Likelihood:</b>	Possible

<b>Overall Risk Ratings:</b>	<b>High</b>
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Key Indicators	Tolerance	Date	Overall City Result
Missed deadlines / milestones	Slippage 10% or \$10,000 (whichever is lesser)		
Budget overrun	10% or \$10,000 (whichever is lesser)		
Deviations from the project scope	No carryover to next year's budget		
Time overruns			

**Comments**

As rated by Workshop Attendees -

Current Issues / Actions / Treatments	Due Date	Responsibility
Project management framework	Jun-16	Pollyanne Fisher
PID/Project Plan review & awareness	Jun-16	Pollyanne Fisher

Incident Management Tracking		
Related Incident Details	Date	Impact
None		





# Inadequate safety and security practices

Dec-15

**This Risk Theme is defined as;**

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:

- 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 security protection measures in place for buildings, depots and other places of work (vehicle, community etc).
- Public Liability Claims, due to negligence or personal injury.
- Employee Liability Claims due to negligence or personal injury.
- Inadequate or unsafe modifications to plant & equipment

**Potential causes include;**

- Lack of appropriate PPE / Equipment
- Inadequate signage, barriers or other exclusion techniques
- Inadequate first aid supplies or trained staff
- Storage and use of Dangerous Goods
- Disposing of hazardous Waste
- Ineffective / inadequate testing, sampling (similar) health based req'
- Inadequate security arrangements
- Lack of mandate and commitment from Senior Management

Controls	Type	Date	City Rating
Workplace Inspections	Preventative	Nov-14	Inadequate
Staff Individual Training Plans	Preventative	Nov-14	Adequate
Hazard Register	Detective	Nov-14	Adequate
OSH Management Framework	Preventative	Nov-14	Effective
Contractor / Site Inductions	Preventative	Nov-14	Inadequate
Staff Inductions	Preventative	Nov-14	Inadequate
Ensuring buildings meet City and State mandated standards particularly where public safety is concerned	Preventative	Nov-14	Adequate
CCTV at selected sites	Preventative	Nov-14	Adequate
Code of Conduct	Preventative	Nov-14	Adequate
Fitness for work protocol	Preventative	Nov-14	Adequate
JSEA's	Preventative	Nov-14	Adequate
OSHLEY	Preventative	Nov-14	Adequate
Provision of PPE/Equipment	Preventative	Nov-14	Effective
Security systems/building access	Preventative	Nov-14	Adequate
Buddy system (Parks department)	Preventative	Nov-14	Adequate

**Overall Control Ratings:** Inadequate

Consequence Category	Risk Ratings	City Rating
Health	<b>Consequence:</b>	Moderate
	<b>Likelihood:</b>	Possible

**Overall Risk Ratings:** Moderate

Indicators	Tolerance	Date	Overall City Result
4801 Audit Results			
LTI's			
Near misses and feedback at toolbox and staff meetings	1		
Workers Compensation Claims			

**Comments**

As rated by Workshop Attendees -

Current Issues / Actions / Treatments	Due Date	Responsibility
OSH management system implementation	Apr-15	Shelley Mettam
Action issues identified in OSH inspections	Apr-15	S Mettam

**Incident Management Tracking**

Related Incident Details	Date	Impact
None		



# Inadequate Stock Management

May-16

**This Risk Theme is defined as:**

Lack of stock to ensure continuity of operations or oversupply of stock resulting in dormant (non-performing) assets. Stock includes, consumables, stationery, spare parts and / or other items used for operational purposes. This could be a result of an ineffective stock management system / processes or the peripheral processes in the issuance and / or recording of 'transactions'.

It does not include theft or loss of stock through ineffective operations; refer;

- Theft – “Misconduct” or “External Theft or Fraud”
- Ineffective operations – “Errors, Omissions or Delays”.

**Potential causes include:**

- Fluctuating demand
- Communication breakdowns
- Budgetary constraints
- Unavailability of stock
- Procedures not followed

Key Controls	Type	Date	City Rating
<i>Annual stocktake</i>	<i>Detective</i>	<i>Jun-15</i>	<b>Effective</b>
<i>Manual Inspections</i>	<i>Detective</i>	<i>Jun-15</i>	<b>Adequate</b>
<i>Lapsed Contracts</i>	<i>Preventative</i>	<i>Jun-15</i>	<b>Adequate</b>

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

Consequence Category	Risk Ratings	City Rating
<b>Service interruption</b>	<i>Consequence:</i>	<i>Minor</i>
	<i>Likelihood:</i>	<i>Unlikely</i>

**Overall Risk Ratings:** **Low**

Key Indicators	Tolerance	Date	Overall City Result
<i>Outdated or dormant stock</i>			
<i>Stock written off</i>			
<i>Insufficient stock to meet needs</i>			
<i>Variance in fuel usage records</i>			

**Comments**

*As rated by Workshop Attendees -*

Current Issues / Actions / Treatments	Due Date	Responsibility
<i>No outstanding actions</i>		

**Incident Management Tracking**

Related Incident Details	Date	Impact
<i>None</i>		



# Failure to fulfil statutory, regulatory or compliance requirements

Mar-15

**This Risk Theme is defined as:**

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

This does not include;

- Issues in relation to OH&S – refer "Inadequate employee and visitor safety and security"
- Procurement, disposal or tender process failures – refer "Inadequate Procurement, Disposal or Tender Practices"
- HR based legislation – refer "ineffective People Management"

**Potential causes include:**

- Lack of training, awareness and knowledge
- Staff Turnover
- Inadequate record keeping
- Ineffective processes
- Lack of Legal Expertise
- Councillor Turnover
- Misunderstanding of delegations
- Ineffective monitoring of changes to legislation

Key Controls	Type	Date	City Rating
<i>Compliance Return (DLG)</i>	<i>Detective</i>	<i>Nov-14</i>	<b>Effective</b>
<i>Financial Interest Return</i>	<i>Recovery</i>	<i>Nov-14</i>	<b>Effective</b>
<i>External Auditor Reviews (Compliance)</i>	<i>Detective</i>	<i>Nov-14</i>	<b>Effective</b>
<i>Subscriptions /memberships/networking</i>	<i>Preventative</i>	<i>Nov-14</i>	<b>Effective</b>
<i>Induction Process - Councillors</i>	<i>Preventative</i>	<i>Nov-14</i>	<b>Adequate</b>
<i>Induction Process - Staff</i>	<i>Preventative</i>	<i>Nov-14</i>	<b>Effective</b>
<i>Management oversight</i>	<i>Preventative</i>	<i>Nov-14</i>	<b>Effective</b>
<i>External consultants eg. Lawyers</i>	<i>Preventative</i>	<i>Nov-14</i>	<b>Effective</b>
<i>Internal Audit reviews</i>	<i>Detective</i>	<i>Nov-14</i>	<b>Adequate</b>
<i>Procedures</i>	<i>Preventative</i>	<i>Nov-14</i>	<b>Adequate</b>
<i>Checklists</i>	<i>Preventative</i>	<i>Nov-14</i>	<b>Adequate</b>
<i>Training</i>	<i>Preventative</i>	<i>Nov-14</i>	<b>Effective</b>

**Overall Control Ratings:**

**Effective**

Consequence Category	Risk Ratings	City Rating
	<b>Consequence:</b>	<i>Minor</i>
	<b>Likelihood:</b>	<i>Unlikely</i>

**Overall Risk Ratings:**

**Low**

Key Indicators	Tolerance	Date	Overall City Result
<i>Fines or penalties</i>	<i>1</i>		
<i>Audit notifications</i>	<i>1</i>		
<i>3rd party Investigations</i>	<i>1</i>		
<i>% of FOI's actioned within timeframes</i>	<i>90%</i>	<i>Sept 14 - Aug 15</i>	<i>90%</i>
<i>Negative response in Compliance Return</i>	<i>1</i>	<i>Mar-14</i>	<i>0</i>
<i>Letter from the Department of Local Government notifying of a breach</i>	<i>1</i>	<i>Sep-14</i>	<i>0</i>
<i>Refunding of fees (building)</i>	<i>1</i>		

**Comments**

*LGIS are developing a Standardised Compliance Framework for Local Governments. Once completed, this will be reviewed and implemented where applicable to provide an overview of control effectiveness in this area.*

Current Issues / Actions / Treatments	Due Date	Responsibility
<i>No outstanding actions</i>		

**Incident Management Tracking**

Related Incident Details	Date	Impact
<i>Annual Financial Interest return deadline missed</i>	<i>2014</i>	<i>Letters from DLG</i>



# Inadequate Supplier / Contract Management

Jun-16

**This Risk Theme is defined as:**

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. It does not include failures in the tender process; refer "Inadequate Procurement, Disposal or Tender Practices".

**Potential causes include:**

- Unskilled staff
- Complexity and quantity of work
- Inadequate contract change management process (variations)
- Inadequate communication
- Inadequate contract management practices
- Ineffective monitoring of deliverables
- Lack of planning and clarity of requirements
- Historical contracts remaining

Controls	Type	Date	City Rating
<i>Contract &amp; Tender Management Framework</i>	<i>Preventative</i>	<i>Nov-14</i>	<b>Effective</b>
<i>Training and resourcing</i>	<i>Preventative</i>	<i>Nov-14</i>	<b>Inadequate</b>
<i>Ongoing reviews of supplier arrangements</i>	<i>Preventative</i>	<i>Nov-14</i>	<b>Effective</b>
<i>Standardised contract documentation</i>	<i>Preventative</i>	<i>Nov-14</i>	<b>Adequate</b>
<i>Skilled staff to manage external contracts and contractors</i>	<i>Preventative</i>	<i>Nov-14</i>	<b>Effective</b>
<i>General conditions of contract and tender</i>	<i>Preventative</i>	<i>Nov-14</i>	<b>Adequate</b>
<i>Outsourcing to specialist contract managers and suppliers</i>	<i>Preventative</i>	<i>Nov-14</i>	<b>Adequate</b>
<i>Project planning</i>	<i>Preventative/Detective</i>	<i>Nov-14</i>	<b>Adequate</b>
<i>Contractor evaluations every 12 months</i>	<i>Detective</i>	<i>Nov-14</i>	<b>Adequate</b>

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

Consequence Category	Risk Ratings	City Rating
<b>Service interruption / Reputational / Financial</b>	<b>Consequence:</b>	<i>Major</i>
	<b>Likelihood:</b>	<i>Possible</i>
<b>Overall Risk Ratings:</b>		<b>High</b>

Indicators	Tolerance	Date	Overall City Result
<i>Number of expired contracts not yet renewed</i>	<i>1</i>		
<i>Increased costs &gt;CPI</i>	<i>20% above contracted amount</i>		
<i>Complaints</i>	<i>1</i>		
<i>Service level failure</i>	<i>1</i>		
<i>Audit results (BDO)</i>			
<i>Timeliness of tender issue</i>	<i>5%</i>		
<b><u>Comments</u></b> <i>As rated by Workshop Attendees -</i>			

Current Issues / Actions / Treatments	Due Date	Responsibility
<i>Standardised contract documents to be reviewed, inc OSH actions and liability</i>	<i>Dec-16</i>	<i>Nathan Brewer</i>

**Incident Management Tracking**

Related Incident Details	Date	Impact
<i>None</i>		

COMPLETED / REMOVED Issues / Actions / Treatments	Due Date	Responsibility
<i>Standardised procurement management documentation templates</i>	<i>Dec-15</i>	<i>Director Technical Services</i>





# Inadequate Financial, Accounting or Business Practices

Dec-15

**This Risk Theme is defined as:**

Inadequate identification or quantification of financial exposure or risk associated with decisions to invest in land transactions, financial derivatives or investments or poor long term forecasting or assumptions. This includes:

- Increased capital costs above assumption
- Employee cost rises above assumption
- Revenue shortfall arising from factors such as external grants/funding, fees and charges, rates, and cost shifting from State and/or Federal Government to Local Government

**Potential causes include:**

Poor credit management (short or long term borrowing restricting capacity or flexibility)      Ineffective Business Planning (poor scope / competition analysis)

Ineffective market analysis (over or under estimating)      Ineffective financial modelling, forecasting and projection techniques or processes

Lack of skilled and trained staff

Controls	Type	Date	City Rating
LTFP	Preventative	Sep-14	Adequate
Budget process	Preventative	Sep-14	Effective
Capacity Building	Preventative	Sep-14	Adequate
Rigour of project management	Preventative	Sep-14	Adequate
Workforce Plan (WFP)	Preventative	Sep-14	Adequate
Operational reviews	detective	Sep-14	Effective
budget reviews	detective	Sep-14	Effective
financial audit (internal and external)	detective	Sep-14	Effective
Audit and risk committee	monitor	Sep-14	Adequate

<b>Overall Control Ratings:</b>	<b>Adequate</b>
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Consequence Category	Risk Ratings	City Rating
Financial	<b>Consequence:</b>	Major
	<b>Likelihood:</b>	Unlikely
	<b>Overall Risk Ratings:</b>	Moderate

Indicators	Tolerance	Date	Overall City Result
<b>Operating Surplus Ratio</b> The extent to which revenues raised cover operational expense only or are available for capital funding purposes.	Between 0% and 15%	2013/2014	-0.87%
<b>Current Ratio</b> The liquidity position of a local government that has arisen from the past years transactions.	≥1	2013/14	0.92
<b>Rates Coverage Ratio</b> Indicator of a local government's ability to cover its costs through its own tax revenue efforts. Total rates revenue/Total expenses	≥40%	2013/14	67.80%
<b>Debt Service Cover Ratio</b> The ratio of cash available for debt servicing to interest, principal and lease payments.	>2	2013/14	3
Unqualified audit report	1	Nov-14	1
Completion of internal audit program	95%	Nov-14	100%

**Comments**  
As rated by Workshop Attendees -

Current Issues / Actions / Treatments	Due Date	Responsibility
No outstanding actions		

Incident Management Tracking		
Related Incident Details	Date	Impact
None		



# Inability to meet Corporate Business Plan objectives

Oct-15

**This Risk Theme is defined as:**

A source of loss or failure from the pursuit of an unsuccessful business plan.

This includes:

- Poor or uninformed business decisions
- Substandard execution of decisions
- Inadequate resource allocation
- Failure to respond to changes in the business environment

Strategic risk can be classified as either internal or external.

Internal risks arise from variables which can be controlled, such as Human, Technological, Physical and Operational factors.

External risks arise from variables which can be managed but cannot be controlled, such as economics, politics, natural disasters and compliance.

**Potential causes include:**

- |  |  |
|--|--|
| Poor or uninformed business decisions                    | • Not fully committed to the goal      |
| Not understanding the business environment               | • Not having the right people involved |
| Unrealistic goals  | • Inadequate resources committed       |
| Unwillingness or inability to change                     | • Poor communications                  |
| External factors such as politics or legislative changes | • Failure to review the plan           |
| Inability to adapt to changing market conditions         | • Failure to manage implementation     |

Controls	Type	Date	City Rating
<i>Communicate the vision and strategic objectives to stakeholders</i>	<i>Preventative</i>	<i>Sep-14</i>	<b>Adequate</b>
<i>Ownership assigned to an experienced management team</i>	<i>Preventative</i>	<i>Sep-14</i>	<b>Effective</b>
<i>Specific Council decision-making approach applied when considering significant issues.</i>	<i>Preventative</i>	<i>Sep-14</i>	<b>Effective</b>
<i>Central integrated planning and reporting framework</i>	<i>Preventative</i>	<i>Sep-14</i>	<b>Effective</b>
<i>Community monitoring report (Quarterly report to Council)</i>	<i>Preventative</i>	<i>Sep-14</i>	<b>Effective</b>
<i>Council Report Template</i>	<i>Preventative</i>	<i>Sep-14</i>	<b>Effective</b>

<b>Overall Control Rating:</b>	<b>Effective</b>
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Consequence Category	Risk Ratings	City Rating
<b>Reputational</b>	<b>Consequence:</b>	<i>Minor</i>
	<b>Likelihood:</b>	<i>Likely</i>
<b>Overall Risk Rating:</b>		<b>Moderate</b>

Indicators	Tolerance	Date	Overall City Result	Service
<b>Natural Area Management</b> <i>No. of trees (seedlings) planted in natural areas and greenways</i>	<i>20,000</i>	<i>July 14 - June 15</i>		A1.1
<b>Parks passive assets</b> ( <i>playgrounds, seats, benches, path-lights</i> ) <i>% of park's passive assets in a safe and functional condition</i>	<i>9.90%</i>			A1.5
<b>Irrigation Infrastructure</b> <i>% of irrigation infrastructure in a functional condition and operationally efficient</i> - <i>Infield Irrigation System</i> - <i>Pumping Equipment</i> - <i>Control Cabinets</i> - <i>Bores</i>	<i>13%</i> <i>80%</i> <i>9%</i> <i>62%</i>			A1.5
<b>Sporting Infrastructure</b> <i>% of sporting infrastructure in a safe and functional condition</i>	<i>24%</i>			A1.5
<b>River wall in disrepair</b> <i>linear metres of river-wall in disrepair</i>	<i>1km (approximately)</i>			A1.5

# Inability to meet Corporate Business Plan objectives

Oct-15

<b>Streetscape</b> <i>no. of trees in streetscapes and parks</i>	21,600			A1.6
<b>Underground Power</b> <i>No. of lots with underground power</i>	4,382			A1.11
<b>Roads:</b> <i>Road pavement</i> <i>% of road pavement in a 'satisfactory' condition</i>	70%			A2.1
<i>Drainage</i> <i>% of drainage in a 'satisfactory' condition</i>	TBD / New			A2.2
<b>Footpaths and Cycleways</b> <i>% of footpaths in a 'satisfactory' condition</i>	New			A2.3
<i>km of dedicated cycle-ways (CoN and Main Roads)</i>	New			A2.3
<b>Transport Planning and Management</b> <b>Parking</b> <i>% of respondents satisfied with the performance of the City of Nedlands in the area of control of parking</i>	60%			A2.4
<b>Support to Community Groups and Organisations (includes Built Facilities)</b> <b>Major projects</b> <i>no. of major projects completed on time and within budget</i>	1			A3.1
<b>Sport and Physical Recreation</b> <i>Sports club satisfaction level</i>	75%			A3.2
<b>Advocacy</b> <i>Effectiveness of advocacy on key issues of community interest</i>	New New			A4.5
<b>Regional Co-operation and Collaboration</b> <i>Effectiveness of WESROC programs/ projects supported by the CoN</i>	New			A4.6
<i>Effectiveness of programs/ projects undertaken in partnership with neighbouring local governments</i>	New			A4.6

**Comments**

As rated by Workshop Attendees -

Current Issues / Actions / Treatments	Due Date	Responsibility
Review of SCP/CBP/Long Term Financial Plan	End 2015	Director Corporate Strategy

# Political Risk

Dec-15

**This Risk Theme is defined as:**

Political (the practice of influencing other people) decisions or any political change that alters the expected outcome and value of an initiative by changing the probability of achieving objectives.

This includes:

- Local Government Structural Reform: lower priority of Nedlands in the new amalgamated Local Government
- Core changes to Local Government - rating powers
- Change in State Planning Policy in conflict with Council's strategic direction for the shape and form of Nedlands
- Breakdown in relationship between City Mayor/Council and CEO

**Potential causes include:**

- Poor communication
- Poor advice
- Changing Community expectations
- Lack of Elected Member training
- Unwillingness or inability to change
- Not understanding governance role

Controls	Type	Date	City Rating
Strategic Community Plan	Preventative	Sep-14	Adequate
Corporate Business Plan	Preventative	Sep-14	Effective
Advocacy (Influencing the decisions of others who do or can contribute to positive community outcomes)	Preventative	Sep-14	Adequate
Ongoing engagement with neighbouring local governments	Preventative	Sep-14	Adequate
Long Term Financial Plan	Preventative	Sep-14	Adequate
Community Engagement Strategy	Preventative	Sep-14	Adequate
Consider alternative revenue sources	Preventative	Sep-14	Adequate
	Preventative	Sep-14	

**Overall Control Ratings:** Adequate

Consequence Category	Risk Ratings	City Rating
Reputational	Consequence:	Moderate
	Likelihood:	Possible

**Overall Risk Ratings:** Moderate

Indicators	Tolerance	Date	Overall City Result
% residents satisfied with staff and Council's performance as a governing body ( from Community Perceptions survey)	75%	Apr-14	83%
% residents satisfied with Council's leadership in the community ( from Community Perceptions survey)	60%	Apr-14	61%
% residents believe that Elected Members at the City have a good understanding of our needs ( from Community Perceptions survey)	40%	Apr-14	49%

**Comments**

As rated by Workshop Attendees -

Current Issues / Actions / Treatments	Due Date	Responsibility
No outstanding actions		

**Incident Management Tracking**

Related Incident Details	Date	Impact
None		



**8. Other Business**

**8.1 Macri Partners – Interim Audit Visit for the Year ended 30 June 2016**

The Director Corporate and Strategy advised the Committee that Macri have provided their interim audit letter for the year ended 30 June 2016. The audit covered a review of the accounting and internal controls, as well as testing of transactions in several areas. There were no areas identified of specific concern.

The final letter will be brought to the Audit and Risk Committee meeting on the 7 November 2016. Representatives from Macri Partners will attend this meeting.

**Attachments (distributed at the meeting)**

1. Interim Audit Visit for the Year ended 30 June 2016





4 August 2016

Chief Executive Officer  
City of Nedlands  
P O Box 9  
NEDLANDS WA 6909



Dear Sir

**RE: INTERIM AUDIT VISIT FOR THE YEAR ENDED 30 JUNE 2016**

We carried out an interim audit of the City of Nedlands for the year ended 30 June 2016. Our interim audit covered a review of the accounting and internal control procedures in operation, as well as testing of transactions, in the following areas:

- Bank Reconciliations
- Investment of Surplus Funds
- Purchases
- Payments and Creditors
- Rate Receipts and Rate Debtors
- Receipts and Sundry Debtors
- Payroll
- General Accounting (Journals, etc.)
- IT Controls
- Registers (Tenders Register, etc.)
- Fixed Assets (Property, Plant & Equipment and Infrastructure)
- Review of Council Minutes

Our review also covered an examination of some compliance matters, which are required under the Local Government Act 1995 (as amended) and Financial Management Regulations 1996.

Please note that our examination of internal controls was carried out for audit purposes designed primarily for the purpose of expressing an opinion on the financial statements of the City of Nedlands. Because of the inherent limitations of any internal control structure, it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

It should be appreciated that the matters noted came to our attention during the course of our normal audit examination and as a result do not necessarily include all those matters which a more extensive or special examination might identify. Accordingly, our comments in this management letter are not intended to cover all aspects of the City's internal controls and accounting systems and are limited to those matters that arose from our normal audit procedures.

The following matters were noted and are brought to your attention.

### **BANK RECONCILIATIONS**

- (i) During our review of the bank reconciliations as at 29 April 2016, for the Municipal Fund and Trust Fund, we noted that the unrepresented cheque listing included a number of cheques that were more than 18 months old. These stale cheques may no longer be presented at the bank and should therefore be written back.

We recommend that the unrepresented cheque listing be reviewed on a more regular basis to ensure that there are no old outstanding cheques in the list. Any long outstanding cheques should be investigated and cleared from the system, as appropriate.

#### **Management Comment:**

***As part of our financial year end review and Audit recommendations, Management will be writing off a total of 20 stale cheques as at 30 June 2016.***

***In addition, a process will be introduced to perform a regular review of outstanding cheques and will include recommendations for dealing with them. This process will be signed off by the Manager, Finance.***

- (ii) During our review of the monthly bank reconciliations from July 2015 to April 2016 for the Municipal and Trust Bank Accounts, we noted that whilst they showed that they were signed by the preparer and reviewer, the dates of review were not indicated. Hence, we were unable to ascertain if the bank reconciliations have been reviewed on a timely basis.

We recommend that the bank reconciliations be dated by the reviewer to enhance the bank reconciliation process and provide evidence that they have been reviewed in a timely manner.

#### **Management Comment:**

***Management concurs with Audit recommendation and commencing July 2016, all bank reconciliations will be reviewed, signed and dated by the Finance Supervisor.***

## PURCHASES AND PAYMENTS

As part of our audit, we carried out a review of the purchasing and payments system. Our audit procedures have been designed to determine appropriate means for selecting items for testing so as to gather sufficient appropriate audit evidence to meet the objectives of the audit procedures. Professional judgement is used to assess the risk of material misstatement and to design and perform further audit procedures where necessary to reduce the risk to an acceptable low level. Our audit procedures have been designed to determine whether purchases of goods/services were in accordance with the City's Purchasing of Goods and Services Policy.

Generally the controls surrounding purchases, creditors and payments are appropriate to meet the City's requirements.

However, the following matters were noted as requiring attention:

- (i) Our review of the outstanding purchase orders listing as at 4 May 2016 revealed that some purchase orders were outstanding since May 2013. Our checks revealed that some of these outstanding purchase orders were completed and require cancellation.

We request that management review the outstanding purchase orders and purge unwanted and fulfilled purchase orders from the system. This will ensure that only valid outstanding purchase orders remain in the system.

### **Management Comment:**

***The Finance Supervisor performs a review of completed orders once every 6 months as a result of Audit recommendation.***

***However, due to an Authority systems glitch, there were 8 outstanding purchasing orders since May 2013 - these have recently been resolved. Management will continue to monitor system performance to ensure that these issues do not occur again in the future***

- (ii) During our testing, we noted three (3) instances (18 samples tested) where purchase orders were raised only after the goods and services have been supplied and invoices received.

The nature of the procurement for these instances was:

- Park pavilion structural services and energy assessment
- Fire equipment testing
- Farewell function for staff member

Such practice may increase the risk of unauthorised purchases being made. We request that purchase orders be raised when the goods and services are ordered and not after the goods and services have been received. This will ensure that goods and services have been obtained at the most competitive prices and ensure adherence to the City's Purchasing of Goods and Services Policy.

Where the final value for procurement of regular and ongoing acquisition of services is unknown, standing orders may be used containing an estimated price.

**Management Comment:**

***The three instances which occurred were once off and unlikely to be repeated in future.***

***However, Management agrees that it is not acceptable for an order to be raised after the receipt of an invoice and will ensure that this requirement is met by all Budget Holders. This will be done via communication and identification of training where necessary.***

***In addition, if in the future one of these non-compliance occurs the Accounts Payable Officer in Finance will alert the Finance Manager and ensure immediate follow up and adherence to the City's Purchasing of Goods and Services Policy.***

**CORPORATE CREDIT CARDS**

As part of the audit, we examined the policy and procedures in place for the use of corporate credit cards.

The following matter was noted and brought to your attention:

During our testing, we noted 3 instances (3 samples tested) where corporate credit cardholders were approving expenditure incurred on their own credit cards. There was no evidence of an independent review and approval by a senior officer of the expenditure incurred by the cardholders.

We recommend that expenditure incurred by the corporate credit cardholders be reviewed and approved by an independent senior officer.

**Management Comment:**

***Management agrees with Audit findings and with effect from July 2016, all credit card expenditure will be reviewed by the Director Corporate & Strategy. In the case of the review of the credit card held by the Director Corporate & Strategy – this will be reviewed by either of the other two Directors. These changes will be incorporated as part of the review of the Credit Card Policy as agreed with the Internal Auditors in July 2016***

## CREDITORS

Our discussions with the Accounts Payable Officer revealed that background checks (e.g. company extracts obtained to view shareholders' and directors' details, etc.) are performed on suppliers where the procurement amount is expected to exceed \$40,000. The limit has been set by management based on the procurement limits in the City's Purchasing of Goods and Services Procedure Manual to request at least three written quotations. Such background checks serve as an anti-fraud control and assist to identify current or past Council employees, elected members, etc.

In our opinion, we believe that the monetary threshold limit used for undertaking background checks is high.

We recommend that a lower realistic monetary threshold limit be implemented in order for background checks to be performed. This should involve applying a 'risk-based' approach and designing and implementing procedures which identify the circumstances in which background checks may be required.

### **Management Comment:**

***The \$40,000 threshold was set after due assessment by management of the risk level of the intended creditors, in line with the current purchasing policy and procedures. As City's regular purchases are mainly from long-established suppliers, new suppliers are mainly used for one-off purchases which are not provided by our current suppliers. Management will continue to monitor the new supplier request and assess the threshold on an annual basis.***

## RATES

The City's rating procedures were reviewed to ensure that they were in compliance with statutory requirements and that rates have been imposed correctly. This also included a review of the rate notices issued and the process of reconciliation of the Valuer General's reports to the Rates Ledger.

We checked a limited number of property assessments from the Rates Ledger to ensure that the rates calculations, raising and postings to the Rates and General Ledger were correctly performed.

The following matter was noted and brought to your attention:

We noted that there was no documentary evidence the reconciliations between the City's rates ledger and the interim Gross Rental Value (GRV) valuation reports from the Valuer General were reviewed by an independent senior officer.

The lack of or inadequate review and approval could result in the following:

- errors may be overlooked resulting in misstatements that could affect financial, as well as operational decisions
- inaccurate or incomplete information in accounts and/or reports
- inability to detect irregularities

We recommend that the reconciliations between the rates ledger and the interim Gross Rental Value (GRV) valuation reports be reviewed by an independent senior officer to ensure any unusual reconciling items are investigated. The reconciliations should be initialled as evidence that the reviews have been performed.

**Management Comment:**

***Agree with comments and will introduce a process to address this. Rates Officer will produce the Interim GRV valuation report and subsequent Rates GL reconciliation at every Interim GRV change advised by the Value General. Coordinator Management Accounting will check and approve the work***

**SUNDRY DEBTORS**

The sundry debtors system including raising of invoices was reviewed and testing conducted to ensure proper procedures have been followed.

The following matters were noted during the audit:

- (i) The City leases premises to various clubs. During the audit, we noted that the City had raised invoices to tenants for outgoings incurred from the 2013 financial year to date only in September 2015.

This, prima facie, may indicate possible loss of revenue to the City over the past few years since commencement of the leases.

We request management to:

- (a) review all leases entered into by the City to ensure that revenues (lease amounts and outgoings) are being identified and collected on a timely basis; and
- (b) introduce a monitoring process over revenue collection for all leases entered into by the City.

**Management Comment:**

***The reasons why the City did not recover the outgoings are mainly due to an absence of sub-meters for utility usage at certain leased properties and a proper staff handover procedure. These shortcomings have now been eliminated as some sub-meters are now installed at leased properties. In addition, the City will consider a valued added internal audit review of all the City's leases by BDO, our Internal Auditors.***

- (ii) Some of the leases entered into by the City with external parties for the lease of premises contain a requirement to comply with the *Commercial Tenancies (Retail Shops) Agreements Act 1985* (Retail Shops Act).

Amongst other things, the *Commercial Tenancies (Retail Shops) Agreements Act 1985* requires the City to provide the tenant an updated budget estimate of the outgoings each year and statements relating to the actual outgoings incurred for the year.

We observed that these requirements have not been undertaken by the City to date.

We request that all leases entered into by the City for any tenancies that fall under the ambit of *Commercial Tenancies (Retail Shops) Agreements Act 1985*, be reviewed as part of the City's obligations to comply under the Act.

**Management Comment:**

***The City accepts the Audit recommendation and will perform a review of all leases in this regard by June 2017.***

**RECEIPTING**

As part of our review of the City's receipting function at the Council Administration Office, we noted that:

- the "Cashier Summary" and "Receipt Listing Prior to Closing" reports produced from the system are reconciled to the daily takings (cash, EFTPOS, credit cards, etc.) at the end of the day by the customer service officer; and
- the reports lists any voided receipts processed during the day by the customer service officer.

However, there was no documentary evidence that this reconciliation reports including the list of voided receipts were reviewed by an independent senior officer. Voided receipts can be used to cover up misappropriation or cash discrepancies.

We recommend that the "Receipt Listing Prior to Closing" report be reviewed and initialled by a senior officer independent of the receipting function to indicate that the receipt reconciliations are correct, all cancelled receipts have been appropriately authorised with reasons ascertained and to provide evidence that the reviews have been carried out.

This matter was raised in our previous interim audit management letter dated 9 July 2015. The management response then provided was as follows:

*"Management agrees that the "Receipt Listing Prior to Closing" report is to be signed and dated by the preparer and it should also be subsequently initialled by a Senior Officer."*

We will be pleased to receive management response on the above matter.

**Management Comment:**

***Agree with comments and will introduce a process to address this. The Finance Officer – Revenue will prepare the reconciliation which will be reviewed and approved by The Coordinator – Management Accounting.***

## JOURNAL ENTRIES

Australian Auditing Standard ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* states that there is a risk in all entities that management may be in a position to override the financial controls to perpetrate fraud. The standard requires that auditors perform audit procedures to address this risk in the areas including journal entries.

As part of our audit, we performed procedures and reviewed internal controls over journal entries recorded in the general ledger.

To test this, we reviewed the entire population of journals as at our audit visit date to identify those which would be regarded as unusual or higher risk. All higher risk journals were tested to ensure they were appropriate and supported by a clear business rationale.

The following matter was noted and is brought to your attention:

We noted that there is no documented policy or guideline regarding the use, authorisation and control over journal entries.

We recommend that a documented policy or guideline be created which addresses the use of standard entries, non-routine entries (corrections and adjustments) and unusual or management-requested entries. This includes details on sequential numbering, the requirement for journals to be adequately explained or supported by appropriate documentation and the approved officers who can raise or authorise journal entries.

This matter was raised in our previous interim audit management letter dated 9 July 2015. The management response then provided was as follows:

*We will update the internal procedures. GL journal has senior officer sign off process. Management have introduced sign off process to Rates journal.*

We will be pleased to receive management response on the above matter.

**Management Comment:**

***A new GL journal policy will be drafted and will be implemented immediately.***

We thank your staff for the assistance provided during the audit. Should you have any queries with respect to the above or any other matters please do not hesitate to contact our office.

Yours faithfully



**ANTHONY MACRI**  
**AUDIT PARTNER**



**9. Date of Next Meeting**

The next meeting of this Committee is scheduled for Monday 7 November 2016 commencing at 5.30 pm.

**10. Declaration of Closure**

There being no further business, the Presiding Member declared the meeting closed at 6.25 pm.