

LITCHFIELD COUNCIL



Community effort is essential

Risk Management and Audit Committee (RMAC)

BUSINESS PAPER

TUESDAY 3/09/2019

Meeting to be held commencing 2.30 PM
In Executive Meeting Room at 7 Bees Creek Road, Freds Pass

Daniel Fletcher, Chief Executive Officer

Any member of Council who may have a conflict of interest, or a possible conflict of interest in regard to any item of business to be discussed at a Council meeting or a Committee meeting should declare that conflict of interest to enable Council to manage the conflict and resolve it in accordance with its obligations under the Local Government Act and its policies regarding the same.



LITCHFIELD COUNCIL RMAC MEETING

Notice of Meeting

to be held in the Executive Conference Room, Litchfield
on Tuesday, 3 September 2019 at 2.30pm

Daniel Fletcher
Chief Executive Officer

Number	Agenda Item	Page
1	Opening of Meeting	3
2	Apologies and Leave of Absence	3
3	Disclosures of Interest	3
4	Confirmation of Minutes	3
5	Business Arising from the Minutes	
	6.1 Action Sheet	4-42
6	Presentations	43
	Insert	
7	Accepting or Declining Late Items	43
8	Officers Reports	43
	8.1 Contract Management Internal Audit	44-61
	8.2 Procurement Improvement Committee	62-73
	8.3 Risk Register	74-100
9	Other Business	101
10	Confidential Items	101
	10.1 Thorak Regional Cemetery – Cash Management Audit	
	10.2 Final Internal Audit Payroll Report and Management Response	
11	Close of Meeting	101

1. Opening of meeting

2. Apologies and Leaves of Absence

3. Disclosure of Interests

Any member of the RMAC who may have a conflict of interest, or a possible conflict of interest regarding any item of business to be discussed at the RMAC meeting should declare that conflict of interest to enable Council to manage the conflict and resolve it in accordance with its obligations under the Local Government Act and its policies regarding the same.

4. Confirmation of Minutes

THAT the full minutes of the Risk Management and Internal Audit Committee Meeting held Tuesday 20 May 2019, 5 pages, be confirmed

Minutes have been distributed under separate cover and are publicly available on Council's website <http://www.litchfield.nt.gov.au/council/committees> or in hard copy by request.

5. Business Arising from the minutes

THAT RMAC receives and notes the Action Sheet

Meeting Date	Agenda Item & Resolution	Action Officer	Status
5 February 2019	8.2 Risk Register THAT RMAC <ol style="list-style-type: none"> 1. Note the updated strategic risk register with due dates modified for risk profiles RP12 and RP15 were received; and 2. Note the completed actions in the Risk Dashboard of the Strategic Risk Register, to will be removed from the action list with controls to be added where required. 3. Requests that the municipal plan key outputs be included as controls in the appropriate risk profiles. 4. Requests a report on how controls in RP8 are going to be improved. 5. Supports an earlier due date for actions in RP12 and suggests completion by July 2019. 6. Noted that id.Consult economic and social data be included as a control for RP13 7. Requests completion dates against each of the asset categories for the development of asset management plans in RP15 actions and attention be given to where playgrounds and skate parks are considered in the asset management plans. 	Gov & Risk Advisor	COMPLETE Item 2. Completed 02 February 2019 meeting Item3. Completed 02 February 2019 meeting Item 4. Completed 02 February 2019 meeting Item 5. Completed 02 February 2019 meeting Item 6. Completed 02 February 2019 meeting Item 7. Completed 02 February 2019 meeting A full risk register report will be presented at the August RMAC meeting as per the approved workplan. See Item 8.3 this agenda

Meeting Date	Agenda Item & Resolution	Action Officer	Status
20 May 2020	Item 5 Business Arising THAT <ol style="list-style-type: none"> 1. RMAC receives and notes the Action Sheet and accepts management responses to updates of actions. 2. Receives a report at the February 2020 RMAC meeting with the revised dates for the development of asset management plans scheduled for completion by June 2021 including example of an asset management plan. 	DIO	Asset management plan report to be presented at February 2020 meeting
20 May 2020	Item 8.1 Procurement Improvement Committee THAT <ol style="list-style-type: none"> 1. RMAC notes the report on the Procurement Improvement Committee (PIC) and the progress made on the procurement roadmap, and requests management's consideration of the feedback provided by RMAC. 2. In particular, that the PIC terms of reference be amended to include reporting to RMAC on PIC's monitoring of procurement audit recommendations, by providing minutes of its meetings. 	DIO	COMPLETE Item 1 Noted Item 2 See item 8.2 this agenda
20 May 2020	Item 8.2 External Audit Plan THAT the RMAC notes the expected timeline for the external audit of Litchfield Council's 2018/2019 Financial Statements and requests the Merit Partners audit plan to be presented to the next RMAC meeting.		COMPLETE See Attachment A to Business Arising form Minutes– Merit Partners Audit Plan below

Meeting Date	Agenda Item & Resolution	Action Officer	Status
20 May 2020	Item 8.3 Internal Audit Plan THAT RMAC, <ol style="list-style-type: none"> 1. Notes the scope of the Contract Management Practices internal audit. 2. Requests that future internal audit scope of works are to include a list of relevant policies for which the audit should be assessing operational compliance and effectiveness. 3. Recommends that the internal audit budget is maintained at the current level and that the internal audit KPI in the 2019/20 Municipal plan is set at a minimum of two per year. 4. Requests an updated internal audit plan that is informed by the risk dashboard be presented to the RMAC meeting in July 2019. 		COMPLETE Item 1 – noted Item 2 – Implemented Item 3 – Implemented Item 4 – See item 5 Attachment B – Internal Audit Plan below

Meeting Date	Agenda Item & Resolution	Action Officer	Status
20 May 2020	Item 10.1 Draft Internal Audit Payroll Report and Management Response THAT Risk Management and Audit Committee <ol style="list-style-type: none"> 1. receives and notes the KPMG Internal Audit of Payroll March 2019 Draft for Discussion report; 2. receives and notes Council's Management Response to the KPMG Internal Audit of Payroll March 2019 Draft for Discussion report; 3. receives a further report with the final internal audit report by KPMG and action plan from management at its meeting on 30 July 2019; and 4. requests the agreed actions out of the internal audit to be included in the risk register as treatments and internal controls. 5. Include the interpretation of the Litchfield Council EBA as an identified risk in Risk Profile 16. 	DCCS	Item 1 – Noted Item 2 – Noted Item 3 – See Item 10.2 this agenda Item 4 – To be completed once final report is presented to RMAC Item 5 – Completed

Item 5.1 Business Arising Attachment A Merit Partners Audit Plan

**LITCHFIELD
COUNCIL**

Community effort is essential



Audit Plan

For the Year Ended 30 June 2019



23 July 2019

The Council
Litchfield Council
PO Box 446
Humpty Doo, NT 0836

Dear Council Members

We are pleased to present our Audit Plan ("Plan") for the audit of Litchfield Council ("the Council") for the year ended 30 June 2019. This Plan outlines the scope of our services, identifies Merit Partners ("MP") professionals that will serve you and presents our understanding of some key considerations that will affect the 2019 audit.

Our audit is designed to express an opinion on the 2019 full year financial statements. Our Audit Plan has been prepared based on our understanding of the Council's business and the industry it operates in. We have considered and will continue to consider the Council's risks, assess those that could materially affect the financial statements and align our procedures accordingly. Our Audit Plan will be responsive to your needs and will maximise audit effectiveness so we can deliver the high quality audit you expect.

We have also included our interim audit findings in this Plan. These findings include our performance improvement observations that seek to assist the Council in enhancing its control environment.

Our commitment to quality will be reflected in every aspect of our work. If you have any questions or comments, please contact myself or Adam White on 8982 1444.

Yours faithfully

Matthew Kennon
Director

cc Iain Summers

Contents

1. Executive Summary	3
2. Risk Assessment and Areas of Audit Focus	5
3. Audit Approach	10
4. Materiality	15
5. Your Merit Partners Team	16
6. Independence	17
7. Engagement Execution and Reporting	18
8. Interim Audit Results	19
Appendices	
Appendix A – Communications with those Charged with Governance	20
Appendix B – Audit Observations	22
Appendix C – Status of Prior Year Recommendations	25

Section 1 Executive Summary

Risk assessment and areas of audit focus

As part of our risk assessment process we have held discussions with the Council's management to understand the key changes in the business and adapted our audit approach accordingly. These have been incorporated into our key areas of audit focus.

Our key focus areas are summarised below and explained in detail on **Section 2** of this report. They remain broadly consistent with the prior year:

- Going Concern
- Application of New and Future Applicable Accounting Standards
- Compliance with *Australian Accounting Standards*, the *Local Government Act* and other applicable Laws and Regulations
- Revenue Recognition on Grants Received
- Accounting for Infrastructure, Property, Plant and Equipment
- Fraud Related Matters

Audit approach

Our scope, which is based on the size and risk of the Council is set out on **Section 3** of this report. We note the audit coverage remains broadly the same as the prior year.

As in prior years we seek to test IT and manual controls in the key financial statement processes and therefore expect to take a controls based approach wherever possible. Details of our controls based approach is outlined in detail on **Section 3** of this report. The nature and extent of our controls testing is dependent on and considers whether the IT general control environment of the Council is operating effectively. We expect that the IT general controls environment will be assessed as effective.

We will adopt a substantive approach to areas that requires significant judgement by management including:

- Impairment of Property, Plant and Equipment
 - Allowance for Doubtful Debts
 - Employee Provisions
-

Materiality	<p>Our audit is planned to obtain reasonable assurance of detecting misstatements that we believe could be, individually or in aggregate, material to the financial statements.</p> <p>Our planning materiality has been set at \$380,000 after taking into account qualitative and quantitative factors. We will continue to report to the Risk Management and Audit Committee (“RMAC”) errors impacting profit/surplus by more than \$19,000.</p>
Your Merit Partners team	<p>We have outlined our core audit team who will be involved in delivering our high quality audit service.</p> <p>Details of our full team are outlined on Section 5 of this report.</p>
Independence	<p>We confirm our independence requirements with <i>APES 110 Code of Ethics for Professional Accountants</i>, and in our professional judgment, the engagement team and the Firm are independent. We have the appropriate controls in place to ensure we remain independent throughout the audit.</p>
Engagement execution and reporting	<p>We have set out the scope of our audit in Section 7.</p> <p>We continue to regularly engage with the Council’s finance and management team as part of our audit planning and execution processes. We have set out on Appendix A a summary of our communication and deliverables throughout our audit.</p>
Interim Audit Results	<p>During our interim audit, we have documented the Council’s key processes and tested the key controls relating to the following processes:</p> <ul style="list-style-type: none"> • Revenue and receipts; • Procurement/Purchases and payments; • Payroll and related payments; and • Financial Statement Close Process. <p>Refer also to Section 2 for the audit approach and Section 8 for the interim audit results.</p>
Audit fee	<p>Our audit fee is set out in our engagement letter dated 4 April 2018.</p>

Section 2 Risk assessment and areas of audit focus

Risk Assessments

Our approach is to identify the significant accounts at a financial statement level and the critical accounting processes that impact these accounts. This necessitates the determination of significant accounts and related key processes. Our audit then addresses these areas.

The Council's significant accounts and the planned testing are as follows:

Financial Component	Inherent Risk of Material Error	Analytical review	Planned control reliance	Substantive Testing Approach
General Rates & Charges (including statutory and user charges and fees)	Moderate	✓	✓	✓
Grant income	Moderate	✓		✓
Investment income	Low	✓		✓
Other income	Low	✓		✓
Employee expenses	Moderate	✓	✓	✓
Materials and contracts	Moderate	✓	✓	✓
Depreciation and Impairment	High	✓		✓
Other operating expenses	Low	✓	✓	✓
Cash and cash equivalents	Moderate	✓	✓	✓
Trade and Other Receivables	High	✓		✓
Other Financial Assets	Low	✓		✓
Infrastructure, Property, Plant and Equipment	High	✓		✓
Other Non-current Assets	Low	✓		✓
Payables	Moderate	✓		✓
Provisions	Moderate/High	✓		✓
Equity	Low	✓		✓

® As we plan on controls reliance, we will perform other primary substantive procedures such as substantive analytics as relevant.

Throughout the audit we will meet regularly with key members of management and continue to challenge and modify our risk assessment.

Areas of Audit Focus

Our risk assessment process helps us focus our audit efforts on the Council's key risk areas, being those risks which might lead to a material misstatement in the Council's financial statements, and forms the basis of our overall audit plan. We revisit the appropriateness of our view of risk throughout the audit cycle as the business, economy and industry conditions evolve.

In order to identify the key business risks of the Council, we have considered the following:

- ▶ The Council's strategies and objectives;
- ▶ The locations in which the Council operates;
- ▶ Changes in the *Local Government Act* and Regulations; and
- ▶ Revisiting the risks identified during our 2018 audit process.

This involved discussions and input from senior management, drawing on our past experience and knowledge, reference to external data sources, examining the Council's current and proposed accounting and reporting practices and identifying key judgemental areas.

We have prepared a summary of those key risks below and our planned response in the tables that follow.

Areas of audit focus	Our Perspective	Audit procedures to be performed
Ability to continue to operate as a going concern / Implementation of a new business strategy (if applicable)	<p>The Council, under the mandates and provisions of <i>NT Local Government Act</i>, is expected to operate as a going concern as it is mandated to provide essential services/needs to the community in the Litchfield region. These services included but are not limited to maintenance of roads, parks and recreation facilities, waste and recycling, animal management, cemeteries, etc.</p> <p>The core revenue of the Council is from rates, statutory charges and user charges and fees, which comprises about 60% - 65% of the Council's total revenue. In addition, the Council is also expected to receive program funds from the Commonwealth and NT Governments.</p> <p>It is also expected that the Council will have high liquid assets that will be able to support its operations in the next 12 months.</p>	<p>We will review the Council's financial statements including its revenue streams and note the following:</p> <ol style="list-style-type: none">a. the performance of the core revenue of the Council such as rates, statutory charges and user charges and fees against the budget and expectations;b. the Council's ability to receive funds from the Commonwealth and NT Governments in the 12 months from the date of the 2019 audit report and beyond. <p>We will also review the Council's minutes of meetings to account for any events that could impact the viability of the Council's operations in the future.</p> <p>In addition, we will review the Council's business plans, budgets and cash flow forecasts.</p> <p>We will obtain an understanding of management's assessment of the Council in relation to the Council's ability to continue is a going concern, and ascertain its reasonableness.</p>

Areas of audit focus	Our Perspective	Audit procedures to be performed
Application of New and Future Applicable Accounting Standards	<p>The <i>Australian Accounting Standards Board</i> (AASB) issued the following new Standards which are deemed applicable to the Council:</p> <ul style="list-style-type: none"> • AASB 15 <i>Revenue from Contracts with Customers</i> • AASB 1058 <i>Income for not-for-profit entities</i> • AASB 16 <i>Leases</i> - effective for annual reporting periods beginning on or after 1 January 2019 • AASB 9 <i>Financial Instruments</i> - effective for annual periods beginning on or after 1 January 2018 <p>AASB 9 will be required to be adopted by the Council for the first time in 2018-19.</p>	<p>At year end, we will evaluate the possible impact of adopting AASB 9 and ascertain that the requirements and disclosures required by this new standard are met. Likely accounts that will be impacted are the impairment provisions for rates and user charges receivables, fines and levies receivables, and other receivable accounts.</p> <p>We will also review management's assessment of the financial impact on the adoption (early adoption if applicable) of the new accounting standards and ascertain if the financial statement disclosures are adequate.</p>
Compliance with <i>Australian Accounting Standards</i> , the <i>Local Government Act (NT)</i> and other applicable laws and regulations	<p>Changes to AAS and regulatory requirements may have an impact on the Council financial reporting requirements. The continuous close monitoring from regulators will also impact the Council's operations.</p> <p>Regulatory breaches may result in restrictions being placed on the Council that will make operations unviable.</p>	<p>We will perform audit procedures over year end reconciliations and review the financial statements in accordance with <i>Australian Accounting Standards</i> (AAS), the <i>Local Government Act (NT)</i> and other applicable laws and regulations.</p> <p>We will also follow up on any compliance audits undertaken by regulators.</p>
Revenue Recognition on Grants Received	<p>At present, the Council recognises grant income in accordance with AASB 1004 <i>Contributions</i>.</p> <p>With the pronouncement of AASB 15 <i>Revenue with Contracts with Customers</i> and AASB 1058 <i>Income for Not-for-Profit Entities</i>, the Council has elected not to early adopt these new standards in its financial statements as at and for the year ended 30 June 2019.</p> <p>It will be mandatory for the Council to adopt these new standards as at and for the year ending 30 June 2020.</p>	<p>Our objective is to ascertain that grant revenue is recognised in accordance with AASB 1004 <i>Contributions</i>, and any unspent grants are appropriately recognised in the balance sheet.</p> <p>We will address the revenue recognition principle by reviewing the relevant terms and conditions of a sample of grant funding agreements and any correspondence with the funding bodies, and assessing whether the accounting treatment adopted by the Council for each grant is consistent with AASB 1004 <i>Contributions</i>.</p>

Areas of audit focus	Our Perspective	Audit procedures to be performed
Accounting for Infrastructure, Property, Plant and Equipment	<p>Lands, buildings and infrastructure assets dominate the Council's fixed assets and balance sheet and the total carrying value of these assets at 30 June 2018 was \$316 million. These assets were valued at depreciated current replacement costs based on the valuation report dated 1 July 2018.</p> <p>We understand the Council will not subject these fixed assets to an independent valuation as at 30 June 2019, as a valuation was undertaken in 2018. The Council however will need to ensure that the 2018 valuation is still applicable for the year ended 30 June 2019.</p> <p>It is also expected that the accounting of fixed assets will be impacted by the following likely risks:</p> <ul style="list-style-type: none"> the useful life assumptions used in the valuation reports not being reflective of up to date information maintained in the Council's asset management systems. Inappropriate depreciation rates. <p>The integrity of the classification of maintenance and/or capital expenditure is critical given the nature and useful life of work carried out. This is particularly relevant to expenditure incurred on infrastructure assets.</p>	<p>We will follow up on the Council's assessment of the valuation of the assets at year-end.</p> <p>Fixed assets' useful lives and depreciation rates will be reviewed based on the revaluation report received from the external valuer in 2018 and we will review management's assessment of impairment.</p> <p>We will also obtain and review the Council's fixed assets register and agree this to the general ledger balances. A sample of additions and disposals will be checked against related support, procurement guidelines and policies. We will also review related repairs and maintenance accounts to ascertain that relevant transactions of a capital nature have not been omitted from being capitalised.</p> <p>It should be pointed out that any changes to the Council operations may have an impact on the recoverability of assets.</p> <p>We will continue to monitor the recoverability of assets at year-end and assess whether adequate impairment allowance is recognised.</p>
Fraud Related Matters	Increased occurrences of fraud may result in significant losses to the Council if controls in place are not effective. The impact of fraud may become material to the Council's financial statements.	We will continue to assess the impact of fraud on the Council's operations and the effectiveness of controls in place to prevent and detect fraud.

Apart from the above areas of audit focus, below are other key audit and accounting issues that will be considered during our audit:

Areas of audit consideration	Audit procedures to be performed
Land Under Roads	<p>The Council's management is of the opinion that it is not possible to attribute value sufficiently reliable to qualify for recognition, and has not recorded land under roads. The Council's election is in line with AASB 1051 <i>Land Under Roads</i> paragraphs 8 and 9 which states that:</p> <p><i>"8 - An entity may elect to recognise (including continue to recognise or to recognise for the first time), subject to satisfaction of the asset recognition criteria, or not to recognise (including continue not to recognise or to derecognise) as an asset, land under roads acquired before the end of the first reporting period ending on or after 31 December 2007.</i></p> <p><i>9 - An entity shall make a final election under paragraph 8 effective as at the first day of the next reporting period following the end of the first reporting period ending on or after 31 December 2007. Any adjustments that arise from a final election that is made effective as at that first day shall be made against the opening balance of accumulated surplus (deficiency) of that next reporting period."</i></p> <p>Whilst the Council's election is in line with AASB 1051, we will re-evaluate its opinion in relation to land under roads and assess whether a reliable form of market data is available to record the land. We will also assess whether there is any new land under road acquired during the financial year.</p>
Restricted reserves	<p>We will obtain and review the Council's support over restricted cash and reserve accounts. We will review and test the accuracy of the information within the accounts to relevant support and approval for use of the Restricted Reserves and undertake a review of budgets and funding agreements to ascertain that balances are complete at reporting date.</p>

Section 3 Audit Approach

An Effective Audit Approach

Our audit of the Council is primarily designed to enable us to express an opinion that the general purpose financial report of the Council for the year ended 30 June 2019 presents fairly, in all material respects, the Council's financial position and financial performance in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Local Government Act 2008* and Local Government (Accounting) Regulations.

Similarly, our audit of Thorak Regional Cemetery (the "Cemetery") is primarily designed to enable us to express an opinion that the special purpose financial report of the Cemetery for the year ended 30 June 2019 presents fairly, in all material respects, the Cemetery's financial position and financial performance in accordance with the adopted accounting policies and the *Cemetery Act (NT) 2016*.

The specific terms and scope of the external audit engagement are set out in our engagement letter dated 4 April 2018.

Controls Reliance

Our audit has been designed to obtain a significant degree of audit comfort from reliance on and testing of internal controls. This approach of understanding and evaluating controls is risk based and structured on a foundation of the Council having a strong control environment framework.

In accordance with Australian Auditing Standards, the external auditor must gain an understanding of the internal controls relevant to the audit. Specifically, this assessment must cover:

- The control environment
- The Council's risk assessment procedures
- Control activities (including general IT controls)
- Monitoring of controls (internal audit and self-assessment).

Where significant deficiencies come to our attention during the course of our audit, we will communicate these to the Risk Management and Audit Committee and Management in a timely manner. We will also provide Management an internal control letter during the audit process, outlining our findings and our recommendations on where improvements can be made.

We will revisit our 2018 control findings during our audit to ensure that management's responses/actions have been implemented during the year as agreed.

IT General Controls

In conducting our work, we intend to place reliance on the IT systems across the Council, based on the significant accounts supported by these systems. Evaluating IT general controls ("ITGCs") is an integral part of our audit in assessing the controls that underpin financially significant systems and support the confidentiality, integrity and availability of information processing. Our evaluation of ITGCs focuses on two key areas:

Area	Description
Access to programs and data	Controls are in place to determine that only authorised persons have access to data and applications (including programs, tables, and related resources) and that they can perform only specifically authorised functions.
Change management	Controls are in place to determine that only appropriately authorised, tested, and approved changes are made to applications, interfaces, databases, and operating systems.

In the absence of effective ITGCs, reliance cannot be placed on system based controls or the data they produce.

Based on our discussions with management and a preliminary review of the Council's IT environment we have outlined below a summary of our expected reliance on the key IT systems that underpin the Council's significant accounting processes:

	Business process	Change management	Logical access
Authority	General Ledger, Bank Reconciliation, Receivables Module, Payable Module, Asset Module, Payroll Module, Rates	✓	✓

✓ In scope for 2019 IT general controls procedures

The Council's core accounting system, Authority, is maintained by Fourier, a third party service provider. The services provided by Fourier include among others, supply, installation, configuration, maintenance and administration of the accounting system.

Given there were no significant issues identified in prior years and in the interim audit, we plan to take an IT General Controls reliance approach. We therefore plan to test and rely on IT application controls.

The Risk of Fraud and Error

The primary responsibility for the prevention and detection of fraud and error rests with those charged with the governance and management of the Council. The Council has an active program for the prevention and detection of fraud which also involves internal audit.

Our responsibility as the external auditor is to consider the risk of fraud and the factors that are associated with it so as to ascertain that the financial statements are free from material misstatement resulting from fraud. However, it is important to note that while our external audit work is not primarily directed towards the detection of fraud or other irregularities, we will report any matters identified during the course of our work.

During our interim audit we were informed of alleged fraudulent incidents involving an employee. This has been discussed in further detail in [Section 8](#) of this report.

Opinions to be Issued

Audit of the full year financial statements

Our audit will be conducted to provide reasonable assurance as to whether the financial report for the year ended 30 June 2019 is free of material misstatement.

We will conduct our audit in accordance with Australian Auditing Standards and the financial reporting requirements of the *Local Government Act 2008* and Local Government (Accounting) Regulations for the general purpose financial statements of the Council.

Other opinions

Thorak Regional Cemetery: We will conduct our audit in accordance with Australian Auditing Standards and the *Cemetery Act (NT) 2016* for the special purpose financial statements of Thorak Regional Cemetery.

We will also audit the special purpose financial report of the Council's road to recovery returns grant program in accordance with the reporting requirements of the funding body.

Approach to key financial statement processes

We have considered the IT general control environment for the Authority system, which drives the financial statement close process, accounts receivable and accounts payable processes, during the interim audit, and have assessed it to be generally effective.

In the absence of an effective ITGC, reliance cannot be placed on the Authority system based controls or the data it produces without significant alternate procedures being performed around verifying the integrity and accuracy of any report generated from Authority. This would include testing a sample of transactions or data contained in the reports and vouching to supporting documentation as well as checking the report for clerical accuracy. For application or IT dependent manual controls, we will be required to extend our testing sample size from 1 to 25 depending on the frequency of the control.

As above, we expect to rely on the Council's IT general controls, and therefore we have, at the interim audit, and will test at the final audit, the IT application controls in the following key processes:

- Billings and Collection (Rates and user charges)

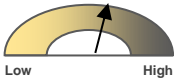
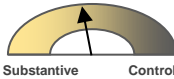
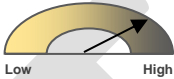
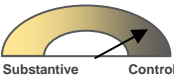
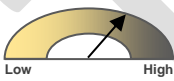
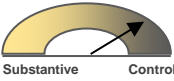
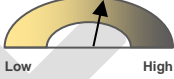
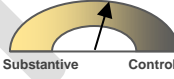
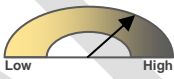
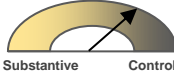
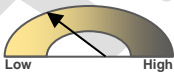
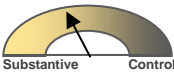
We support our IT general controls testing with manual controls testing in the following processes:

- Procurement/Purchases and payments
- Payroll and payments
- Grants and other revenue streams and receipts

In the course of any audit, there are areas where a controls reliance approach is not appropriate and where a substantive audit approach is more efficient or effective. Significant or judgemental balances that we audit substantively are:

- Valuation of financial and non-financial assets
- Employee provisions
- Any other provisions.

As the Council continues to improve the process controls, we will review our approach and rely on controls where possible. We have set out a table which summarises the level of controls reliance we expect to achieve in the key financial statements processes.

Key Process	IT reliance	Controls reliance
Financial statement close		
Revenue and receivables		
Purchases and payables		
Cash receipts and payments		
Payroll and payments		
Regulatory Compliance		

Overall Audit Approach

Activity	Planning / Risk Assessment	Testing	Completion
Objectives	<ul style="list-style-type: none"> ▶ Perform risk assessments ▶ Determine critical accounting matters ▶ Plan audit procedures ▶ Evaluate fraud risk in financial reporting ▶ Understand accounting and reporting activities 	<ul style="list-style-type: none"> ▶ Test operating effectiveness of key controls with sample sizes based on frequency and nature of controls ▶ Assess control risk and the risk of significant misstatement ▶ Perform substantive audit procedures ▶ Audit non-routine transactions and re-assess the risk of misstatement ▶ Consider if audit evidence is sufficient and appropriate 	<ul style="list-style-type: none"> ▶ Evaluate and report audit findings ▶ Form and issue audit opinion
Activities	<ul style="list-style-type: none"> ▶ Update our understanding of the Council's business via discussions with executive management ▶ Assess risks and identify general ledger accounts requiring audit focus ▶ Assess materiality having regard to business forecasts ▶ Undertake analytical review and assess key accounting issues ▶ Discuss key processes and controls relevant to "significant general ledger accounts" ▶ Test the design and implementation of controls 	<ul style="list-style-type: none"> ▶ Perform testing on complex and non-routine transactions ▶ Perform other tests to supplement controls testing ▶ Audit financial statement disclosures 	<ul style="list-style-type: none"> ▶ Resolve judgemental issues identified during the audit ▶ Evaluate the Council's financial statements ▶ Summarise key findings and report to management and the RMAC Members
Deliverables	<ul style="list-style-type: none"> ▶ Feedback on pro-forma Financial Report pre year end (if prepared) ▶ Audit Plan 	<ul style="list-style-type: none"> ▶ Summary of adjusted and unadjusted audit differences for consideration by management including significant deficiencies in internal controls ▶ Draft report to the RMAC ▶ Draft Audit closing report 	<ul style="list-style-type: none"> ▶ Audit opinions and applicable independence declarations ▶ Full year report to the RMAC ▶ Attendance at the RMAC meeting

Section 4 Materiality

We design our audit procedures to obtain reasonable assurance that errors in the financial statements are not material individually or in aggregate.

Errors are considered to be material if, individually or in aggregate, they could reasonably be expected to influence readers of the financial statements.

Our materiality is set at \$380,000 but we will report identified errors in excess of \$19,000.

Detail	2019 Extrapolated Amount	2018 Audit Actual
Total Revenue	\$18. 6 million	\$17.7 million
Planning Materiality	\$380,000	\$354,000
Threshold for reporting audit and review differences	\$19,000	\$18,000

Materiality is used to determine the nature and extent of our audit procedures. AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* states that 'omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements'.

As a matter of course, all identified audit and review differences in excess of \$19,000 will be brought to the attention of management for further consideration and action as appropriate. We will communicate to you any of these audit differences that are not adjusted by management, as well as significant corrected misstatements.

We will regularly review the level of materiality throughout the engagement and where a change is necessary we will advise the Risk Management and Audit Committee accordingly.

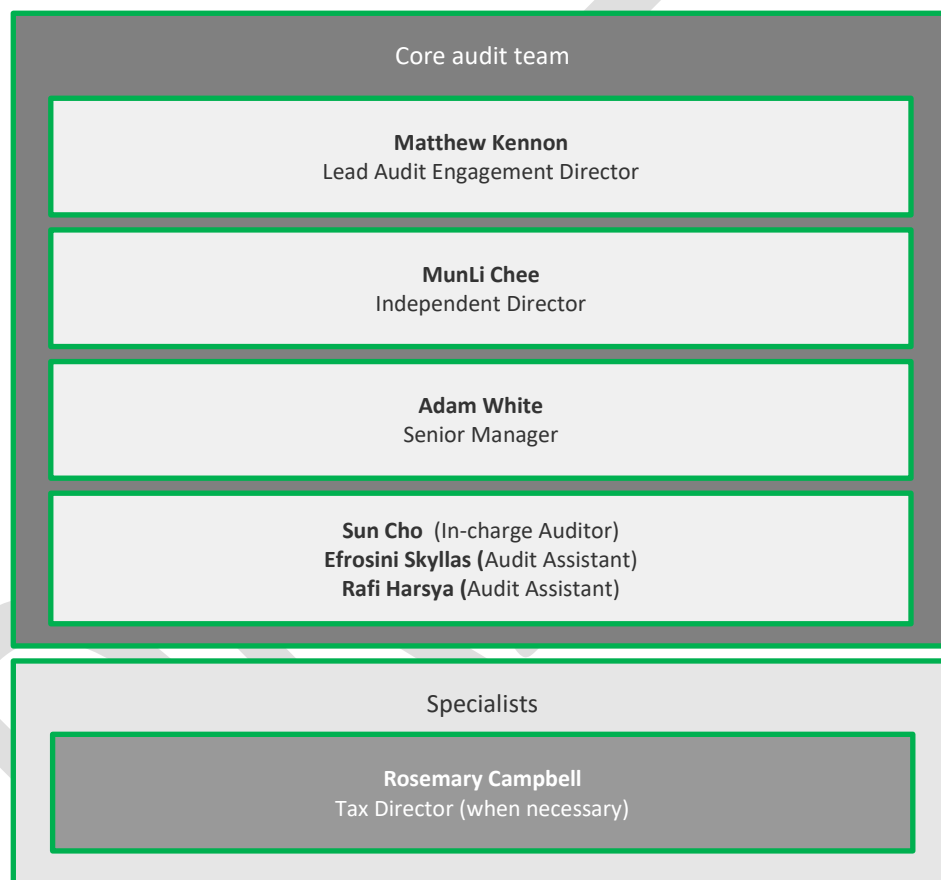
Section 5 Your Merit Partners Team

Your audit team for 2018-19 provides continuity and fresh ideas. This helps to ensure that we build on previous experience and make the audit process as smooth as possible.

Your Merit Partners Team

We understand that our team is the most important element of your relationship with us. We have effectively balanced the ongoing continuity of our core team with the input of innovation and fresh insights.

Our team has been involved in the audit of the Council for two years. This stability provides the Council with continuity, historical knowledge of your business and industry expertise. These combined factors enable us to focus on the significant issues facing your business. Further we will incorporate experts from our Taxation Advisory and Business Services to assist us should a need arises.



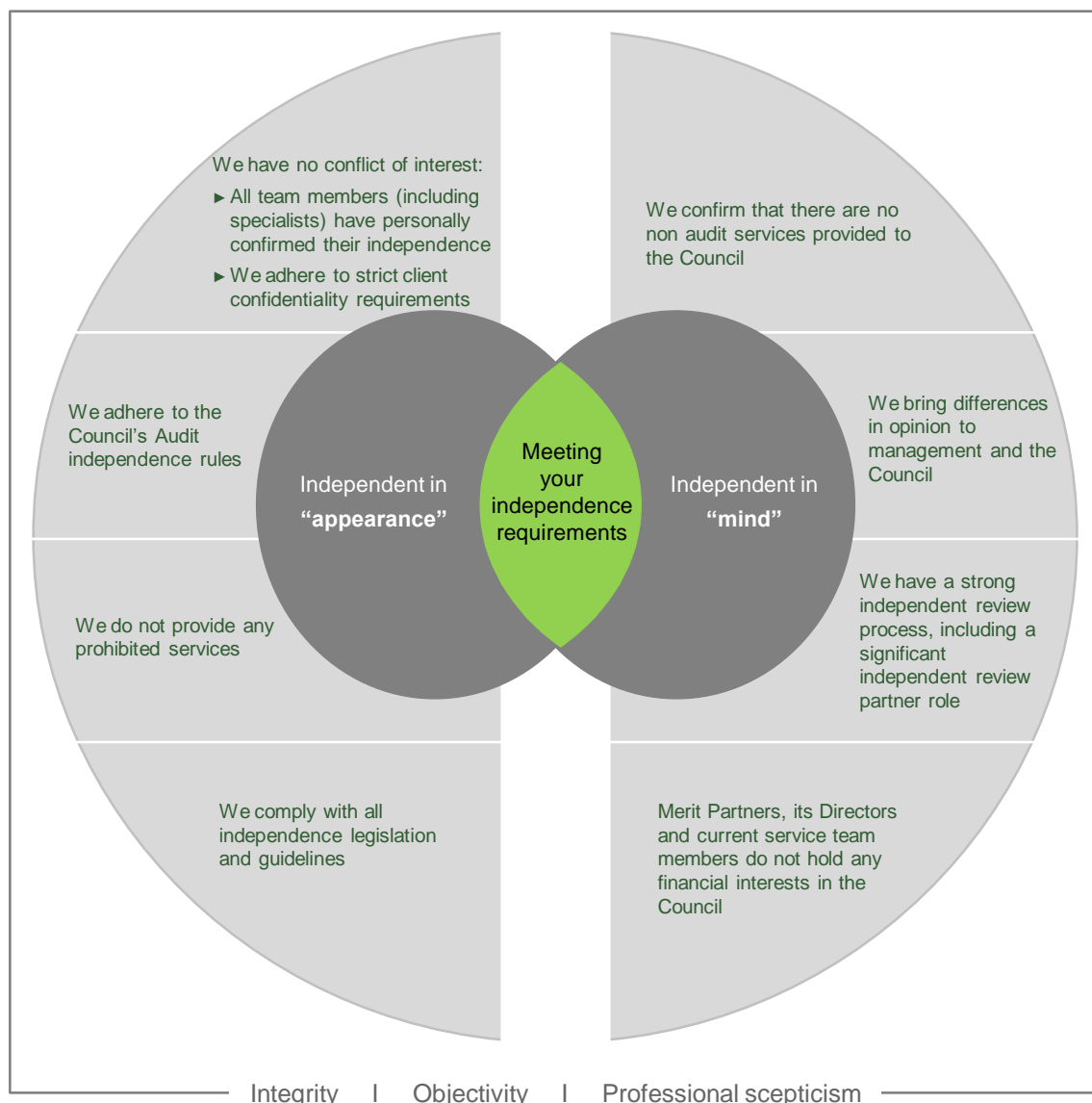
Section 6 Independence

We understand the importance of independence to you. We have been rigorous in maintaining our independence and managing conflicts. We will remain independent, and be seen to be independent.

Independence is fundamental to Merit Partners as our ongoing reputation and success is connected to our ability to meet both the Council's and broader regulatory independence requirements.

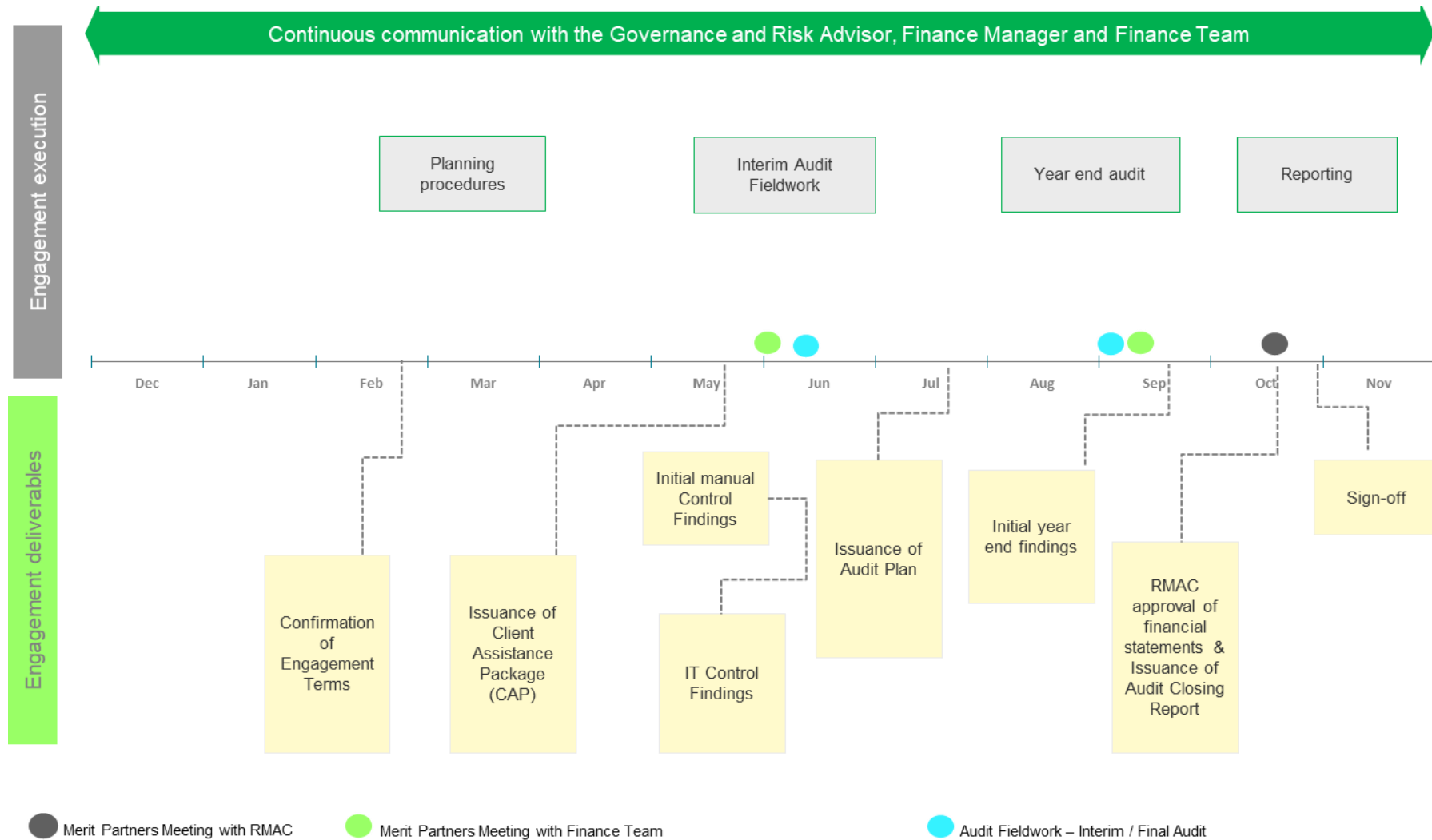
We have consistently complied with all professional regulations relating to auditor independence including those outlined in APES 110 *Code of Ethics for Professional Accountants*.

Accordingly, we ensure that there are controls in place and actions taken on a regular basis that mitigate any risks to our independence.



Section 7 Engagement, execution and reporting

We recognise that regular, timely communication with management and the Risk Management and Audit Committee is critical to maintaining an effective and transparent relationship. Our audit process operates throughout the year so that we can respond to issues as they arise and maintain close communication, with management and the Risk Management and Audit Committee, as the audit cycle progresses.



Section 8 Interim Audit Results

Summary

We have completed the interim component of our audit of the financial statements of Litchfield Council for the year ended 30 June 2019 and no significant findings have come to light.

Our report addresses only matters of governance that came to our attention as a result of performing the audit. Our audit was not designed to identify all matters that may be relevant to those charged with governance. Accordingly, we have identified all such matters.

Inherent Limitation and Management Responsibility

It should be noted that the primary purpose of the interim audit procedures was to obtain sufficient and appropriate audit evidence to prepare for the requirement to form an opinion on the Council's financial statements. The audit was not, therefore, a comprehensive review of all systems and processes and was not designed to uncover all weaknesses, breaches and irregularities in those systems and processes. Inherent limitations in any management process and system of internal control may mean that errors or irregularities might occur and not be detected.

The audit did not constitute a complete examination of all relevant data and was not designed to uncover all processing errors and therefore may not have detected all breaches and irregularities that could have occurred. The fact that the interim audit has not identified any significant matters does not mean that there are no other matters of which you should be aware of in meeting your responsibilities, nor does this report absolve you from taking appropriate action to meet your responsibilities.

Fraud Observations

During the interim audit we were informed of an instance where it is suspected that an employee of Thorak Regional Cemetery stole cash from the safe. The total amount missing from the safe is believed to be \$602.

We have been informed that subsequently the Cemetery has lowered the carrying petty cash float from \$300 to \$100 and that access to the safe has been restricted to two employees.

The Council has also engaged KPMG to review the Cemetery's receipts handling process. We understand the findings from the internal audit are yet to be finalised.

In our opinion activities undertaken by the Council upon discovery of the fraud have been appropriate.

Significant deficiencies in internal controls

The accounting and control procedures examined during the audit were found to be generally satisfactory. Discussions with management and staff have provided an understanding of the key business processes and controls. Overall, it appears that the Council has a satisfactory control environment and controls that can be relied upon in planning and conducting the audit for the year ended 30 June 2019.

However, there are minor matters, reported in [Appendix B](#), that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

In [Appendix C](#) of this report we provide an update of the findings arising from our 2018 audit which were presented in our 2018 Audit Closing Report.

Appendix A Communications with those charged with governance

There are certain communications that we are required by Australian Auditing Standards to provide to those charged with governance. These are detailed below for management and the Council's Risk Management and Audit Committee's reference:

Required communication	Reference
Terms of engagement <ul style="list-style-type: none"> ► Confirmation by the Management of acceptance of terms of engagement ► MP have provided a copy of the engagement letter 	Engagement letter
Planning and audit approach <ul style="list-style-type: none"> ► Communication of the planned scope and timing of the audit including any limitations 	Audit Plan
Significant findings from the audit <ul style="list-style-type: none"> ► Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ► Significant difficulties, if any, encountered during the audit ► Significant matters, if any, arising from the audit that were discussed with Management ► Written representations that we are seeking ► Expected modifications to the audit report ► Other matters if any, significant to the oversight of the financial reporting process 	Audit Letter to Those Charged with Governance
Misstatements <ul style="list-style-type: none"> ► Uncorrected misstatements and their effect on our audit opinion ► The effect of uncorrected misstatements related to prior periods ► A request that any uncorrected misstatement be corrected ► In writing, corrected misstatements that are significant 	Audit Letter to Those Charged with Governance
Fraud <ul style="list-style-type: none"> ► Enquiries of the Risk Management and Audit Committee/those charged with governance to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ► Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ► A discussion of any other matters related to fraud 	Audit Letter to Those Charged with Governance

Required communication	Reference
External confirmations <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Letter to Those Charged with Governance
Consideration of laws and regulations <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional ▶ Enquiry of the Risk Management and Audit Committee/those charged with governance into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements that they may be aware of. 	Audit Letter to Those Charged with Governance
Independence <ul style="list-style-type: none"> ▶ Confirmation that we have complied with APES 110 Code of Ethics for Professional Accountants. ▶ In the case of listed entities the auditor shall communicate with those charged with governance: <ul style="list-style-type: none"> ▶ A statement that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence; and ▶ All relationships and other matters between the firm, network firms, and the entity that, in the auditor's professional judgement, may reasonably be thought to bear on independence. ▶ The related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level. 	Audit Plan and Audit Letter to Those Charged with Governance
Going concern <p>Events or conditions identified that may cast significant doubt on the Council's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit Letter to Those Charged with Governance
Significant deficiencies in internal controls identified during the audit	Audit Letter to Those Charged with Governance

Appendix B Audit Observations

The following table summarises the key issues and their risk ranking.

	High Needs significant improvement	Moderate Needs substantial improvement	Low Needs some improvement
Cash Handling – Cemetery		✓	
Internal Audit – Payroll			✓
IT Policy			✓
Cash Handling – Waste Disposal			✓
Financial Statement Close Process			✓
Internal Control Weaknesses – Receipts			✓

Overview of Risk Ranking System

Though we have rated each finding individually on a stand-alone basis, you should also assess the collective impact of these matters, together with other findings from within the Council.

High Needs significant improvement	Immediate corrective action is required. These recommendations relate to a serious weakness which exposes the Council to a material extent in terms of achievement of corporate objectives, financial results or otherwise impair the Council's reputation.
Moderate Needs substantial improvement	Corrective action is required , generally within 6 months. A control weakness, which can undermine the system of internal control and/or operational efficiency and should therefore be addressed.
Low Needs some improvement	Corrective action is required , generally within 6 to 12 months. A weakness which does not seriously detract from the system of internal control and/or operational effectiveness/efficiency but which should nevertheless be addressed by management.

Disclaimer

Issues identified are only those found within the course of the interim audit for the year ended 30 June 2019. Recommendation issues are intended solely for the use of the Council's management. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Council or for any purpose other than that for which it was prepared.

Appendix B Audit Observations - continued

Observation	Effect	Risk category	Recommendation	Management Response
Cash Handling – Cemetery During our documentation of the receipts process for cemetery income, we were informed of an incident in which \$602 was believed to have been stolen from the safe. This is believed to have occurred through a lack of security over the code to the safe.	Control Weaknesses over the safekeeping of cash increases the risk of theft.	Moderate	Code access to the safe should be kept secure and only shared with a limited number of employees. The code should be amended at regular intervals.	
Payroll – Allowances During the financial year the Council engaged a third party to conduct an internal audit of its payroll processes. One of the findings from the report was that district allowances for employees were being paid at an hourly rate rather than per annum, as stipulated by the Enterprise Bargaining Agreement (EBA). During our testing over the Council's payroll process, we noted three instances from a sample of ten where casual employees were being paid district allowances at an hourly rate.	Staff may be being paid incorrect allowances. Additionally, the Council may not be complying with the requirements of the EBA.	Low	The Council implement the recommendations raised in the internal audit report to ensure compliance with the EBA.	
IT Policy Based on our enquiries, we understand that the Council does not have an IT policy detailing user access, system access or a disaster recovery plan. There is also no information present regarding the IT governance structure.	The absence of an overarching IT policy increases the Council's risk of fraud, error and data loss.	Low	The Council develop an IT policy covering IT governance, user access levels, system changes and disaster recovery plan.	
Cash Handling – Waste Disposal During our documentation of the receipts process for waste income, we were informed that the Gatekeeper is responsible for receiving the cash, recording the sale and performing the daily cash reconciliation.	The lack of segregation of duties in the handling of cash increases the risk of fraud.	Low	We recommend the Council consider cost effective ways for reducing the risk of fraud.	

<p>Financial Statement Close Process</p> <p>As part of the month end reporting procedures, the Council has an 'Audit Checklist' of items to be completed, including month end reconciliations. At the time of our interim audit, the Audit Checklist for the month of March 2019 was not completed until requested by us.</p>	<p>The failure to perform regular month end reconciliations in a timely manner increases the risk of error going undetected.</p>	<p>Low</p>	<p>Monthly reconciliations should be prepared, signed off as complete and approved by an independent appropriately delegated officer in a timely manner.</p>	
<p>Internal Control Weaknesses – Receipts</p> <p>From a sample size of 25 samples selected as part of our controls testing over the receipts process, we noted one instance in which no supporting documentation could be provided. This related to an 'Animal Rego renewal' for \$75 on 8 January 2019.</p> <p>We also noted one instance in which an income transaction was incorrectly offset against an expense account instead of recognising the gross amount. This related to 'Business case report preparation – Thorak Cemetery' for \$5,500 on 20-Sep-18.</p>	<p>The absence of appropriate supporting documentation for transactions increases the risk of fraud or error.</p> <p>Setting off transactions results in an understatement of income and expenditure.</p>	<p>Low</p>	<p>Supporting documentation and an adequate audit trail should be maintained for all transactions incurred.</p> <p>Income and expenditure should not be set off in accordance with AASB 101 <i>Presentation of Financial Statements</i> paragraph 32.</p>	

Appendix C Status of Previous Year's Recommendations

Description of deficiency	Update
<p>Depreciation</p> <p>Based on the depreciation tests we performed, we noted variances in our samples tested. Upon enquiry, we were informed there was a system error within the annual depreciation computation for the asset category of Sealed Roads. This explained the major variances from our testing.</p> <p>The Finance Manager further reviewed the depreciation rates for all assets and identified that the depreciation charge was understated by \$205,047. This error was subsequently adjusted by the Council.</p> <p>Additionally, we have noted that depreciation in relation to Unsealed Roads is not calculated through the asset accounting software, Authority. The fixed asset register for Unsealed Roads is maintained in an external spread sheet, separate to other assets.</p> <p><u>Management Response</u></p> <p>Council has established the error was created through values imported and has corrected the errors with the upload of the new values into the capital value record system with the new 2018 Asset Revaluation data.</p> <p>The remaining asset classes will be inputted into the Fixed Asset Register Database by 31 March 2019 and internal controls have been established to ensure all balances are checked both at the start and end of each financial year. This includes gifted, purchased and disposed of assets and the calculation of depreciation for each asset class.</p> <p>Every three years, in accordance with legislation and Council policies, Asset Revaluations will be obtained. Management will verify the import file with the valuation data prior to and after the upload to ensure correctness.</p>	<p>We have been informed that the new values from the revaluation performed in 2018 have now been uploaded into Authority. Therefore this error is not expected to recur in the 2019 financial year. Management will conduct a test to ensure depreciation charges are recorded accurately at year-end.</p> <p>The remaining asset classes will be inputted into the Fixed Asset Register database.</p>

Description of deficiency

Update

Useful Lives of Assets

We have observed that the useful lives of assets as disclosed within the financial statements differ to the depreciation applied within the valuation report as at 30 June 2018.

<u>Asset Class</u>	<u>Useful Lives Disclosed in Financial Statements</u>	<u>Depreciation as per Valuation Report</u>
Buildings	15 to 25 Years	1.25% to 5%
Infrastructure		
– Sealed Roads	15 to 17 Years	1% to 10%
– Unsealed Roads	10 to 15 Years	1% to 10%

Section 6.2.1 of the Council's latest Accounting and Policy Manual includes updated useful lives for these asset categories that better reflects the estimated life of the assets.

Management Response

Management have updated the changes to the Accounting Policy Manual with the updated useful life and other requests identified in these audit observations.

In future, prior to the three-yearly asset revaluation process, Council will review the useful life of all asset classes in line with industry standards and best practice as well as taking into account current climate conditions to ensure the policy is accurate.

Description of deficiency	Update
<p>Asset Valuation Reconciliation</p> <p>We understand that the Council has not performed a reconciliation between the Streetlight assets from the Council's own records and those included within the year end valuation report.</p> <p><u>Management Response</u></p> <p>This reconciliation has been performed by the Asset Management Officer and confirmation has been received that the number of streetlights handed to Council from PAWA as at 1 January 2018 are accurate.</p>	<p>An asset Valuation Reconciliation was performed by the Asset Management Officer and confirmed that the number of streetlights handed over to the Council from PAWA as at 1 Jan 2018 are accurate.</p>
<p>Bank Reconciliation</p> <p>Our audit procedures noted a variance of \$26,827 between the bank reconciliation prepared by the Council on 30.06.2018, and the general ledger balance within the financial records. We were informed that the reason for the variance was due to the rate payment made through Bpay, which takes 3 days to be reflected in Westpac and gets auto posted.</p> <p><u>Management Response</u></p> <p>Management have updated the Accounting Policy Manual to ensure a manual bank reconciliation is performed along with the computerised reconciliation to ensure all relevant transactions are identified and dated back to the relevant financial year as part of the end of year reporting process.</p>	<p>Section 10.5 of the Council's latest Accounting and Policy Manual now includes a requirement for a manual bank reconciliation to be performed at the end of each financial year.</p>
<p>Bank Signatories</p> <p>The bank confirmation received from Westpac at 30 June 2018 identified a former employee as one of the account signatories.</p> <p><u>Management Response</u></p> <p>Management understands the risk and ensures key personnel are removed from all relevant bank accounts at termination with Council. Included into the employee exit process, management will ensure all bank facilities are updated to remove any delegations for ceased employees.</p>	<p>We have reviewed the current bank signatories at the interim audit and noted that no former employees were included in the listing.</p>

Description of deficiency	Update
<p>GST Reconciliation</p> <p>The Council has not prepared a reconciliation between the Goods and Services Tax 'GST' balances recorded in the general ledger of \$93,475 at 30 June 2018 and the balances reported in the Business Activity Statement 'BAS' for the same period of \$101,410. A difference of \$7,935 cannot be explained.</p> <p><u>Management Response</u></p> <p>All account reconciliations are performed monthly. The reconciliation for GST is also used and relied upon to prepare the monthly BAS lodged with the ATO.</p>	<p>We have requested the lodged BAS for March and are still awaiting receipt.</p>
<p>IT Policy</p> <p>Based on our discussion with the IT Manager, we noted that the Council does not have an IT policy detailing user access, system access or password maintenance controls. There is also no information present regarding the IT governance structure.</p> <p><u>Management Response</u></p> <p>IT Policies are in the final review stage to be approved by Executive Management by the end of September 2018.</p>	<p>The Council has approved an Acceptable Use – Information and Technology Policy on 26 March 2019. However, this does not include any information in the areas of user access, system access or a disaster recovery plan. There is also no information present regarding the IT governance structure.</p>

Description of deficiency	Update
<p>Review of IT User Access</p> <p>The Council's standard practice is to review user access levels of its accounting software (Authority), biannually. However, we were unable evidence that the Operator Role Access report from Authority had been reviewed within the financial year.</p> <p><u>Management Response</u></p> <p>The quarterly reviews will continue to be performed. The Assistant Accountant will review the user access levels. These reviews will be signed off by the Finance Manager to ensure sufficient audit trail is obtained.</p>	<p>Section 10.8 of the Council's latest Accounting and Policy Manual now includes a requirement for the 'Operator Role Access Report' to be printed each quarter and reviewed. We obtained evidence of the review performed on 5 February 2019.</p> <p>We have been informed that this has only occurred biannually in the 2018/19 financial year, but has now been included as part of the end of month processing for September, December, March and June.</p>
<p>Dormant Suppliers</p> <p>The Council currently has no process in place to review and deactivate old and unused supplier accounts.</p> <p><u>Management Response</u></p> <p>A process will be implemented to deactivate suppliers unused on a periodic basis.</p>	<p>It is our understanding that a review of dormant suppliers is performed on a periodic basis. During the interim audit we sighted evidence of a vendor listing review being completed during the financial year.</p>
<p>Internal Control Weaknesses – Receipts</p> <p>Our audit observations identified that not all Council employees have access to the receipting module in Authority. In the absence of the Customer Service Officer, her responsibilities are temporarily handled by other members of the Finance team. It is our understanding that these employees use the Customer Service Officer's user login to access the appropriate modules within the accounting software (Authority).</p> <p><u>Management Response</u></p> <p>The Council understands the risk with officers sharing a user access. Processes for reconciliation at the end of a business day are in place. The implementation of single user access for every staff member to allow coverage for the reception area is impractical and not deemed operationally feasible.</p>	<p>Based on our interim observations this issue still remains outstanding.</p>

Internal Control Weaknesses – Payroll

Our testing of payroll related internal controls noted the following non-compliance with the Council's internal controls:

- Three instances where prepared timesheets were not authorised by the employees supervisor. The Council's HR Policy requires that timesheets are completed by all staff members are approved by the relevant supervisor before submission to the Payroll Officer.

Pay Period No.	Pay Period	Employee (#)
2	6 July to 19 July 2017	1071
17	1 Feb to 14 Feb 2018	1044
22	12 April to 25 April 2018	1043

- Two instances where the Masterfile audit report was not signed by the Finance Manager within a timely manner. The Council's policies require the Finance Manager to run, review and sign a Masterfile Audit Report from Authority each payroll period. This report shows any changes that have been made to employee details within Authority.

Pay Period No.	Pay Period
13	7 Dec to 20 Dec 2017
22	12 April to 25 April 2018

Management Response

Staff have been advised to ensure all timesheet responsibility is with the delegation of line managers for both staff preparedness and approval to ensure compliance with the Council's payroll policies and procedures.

These incidents have been reviewed and noted, however the pay period 22 incident had a leave application form in replacement of the timesheet signed by both parties, the employee and manager.

Based on our controls testing over the area of payroll, no such issues were noted during the current period of testing.

Description of deficiency	Update
<p>The Masterfile audit reports for these two instances were reviewed and signed after the payment process was approved. This process is an important control within our payroll procedure and will be enforced as an essential element as part of each pay run in future.</p>	
<p>Completeness of Waste Disposal Income</p> <p>The Council charges fees for waste disposals from clients for dumping waste at Humpty Doo and Howard Springs stations. The weight at the weigh bridge is manually recorded and updated in Council's facility software iWEIGH by personnel at the waste stations. The Waste Station Manager verifies the reports from iWEIGH on a regular basis to check if there are any anomalies.</p> <p>However, there is no audit trail available to ensure a review has been performed. There are no other Council documents available to confirm that weights entered are complete and accurate.</p> <p><u>Management Response</u></p> <p>The weigh bridge scales do not produce printed tickets or reports. The amount viewed on the scale is directly inputted into the iWEIGH system. This is the sole responsibility of one gate keeper as only one gate keeper is present at each waste transfer station on a daily basis.</p> <p>Waste Transfer Station end-of-month procedures will be updated to ensure the reports generated from the iWEIGH system continue to be reviewed by the Waste Manager and it is ensured these reports are signed and verified so an adequate audit trail is maintained.</p>	<p>We understand that the iWEIGH report is emailed to the Finance Administration Officer on a monthly basis, although this report is not signed. From discussion with the Finance Manager, the Council considers that as the report is sent by the Waste Manager to the Finance Team, it has been verified by the despatcher.</p>

Item 5.1 Business Arising Attachment B – Updated Internal Audit Plan

Internal Audit	Financial Year	Description	Risk Profile	Risk Rating	Control Rating
Audit of Mobile Work Force work health and safety procedures and practices	19/20	This audit will focus on the operational practices of the MWF both at the Humpty Doo workshop and in the field. Recommendations from this audit will contribute to improving controls in the “Inadequate Safety and Security Practices” risk profile which has an overall risk rating of high and overall control rating of inadequate	RP8 - Inadequate Safety and Security Practices	High	Inadequate
Information Security	19/20	The ICT Improvement Plan has been developed in 2017 and implementation will be undertaken over the coming years. IT Security regarding data, cyber attacks and disaster recovery are a great risk to Council if not managed appropriately. The audit should identify if the implemented measures of the ICT Improvement Plan are mitigating the risk to Council’s satisfaction.	RP6 - ICT Systems and Infrastructure Failure	High	Inadequate
Audit and review of Council’s reserve management arrangements	20/21	Council has been managing Howard Park and Knuckeys reserves since 2015 with five other reserves managed by local associations. This review will examine the reserve management arrangements and make recommendations as to the risks to Council.	RP10 - Ineffective Management of Public Facilities / Venues / Events	Moderate	Inadequate
Audit of compliance with Roads Inspection Regime	20/21	Council has a regime of roads inspection determining intervals, level of inspection and documentation required. The audit will identify if the regime is adhered to and is appropriately mitigating risk for Council.	RP15 - Inadequate Asset Sustainability Practices	High	Inadequate
Records Management processes	21/22	This audit will look at the success of the implementation of the Records Management Improvement Plan. The findings of the audit will inform and provide confirmation of control ratings related to records management risks	RP11 - Inadequate Records Management Processes	Moderate	Inadequate

Internal Audit	Financial Year	Description	Risk Profile	Risk Rating	Control Rating
Audit of compliance with Tree Risk Management Plan	21/22	Council has resolved to develop a Tree Risk Management Plan identifying the level, intervals and documentation of tree risk assessment for Council's open space. Development will take place in the 2018/19 financial year. The audit should identify if processes have been sufficiently established and are followed to mitigate risk to Council.	RP10 - Ineffective Management of Public Facilities / Venues / Events	Moderate	Inadequate

6. Presentations

7. Accepting or Declining Late Items

8. Officer Reports



Agenda Item Number:	8.1
Report Title:	Contract Management Internal Audit
Report Number:	
Meeting Date:	3/09/2019
Attachments:	Attachment A – Internal Audit – Contract Management Final Report Attachment B – Management Response to Recommendations

Purpose

This report provides an update on the outcome and recommendations out of the internal Contract Management Audit.

Summary

A Contract Management Audit was undertaken with the final report complete on 31 July 2019 (Attachment A). The objective of the audit was to assess whether governance, risk management and control processes over contract management are adequate and effective, assessing whether contractual obligations are being met. There were 10 recommendations made that were accepted by management (Attachment B).

Recommendation

THAT the RMAC notes the Contract Management audit report and management response to recommendations.

Background

A Contract Management Audit was undertaken with the final report complete on 31 July 2019. The audit assessed Litchfield Councils processes, policies and procedures with regards to contract management and acceptance of variation to tendered contracts.

There were 10 recommendations made across 6 areas of review. An action plan was identified that addressed all recommendations over 2 Stages.

1. To develop a Checklist for current and new contracts, including documentation required, kick-off meeting, site visits and reports and contractor performance, to address all major risk areas requiring immediate action. With a target completion date of 30 August 2019.
2. To develop a Project Management Framework, including supporting information of checklist items plus assignment of responsibilities, procurement/contract handover, risk assessment and variation procedure, to address all moderate risk areas requiring 6-month action. With a target completion date of 31 December 2019.

The commencement of work was delayed due to unforeseen staffing absences. Development of the checklist is now underway and is now expected to be complete by 30 September 2019. The Audit noted that for major risk areas implementation of recommendations is to commence within 3 months. This extended time to 30 September is consistent with this.

Links with Strategic Plan

A well-run Council

Legislative and Policy Implications

Nil

Risks

The absence of controls and oversight over the contract management process exposes the Council to risks, if recommendations are not actioned.

Financial Implications

Not applicable to this report.

Community Engagement

Not applicable to this report.

Recommending Officer:

Nadine Nilon, Director of Infrastructure and Operations

Any queries on this report may be directed to the Recommending Officer on telephone (08) 8983 0600.

Any member of Council who may have a conflict of interest, or a possible conflict of interest in regard to any item of business to be discussed at a Council meeting or a Committee meeting should declare that conflict of interest to enable Council to manage the conflict and resolve it in accordance with its obligations under the Local Government Act and its policies regarding the same.

8.1 Attachment A – Internal Audit – Contract Management Final Report

Litchfield Council

INTERNAL AUDIT – CONTRACT MANAGEMENT AUDIT

30 July 2019

PO Box 2286
DARWIN, NT 0801
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

TABLE OF CONTENTS

1. EXECUTIVE SUMMARY	3
1.1 Background	3
1.2 Review Objectives.....	3
1.3 Scope of Work.....	3
1.4 Review Approach	3
1.5 Overall Review Outcomes.....	3
1.6 Identified Strengths	4
1.7 Conclusion and Key Findings.....	4
1.8 Acknowledgements	4
2. REPORT RATINGS	5
RISK RATINGS AND INTERPRETATION	5
THIRD PARTY RELIANCE ON THE REPORT	6
3. DETAILED FINDINGS AND RECOMMENDATIONS.....	8

1. EXECUTIVE SUMMARY

1.1 Background

As part of its internal audit program Litchfield Council has identified the need to conduct an audit of its processes, policies and procedures with regards to contract management and acceptance of variations to tendered contracts.

Litchfield Council releases up to 15 tenders per year and manage numerous ongoing contracts for services such as:

- general road maintenance
- recycling
- upgrades to specific roads
- pavement marking
- construction and upgrading of roadside drainage and culverts.

1.2 Review Objectives

The objective of the audit was to assess the Litchfield Council processes, policies and procedures with regards to contract management and acceptance of variations to tendered contracts. This audit aimed to ensure the Council is:

- maintaining appropriate procurement practices in relation to the acceptance of contract variations;
- compliance with the Local Government Act and any other relevant legislation; and has adequate controls in place to effectively manage contracts and reduce associated risks.

1.3 Scope of Work

The review covered all areas of contract management from the point that a contract is awarded and addressed the following:

- contract documentation and distribution
- contract setup in Authority (Council's financial management system);
- documentation throughout contract duration
- performance management tools and records
- including a specific audit of a minimum of two schedule of rate contracts for all contract paperwork, claims, invoices and variations
- an assessment of the adequacy of current controls and recommendations for any potential improvements.

1.4 Review Approach

Our audit approach included interactive discussions with Council staff to obtain an overview of the audit area under examination. We made direct inquiries through scheduled meetings to obtain explanations, documentation, data and worksheets relevant to the area under audit.

1.5 Overall Review Outcomes

The outcome of the review against the scoped items in Section 1.3 above is set out below:

Audit Area			Outcome	Reference	Risk rating
Contract	Documentation	and	Partially Achieved	3.1	Moderate
Distribution					
Contract Setup in Authority			Not Achieved	3.2	Moderate
Documentation throughout contract duration			Partially Achieved	3.3	Major
Performance Management Tools &			Not Achieved	3.4	Moderate

Records			
Audit of specific contracts	Partially Achieved	Section 3	Moderate
Adequacy of current controls	Partially Achieved	Section 3	Major

Outcomes are:

- **Achieved** where satisfactory control measures for the entirety of audit scope, are demonstrated as adequate and effective control.
- **Partially Achieved** represents that one or more of the processes has been assessed as ineffective or there are “work in progress” items being attended to.
- **Not Achieved** represents that the processes within this audit area are not effective.

Detailed findings have been set out in Section 3.

1.6 Identified Strengths

1. The Council has recently taken on a number of initiatives in the development of key relevant templates and tools whose absence has led in part, to the culmination of the issues identified in the findings section below. The following are now in progress:
 - Review of progress claims prior to payment being effected
 - Monthly project reviews
 - Enhanced documentation of the processes, which is still ongoing.
2. The review of the project management process and the recruitment of a Manager – Infrastructure and Assets, and their role includes implementation of new initiatives and processes in the contract management area.
3. Preceding this contract management audit, the Council undertook a procurement audit and is in the process of implementing the recommendations emanating from that audit. Implementation of some of these recommendations will ultimately enhance the contract management process.

1.7 Conclusion and Key Findings

Based on our review, we have determined that the Council did not fully achieve/meet the objectives as set in Section 1.2 above. This is a result of the Council not placing sufficient focus on having adequate control and oversight of the contract management processes. This was attributable mainly to the operational environment not having adequate tools such as procedures and templates for project/contract management. The absence of policies and procedures has led to best practice methods and processes being overlooked and ultimately resulting in a weak internal control over this process.

The absence of controls and oversight over the contract management process exposes the Council to risks of loss and possible fraud. It is therefore imperative that the Council ensures all current and future contracts are managed through an approved, documented contract management framework which is applied in a consistent manner.

1.8 Acknowledgements

We would like to thank the Litchfield Council staff for their time and assistance throughout the course of the review.

2. REPORT RATINGS

RISK RATINGS AND INTERPRETATION

Risks Ratings	Rating Interpretation	Suggested timing of implementing recommendations
CRITICAL	<i>The finding poses a severe risk to the Litchfield Council if not appropriately and timely addressed.</i>	<i>Commence remedial action immediately</i>
MAJOR	<i>The finding poses significant risk to the Litchfield Council if not appropriately and timely addressed.</i>	<i>Commence remedial action within 3 months</i>
MODERATE	<i>The finding poses less significant risk to the Litchfield Council if not appropriately and timely addressed.</i>	<i>Commence remedial action within 6 months</i>
MINOR	<i>The finding poses minimal risk to the Litchfield Council. If not appropriately and timely addressed, the risk may develop more or cause other risks to develop.</i>	<i>Commence remedial action within 12 months</i>

We have conducted our review in accordance with the applicable Performance Standards of the International Standards for the Professional Practice of Internal Auditing.

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.

An Audit is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed 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.

Liability limited by a scheme approved under Professional Standards Legislation.

THIRD PARTY RELIANCE ON THE REPORT

We confirm that the contents of this report are confidential to the Litchfield Council to whom it is addressed or its professional advisers for the specific purpose to which it refers. It has been prepared in good faith solely for that purpose. It is intended for use by the Litchfield Council only and is not to be reproduced, transmitted, or made available to any other party in whole or in part without the expressed written authority of Stantons International Audit and Consulting Pty Ltd.

3. DETAILED FINDINGS AND RECOMMENDATIONS

The key findings listed in the Executive Summary above, and other matters identified, have been detailed below.

3.1 Contract Documentation and Distribution

3.1.1 Assignment of responsibilities has been established but the responsibilities have not been fully understood by all relevant parties

While responsibilities were shown as being established during our audit, further examination into how these were created and the detailed understanding of each role and how roles are delineated was not consistently well understood. This included, but was not limited, to those charged with contract management responsibilities. For example, the roles of the Contracts Administrator and those of the Project Manager/Supervisor appeared to overlap resulting in some activities or processes such as variation authorisations not being documented or authorised. Discussions with staff involved with contract management indicated that they are not fully clear on who is responsible for certain aspects of contract management.

Recommendation:

A Project Management framework, which sets the tone for a methodical way of managing projects and associated contractual deliverables should be developed and implemented.

It is vital to point out that while there are a number of issues raised in this report, the key solution lies in having a Council-wide Project Management Framework. A Project Management Framework by design will enable the Council to mitigate and fully implement most of the recommendations contained in this report.

Roles and responsibilities with regards to each suggested phase should be clearly articulated and effectively implemented. Further, we also suggest that a process be implemented to enhance accountability and responsibility for all project management phases, which form part of a suggested project management process.

Training should also be provided to the respective individuals to ensure they are capable of discharging their roles and responsibilities effectively.

Risk Rating - Moderate

Management Comments

Agreed

Action Plan

Develop Project Management Framework

Responsible Officers

Manager Infrastructure & Assets

Recommendation Target Completion Date

31 December 2019

3.1.2 Lack of a formal handover of the contract from the team responsible for procurement to the contract administration side

Our review of the processes, including that of five specific contracts indicated that there is no formal handover of the project by those responsible for the procurement aspect to those who are responsible for the contract management. This results in a lack of a clear delineation of the transition from the actual procuring to the active management of the contract.

Recommendation:

When the procurement process ends, the project procurement lead must conduct a handover meeting of the signed contract to the contract manager. This includes the following:

- request contract owner (Director) to appoint a contract manager for the contract (if one has not been appointed already)
- review and document scope and expected outcomes for the contract
- ensure the contract is registered in the contract management system (e.g. Authority/InfoXpert)
- hand-over key contractual documents to the contract manager.

Risk Rating - Moderate

Management Comments

Agreed

Action Plan

Include procurement / contract handover in Project Management Framework

Responsible Officers

Manager Infrastructure & Assets

Recommendation Target Completion Date

31 December 2019

3.1.3 Risk Assessment and Analysis of the Contract

Our audit has identified the absence of risk management with regards to contract and project management even though it may be initiated at the procurement stage. For the contracts reviewed, there was no formal risk analysis and assessment maintained with the contracts to identify the potential risks the Council was exposed to throughout the life of each of those contracts. Assessing the contract/project risks enables the Council to identify and determine the complexity of each variation and associated project on time throughout the life of the contract.

Recommendation:

A risk assessment for each contract should be conducted and a copy maintained for each contract. Regular reviews of the risk assessment need to be conducted and updated through the life of the project.

Risk Rating - Moderate

Management Comments

Agreed

Action Plan

Include risk assessment in Project Management Framework

Responsible Officers

Manager Infrastructure & Assets

Recommendation Target Completion Date

31 December 2019

3.2 Contract Setup in Authority

3.2.1 Uploading of Information from Authority

The Council makes use of the financial system Authority. This system has the capability to handle the contract management financial records although not an efficient system to handle general contract documentation. All of the other contract records and documentation are maintained in InfoXperts, however, the financial records are not maintained in InfoXperts.

The Council has since embarked on an exercise of uploading the contract documentation held in InfoXperts onto Authority from January 2019.

Recommendation:

The Council should consider maintaining InfoXperts as the main contract document management system and to commence uploading the contract financial reports generated in Authority onto InfoXperts and have a complete set of contract management documentation in one centralised place.

Risk Rating - Moderate

Management Comments

Financial information will be recorded in Authority and will not be duplicated into InfoXpert. Financial reports to external bodies will be filed in infoXpert.

Action Plan

Set up Contracts Module in Authority with accompanying procedure.

Responsible Officers

Manager Infrastructure & Assets

Recommendation Target Completion Date

31 December 2019

3.3 Documentation throughout contract duration

3.3.1 Not all the required contract documents are maintained in the system

All the relevant contract documentation is maintained in the InfoXpert document management system. The project conditions of contract stipulate the minimum documentation that is required to be provided by the Contractor or are to be maintained as the project progresses. The following documentation, as set out per the Conditions of Contracts, was not available on the following reviewed contracts:

Project	Documentation not filed
T18-172: Pioneer Drive	1. Project Control Plan 2. Environmental Management Plan
T17-159 Waste Transportation	1. RFT Clause 10 requires monthly reporting that sets out a number of measures that are to be provided by the Contractor. These reports are not on file. 2. RFT Clause 11 sets out a number of performance criteria that needs to be communicated by the Contractor. This communication is not on file.
T18 -162: Finn Road	1. Project Control Plan 2. Environmental Management Plan
T18-163: Fred Pass Road Upgrade	1. Project Control Plan 2. Environmental Management Plan
T18-168: Various Reseal	1. Project Control Plan 2. Environmental Management Plan

Recommendation:

1. Following award of the contract, the contract administrator must maintain all relevant documentation related to the project in the contract file.
2. The contract administrator must keep key contract information updated in the contract management system to enable a single source of truth.

Risk Rating - Major

Management Comments

Agreed

Action Plan

1. Develop checklist for current and new contracts, including documentation required (Major - immediate action).
2. Include checklist in Project Management Framework

Responsible Officers

Manager Infrastructure & Assets

Recommendation Target Completion Date

1. End of August
2. 31 December 2019

3.3.2 Lack of formal kick off meeting/formal documentation of interaction with Contractor

Our audit identified that processes for effective Contractor engagement are not in place and neither is there a practice to engage stakeholders throughout contract and project management. There were no minutes or records of meeting with the Contractor that were available for the selected contracts. In addition, our audit assessment indicated that the Director was not updated or provided critical information with regards to project progress and related issues with the Contractor.

Recommendation:

1. A kick off meeting needs to be conducted and records of that meeting maintained. The purpose of this meeting will be to establish and agree communication, reporting, delegation of authorities, performance measurement, operational and commercial issues, and escalation pathways under the contract.
2. The contract manager must follow the process defined in the contract for addressing complaints and managing disputes. During the contract kick-off meeting the contract manager should inform key users that contract complaints should be sent to the contract manager as the first point of contact.

Risk Rating - Moderate

Management Comments

Agreed

Action Plan

Include kick off meeting in checklist, to be included in Project Management Framework

Responsible Officers

Manager Infrastructure & Assets

Recommendation Target Completion Date

31 August 2019

3.3.3 Site visits and site reports are not maintained with the contract records

The Project Managers and Supervisor make regular visits to the project site and make notes/records of these visits. There is, however, no formal record maintained within the records system for such reports or any related correspondence with the Contractor as the project is implemented.

In addition, there are no formal reports provided to the Director on the status or regular updates on how the project is tracking on a regular basis, with the updates only being provided in the monthly project management meetings. This could result in issues being identified at the end of a project when it is too late.

Recommendation:

The project manager/supervisor must keep key contract information updated in the contract management system to enable a single source of truth.

Risk Rating - Major

Management Comments

Agreed

Action Plan

Include site visits and reports in checklist, to be included in Project Management Framework.

Responsible Officers

Manager Infrastructure & Assets

Recommendation Target Completion Date

31 August 2019

3.3.4 Documentation for Contract Variations is not maintained with the Contract Records

During the audit we identified that there had been variation requests made on the contracts. The variations, although approved for payment through the payment memo, could not be traced back to the initiating documentation or authorisation of the project manager. These variations, as detailed below, were not included with the contract records and are only identified at the payment process when they are included in the payment memo for approval.

Project	Variations
T18-163: Fred Pass Road Upgrade	Authorisation requests for the six variations made on the contract.
T18-172: Pioneer Drive	Authorisation for the \$7,500 variation made on the contract.

Recommendation:

1. The process for managing and approving variations to contract schedules and pricing should be determined during the procurement process.
2. The contract administrator should keep on file any relevant documentation related to contract extensions, renewals and variations. This includes signed letters, records of conversations and emails to support contract variations, contract review report.

Risk Rating - Major

Management Comments

Agreed

Action Plan

Develop variation procedure and template (Major - immediate), to be included in Project Management Framework

Responsible Officers

Manager Infrastructure & Assets

Recommendation Target Completion Date

31 August 2019

3.4 Performance Management Tools & Records

3.4.1 Performance management is not in place and/or implemented in relation to the contract.

The Council management team has not implemented a performance management framework designed to monitor and detect any deviations from expected performance in relation to the project KPI's, which are outlined in the Conditions of Contracts or in the RFT documentation. These KPI's are not being determined and linked to the sourcing contract to enable the delivery of the expected value on the project. For example, the Waste Management Contract, has several KPI's that the Contractor is required to achieve such as:

- RFT Clause 6.2 – Collection Service Frequency (sets out the frequency of bin collections)
- RFT Clause 8.3 – Identification of Vehicles (establishes how the waste collection vehicles are to be identified)
- RFT Clause 8.6 – Communication (establishes the communication equipment expected in each waste collection vehicle)
- RFT Clause 10 – Reporting and Notification Requirements (outlines the nature and frequency of reporting expected of the Contractor).

We were unable to determine if there is any monitoring of these performance measures or KPI's set out in the contract.

Recommendations:

1. KPI's need to be determined and linked to the sourcing contract. This delivers expected value on the project. Over time the contract manager should review the validity of performance measures from a contract.
2. The contract manager should receive regular contract performance reports from contractors in accordance with the contract obligations. Obtaining regular feedback from contractors about any concerns they have regarding stakeholder behaviour will help early identification of any internal issues that might be impacting the contractor's performance, or ability to provide the best quality of service.
3. In case of contract performance issues, it is the responsibility of the contract manager to initiate discussions with the contractor to resolve them. Where there is a possibility that the performance issues may result in unsatisfactory outcomes for users, a formal performance management process should be undertaken.

Risk Rating - Moderate

Management Comments

Agreed

Action Plan

Include contractor performance (KPI's, reports and issues) in checklist, to be included in Project Management Framework

Responsible Officers

Manager Infrastructure & Assets

Recommendation Target Completion Date

30 August 2019

3.4.2 No formal record of contractor performance

There no formal records maintained of contractual performance and feedback, which can be used as a reference for any future procurement process. This also becomes quite pertinent as the Council regularly engages the same contractors on their projects yet there is no formal documented process of their performances on file.

Recommendations:

The Council should evaluate contractor performance, to provide feedback that can be used as a reference for future work. Once a contract has concluded it is important that the contract is reviewed and lessons are logged. This will support the Council to continually improve its contract management capability.

Risk Rating - Moderate

Management Comments

Agreed

Action Plan

Include Records of Contractor Performance in checklist, to be included in Project Management Framework.

Responsible Officers

Manager Infrastructure & Assets

Recommendation Target Completion Date

31 August 2019

8.1 Attachment B – Management Response to Recommendations

	Audit Area	Outcome	Risk Rating	Recommendation	Action	Timeframe
3.1	Contract documentation and distribution	Partially Achieved	Moderate			6 months
3.1.1				Assignment of responsibilities has been established but the responsibilities have not been fully understood by all relevant parties	Develop Project Management Framework	31-Dec-19
3.1.2				Lack of a formal handover of the contract from the team responsible for procurement to the contract administration side	Include procurement / contract handover in Project Management Framework	31-Dec-19
3.1.3				Risk assessment and analysis of the contract	Include risk assessment in Project Management Framework	31-Dec-19
3.2	Contract setup in Authority	Not Achieved	Moderate			6 months
3.2.1				Uploading of information from Authority	Financial information will be recorded in Authority and will not be duplicated in InfoXpert. Financial reports to external bodies will be filed in InfoXpert	31-Dec-19
3.3	Documentation throughout contract duration	Partially Achieved	Major			3 months
3.3.1				Not all the required contract documents are maintained in the system	Develop checklist for current and new contracts, including documentation required Include checklist in Project Management Framework	30-Aug-19 31-Dec-19
3.3.2				Lack of formal kick off meeting/formal documentation of interaction with Contractor	Include kick-off meeting in checklist, to be included in Project Management Framework	30-Aug-19

	Audit Area	Outcome	Risk Rating	Recommendation	Action	Timeframe
3.3.3				Site visits and site reports are not maintained with the contract records	Include site visits in checklist, to be included in Project Management Framework	30-Aug-19
3.3.4				Documentation for Contract Variations is not maintained with the Contract Records	Develop variation procedure and template, to be included in Project Management Framework	30-Aug-19
3.4	Performance management tools & records	Not Achieved	Moderate			6 months
3.4.1				Performance management is not in place and/or implemented in relation to the contract.	Include contractor performance (KPI's, reports and issues) in checklist, to be included in Project Management Framework	30-Aug-19
3.4.2				No formal record of contractor performance	Include records of contractor performance in checklist, to be included in Project Management Framework	30-Aug-19



Agenda Item Number:	8.2
Report Title:	Procurement Improvement Committee
Report Number:	
Meeting Date:	3/09/2019
Attachments:	Attachment A – PIC Terms of Reference Attachment B – PIC Minutes 13 May 2019 Attachment C – PIC Action list

Purpose

This report provides the minutes from the last Procurement Improvement Committee (PIC) and the progress on implementing audit actions.

Summary

The requested update by RMAC to the Terms of Reference are presented with the inclusion of reporting to RMAC via presentation of the PIC minutes *(Attachment A).

The PIC minutes from the 13 May meeting (Attachment B) and action list (Attachment C) is presented for RMAC noting. Completed actions are included for RMAC reference.

Recommendation

THAT the RMAC

1. Note the updated Procurement Improvement Committee Terms of Reference.
2. Note the minutes from the Procurement Improvement Committee meeting on 13 May 2019
3. Note the Procurement Improvement Committee action list

Background

The Terms of Reference for the PIC were presented at the last RMAC meeting on 20 May 2019 and have been updated to include reporting to RMAC via minutes

The last meeting of PIC was held on 13 May 2019 and minutes were not included in the May RMAC agenda.

Links with Strategic Plan

A well-run Council

Legislative and Policy Implications

Nil

Risks

The overall control rating for the procurement risk profile remains inadequate however significant progress has been made on addressing actions as per the PIC action list. It is envisaged that once all actions are implemented the overall control rating will be updated to excellent as per the risk acceptance criteria.

A further assessment of the risk rating will be conducted to re confirm once the control rating has been updated.

Financial Implications

Nil

Community Engagement

Nil

Recommending Officer:

Nadine Nilon, Director of Infrastructure and Operations

Any queries on this report may be directed to the Recommending Officer on telephone (08) 8983 0600.

Any member of Council who may have a conflict of interest, or a possible conflict of interest in regard to any item of business to be discussed at a Council meeting or a Committee meeting should declare that conflict of interest to enable Council to manage the conflict and resolve it in accordance with its obligations under the Local Government Act and its policies regarding the same.



TERMS OF REFERENCE

Procurement Improvement Committee

Introduction

These Terms of Reference set out the operating framework for the Procurement Improvement Committee (PIC).

Purpose

- Develop, set and maintain strategic direction for Litchfield Council's procurement processes.
- Establish and monitor the implementation of the Procurement Policy and Manual (or Guidelines).
- Develop and monitor Key Performance Indicators (KPIs) in relation to procurement processes.
- Report on procurement activities, including audit recommendations, in line with established KPIs and as required by the Executive Team.

The PIC will report to the Executive Team (ET).

Definitions

For the purpose of these Terms of Reference:

- "Member" means a member of the Committee
- "Council" means the Litchfield Council.

Membership

The Committee shall be made up of Council Officers based on their classification and have representation from key staff involved in procurement activities and reporting at Council.

Chief Executive Officer (optional)
Director Infrastructure and Operations
Director Community and Corporate Services
Manager Infrastructure and Assets
Governance and Risk Advisor
Finance Manager
Works Administrator

Meetings

The Committee shall meet no less than once every three calendar months.

Chairperson

The Chairperson shall be the Director Infrastructure and Operations.

If the Chairperson is unable to attend a meeting, the Committee shall nominate an acting chair for that meeting.

The Chairperson is responsible for the conduct of meetings, ensuring fair and equitable opportunities for views and opinions to be voiced and discussed by the Committee.

Responsibilities of the Chairperson include:

- Guiding the meeting according to the agenda and time available;
- Ensuring all discussion items end with a decision, action or definite outcome; and
- Develop the draft agenda and minutes

Meeting Protocol

The Committee shall adhere to normal meeting protocols.

Conflict of Interest

A 'conflict of interest' is when a person has to make a decision on an issue in which they have, or are perceived to have, a personal interest or benefit in a specific outcome. The conflicts can often be based around financial matters (pecuniary interest) such as contracts or the terms and conditions of a rental.

Any committee members with a conflict of interest or perceived conflict of interest must declare the interest prior to discussion of the item.

'Disclosures of Interest' will be a standing item on the agenda.

Reporting

The Committee will report formally to ET on a quarterly basis via the Director Infrastructure and Operations and **RMAC via presentation of minutes as required.**

Amendment

Review within 12 months of establishment.



PROCUREMENT IMPROVEMENT COMMITTEE MEETING

Minutes of Meeting
held in Executive Conference Room
on Monday, 13 May 2019 at 2pm

Nadine Nilon
Director Infrastructure and Operations

Number	Agenda Item
--------	-------------

	Welcome
--	---------

- | | |
|---|--|
| 1 | <ul style="list-style-type: none">• Natalie Dreibergs• Silke Maynard• Karina Gates |
|---|--|

	Apologies
--	-----------

- | | |
|---|---|
| 2 | <ul style="list-style-type: none">• Kaylene Conrick• Charissa Wust• David Jan |
|---|---|

- | | |
|---|---|
| 3 | Disclosures of interest <ul style="list-style-type: none">• NIL |
|---|---|

	Action Items
--	--------------

- | | |
|---|--|
| | 4.1. Develop KPIs for reporting purposes <ul style="list-style-type: none">• Committee agreed to consider these as the actions are completed and ongoing. Include in next agenda for consideration ACTION: Include as standing item in future agendas |
| | 4.2. Procurement Improvement Committee Terms of Reference <ul style="list-style-type: none">• To be confirmed through ET prior to next meeting• Check Terms of Reference submitted to RMAC ACTION: ET to discuss at next meeting on 14/5/19 |
| 4 | 4.3. Action Sheet
https://infoXpert.edrms/docs/CORPORATE%20MANAGEMENT/MEETINGS/Procurement%20Improvement%20Committee/PIC%20Improvement%20Actions.xlsx <ul style="list-style-type: none">• Dates for completed were updated in meeting, with some status updates provided. ACTION: Leadership team to include procurement in Operational Plans, to enable to be incorporation into work plans |

- | | |
|---|-------------------------|
| 5 | General Business
Nil |
|---|-------------------------|

Next Meeting
Monday, 17 June 2019, 1pm

Item	Source	Source Item #	Action	Risk Priority	Due (Original)	Due (Updated)	Current Status	Responsible Officer	Current Status
43	2016 December Council Report	1	Develop process of internal approval of cost variations, including written acceptance to the contractor			Jun-19	In progress	MIA	Included in Contract Management Audit
44	2016 December Council Report	2	Documented process outlining Executive oversight of project planning stage to ensure that design elements are fit for purpose, tender schedules are complete and error-free, and provisional sums are clear			Jul-19	In progress	MIA	Incorporate into Project Brief
45	2016 December Council Report	3	Building in to project budgets in-house labour costs for project management.			Jul-19	In progress	MIA	Incorporate into Project Brief
6	2017 Procurement Audit	#6	Develop and implement Conflict of Interest training for existing staff and include it in Induction Training for new staff	High	Sep-17	Jun-19	In progress	DIO	Organise Probity Auditor session regarding conflict of interest - including induction information training slides for reuse
28	2017 Procurement Audit	#28	Provide training on tender evaluation for all staff involved in procurement activities	High	Dec-17	Jun-19	In progress	DIO	Develop register for training of staff relating to procurement and include minimum training requirements Procurement Manual. Include in conflict of interest
20	2017 Procurement Audit	#20	Require that more detailed Project Briefs are prepared and are authorised by a Director prior to commencing any procurement activity	High	Sep-17	Jul-19	In progress	MIA	
22	2017 Procurement Audit	#22	Ensure that TEPs meet as a group at key milestones in the procurement process e.g. sign off of tender documentation and probity plan; tender evaluation	High	Sep-17	Jul-19	In progress	MIA	Key milestones to be defined with checklist to confirm meetings that occurred. To be included in procedures
32	2017 Procurement Audit	#32	Implement all of the recommendations included in the Council report of 16 December 2016	High	Sep-17	Jul-19	In progress	MIA	Review report and confirm
33	2017 Procurement Audit	#33	Develop a standard Progress Payments template to support the request for interim contract payments that are submitted to Directors for sign off	High	Sep-17	Jul-19	In progress	MIA	General template developed, to be finalised. To be included in procedures and reviewed through Contract Management Audit
18	2017 Procurement Audit	#18	Review and amend the existing Project Brief document to accommodate proposed capital projects	Medium	Jun-18	Jul-19	In progress	MIA	
19	2017 Procurement Audit	#19	Extend the requirement for all capital projects to be supported by Project Briefs as part of the budget development process	Medium	Jun-18	Jul-19	In progress	MIA	To be included in Project Brief
12	2017 Procurement Audit	#12	Place procurement flowcharts on Council records system and promote their availability to staff	High	Sep-17	Aug-19	In progress	GRA	To be included in Procurement Manual
13	2017 Procurement Audit	#13	Incorporate the procurement flowcharts into the procurement training program for staff	High	Sep-17	Aug-19	In progress	FM	To be included in Procurement Manual
21	2017 Procurement Audit	#21	Amend the Procurement Policy to require that Tender Evaluation Panels (TEPs) are convened immediately once a Project Brief has been authorised	High	Sep-17	Aug-19	In progress	MIA	To be included in Procurement Manual. Not a Policy
14	2017 Procurement Audit	#14	Develop and implement a knowledge transfer project for critical procurement position holders	Medium	Dec-17	Aug-19	In progress	MIA	To be included in Procurement Manual
27	2017 Procurement Audit	#27	Review the Procurement Guide and update all tender evaluation standard documentation	Medium	Dec-17	Aug-19	In progress	DIO	Procurement Manual to be finalised
35	2017 Procurement Audit	#35	Provide contract management training for staff	Medium	Dec-17	Sep-19	In progress	CEO	Develop register for training of staff relating to procurement and include in Procurement Manual
47	2018 Probity Review	2	Formal tender evaluation plan documented, beyond the generic guidance in the procurement policies/guidelines.			Jul-19	In progress	MIA	Include in procedures

Item	Source	Source Item #	Action	Risk Priority	Due (Original)	Due (Updated)	Current Status	Responsible Officer	Current Status
48	2018 Probity Review	3	Consider tender opening period to be 15 working days (3 weeks)			Jul-19	In progress	MIA	Review reasonable timeframes and include in procedures/procurement manual
53	2018 Probity Review	8	Minimise timeframe between evaluation individually and assessment			Jul-19	In progress	MIA	Prepare checklist for all tender specific considerations. Ensure current template highlights areas to be confirmed
54	2018 Probity Review	9	Ensure panel agree on clarification questions required to be asked of tenderers			Jul-19	In progress	MIA	Include in TEP
56	2018 Probity Review	11	Ensure no discussion of the tender assessment (scoring) occurs without the full panel being present			Jul-19	In progress	MIA	Included in current plan
58	2018 Probity Review	13	Undertake reference checks to independently verify tender responses			Jul-19	In progress	MIA	Include in TEP
59	2018 Probity Review	14	Ensure reports and details are checked and correct, including dates and pricing			Jul-19	In progress	MIA	Include in TEP
60	2018 Probity Review	15	Provide record keeping around meetings and assessment			Jul-19	In progress	MIA	Include in TEP and procedure
46	2018 Probity Review	1	For service SOR contracts. Provide tenderers an indication of the 'indicative' quantities of services required, including a forecast of volume, which can then be also used for price comparisons in the tender evaluation.			Aug-19	In progress	MIA	Include in procurement manual
70	2018 Procurement Maturity Roadmap	8	Contract Management - Review variation procedures and implement changes as identified		Jul-18	Jun-19	In progress	MIA	Included in Contract Management Audit
77	2018 Procurement Maturity Roadmap	15	Contract Management - Supplier engagement surveys		Nov-18	Jun-19	In progress	MIA	Included in Contract Management Audit
78	2018 Procurement Maturity Roadmap	16	Contract Management - Contractor performance reports		Nov-18	Jun-19	In progress	MIA	Included in Contract Management Audit
82	2018 Procurement Maturity Roadmap	20	Contract Management - Monitor and report on KPIs		Mar-19	Jun-19	In progress	MIA	Included in Contract Management Audit
83	2018 Procurement Maturity Roadmap	21	Enablers - Contract Management System planning		Mar-19	Jun-19	In progress	MIA	Included in Contract Management Audit
66	2018 Procurement Maturity Roadmap	4	Planning - Post contract reviews pre tender		Jul-18	Jul-19	In progress	MIA	Include in Project Brief
67	2018 Procurement Maturity Roadmap	5	Procure - Tender template/tools update and promulgate (embed risk mgt considerations)		Jul-18	Jul-19	In progress	MIA	Finalise templates
75	2018 Procurement Maturity Roadmap	13	Procure - Assess use of Panels/Period contracts & implement		Nov-18	Jul-19	In progress	MIA	Include review of type of contract with Project Brief
76	2018 Procurement Maturity Roadmap	14	Contracting - Include KPIs in contracts		Nov-18	Jul-19	In progress	MIA	Include review of type of contract with Project Brief. Legal considerations required as KPIs are difficult to manage, however additional reporting requirements to be considered
65	2018 Procurement Maturity Roadmap	3	Planning - Contract expiry review and respond		Jul-18	Aug-19	In progress	FM	Investigate Authority capabilities and include in checklists and flowcharts
72	2018 Procurement Maturity Roadmap	10	Governance - Document management		Nov-18	Aug-19	In progress	GRA	Document system in place - include requirements in Procurement Manual
64	2018 Procurement Maturity Roadmap	2	Governance - Complaints policy development		Jul-18	Sep-19	In progress	GRA	02/10/2018 - Not yet commenced

Item	Source	Source Item #	Action	Risk Priority	Due (Original)	Due (Updated)	Current Status	Responsible Officer	Current Status
79	2018 Procurement Maturity Roadmap	17	Enablers - Procurement Community of Practice		Nov-18	Mar-20	In progress	MIA	Information of how to show interest. Create register of contractors and other interested
80	2018 Procurement Maturity Roadmap	18	Enablers - Policy / procedure training		Nov-18	Mar-20	In progress	CEO	Training register (identified in other actions). Purchase of HR software would enable this
81	2018 Procurement Maturity Roadmap	19	Planning - Capital bids		Mar-19	Mar-20	In progress	MIA	Include capital works and maintenance contracts on website - and information of how to show interest.
84	2019 RFQ Probity Review	1	Conflict of interest and confidentiality - ensure potential conflicts are identified by all members involved in the procurement			Jun-19	In progress	CEO	Training to be undertaken (#6)
85	2019 RFQ Probity Review	2	Evaluation Plan to be signed by all members prior to tender closing			Jul-19	In progress	MIA	Include in checklist and procurement manual
86	2019 RFQ Probity Review	3	Ensure criteria is disclosed in all RFQ and RFT documents			Jul-19	In progress	MIA	Update all templates and include in procurement manual
88	2019 RFQ Probity Review	5	Localbuy - review contract terms of localbuy prior to procurement process			Jul-19	In progress	MIA	Include in Project Brief
90	2019 RFQ Probity Review	7	Cross-check accuracy of report against process undertaken			Jul-19	In progress	MIA	Include in checklist
91	2019 RFQ Probity Review	8	Evaluation spreadsheet has errors within it			Jul-19	In progress	MIA	Update spreadsheet template
87	2019 RFQ Probity Review	4	Contact email - utilise Tenderlink or Localbuy forums			Aug-19	In progress	MIA	Include in procurement manual
89	2019 RFQ Probity Review	6	Referee checks undertaken by panel member, or panel member is present			Aug-19	In progress	MIA	Include in procurement manual
3	2017 Procurement Audit	#3	Consider the inclusion of appropriate procurement objectives in individual work plans for staff involved in procurement activities	Low	Jun-18	Jun-19	Complete	CEO	Included in new/revised position descriptions, operational plans as relevant, and all staff have been advised of new Procurement Policy
5	2017 Procurement Audit	#5	Develop and adopt a Conflict of Interest Policy and guidelines for procurement activities	High	Sep-17		Complete	N/A	Complete - FIN03 Updated 21/11/2018 and includes conflict of interest. Procurement Manual to include further guidance
8	2017 Procurement Audit	#8	Designate an appropriate position within Council to act as a point of contact and referral for procurement activities	High	Sep-17		Complete	N/A	Complete - Finance Manager
15	2017 Procurement Audit	#15	Remind all Council staff of their record keeping responsibilities	High	Sep-17		Complete	N/A	New business classification system in place, including training of all staff
23	2017 Procurement Audit	#23	Develop Confidentiality and Disclosure Declarations and a Probity Plan template and require them to be completed in all tenders over \$100,000	High	Sep-17		Complete	N/A	In place
24	2017 Procurement Audit	#24	Remove weightings references and contact references from tender documentation	High	Sep-17		Complete	N/A	Occurs in practice, to be included in Procurement Manual
26	2017 Procurement Audit	#26	Review and change the definition of 'cost' in the Procurement Policy	High	Sep-17		Complete	N/A	Procurement Policy meets LG Accounting Regulations
29	2017 Procurement Audit	#29	Ensure all tender evaluation documentation is captured in the corporate records system including individual TEP members notes and explanations	High	Sep-17		Complete	N/A	Occurs in practice, to be included in Procurement Manual

Item	Source	Source Item #	Action	Risk Priority	Due (Original)	Due (Updated)	Current Status	Responsible Officer	Current Status
34	2017 Procurement Audit	#34	Update the Procurement Policy to reflect the financial delegation provided to the CEO	Medium	Sep-17		Complete	N/A	Not required, included in Delegations Manual
36	2017 Procurement Audit	#36	Review and update the Procurement Policy to reflect how Council utilises the Tenderlink system	Medium	Sep-17		Complete	N/A	Included in updated Procurement Policy
4	2017 Procurement Audit	#4	Update the Procurement Policy to include references to the 'good governance' principle included in the Strategic Plan	Medium	Dec-17		Complete	N/A	Complete
7	2017 Procurement Audit	#7	Review and update Procurement Policy (FIN03) to reflect all accepted recommendations in the Review	Medium	Dec-17		Complete	N/A	Complete
9	2017 Procurement Audit	#9	Update the position description for the nominated position to reflect procurement responsibilities	Medium	Dec-17		Complete	N/A	Complete
10	2017 Procurement Audit	#10	Develop a repository for all procurement documentation and artefacts	Medium	Dec-17		Complete	N/A	Complete - document management system updated with details to be reflected in Procurement Manual
11	2017 Procurement Audit	#11	Provide appropriate training for the procurement position based on the role responsibilities	Medium	Dec-17		Complete	N/A	Complete
30	2017 Procurement Audit	#30	Consider Council's position with respect to including non-qualified non-Council staff in TEPs and amend the Procurement Policy as necessary	Medium	Dec-17		Complete	N/A	Included in new Procurement Policy
31	2017 Procurement Audit	#31	Ensure that all contract awards over \$100,000 are published on Council's web-site in accordance with Northern Territory government requirements	Medium	Dec-17		Complete	N/A	Occurs in practice, to be included in Procurement Manual
37	2017 Procurement Audit	#37	Consider holding supplier briefings once or twice a year to provide local suppliers with information on how to quote for Council business	Medium	Dec-17		Complete	N/A	No further action
1	2017 Procurement Audit	#1	Review Strategic Plan (Principle 2) and update to incorporate references to Council Procurement Policy in Priority #4	Low	Jun-18		Complete	GRA	Strategic plan has since been reviewed. Good governance principle remains with high level statements that encompass procurement - "We will promote a culture of transparency, ethical practice and the effective and timely management of risks to instil a high level of community respect and confidence in Council decision-making."
2	2017 Procurement Audit	#2	Review Municipal Plan and Performance Management Framework to incorporate references to Council Procurement Policy	Low	Jun-18		Complete	GRA	Whilst procurement policy is a key control it one of many control policies. The Municipal plan is not an appropriate place for reference to individual policies. The performance management framework is under review with an updated performance review process being developed. Adherence to Council policies is already incorporated into position descriptions.
16	2017 Procurement Audit	#16	Include responsibility for maintaining Council's corporate record system in all position descriptions	Medium	Jun-18		Complete	CEO	Included in PDs

Item	Source	Source Item #	Action	Risk Priority	Due (Original)	Due (Updated)	Current Status	Responsible Officer	Current Status
17	2017 Procurement Audit	#17	Consider the cost / benefit of updating the corporate record system with missing files, documentation and correspondence	Low	Jun-18		Complete	N/A	
25	2017 Procurement Audit	#25	Consider whether all consultancy and training costs should be subject to normal quotation and public tender rules	Low	Jun-18		Complete	N/A	Procurement Policy meets LG Accounting Regulations
40	2017 Procurement Audit	#38	Consider a workflow alert identifying any requisitions raised which exceed the available budget	Low	Jun-18		Complete	N/A	Functionality implemented as available within current systems
41	2017 Procurement Audit	#39	Consider the development of a Capital Working Group to meet regularly and provide oversight of the entire capital program	Low	Jun-18		Complete	N/A	Monthly report meetings in place including project status and costs
42	2017 Procurement Audit	#40	Review and develop appropriate reporting mechanisms to support the Capital Working Group	Low	Jun-18		Complete	N/A	Monthly report meetings in place including project status and costs
49	2018 Probity Review	4	Consider 'may' consider late tenders				Complete	N/A	Included in current plan
50	2018 Probity Review	5	Use tenderlink as email/contact person				Complete	N/A	Included in current plan
51	2018 Probity Review	6	Ensure USBs are password encrypted				Complete	N/A	Included in current plan
52	2018 Probity Review	7	Document consideration of probity advisor for tender				Complete	N/A	Included in current plan
55	2018 Probity Review	10	Ensure combined assessment discusses everyone's scores and considers weighted assessment				Complete	N/A	Included in current plan
57	2018 Probity Review	12	Ensure the entire panel sees and signs recommending report and documents				Complete	N/A	Included in current plan
61	2018 Probity Review	16	Ensure conflicts of interest or conflict/confidentiality declarations from the Evaluation Committee members are complete				Complete	N/A	Included in current plan
62	2018 Probity Review	17	Ensure contract is approved prior to advising successful contractors.				Complete	N/A	Included in current plan
63	2018 Procurement Maturity Roadmap	1	Governance - Policy review and changes		Jul-18		Complete	N/A	FIN03 Procurement policy adopted in November
68	2018 Procurement Maturity Roadmap	6	Contracting - Review and adopt NTG Contracts		Jul-18		Complete	N/A	Australian Standards and NTG Contracts used as required
69	2018 Procurement Maturity Roadmap	7	Contracting - Clarify position on BAFO / Negotiation		Jul-18		Complete	N/A	Council does not engage in a Best and Final Offer (BAFO) negotiation process as tenders are assessed on the basis that the application submitted is the BAFO. Tenderers can submit alternate tenders which are outside the supplied specifications if they believe the job can be done in a different manner to that specified. These are assessed using the same criteria.
71	2018 Procurement Maturity Roadmap	9	Enablers - Tenderlink question forum		Jul-18		Complete	N/A	The Tenderlink online portal is used as the sole method of releasing requests for tenders and EOIs.
73	2018 Procurement Maturity Roadmap	11	Planning - Capital plan		Nov-18		Complete	N/A	Monthly capital plan and report meetings in place including project status and costs

Item	Source	Source Item #	Action	Risk Priority	Due (Original)	Due (Updated)	Current Status	Responsible Officer	Current Status
74	2018 Procurement Maturity Roadmap	12	Planning - Collective procurement planning		Nov-18		Complete	N/A	Procurement manual is in development which includes procedure to access Local Buy collective procurement contracts
A1	Risk Action Sheet	RP9	Implement Procurement Audit Findings		Jun-18			DCCS	
A2	Risk Action Sheet	RP14	Develop Contract Management System		Jun-18			DIO	
A3			Develop Procurement Manual		Aug-19			MIA	



RMAC REPORT

Agenda Item Number:	8.2
Report Title:	Risk Register
Report Number:	
Meeting Date:	3/09/2019
Attachments:	Attachment A – Litchfield Council strategic risk register including dashboard.

Purpose

To update the RMAC on risk profile, control and actions status as identified in the Strategic Risk Register.

Summary

The full Litchfield Council strategic risk register is attached (Attachment A). The summary dashboard provides updates as to the progress in implementing actions. There has been no movement in risk or control ratings for the sixteen risk profiles however continued work on actions should result in improvements in overall control ratings.

Risk Profile	February 2019 Status		August 2019 Status	
	Risk	Control	Risk	Control
RP1 - Misconduct	Moderate	Adequate	Moderate	Adequate
RP2 - Business and Community Disruption	Moderate	Adequate	Moderate	Adequate
RP3 - Inadequate Environmental Management	Low	Adequate	Low	Adequate
RP4 - Errors, Omissions, Delays and Incorrect Advice	Moderate	Adequate	Moderate	Adequate
RP5 - External Theft and Fraud (inc. Cyber Crime)	Moderate	Adequate	Moderate	Adequate
RP6 - ICT Systems and Infrastructure Failure	High	Adequate	High	Adequate
RP7 - Failure to Fulfil Statutory, Regulatory or Compliance Requirements	Moderate	Adequate	Moderate	Adequate
RP8 - Inadequate Safety and Security Practices	High	Inadequate	High	Inadequate
RP9 - Ineffective and Unsustainable Financial Management	Moderate	Adequate	Moderate	Adequate
RP10 - Ineffective Management of Public Facilities / Venues / Events	Moderate	Inadequate	Moderate	Inadequate
RP11 - Inadequate Records Management Processes	Moderate	Adequate	Moderate	Adequate
RP12 - Inadequate Project/Change Management	High	Inadequate	High	Inadequate
RP13 - Inadequate Engagement Practices	Moderate	Adequate	Moderate	Adequate
RP14 - Inadequate Procurement / Supplier / Contract Management	High	Inadequate	High	Inadequate
RP15 - Inadequate Asset Sustainability Practices	High	Inadequate	High	Inadequate
RP16 - Ineffective HR Management / Employment Practices	Moderate	Adequate	Moderate	Adequate

Six risk profiles continue to be identified as priority for action (RP6, RP8, RP10, RP12, RP14 & RP15) as they do not meet Council's risk acceptance criteria. As per the Litchfield Council Risk Management framework risk acceptance criteria, profiles with a risk rating of high are required to have a control rating of excellent and moderate risk ratings an adequate control rating.

Controls

The table below shows that overall the number of controls has increased by seventeen resulting from consultation with managers which are still to be rated. The impact of actions implemented can be seen by the reduction in the number of inadequate controls and an increase in the number of adequate controls.

Control Rating	Feb 19 Control Ratings	Sep 19 Control Ratings	Change
Unrated		17	+17
Adequate	138	141	+3
Excellent	21	21	0
Inadequate	46	43	-3
Grand Total	205	222	17

Treatments

At the writing of this report eight actions have been completed as identified (highlighted) in the dashboard report of Attachment A. Considering the reported action updates and new actions the overall number of actions will reduced from 47 to 29.

Recommendation

THAT RMAC

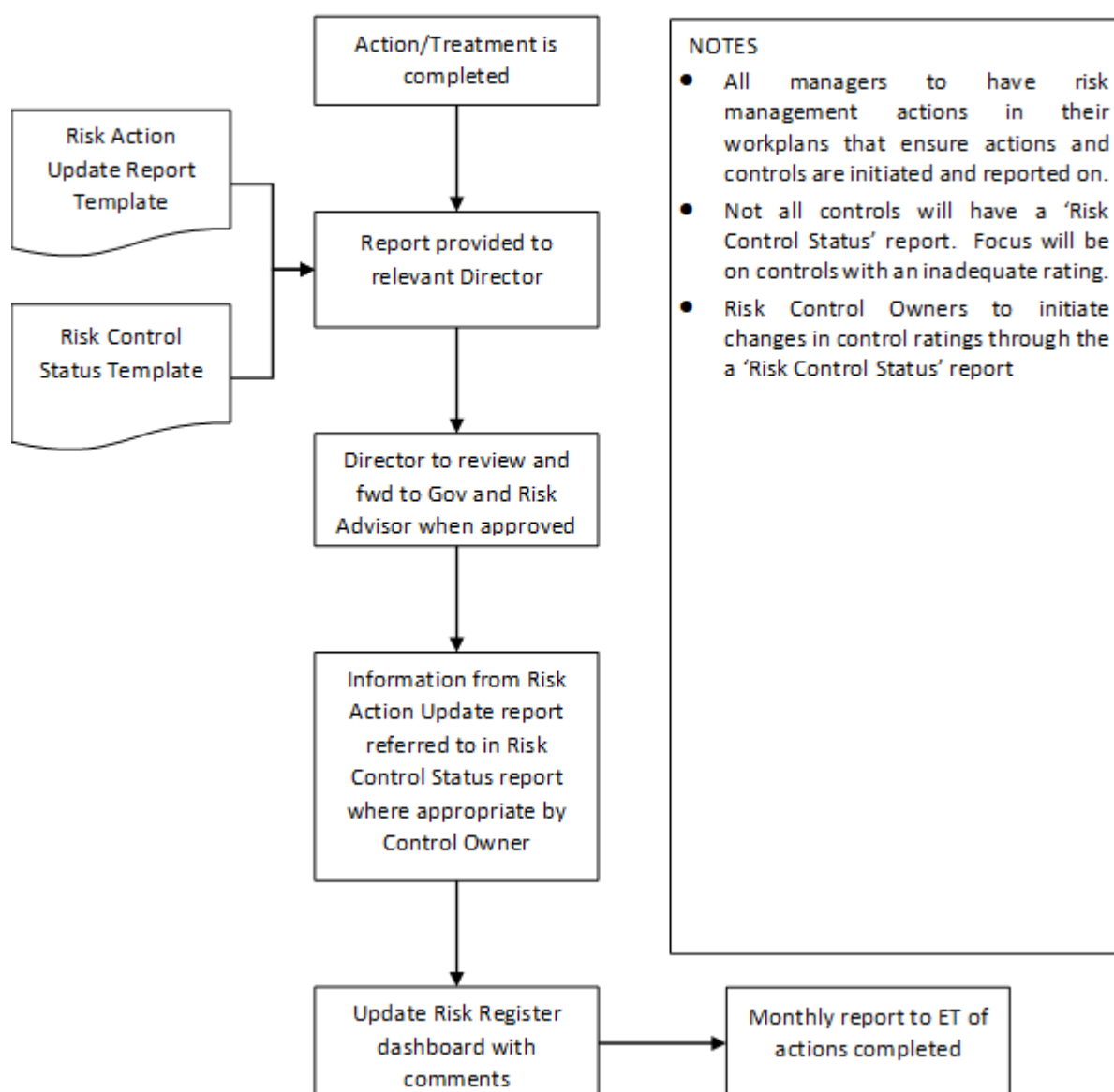
1. Note the updated strategic risk register; and
2. Note the completed actions in the Risk Dashboard of the Strategic Risk Register, to will be removed from the action list with controls to be added where required.

Background

Due to unexpected staff absences progress on updating the risk register has been limited.

The process for monitoring and receiving updates (below) has been implemented to ensure Director sign off. Templates for updating controls and actions have been updated.

Action/Control Update Process



Links with Strategic Plan

Enabler: A Well-Run Council

Legislative and Policy Implications

This paper is consistent with FIN08 Risk management and FIN09 Risk management and Audit Committee. The risk management framework meets Council's risk management compliance requirements

Risks

Nil

Financial Implications

Nil

Community Engagement

Nil

Recommending Officer: **David Jan, Governance and Risk Advisor**

Any queries on this report may be directed to the Recommending Officer on telephone (08) 8983 0600.

Any member of Council who may have a conflict of interest, or a possible conflict of interest in regard to any item of business to be discussed at a Council meeting of a Committee meeting should declare that conflict of interest to enable Council to manage the conflict and resolve it in accordance with its obligations under the Local Government Act and its policies regarding the same.

Litchfield Council Risk Dashboard Action Status Report

RP1 - Misconduct		Risk	Control	
		Moderate	Adequate	
Current Issues / Actions / Treatments	Due Date	Responsibility		Comments & Review History
Implement Record Management Improvement Plan	Jun-18	DCCS		<p><u>7 August 2018</u> Significant progress has been made on implementation. - Policies and procedures have been developed and are with staff for feedback. - Business Classification Scheme (BCS) has been confirmed by senior management after considerable staff consultation - Deployment plan developed which includes staff training - Records Officer PD confirmed and position advertised</p> <p>This item will be ongoing however it is expected that with the implementation of the BCS and the conducting of the staff training as per the deployment plan this item will be finalised by next RMAC meeting.</p> <p><u>February 2019</u> Whilst this action is incomplete there are aspects of the plan which have been implemented. To better track the progress, actions from the ICT improvement plan will be distilled from the plan and included individually in the risk register as separate actions.</p> <p><u>August 2019</u> - COMPLETE update provided in Feb was incorrect. Evidence was provided at Feb RMAC meeting identified in RP11</p>
Development of IT policies	Jun-18	Info Mgr		<p><u>7 August 2018</u> Item incomplete. Draft policies have been developed. Expect completion by next RMAC meeting.</p> <p><u>February 2019</u> ICT policy developed and sent for staff feedback before approval by CEO.</p> <p><u>April 2019</u> ITEM COMPLETE - COR05 Acceptable Use - Information and Communication Technology policy is complete and approved</p>
RP2 - Business and Community Disruption		Risk	Control	
		Moderate	Adequate	
Current Issues / Actions / Treatments	Due Date	Responsibility		Comments & Review History
Develop Council Business Continuity Framework and Action Plan	Jun-18	Gov & Risk Adv		<p><u>7 August 2018</u> Item not on track. Research into existing frameworks at other Councils conducted. Investigated potential for consultancy to complete this action.</p> <p><u>February 2019</u> No further progress. The emergency management plan has been updated and will include consideration of business continuity in relation to cyclone impacts. The creation of a whole of Council Business Continuity plan will have to be developed in house as resources permit.</p> <p><u>September 2019</u> - No further progress</p>
RP3 - Inadequate Environmental Management		Risk	Control	
		Low	Adequate	
Current Issues / Actions / Treatments	Due Date	Responsibility		Comments & Review History
Weed Management Plan updated	Aug-18	MWF Mgr		<p><u>February 2019</u> A submission for an NTEPA Environmental Grant has been made. Awaiting notification regarding the grant funding prior to proceeding. Proposed target (subject to funding) – completion by July 2019</p> <p><u>September 2019</u> - No further progress</p>

Litchfield Council Risk Dashboard Action Status Report

RP4 - Errors, Omissions, Delays and Incorrect Advice		Risk	Control
		Moderate	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	Comments & Review History
Formalise Procedures, Documentation and Checklists for Core Operations - Waste	Oct-18	Waste Mgr	<p>due date reviewed from June 2018</p> <p><u>7 August 2018</u> Consultant engaged to review and update documentation with waste manager. Site visits scheduled for August 2018</p> <p><u>8/11/2018</u> Links to WHS audit - operational review commencing in August - Glen to review existing procedures and prepare for what needs updating</p> <p><u>February 2019</u> Operational review complete with recommendations being incorporated into procedures and documentation. Existing procedures have been collated and are being scheduled for review. Proposed target – completion of collation of documents and schedule for updating by April 2019</p> <p><u>September 2019</u> - No further progress</p>
Formalise Procedures, Documentation and Checklists for Core Operations - Thorak	Jun-18	Thorak Mgr	<p><u>7 August 2018</u> Item incomplete. Gov and Risk Advisor to meet with manager to develop plan for completion</p> <p><u>February 2019</u> This item is 75% complete. Status update provided by Thorak manager with links to evidence. Administration processes and cremation procedure still to be completed. Expect completion by 28 February 2019</p> <p><u>April 2019</u> COMPLETE - Cremation and burial procedures now complete and saved in procedures library. Administrative processes reviewed and updated. All forms and templates are in the appropriate templates folder</p>
Formalise Procedures, Documentation and Checklists for Core Operations - Finance	Jun-18	Finance Mgr	<p><u>7 August 2018</u> Item incomplete. Gov and Risk Advisor to meet with manager to develop plan for completion</p> <p><u>February 2019</u> Procedures correlated and prepared, yet final review outstanding before tasks completed.</p> <p><u>September 2019</u> - No further progress</p>
Formalise Procedures, Documentation and Checklists for Core Operations - Works	Apr-18	Mgr Inf & Assets	<p>due date reviewed from March 2018</p> <p><u>8 May 2018</u> Not on schedule due to increased workload resulting from impact of cyclone Marcus. Overdue</p> <p><u>7 August 2018</u> Item incomplete. Governance and Risk Advisor to meet with manager to develop plan for completion</p> <p><u>February 2019</u> Collation of documentation and preparation of 90% of documentation complete. Proposed target – completion by March 2019</p> <p><u>September 2019</u> - No further progress</p>
Formalise Procedures, Documentation and Checklists for Core Operations - Corp and Comm Serv	Sep-18	DCCS	<p><u>February 2019</u> In progress. Library procedures to be included. Expect finalisation August 2019</p> <p><u>September 2019</u> - No further progress</p>
Review the CRM system	Oct-18	DCCS	<p><u>8/11/2018</u> establishment of the SERVICE Committee for Customer Service Charter, Review of CRM process to follow</p> <p><u>September 2019</u> - Terms of reference established for SERVICE Committee which has only met once to date</p>

Litchfield Council Risk Dashboard Action Status Report

RP5 - External Theft and Fraud (inc. Cyber Crime)		Risk	Control	
		Moderate	Adequate	
Current Issues / Actions / Treatments	Due Date	Responsibility		Comments & Review History
RP6 - ICT Systems and Infrastructure Failure		Risk	Control	
		High	Adequate	
Current Issues / Actions / Treatments	Due Date	Responsibility		Comments & Review History
Finalise and Implement ICT Improvement Plan and Road Map	Jun-18	DCCS		<u>7 August 2018</u> Item incomplete. Item will be reviewed and broken down into individual tasks for better tracking. <u>February 2019</u> Whilst this action is incomplete there are aspects of the plan which have been implemented. To better track the progress, actions from the ICT improvement plan will be distilled from the plan and included individually in the risk register as separate actions. <u>September 2019</u> COMPLETE. New actions from ICT improvement plan identified
Market test for IT Support	Oct-18	Info Mgr		<u>8/11/2018</u> RFQ advertised, clsoed Oct 2018 <u>February 2019</u> Tender panel reviewing quotations received. Contract to be awarded in February 2019. <u>APRIL 2019</u> COMPLETE - RFQ awarded to Fourier. 3 submissions received.
Undertake private cloud hosting cost benefit analysis for internal systems (Item 2.1.3).	Feb-20	Info Mgr		<u>September 2019</u> - New Action
Implement Business Systems Review and develop Roadmap (Item 3.1.1)	Dec-19	Info Mgr		<u>September 2019</u> - New Action
Develop high level business continuity plan (BCP) and Disaster. (Item 5.2.1)	Dec-19	Info Mgr		<u>September 2019</u> - New Action
Mitigate legacy software platforms (Windows Server) (Item 5.1.4)	Feb-20	Info Mgr		<u>September 2019</u> - New Action
Develop Unified Communications (Voice/Video/Data) – Telecommunications plan. (Item 2.1.4)	Feb-20	Info Mgr		<u>September 2019</u> - New Action
RP7 - Failure to Fulfil Statutory, Regulatory or Compliance Requirements		Risk	Control	
		Moderate	Adequate	
Current Issues / Actions / Treatments	Due Date	Responsibility		Comments & Review History
RP8 - Inadequate Safety and Security Practices		Risk	Control	
		High	Inadequate	
Current Issues / Actions / Treatments	Due Date	Responsibility		Comments & Review History
Review Existing Safety Practices and Develop Council Safety Management Systems	Sep-18	HR Advisor		<u>February 2019</u> Updated WHS policy and procedures. Implemented updated forms and reporting requirements, trianed staff on updated policy and procedures. WHS register implemented. <u>September 2019</u> - Contract let to Latitude 12 to develop a WHS system to be completed by October 2019
Conflict resolution training for frontline staff	Dec-18	HR Advisor		<u>February 2019</u> Whilst some staff have completed training analysis in underway to determine the remaining staff which will require this training. <u>September 2019</u> - COMPLETE following reconciling of training register.

Litchfield Council Risk Dashboard Action Status Report

RP9 - Ineffective and Unsustainable Financial Management		Risk	Control
		Moderate	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	Comments & Review History
Finalise Rating Policy and Undertake Review of Rating System	Mar-18	DCCS	<p><u>8 May 2018</u> Business paper to be presented to Council for approval to establish Community Reference Group at the May Council meeting. Project will go over the term of this year and should be finalised with a policy approved in April 2019. Council will be adopting a project plan.</p> <p>Recommend changing due date in line with project plan according to Council decision</p> <p><u>7 August 2018</u> Council noted the rating review report at its May 2018 meeting. A budget allocation has been included for 2018/19 to conduct community engagement through the establishment of a Community Reference Group (CRG). Recommendations from the CRG will be put to Council in time for inclusion in the 2020/21 budget development process.</p> <p><u>8/11/2018</u> Community Ref. Group for Rating Review to be established Dec 2018, Project plan approved by Council, Finalisation Dec 2019</p> <p><u>September 2019</u> - Ref group meetings undertaken and position paper prepared for community consultation scheduled for November 2019</p>
Review Developer Contribution Plan	Jun-18	Plan & Dev Mgr	<p><u>7 August 2018</u> Consultants have prepared a draft Developer Contribution Plan. Planning and Development Manager is currently reviewing for preparation to Council in October.</p> <p><u>February 2019</u> The new Developer Contribution Plan continues to be developed. Updates have been provided to Council. The detail of the contribution plan is 80% complete following a review of asset data and requirement of works assessment. Legal advice is required to be obtained and instructions for advice are being prepared. This is a complex project that has legislative requirements in its content and delivery and therefore is being processed in a manner to minimise the risk to Council of the plan being insufficient. Current target – completion by July 2019</p>
Implementation of Procurement Audit Findings	Jun-18	DCCS	<p><u>7 August 2018</u> 1. Councils procurement policy has been updated of which the draft document (attached) is presented for RMAC endorsement. Updates to the current policy include, a. inclusion of provisions for the appointment of a probity advisor by the Tender Evaluation Panel (TEP) b. removal of procedural items to be included in a procurement procedures document, and c. clarifying the documenting of justification when it is impractical to obtain three written quotations. Detailed references to legislation remain in the policy document due to the importance of ensuring all staff understand the context of the policy in relation to the legislation and their responsibilities. 2. Development has commenced on a procurement manual (table of contents attached). This manual will provide procedures for all Councils procurement activities including forms, templates and checklists. Procedural items from the current policy will be included. 3. Key procurement personnel (Works Controller and Asset Management Officer) have attended a three-day procurement training session hosted by the Local Government Association of the Northern Territory.</p> <p><u>8/11/2018</u> Procurement Policy Reviewed, Procurement manual in development, Responsibilities reviewed, Implementation of Roadmap</p> <p><u>February 2019</u> The Executive team are currently reviewing procurement responsibilities within the current organisational structure and capacity. This action will be refined with specific actions for implementation.</p> <p><u>August 2019</u> - Procurement Improvement Committee established and progress. Report presented to RMAC at August meeting with progress on actions.</p>
Implementation of Works Permit Audit Findings	Oct-18	Plan & Dev Mgr	<p><u>February 2019</u> 95% complete – all internal processes have been reviewed, updated and refined in accordance with audit findings. Completion of final documentation is underway. Proposed target – completion by March 2019</p>

Litchfield Council Risk Dashboard Action Status Report

Asset management plans in progress	Jul-18	DIO	<u>7 August 2018</u> The Thorak Cemetry asset management plan is drafted and with the Director of Community and Corporate Services for review. Once this has been developed it will be used as a template for plans for other Council assets (Council offices, Waste Transfer Stations, MWF workshop etc.). This action will be replaced by individual actions for each asset management plan to be developed. <u>3 October 2018</u> 1. Thorak Regional Cemetery – to be presented at Thorak Regional Cemetery Board meeting in September 2018 2. Roads – AMO is collecting background information now and will be drafted by November 2018 3. Plant & Equipment – Not yet to start but will be prepared by December 2018 4. Driveways – Not yet to start but will be prepared by December 2018 <u>February 2019</u> Scheduled for all plans is in place and progressing 1. Thorak Regional Cemetery 2. Roads – Asset Management Plan (AMP) drafted – critical elements to be considered through budget consideration process prior to finalising 3. Plant & Equipment – AMP drafted and replacement schedule being utilised to inform budget process 4. Driveways – AMP data collection, checking and updating underway Proposed target – the asset management plans are progressing to a schedule, with a target completion of December 2019 for all plans September 2019 - Update on proposed targets to be presented to RMAC in Feb 2020	
RP10 - Ineffective Management of Public Facilities / Venues / Events		Risk	Control	
		Moderate	Inadequate	
Current Issues / Actions / Treatments	Due Date	Responsibility		
		Comments & Review History		
Formalise Public Places By-Law	Jun-19	DCCS	<u>7 August 2018</u> No progress to date on this item as meeting procedure by-laws are still in development. A needs assessment will be commissioned to ascertain the I it is still beneficial for Council to proceed with the development of these by-laws. 8/11/2018 Seeking Consultant to guide workshop with elected members in May 2019 <u>February 2019</u> This action is on hold pending the establishment of meeting procedure by-laws.	
Review Reserve Management Leases and budget requirements	May-18	DCCS	<u>8 May 2018</u> New lawyer contracted for support, leases to be ready for discussion with reserves in October 2018 <u>7 August 2018</u> Draft lease received from Lawyers. 8/11/2018 Draft lease developed, started correspondence with Reserve Committees <u>February 2019</u> Lerase templates approved by Council and discussions with 3rd parties held. Exepect completion August 2019 depending on availability of reserve committees. September 2019 - On hold due to Interim CEO duties of DCCS	
Develop Inspection/Maintenance program	Jun-18	DIO	<u>7 August 2018</u> Schedules have been completed and are with the relevent responsible officers for final review. Expect sign of by next RMAC meeting. <u>2 Jan 2019</u> Development of maintenance schedule actions rolled up into one action for consistancy and ease of reporting. <u>February 2019</u> Inspection and maintenance plans are in place for Council’s building assets, including safety and compliance requirements for reserves. Tree and playground inspection program under development. Proposed target - May 2019	

Litchfield Council Risk Dashboard Action Status Report

Undertake Tree Audit on Public Facilities	Jul-18	DCCS	<p><u>Original Due Date February 2018</u> <u>8 May 2018</u> Tree audit undertaken in January 2018, needs to be redone due to Cyclone Marcus, new due date July 2018</p> <p>Overdue – Expect completion July 2018</p> <p><u>7 August 2018</u> Review of tree audit scheduled for 30 July commencement.</p> <p><u>8/11/2018</u> Tree audit undertaken, report delivered Sep-18, Quotes sought of high urgency works, RFT developing Nov-18</p> <p><u>February 2019</u> ITEM COMPLETE. Tree audit complete and RFT awaiting aproval. Tender process in Feb 19 for tree works. New action to be added regarding the development of a tree management plan which will include future frequency of inspections</p>	
Formalise Procedures, Documentation and Checklists for Core Operations - Corp and Comm Serv	Sep-18	DCCS	<p><u>February 2019</u> In progress. Library procedures to be included. Expect finaalisation August 2019</p> <p><u>September 2019</u> - On hold due to Interim CEO duties of DCCS</p>	
RP11 - Inadequate Records Management Processes		Risk	Control	
		Moderate	Adequate	
Current Issues / Actions / Treatments	Due Date	Responsibility		Comments & Review History
RP12 - Inadequate Project/Change Management		Risk	Control	
		High	Inadequate	
Current Issues / Actions / Treatments	Due Date	Responsibility		Comments & Review History
Establish Council Project Management Methodology	Jun-18	DIO	<p><u>7 August 2018</u> Project management processes are being revised to enable a project management methodolgy to be prepared.</p> <p><u>February 2019</u> Reporting process improvements in place and development of asset management plans assist in project identification, improving the operational control of projects and reducing the risk, however methodology development for project management yet to commence, which will need to align with contract management review and system. Proposed target – December 2019</p> <p><u>September 2019</u> - See RMAC Agenda Item 8.1 3 September 2019</p>	
Provide Project Management Training Opportunities	Sep-18	HR Advisor	<p><u>February 2019</u> In progress</p> <p><u>September 2019</u> - COMPLETE Key staff attended procurement and negotiation training. This item will be ongoing with actions covered by the performance development plans and training register control in RP16</p>	
RP13 - Inadequate Engagement Practices		Risk	Control	
		Moderate	Adequate	
Current Issues / Actions / Treatments	Due Date	Responsibility		Comments & Review History
Standardised community information processe for Road Network	Dec-18	Mgr Inf & Assets	<p><u>February 2019</u> This is included as a procedure to be prepared for the Infrastructure and Assets section. Proposed target – April 2019</p> <p><u>September 2019</u> - No further action</p>	

Litchfield Council Risk Dashboard Action Status Report

RP14 - Inadequate Procurement / Supplier / Contract Management		Risk High	Control Inadequate
Current Issues / Actions / Treatments	Due Date	Responsibility	Comments & Review History
Develop a contract management system	Jun-18	DIO	<p><u>7 August 2018</u> Project management processes are being revised to enable a project management methodology to be prepared.</p> <p><u>February 2019</u> 60% complete – existing system capabilities are being utilised for contract management where available. To be reviewed in conjunction with internal audit scheduled relating to Contract Management. Proposed target – September 2019</p> <p>September 2019 - See RMAC Agenda Item 8.1 3 September 2019</p>
RP15 - Inadequate Asset Sustainability Practices		Risk High	Control Inadequate
Current Issues / Actions / Treatments	Due Date	Responsibility	Comments & Review History
Develop Asset Management Plan inc Asset costings to establish renewal program	Jul-18	Asset Mgt Officer	<p><u>7 August 2018</u> The Thorak Cemetery asset management plan is drafted and with the Director of Community and Corporate Services for review. Once this has been developed it will be used as a template for plans for other Council assets (Council offices, Waste Transfer Stations, MWF workshop etc.). This action will be replaced by individual actions for each asset management plan to be developed</p> <p><u>February 2019</u> Refer to RP9: Asset management plans in progress. All asset management plans include renewal requirements.</p>
Develop Inspection/Maintenance program	Oct-18	DIO	<p><u>7 August 2018</u> A draft maintenance schedule covering the Mobile Workforce, Waste Transfer Stations and the Administration building has been submitted to the Director of Infrastructure and Operations for review and is on track for October 2018 completion.</p> <p><u>February 2019</u> Inspection and maintenance plans are in place for Council's building assets, including safety and compliance requirements. Programs relating to all other infrastructure assets will be incorporated into relevant Asset Management Plans. Proposed target – key requirement is complete relating to buildings, all others to be complete by December 2019</p>
RP16 - Ineffective HR Management / Employment Practices		Risk Moderate	Control Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	Comments & Review History
Develop Corporate Training Program	Oct-18	HR Advisor	<p><u>February 2019</u> In progress</p>
Implement Reward and Recognition Program	Oct-18	HR Advisor	<p><u>February 2019</u> Years of service awards initiated with policy to be developed by Oct 2019.</p>

RP1 - Misconduct

Jan-18

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
- Collusion between Internal & External parties
- Unauthorised and misuse of corporate systems and assets

This does not include instances where it was not an intentional breach - refer Errors, Omissions or Delays, or Inaccurate Advice / Information.

Potential causes include:

- Lack of Training
- Changing of Job Titles / Roles
- Delegated Authority Process Inadequately Implemented
- Disgruntled Employees
- Lack of Understanding
- Poor Internal Checks (Supervision, PO's and Delegated Authority)
- Password Sharing

Key Controls	Type	Owner	Date	Rating
Delegation Manual	Preventative	Gov & Risk Adv	14/09/2017	Adequate
Fraud Training	Preventative	DCCS	14/09/2017	Adequate
Control of Devices Policy / Procedures	Preventative	Info Mgr	14/09/2017	Inadequate
Electronic Document Management	Preventative	Records Management Officer	14/09/2017	Adequate
On and Off Site Records Storage	Preventative	Records Officer	14/09/2017	Adequate
Recruitment Process	Preventative	HR Advisor	14/09/2017	Adequate
Segregation of Duties (Financial)	Preventative	Finance Mgr	1/06/2018	Excellent
ICT Security Access Framework - Access and Approvals	Preventative	Info Mgr	14/09/2017	Adequate
Internal / External Audits	Detective	Gov & Risk Adv	14/09/2017	Adequate
Induction Process (Code of Conduct)	Preventative	HR Advisor	14/09/2017	Adequate
Internet / Phone Usage Policy	Preventative	Info Mgr	14/09/2017	Adequate
Fraud Protection Policies	Preventative	DCCS	14/09/2017	Adequate
Credit Card Policy and Monthly Reporting	Detective	Finance Mgr	1/06/2018	Excellent
Disciplinary Procedures	Responsive	HR Advisor	14/09/2017	Adequate
Cash Handling Procedures	Preventative	Finance Mgr	14/09/2017	Adequate
Performance Review process	Detective	HR Advisor	30/11/2017	Adequate
Whistle Blower Policy	Preventative	Gov & Risk Adv	15/11/2017	Excellent
Ongoing Fraud and Misconduct Awareness Training/Information	Preventative	DCCS	12/02/2018	Adequate
Purchasing Policy / Process (Purchase Order Process)	Preventative	DCCS	14/09/2017	Adequate

Overall Control Ratings: Adequate

Risk Ratings	Rating
Consequence:	Moderate
Likelihood:	Unlikely
Overall Risk Ratings:	Moderate

Key Indicators	Tolerance	Date	Overall Result
Number of actual / attempted fraud and misconduct incidents			

Comments

As rated by Workshop Attendees - 14/9/2017 - Consequence rating referred to moderate financial, compliance and reputational impacts

Current Issues / Actions / Treatments	Due Date	Responsibility
Implement Record Management Improvement Plan	Jun-18	DCCS
Development of IT policies	Jun-18	Info Mgr

RP2 - Business and Community Disruption

Jan-18

This Risk Theme is defined as:

Failure to adequately prepare and respond to events that cause disruption to the local community and/or normal Local Government business activities. The event may result in damage to buildings, property, plant and equipment, lack of availability of key staff and/or interruptions to supply chain.

This does include:

- Lack of (or inadequate) emergency response / business continuity 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 etc

Note: This does not include IT and/or communications systems and infrastructure related failures - refer "Failure of IT and/or Communication Systems and Infrastructure".

Potential causes includes:

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

Key Controls	Type	Owner	Date	Rating
Business Continuity Framework (Policy & Procedures)	Preventative	Gov & Risk Adv	14/09/2017	Inadequate
Business Continuity Plans	Responsive	Gov & Risk Adv	14/09/2017	Inadequate
Cyclone Plan	Responsive	DIO	14/09/2017	Adequate
Fire Management Plan	Preventative	MWF Mgr	14/09/2017	Excellent
Council Property Inspections for Compliance (Informal)	Detective	Asset Mgt Officer	14/09/2017	Adequate
Pre cyclone clean up	Preventative	Mgr Inf & Assets	14/09/2017	Adequate
Risk management framework	Preventative	Gov & Risk Adv	10/04/2019	
Risk management and audit committee	Preventative	Gov & Risk Adv	10/04/2019	
Emergency Management Procedures/Drills	Responsive	DIO	14/09/2017	Adequate

Overall Control Ratings: Adequate

Risk Ratings	Rating
Consequence:	Moderate
Likelihood:	Unlikely

Overall Risk Ratings: Moderate

Key Indicators	Tolerance	Date	Overall Result
Vegetation slashing and mowing of 900kms of road network before July fire bans	2 rounds		
Fire breaks and road reserve slashing of 1000kms within Council excised land	>75%		
Lost time due to plant and equipment breakdown	<20hrs		

Comments

As rated by Workshop Attendees - 14/9/2017 - Consequence rating referred to moderate service interruption, reputation and environmental impacts. Noting the risk refers to Councils ability to adequately and appropriately fulfil its role and responsibilities to prepare and/or respond to a disruptive event, not the disruptive event itself.

Current Issues / Actions / Treatments	Due Date	Responsibility
Develop Council Business Continuity Framework and Action Plan	Jun-18	Gov & Risk Adv

RP3 - Inadequate Environmental Management

Jan-18

This Risk Theme is defined as:

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

- Lack of adequate planning and management of coastal erosion issues.
- Failure to identify and effectively manage contaminated sites (including groundwater usage).
- Waste facilities (landfill / transfer stations).
- Weed control.
- Ineffective management of water sources (reclaimed, potable)
- Illegal dumping.
- Illegal clearing / land use.

Potential causes include:

- Inadequate Management of Landfill Sites
- Lack of Understanding / Knowledge
- Inadequate Local Laws / Planning Schemes
- Inadequate Reporting / Oversight Frameworks
- Community Apathy
- Heavy Vehicles on Reserves

Key Controls	Type	Owner	Date	Rating
Waste Management Plans	Preventative	Waste Mgr	14/09/2017	Inadequate
Waste Management Strategy	Preventative	Waste Mgr	1/06/2018	Excellent
Contamination Register - MWF	Detective	MWF Mgr	21/12/2018	Inadequate
Contamination Register - Waste Transfer Stations	Detective	Waste Mgr	21/12/2018	Inadequate
Contamination Register - Thorak	Detective	Thorak Mgr	21/12/2018	Inadequate
Asbestos Register	Detective	Asset Mgt Officer	14/09/2017	Excellent
Weed Control Schedule	Preventative	MWF Mgr	14/09/2017	Adequate
Support Local Environmental Groups	Preventative	DCCS	14/09/2017	Adequate
Environmental Management / Response Plans	Responsive	DIO	14/09/2017	Inadequate
Erosion Control Road Side Drains	Preventative	Works Mgr	14/09/2017	Adequate
Reporting of Listed Waste	Preventative	Waste Mgr	14/09/2017	Adequate
Landfill Rehabilitation	Preventative	Waste Mgr	14/09/2017	Adequate
Ranger (Dogs) Service	Preventative	Reg Serv Mgr	14/09/2017	Adequate

Overall Control Ratings: Adequate

Risk Ratings	Rating
Consequence:	Moderate
Likelihood:	Rare

Overall Risk Ratings: Low

Key Indicators	Tolerance	Date	Overall Result
Weed spraying roadside furniture and target Gamba grass and classified weeds	150000L		
Waste tonnage transferred to Shoal Bay	<10000t		
% of green waste received that is on-sold as mulch	>80%		
% of erosion repairs to road side drainage	?		

Comments

As rated by Workshop Attendees - 14/9/2017 - Consequence rating referred to environmental impacts

Current Issues / Actions / Treatments	Due Date	Responsibility
Weed Management Plan updated	Aug-18	MWF Mgr

RP4 - Errors, Omissions, Delays and Incorrect Advice

Jan-18

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. 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.

Potential causes include:

- Human Error
- Inadequate Procedures or Training
- Lack of Staff (or trained staff)
- Incorrect Information
- Miscommunication

Key Controls	Type	Owner	Date	Rating
Documented Operational Procedures / Checklists	Preventative	Gov & Risk Adv	14/09/2017	Inadequate
Complaints and Requests Register (CRM)	Detective	DCCS	14/09/2017	Inadequate
Senior Manager Oversight to Elected Members Information	Detective	CEO	14/09/2017	Adequate
Utilise External Expertise / Consultants	Preventative	CEO	14/09/2017	Adequate
Segregation of Duties (Financial Control)	Preventative	Finance Mgr	14/09/2017	Adequate
Performance Review Process	Detective	HR Advisor	14/09/2017	Adequate
Media and Communications Resource	Preventative	Comm Eng Adv	14/09/2017	Adequate
Development and Subdivision Standards	Preventative	Plan & Dev Mgr	9/01/2019	Adequate
Staff Meetings (Briefings / Debriefings)	Preventative	CEO	14/09/2017	Adequate

Overall Control Ratings:

Adequate

Risk Ratings

Consequence:

Moderate

Likelihood:

Possible

Overall Risk Ratings:

Moderate

Key Indicators	Tolerance	Date	Overall Result
Issue work permits associated with a Development Permit with in 5 days	90%		
Issue clearances for development	<10days		
Investigations completed within 14 days	>90%		

Comments

As rated by Workshop Attendees - 14/9/2017 - Consequence rating referred to moderate reputational and financial impacts. Noting that this level of risk may be realised through incorrect approvals.

Current Issues / Actions / Treatments	Due Date	Responsibility
Formalise Procedures, Documentation and Checklists for Core	Oct-18	Waste Mgr
Formalise Procedures, Documentation and Checklists for Core	Jun-18	Thorak Mgr
Formalise Procedures, Documentation and Checklists for Core Operations - Finance	Jun-18	Finance Mgr
Formalise Procedures, Documentation and Checklists for Core Operations - Works	Apr-18	Mgr Inf & Assets
Formalise Procedures, Documentation and Checklists for Core Operations - Corp and Comm Serv	Sep-18	DCCS
Review the CRM system	Oct-18	DCCS

RP5 - External Theft and Fraud (inc. Cyber Crime)

Jan-18

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
- Lack of Supervision / Unauthorised Entry
- Robbery
- Scam Invoices

Key Controls	Type	Owner	Date	Rating
Visitor Sign In	Detective	Finance Mgr	14/09/2017	Adequate
Keyed Access Controls - Admin Building	Preventative	DCCS	14/09/2017	Adequate
Monitored Alarm - Admin Building	Detective	DCCS	14/09/2017	Adequate
Cash Handling procedures	Preventative	Finance Mgr	14/09/2017	Adequate
Staff Inductions	Preventative	HR Advisor	14/09/2017	Adequate
Restricted and Registered Keys	Preventative	Finance Mgr	14/09/2017	Adequate
After Hours Security	Detective	DCCS	14/09/2017	Adequate
System Checks for New Creditors	Preventative	Finance Mgr	14/09/2017	Adequate
Access Control for Online Banking (Dual Signatory)	Preventative	Finance Mgr	14/09/2017	Adequate
Delegation Manual	Preventative	Gov & Risk Adv	14/09/2017	Adequate
Disposal of assets process/forms	Detective	Finance Mgr	30/11/2017	Adequate
Credit Card policy	Preventative	Finance Mgr	1/06/2018	Excellent
Investment policy	Preventative	Finance Mgr	1/06/2018	Excellent
Audit reports (Monthly report, Weekly AP report)	Preventative	Finance Mgr	1/06/2018	Excellent
Separation of Duties	Preventative	DCCS	1/06/2018	Excellent
Invoice approval process	Preventative	Finance Mgr	30/11/2017	Adequate
Manned Access Control at Off-site Locations (Except BSWTS)	Preventative	Waste Mgr	14/09/2017	Adequate
Asset Management System - Asset Register	Detective	Finance Mgr	14/09/2017	Adequate
CCTV	Detective	DCCS	14/09/2017	Adequate
IT Firewall Systems	Preventative	Info Mgr	14/09/2017	Adequate

Overall Control Ratings: Adequate

Risk Ratings	Rating
Consequence:	Moderate
Likelihood:	Unlikely

Overall Risk Ratings: Moderate

Key Indicators	Tolerance	Date	Overall Result
Number of actual / attempted theft and fraud incidents			

Comments

As rated by Workshop Attendees - 14/9/2017 - Consequence rating referred to moderate financial impacts

Current Issues / Actions / Treatments	Due Date	Responsibility

RP6 - ICT Systems and Infrastructure Failure

Jan-18

This Risk Theme is defined as:

Instability, degradation of performance, or other failure of ICT Systems and Infrastructure causing the inability to continue business activities and provide services to the community.

This may or may not result in IT Disaster Recovery Plans being invoked.

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

Potential causes include:

- Weather impacts
- Vendor Failures
- Outdated / inefficient hardware
- Sabotage
- Power failure
- Infrastructure Breakdown
- Lack of Training
- Lack of Configuration Management

Key Controls	Type	Owner	Date	Rating
Data Back Up Systems (manual process) (DOC ID. 392054)	Responsive	Info Mgr	1/07/2018	Excellent
Performance Monitoring (DOC ID. 394944)	Detective	Info Mgr	14/09/2017	Adequate
UPS / Generator (DOC ID. 394945)	Responsive	Info Mgr	1/07/2018	Excellent
Disaster Recovery Plan (Doc ID. 394950)	Responsive	Info Mgr	14/09/2017	Adequate
ICT Infrastructure Replacement / Refresh Program (DOC ID. 394946)	Preventative	Info Mgr	14/09/2017	Adequate
ICT Governance/Policy Framework (Doc ID. 394988 & 438114)	Preventative	Info Mgr	28/08/2019	Adequate
Internal Service Level Agreements (Doc ID. 394989)	Preventative	Info Mgr	14/09/2017	Adequate
Microwave Connection with Off-site Locations	Responsive	Info Mgr	14/09/2017	Adequate
Telstra land lines	Preventative	Info Mgr	14/09/2017	Adequate
Land Lines at Off-site Locations (Thorak and Waste Transfer Stations)	Preventative	Info Mgr	28/08/2019	Adequate
DOC IDs 394993 & 438121	Preventative	Info Mgr	3/01/2019	Adequate
Vendor Support	Preventative	Info Mgr	10/04/2019	Adequate
ICT Improvement Plan	Preventative	Info Mgr	14/09/2017	Adequate
ICT Access Control and Approval Procedures	Preventative	Info Mgr	14/09/2017	Adequate

Overall Control Ratings:

Adequate

Risk Ratings	Rating
Consequence:	Moderate
Likelihood:	Likely

Overall Risk Ratings:

High

Key Indicators	Tolerance	Date	Overall Result
Acknowledgement of the lodgement of technology issue	<1day		
Resolution of Category 1 Urgent technology issue	<2days		
Resolution of Category 2 Moderate technology issue	<5days		
Resolution of Category 3 Non-urgent technology issue	<15days		

Comments

As rated by Workshop Attendees - 14/9/2017 - Consequence rating referred to moderate service interruption and compliance impacts

Current Issues / Actions / Treatments	Due Date	Responsibility
Finalise and Implement ICT Improvement Plan and Road Map	Jun-18	DCCS
Market test for IT Support	Oct-18	Info Mgr
Undertake private cloud hosting cost benefit analysis for internal systems (Item 2.1.3).	Feb-20	Info Mgr
Implement Business Systems Review and develop Roadmap (Item 3.1.1)	Dec-19	Info Mgr
Develop high level business continuity plan (BCP) and Disaster. (Item 5.2.1)	Dec-19	Info Mgr
Mitigate legacy software platforms (Windows Server) (Item 5.1.4)	Feb-20	Info Mgr
Develop Unified Communications (Voice/Video/Data) – Telecommunications plan. (Item 2.1.4)	Feb-20	Info Mgr

RP7 - Failure to Fulfil Statutory, Regulatory or Compliance Requirements

Jan-18

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.

It does include the Local Government Act and all other legislative based obligations for Local Government. This does not include Safety & Health Legislation (refer "Inadequate safety and security practices") or any Employment Practices based legislation (refer "Ineffective HR Management / Employment practices")

Potential causes include:

- Lack of Training, Awareness and Knowledge
- Staff Turnover
- Inadequate Record Keeping
- Ineffective Processes
- Lack of Legal Expertise
- Councillor Turnover
- Breakdowns in Tender process
- Ineffective Monitoring of Changes to Legislation

Key Controls	Type	Owner	Date	Rating
Compliance Checklist	Detective	Gov & Risk Adv	14/09/2017	Adequate
Compliance Calendars	Preventative	Gov & Risk Adv	14/09/2017	Adequate
Councils Policy Framework	Preventative	Gov & Risk Adv	14/09/2017	Adequate
External Auditor Reviews (Financial Compliance)	Detective	Gov & Risk Adv	14/09/2017	Adequate
External/ Internal Auditor Reviews (Other Compliance)	Detective	Gov & Risk Adv	14/09/2017	Inadequate
Monitor Legislative Changes / Subscriptions	Detective	Gov & Risk Adv	14/09/2017	Adequate
Induction Process - Councillors / Staff	Preventative	Gov & Risk Adv	14/09/2017	Adequate
Staff Network Channels	Detective	CEO	14/09/2017	Adequate
Legislative Reporting to Regulators	Detective	DCCS	14/09/2017	Adequate
Internal Compliance Audit - Quarterly	Detective	Gov & Risk Adv	14/09/2017	Adequate
Scheduled Review of Council Policies and Delegations	Detective	Gov & Risk Adv	14/09/2017	Adequate
Tender Process	Preventative	DCCS	14/09/2017	Adequate
Road Openings and Road Closures Procedures	Preventative	Plan & Dev Mgr	11/01/2019	Excellent
Annual review of external auditor by RMAC	Preventative	Finance Mgr	15/04/2019	
Dog By-laws administration	Preventative	Reg Serv Mgr	10/04/2019	
Internal Audit Program	Detective	Gov & Risk Adv	8/05/2018	Excellent

Overall Control Ratings: Adequate

Risk Ratings	Rating
Consequence:	Major
Likelihood:	Unlikely

Overall Risk Ratings: Moderate

Key Indicators	Tolerance	Date	Overall Result
Compliance with management, statutory and regulatory budgeting and reporting	100%		
Compliance with legislative requirements as per DOLG Compliance Checklist	100%		
Risk Management Audit Committee Meetings	4 per year		
Internal Audits conducted as defined in Annual Internal Audit Program	3 per year		
Replace non-compliant signs in the signage program to Australian Standards	100%		
Compliance with Cemetery regulations	100%		

Comments

As rated by Workshop Attendees - 14/9/2017 - Consequence rating referred to major compliance impact

Current Issues / Actions / Treatments	Due Date	Responsibility

RP8 - Inadequate Safety and Security Practices

Jan-18

This Risk Theme is defined as:

Non-compliance with the Health and Safety Legislation, 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
- Rubbish / Litter Control
- Ineffective / Inadequate Testing, Sampling (similar) Health Based Req
- Inadequate Security Arrangements
- Lack of Mandate and Commitment from Senior Management

Key Controls	Type	Owner	Date	Rating
Workplace Inspections - Off-site Locations	Preventative	DIO	14/09/2017	Adequate
Workplace Inspections - Administration	Preventative	DCCS	14/09/2017	Inadequate
WHS Policy	Preventative	HR Advisor	14/09/2017	Adequate
Safety Management System/Framework	Preventative	HR Advisor	14/09/2017	Inadequate
Contractor Inductions / Safety Requirements	Preventative	HR Advisor	14/09/2017	Inadequate
Toolbox Meetings	Preventative	HR Advisor	14/09/2017	Adequate
Inventory Hazardous Goods and MSDS	Preventative	Outdoor Mgrs	14/09/2017	Adequate
PPE	Preventative	Outdoor Mgrs	14/09/2017	Adequate
Staff Uniforms (protective)	Preventative	Outdoor Mgrs	14/09/2017	Adequate
Training Register (HR File)	Preventative	HR Advisor	14/09/2017	Inadequate
Operator License Checks (Outdoor Workforce)	Detective	HR Advisor	14/09/2017	Adequate
Driver License Checks	Detective	HR Advisor	14/09/2017	Excellent
Asbestos Register	Detective	Asset Mgt Officer	14/09/2017	Adequate
Fleet Vehicle and plant Safety Requirements	Preventative	DIO	14/09/2017	Inadequate
Conflict Resolution Training - Frontline Staff	Preventative	HR Advisor	14/09/2017	Inadequate
Fire Safety Systems Check	Detective	Asset Mgt Officer	14/09/2017	Adequate
Electrical Tag and Test	Detective	Asset Mgt Officer	14/09/2017	Adequate
Incident/Accident and Damage Reporting	Detective	HR Advisor	14/09/2017	Adequate
Staff Inductions	Preventative	HR Advisor	14/09/2017	Adequate
Insurance Cover	Preventative	DCCS	30/11/2017	Adequate
Works Permit – Public Liability Insurance	Preventative	Plan & Dev Mgr	9/01/2019	Adequate
first aid kits and fire extinguishers in all Council vehicles	Preventative	Fleet Mgr	8/05/2018	Excellent

Overall Control Ratings:

Inadequate

Risk Ratings

Consequence:

Rating

Major

Likelihood:

Possible

Overall Risk Ratings:

High

Key Indicators	Tolerance	Date	Overall Result
Number of WorkSafe Notifiable Incidents			
Lost Time Injuries			
Public liability Insurance claims			

Comments

As rated by Workshop Attendees - 14/9/2017 - Consequence rating referred to major injury, financial and compliance impacts. Note the inadequate overall control rating is from the perspective of Council as an organisation and may not be reflective of individuals and/or individual work areas approaches to safety.

Current Issues / Actions / Treatments	Due Date	Responsibility
Review Existing Safety Practices and Develop Council Safety Management Systems	Sep-18	HR Advisor
Conflict resolution training for frontline staff	Dec-18	HR Advisor

RP9 - Ineffective and Unsustainable Financial Management

Jan-18

This Risk Theme is defined as:

Failure to ensure Council manages its finances in a responsible and sustainable manner in the short and long term.

Potential causes include:

- Historical Legacy
- Uncertainty of Funding Sources
- Lack of Information (Assets, Debtors)
- Lack of Policy Framework
- Investment Performance
- Council Decisions

Key Controls	Type	Owner	Date	Rating
Long Term Financial Plans	Preventative	Finance Mgr	14/09/2017	Adequate
Finance Reports Monthly	Detective	Finance Mgr	14/09/2017	Adequate
Internal Audit Program	Detective	Gov & Risk Adv	14/09/2017	Adequate
External Audit Program	Detective	Finance Mgr	14/09/2017	Adequate
Delegation Manual	Preventative	Gov & Risk Adv	14/09/2017	Adequate
General Ledger and Journal control	Preventative	Finance Mgr	14/09/2017	Adequate
Finance Policies	Preventative	Finance Mgr	14/09/2017	Adequate
Segregation of Duties	Preventative	Finance Mgr	14/09/2017	Adequate
Developer Contribution Plan	Preventative	Plan & Dev Mgr	14/09/2017	Inadequate
Budgets - Reviews	Preventative	Finance Mgr	14/09/2017	Adequate
Project management of capital projects	Preventative	DIO	30/11/2017	Adequate
Rating strategy	Preventative	Finance Mgr	30/11/2017	Adequate
Investment policy	Preventative	Finance Mgr	30/11/2017	Adequate
Asset management system - Capital value records	Preventative	Finance Mgr	30/11/2017	Adequate
Grant acquittal	Preventative	Finance Mgr	30/11/2017	Adequate
Rating parameters approval by Finance Manager	Preventative	Finance Mgr	30/11/2017	Excellent
Debt Recovery - processes and agreements	Responsive	Finance Mgr	14/09/2017	Excellent
Risk Management and Audit Committee	Detective	Gov & Risk Adv	14/09/2017	Adequate
Asset Management Plans	Preventative	Asset Mgt Officer	14/09/2017	Inadequate
Rating Policy	Preventative	Finance Mgr	14/09/2017	Adequate
Asset Valuations	Preventative	Asset Mgt Officer	14/09/2017	Adequate

Overall Control Ratings: Adequate

Risk Ratings	Rating
Consequence:	Major
Likelihood:	Unlikely

Overall Risk Ratings: Moderate

Key Indicators	Tolerance	Date	Overall Result
Current Years Rates Outstanding	<15%		
Rates Coverage Ratio	>50%		
Liquidity Ratio	>1:1		
Asset Sustainability Ratio	90%		
Grants Acquitted Within Timeframes	100%		

Comments

As rated by Workshop Attendees - 14/9/2017 - Consequence rating referred to major financial and reputational impacts

Current Issues / Actions / Treatments	Due Date	Responsibility
Finalise Rating Policy and Undertake Review of Rating System	Mar-18	DCCS
Review Developer Contribution Plan	Jun-18	Plan & Dev Mgr
Implementation of Procurement Audit Findings	Jun-18	DCCS
Implementation of Works Permit Audit Findings	Oct-18	Plan & Dev Mgr
Asset management plans in progress	Jul-18	DIO

RP10 - Ineffective Management of Public Facilities / Venues / Events

Jan-18

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
- Animal / Pest Contamination.
- Illegal Alcohol Consumption
- Reliance on External Management of Facilities
- Managing Bond Payments
- Access to Facilities / Venues.

Key Controls	Type	Owner	Date	Rating
Booking / Permit System	Preventative	Comm Dev Officer	14/09/2017	Adequate
Inspection and Maintenance Program - Other Assets	Preventative	Asset Mgt Officer	14/09/2017	Inadequate
Community Feedback Process	Detective	Comm Eng Adv	14/09/2017	Adequate
Event Management / Risk Assessments / Emergency Procedures	Preventative	Comm Dev Officer	14/09/2017	Inadequate
Outsource Management at Key Recreational Reserve	Preventative	DCCS	14/09/2017	Inadequate
Operations Manuals	Preventative	DCCS	14/09/2017	Inadequate
Conditions of Entry to Public Facilities	Preventative	DCCS	14/09/2017	Adequate
Community Events Procedures on Public Land	Preventative	DCCS	14/09/2017	Adequate
Public Building Compliance	Preventative	DIO	14/09/2017	Inadequate
Alcohol Management	Preventative	DCCS	14/09/2017	Adequate
Noise Management	Preventative	DCCS	14/09/2017	Adequate
Asbestos Register	Preventative	Asset Mgt Officer	30/11/2017	Adequate
Removal of abandoned vehicles	Preventative	Reg Serv Mgr	10/04/2019	
Tree management plan	Preventative	Asset Mgt Officer	10/04/2019	
Playground inspection program	Preventative	Asset Mgt Officer	10/04/2019	
Budgets to Support Public Facilities	Preventative	CEO	14/09/2017	Inadequate

Overall Control Ratings: Inadequate

Risk Ratings	Rating
Consequence:	Moderate
Likelihood:	Possible

Overall Risk Ratings: Moderate

Key Indicators	Tolerance	Date	Overall Result
Overall community satisfaction from Annual Community Survey	>70%		
Number of community events			

Comments

As rated by Workshop Attendees - 14/9/2017 - Consequence rating referred to moderate people and reputational impacts. Noting that Council has less control of this risk on public lands through reserve management.

Current Issues / Actions / Treatments	Due Date	Responsibility
Formalise Public Places By-Law	Jun-19	DCCS
Review Reserve Management Leases and budget requirements	May-18	DCCS
Develop Inspection/Maintenance program	Jun-18	DIO
Undertake Tree Audit on Public Facilities	Jul-18	DCCS
Formalise Procedures, Documentation and Checklists for Core Operations - Corp and Comm Serv	Sep-18	DCCS

RP11 - Inadequate Records Management Processes

Jan-18

This Risk Theme is defined as:

Failure to adequately capture, store, archive, retrieve, provision and / or disposal of records and 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
- Staff Turnover / Loss of Corporate Knowledge
- Outdated Record Keeping Practices / Incompatible Systems
- Lack of System/Application Knowledge
- High Workloads and Time Pressures
- Incomplete Authorisation Trails

Key Controls	Type	Owner	Date	Rating
Central Record Systems (EDMS)	Preventative	Gov & Risk Adv	14/09/2017	Adequate
Records Management Committee	Preventative	Records Officer	14/09/2017	Adequate
Records Management Process	Preventative	Records Officer	14/09/2017	Adequate
Records Management Policy	Preventative	Records Officer	14/09/2017	Adequate
Document / Correspondence Receipt / Action Process	Preventative	DCCS	14/09/2017	Adequate
On and Off Site Records Storage	Preventative	Records Officer	14/09/2017	Adequate

Overall Control Ratings:	Adequate
--------------------------	----------

Risk Ratings	Rating
Consequence:	Moderate
Likelihood:	Possible

Overall Risk Ratings:	Moderate
-----------------------	----------

Key Indicators	Tolerance	Date	Overall Result
Incoming documents entered into records management system	<1day		
Staff using records management system	>80%		

Comments

As rated by Workshop Attendees - 14/9/2017 - Consequence rating referred to moderate compliance impacts

Current Issues / Actions / Treatments	Due Date	Responsibility

RP12 - Inadequate Project/Change Management

Jan-18

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

Potential causes include:

- Lack of Communication and Consultation
- Lack of Investment
- Ineffective Management of Expectations (Scope)
- Inadequate Project Planning (Resources/Budget)
- Lack of Project Methodology Knowledge and Reporting Requirements
- Inadequate Monitoring and Review
- Project Risks not Managed Effectively

Key Controls	Type	Owner	Date	Rating
Project Management Framework (Project Methodology)	Preventative	DIO	14/09/2017	Inadequate
Project Budget Tracking	Detective	Finance Mgr	14/09/2017	Adequate
New Initiative Reporting	Detective	DIRECTORS	14/09/2017	Adequate
Council Adoption of New Initiatives	Preventative	CEO	14/09/2017	Adequate
Community Engagement Strategy and Policy - Implementation of strategy over 4 years - ongoing from Feb 2018	Preventative	Comm Eng Adv	14/09/2017	Excellent
Project Status Reporting	Detective	DIRECTORS	14/09/2017	Adequate
Project Management Training	Preventative	HR Advisor	14/09/2017	Inadequate
Change Management Plan	Preventative	HR Advisor	14/09/2017	Inadequate

Overall Control Ratings: Inadequate

Risk Ratings	Rating
Consequence:	Major
Likelihood:	Possible

Overall Risk Ratings: High

Key Indicators	Tolerance	Date	Overall Result
% Variation in Time, Cost, Scope or Quality of Project Estimates and Actuals			

Comments

As rated by Workshop Attendees - 14/9/2017 - Consequence rating referred to major financial and reputational impacts

Current Issues / Actions / Treatments	Due Date	Responsibility
Establish Council Project Management Methodology	Jun-18	DIO
Provide Project Management Training Opportunities	Sep-18	HR Advisor

RP13 - Inadequate Engagement Practices

Jan-18

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.

Potential causes include:

- Budget / Funding Issues
- Media Attention
- Inadequate Documentation or Procedures
- Short Lead Times
- Miscommunication / Poor Communication (Internal / External)
- Relationship Breakdowns with Community Groups

Key Controls	Type	Owner	Date	Rating
Some Public Education Programs (Animal Management, Waste)	Preventative	Comm Eng Adv	14/09/2017	Adequate
Council Reports	Preventative	DIRECTORS	14/09/2017	Adequate
Community Engagement Strategy and Policy - Implementation of strategy over 4 years - ongoing from Feb 2018	Preventative	Comm Eng Adv	14/09/2017	Excellent
Media Policy	Preventative	Comm Eng Adv	14/09/2017	Adequate
Communications Plans within Project Plans/Events	Preventative	Comm Eng Adv	14/09/2017	Inadequate
Strategic Partner Lists	Preventative	Comm Eng Adv	14/09/2017	Adequate
Sponsorship Policy	Preventative	Comm Eng Adv	14/09/2017	Adequate
Councillor Bulletin	Preventative	Comm Eng Adv	14/09/2017	Adequate
Annual Rates Newsletters	Preventative	DCCS	14/09/2017	Adequate
Require Public Consultation prior to Granting Works Permit	Preventative	Plan & Dev Mgr	17/01/2019	Adequate
Pop Up Info and Consultation Stalls	Detective	Comm Eng Adv	14/09/2017	Adequate
Animal Management Strategy	Preventative	Reg Serv Mgr	10/04/2019	
Provision of economic and social data via Council website (id.consult)	Preventative	Comm Eng Adv	10/04/2019	
Community Grants Scheme	Preventative	Comm Dev Officer	10/04/2019	
Social Media/Website Updates	Preventative	Comm Eng Adv	14/09/2017	Adequate

Overall Control Ratings: Adequate

Risk Ratings	Rating
Consequence:	Moderate
Likelihood:	Unlikely

Overall Risk Ratings: Moderate

Key Indicators	Tolerance	Date	Overall Result
Overall community satisfaction from Annual Community Survey	>70%		
Media Response Timeframe	<24hrs		
Professional Development Program for Councillors	>2		
Freds Pass Show??	Booth visitors		
Community Education Programs	2		
Dog Awareness Education Program delivered to Primary Schools	>2 per year		

Comments

As rated by Workshop Attendees - 14/9/2017 - Consequence rating referred to reputational impacts

Current Issues / Actions / Treatments	Due Date	Responsibility
Standardised community information processes for Road Network	Dec-18	Mgr Inf & Assets

RP14 - Inadequate Procurement / Supplier / Contract Management

Jan-18

This Risk Theme is defined as:

Inadequate management of External Suppliers, Contractors, ICT Vendors or Consultants engaged for core operations and the associated procurement. This includes issues that arise from the ongoing supply of services or failures in contract management & monitoring processes.

Potential causes include:

- Funding
- Complexity and Quantity of Work
- Inadequate Tendering Process
- Historical Contracts
- Inadequate Contract Management Practices
- Ineffective Monitoring of Deliverables
- Lack of Planning and Clarity of Requirements

Key Controls	Type	Owner	Date	Rating
Contract Management System	Preventative	DIO	14/09/2017	Inadequate
Review Meetings (Major Contracts)	Detective	DIRECTORS	14/09/2017	Inadequate
Local Government Guidelines	Preventative	Gov & Risk Adv	14/09/2017	Adequate
Procurement Policies and Procedures	Preventative	Gov & Risk Adv	14/09/2017	Adequate
Suppliers and Contractors WHS Requirements	Preventative	HR Advisor	14/09/2017	Inadequate
Strategic Relationship Map	Preventative	CEO	14/09/2017	Inadequate

Overall Control Ratings: Inadequate

Risk Ratings	Rating
Consequence:	Major
Likelihood:	Possible

Overall Risk Ratings: High

Key Indicators	Tolerance	Date	Overall Result
Number of contracts expired prior to renewal			

Comments

As rated by Workshop Attendees - 14/9/2017 - Consequence rating referred to major financial impacts

Current Issues / Actions / Treatments	Due Date	Responsibility
Develop a contract management system	Jun-18	DIO

RP15 - Inadequate Asset Sustainability Practices

Jan-18

This Risk Theme is defined as:

Failure or reduction in service levels of infrastructure assets, plant, equipment or machinery. These include fleet, buildings, roads, playgrounds, and all other assets and their associated lifecycle from procurement to maintenance and ultimate disposal.

Areas included in the scope are:

- Inadequate design (not fit for purpose)
- Ineffective usage (down time)
- Outputs not meeting expectations
- Inadequate maintenance activities.
- Inadequate financial management and planning.

It does not include issues with the inappropriate use of the Plant, Equipment or Machinery. Refer Misconduct.

Potential causes include:

- Skill Level and Behaviour of Operators
- Lack of Trained Staff
- Outdated Equipment
- Unavailability of Information and/or Parts
- Lack of Formal or Appropriate Scheduling (Maintenance / Inspections)
- Unexpected Breakdowns

Key Controls	Type	Owner	Date	Rating
Asset Management System - Infrastructure	Preventative	Asset Mgt Officer	21/12/2018	Inadequate
Asset Management Plans	Preventative	Asset Mgt Officer	14/09/2017	Inadequate
Asset Management Steering Group	Preventative	Asset Mgt Officer	14/09/2017	Adequate
Asset Management System - Asset Register	Preventative	Finance Mgr	21/12/2018	Adequate
Asset Handover Procedures	Preventative	Plan & Dev Mgr	21/12/2018	Adequate
Future Trends Analysis	Preventative	DCCS	14/09/2017	Inadequate
Land Asset Optimisation Strategy	Preventative	DCCS	14/09/2017	Inadequate
Conditional Analysis	Detective	Asset Mgt Officer	14/09/2017	Inadequate
Asset Valuations	Preventative	Asset Mgt Officer	14/09/2017	Adequate
Asset Renewal Program	Preventative	Asset Mgt Officer	14/09/2017	Inadequate
Community Engagement - Service Levels	Detective	CEO	14/09/2017	Inadequate
Inspection and Maintenance Program - Roads	Detective	Mgr Inf & Assets	14/09/2017	Adequate
Inspection and Maintenance Program - Drainage	Preventative	Mgr Inf & Assets	10/04/2019	
Wet season road network management	Preventative	Mgr Inf & Assets	10/04/2019	
Capital Works Program	Preventative	Mgr Inf & Assets	10/04/2019	
Street Lighting Program	Preventative	Mgr Inf & Assets	10/04/2019	
Road Network, Road Reserve and Fire Break (Council land) slashing	Preventative	MWF Mgr	10/04/2019	
Inspection and Maintenance Program - Other Assets	Detective	Asset Mgt Officer	14/09/2017	Inadequate
Overall Control Ratings:				Inadequate

Risk Ratings	Rating
Consequence:	Major
Likelihood:	Possible

Overall Risk Ratings:	High
-----------------------	------

Key Indicators	Tolerance	Date	Overall Result
Asset sustainability ratio	90%		
Works (operating) program - as adopted, completed in agreed timeframes	>90%		
Works (capital) program - as adopted, completed in agreed timeframes	>90%		
Drainage / roads meet a condition rating of satisfactory or above	>75%		
Emergency works response mobilised	<48hrs		
Plant serviced within 3 days of service due date	100%		

Comments

As rated by Workshop Attendees - 14/9/2017 - Consequence rating referred to major financial and reputational impacts

Current Issues / Actions / Treatments	Due Date	Responsibility
Develop Asset Management Plan inc Asset costings to establish renewal program	Jul-18	Asset Mgt Officer
Develop Inspection/Maintenance program	Oct-18	DIO

RP16 - Ineffective HR Management / Employment Practices

Jan-18

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 H&S).
- Discrimination, Harassment & Bullying in the workplace.
- Poor employee wellbeing (causing stress)
- 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
- Available Staff / Volunteers
- Single Person Dependencies
- Poor Internal Communications / Relationships
- Ineffective Performance Management Programs or Procedures.
- Ineffective Training Programs or Procedures.
- Limited Employment Market Availability
- Inadequate Induction Practices.

Key Controls	Type	Owner	Date	Rating
HR Policy and Procedures	Preventative	HR Advisor	14/09/2017	Inadequate
Performance Development Plans and Training Register	Detective	HR Advisor	14/09/2017	Adequate
Workforce Plan	Preventative	HR Advisor	14/09/2017	Inadequate
Staff Inductions (Code of Conduct Component)	Preventative	HR Advisor	14/09/2017	Adequate
Staff Surveys	Detective	HR Advisor	14/09/2017	Adequate
Recruitment Process	Preventative	HR Advisor	14/09/2017	Excellent
Corporate Training Plan	Preventative	HR Advisor	14/09/2017	Adequate
Training Budget	Preventative	CEO	14/09/2017	Adequate
Implement people and culture program	Preventative	HR Advisor	12/02/2018	Adequate
Litchfield Council Enterprise agreement	Preventative	HR Advisor	10/04/2019	
Regular Staff Meetings	Preventative	CEO	14/09/2017	Adequate

Overall Control Ratings: Adequate

Risk Ratings	Rating
Consequence:	Major
Likelihood:	Unlikely

Overall Risk Ratings: Moderate

Key Indicators	Tolerance	Date	Overall Result
Staff turnover rate	<20%		
Organisational development initiatives	3		
Professional development training for each staff member	<1		

Comments

As rated by Workshop Attendees - 14/9/2017 - Consequence rating referred to service interruption, people and financial impacts

Current Issues / Actions / Treatments	Due Date	Responsibility
Develop Corporate Training Program	Oct-18	HR Advisor
Implement Reward and Recognition Program	Oct-18	HR Advisor

9. Other Business

10. Confidential Items

Pursuant to Section 65 (2) of the Local Government Act and Regulation 8 of the Local Government (Administration) regulations the meeting be closed to the public to consider the following Confidential Items:

10.1 Thorak Regional Cemetery – Cash Management Audit

Regulation 8(a) – information about the employment of a particular individual as a member of the staff or possible member of the staff of the council that could, if publicly disclosed, cause prejudice to the individual.

10.2 Final Internal Audit Payroll Report and Management Response

Regulation 8(a) – information about the employment of a particular individual as a member of the staff or possible member of the staff of the council that could, if publicly disclosed, cause prejudice to the individual.

11 Close of Meeting